

**CITY OF SHELBY  
NORTH CAROLINA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2023**

**PREPARED BY:**

**CITY OF SHELBY FINANCE DEPARTMENT**



**CITY OF SHELBY, NORTH CAROLINA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR YEAR ENDED JUNE 30, 2023**

**TABLE OF CONTENTS**

| <u>Exhibit</u> |   | <u>Page</u> |
|----------------|---|-------------|
|                | <b>Introductory Section</b>   |             |
|                | Letter of Transmittal   | i-vi        |
|                | GFOA Certificate of Achievement for<br>Excellence in Financial Reporting  | vii         |
|                | List of Principal Officials   | viii        |
|                | Organizational Chart  | ix          |
|                | <b>Financial Section</b>  |             |
|                | <b>Independent Auditor's Report</b>   | 1-4         |
|                | <b>Management's Discussion and Analysis</b>   | 5-17        |
|                | <b>Basic Financial Statements:</b>  |             |
| A              | Statement of Net Position   | 18-19       |
| B              | Statement of Activities   | 20-21       |
| C              | Balance Sheet - Governmental Funds  | 22-23       |
| D              | Statement of Revenues, Expenditures, and Changes<br>in Fund Balances - Governmental Funds   | 24          |
| E              | Reconciliation of the Statement of Revenues, Expenditures,<br>and Changes in Fund Balances - Governmental Funds to<br>the Statement of Activities | 25          |
| F              | General Fund - Statement of Revenues, Expenditures,<br>and Changes In Fund Balance - Budget and Actual  | 26          |
| G              | Statement of Net Position - Proprietary Funds   | 27-28       |
| H              | Statement of Revenues, Expenses, and Changes In<br>Fund Net Position - Proprietary Funds  | 29          |
| I              | Statement of Cash Flows - Proprietary Funds   | 30-31       |
|                | <b>Notes to the Financial Statements</b>  | 32-87       |

**CITY OF SHELBY, NORTH CAROLINA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR YEAR ENDED JUNE 30, 2023**

**TABLE OF CONTENTS**

| <u>Schedule</u> |  | <u>Page</u> |
|-----------------|--|-------------|
|                 | <b>Required Supplementary Information:</b>   |             |
| A-1             | Total OPEB Liability - Schedule of Changes in Total OPEB Liability and Related Ratios - Required Supplementary Information - Last Six Fiscal Years                 | 88-89       |
| A-2             | Local Governmental Employees' Retirement System - Proportionate Share of Net Pension Liability (Asset) Required Supplementary Information - Last Ten Fiscal Years  | 90-91       |
| A-3             | Local Governmental Employees' Retirement System - Contributions Required Supplementary Information - Last Ten Fiscal Years   | 92-93       |
| A-4             | Law Enforcement Officers' Special Separation Allowance - Schedule of Changes in Total Pension Liability (LEO) Last Seven Fiscal Years                              | 94-95       |
| A-5             | Law Enforcement Officers' Special Separation Allowance - Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll - Last Seven Fiscal Years | 96-97       |
|                 | <b>General Fund:</b>   |             |
| B-1             | Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  | 98-100      |
|                 | <b>Major Governmental Funds:</b>   |             |
| C-1             | American Rescue Plan - Major Special Revenue Fund - Schedule of Revenues and Expenditures - Budget and Actual  | 101         |
| C-2             | Economic Development Project - Major Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual   | 102         |
|                 | <b>Nonmajor Governmental Funds:</b>  |             |
| D-1             | Combining Balance Sheet  | 103         |
| D-2             | Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  | 104         |
|                 | <b>Nonmajor Special Revenue Funds:</b>   |             |
| E-1             | Combining Balance Sheet  | 105         |

**CITY OF SHELBY, NORTH CAROLINA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR YEAR ENDED JUNE 30, 2023**

**TABLE OF CONTENTS**

| <u>Schedule</u> |  | <u>Page</u> |
|-----------------|--|-------------|
|                 | <b>Nonmajor Special Revenue Funds (continued):</b>   |             |
| E-2             | Combining Statement of Revenues, Expenditures,<br>and Changes in Fund Balances   | 106         |
| E-3             | Emergency Telephone System Fund -<br>Schedule of Revenues, Expenditures, and Changes<br>in Fund Balance - Budget and Actual              | 107         |
| E-4             | Economic Development Commission Fund -<br>Schedule of Revenues, Expenditures, and Changes<br>in Fund Balance - Budget and Actual         | 108         |
|                 | <b>Nonmajor Capital Project Funds:</b>   |             |
| F-1             | Combining Balance Sheet  | 109         |
| F-2             | Combining Statement of Revenues, Expenditures, and Changes<br>in Fund Balances   | 110         |
| F-3             | Capital Projects Fund - Nonmajor Capital Projects Fund -<br>Schedule of Revenues and Expenditures - Budget and Actual                    | 111         |
| F-4             | Economic Development Reserve - Nonmajor Capital Projects Fund -<br>Schedule of Revenues and Expenditures - Budget and Actual             | 112         |
|                 | <b>Nonmajor Permanent Funds:</b>   |             |
| G-1             | Combining Balance Sheet  | 113         |
| G-2             | Combining Statement of Revenues, Expenditures, and<br>Changes in Fund Balances   | 114         |
|                 | <b>Proprietary Funds - Enterprise Funds:</b>   |             |
| H-1             | Water Fund - Schedule of Revenues and Expenditures -<br>Budget and Actual (Non-GAAP)   | 115-116     |
| H-2             | Water Capital Projects Fund -<br>Schedule of Revenues, Expenditures and Other Financing<br>Sources (Uses) - Budget and Actual (Non-GAAP) | 117         |
| H-3             | Sewer Fund - Schedule of Revenues and Expenditures -<br>Budget and Actual (Non-GAAP)   | 118-119     |

**CITY OF SHELBY, NORTH CAROLINA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR YEAR ENDED JUNE 30, 2023**

**TABLE OF CONTENTS**

| <u>Schedule</u> |  | <u>Page</u> |
|-----------------|--|-------------|
|                 | <b>Proprietary Funds - Enterprise Funds (continued):</b>   |             |
| H-4             | Sewer Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)       | 120         |
| H-5             | Electric Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)                     | 121-122     |
| H-6             | Electric Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)    | 123         |
| H-7             | Gas Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)                          | 124-125     |
| H-8             | Gas Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)         | 126         |
| H-9             | Combining Statement of Net Position - Nonmajor Enterprise Funds  | 127         |
| H-10            | Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Nonmajor Enterprise Funds  | 128         |
| H-11            | Combining Statement of Cash Flows - Nonmajor Enterprise Funds  | 129-130     |
| H-12            | Enterprise Fund - Stormwater Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) | 131-132     |
| H-13            | Housing Assistance Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)           | 133-134     |
|                 | <b>Other Supplemental Information:</b>   |             |
| I-1             | Schedule of Ad Valorem Taxes Receivable  | 135         |
| I-2             | Analysis of Current Year Tax Levy - All Districts  | 136         |
| I-3             | Analysis of Current Year Tax Levy - City-Wide Levy   | 137         |

**CITY OF SHELBY, NORTH CAROLINA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR YEAR ENDED JUNE 30, 2023**

**TABLE OF CONTENTS**

| <u>Schedule</u>                    |  | <u>Page</u> |
|------------------------------------|--|-------------|
|                                    | <b>Other Supplemental Information (continued):</b>                     |             |
| I-4                                | Analysis of Current Year Tax Levy -<br>Municipal Service District Levy | 138         |
| J-1                                | Financial Data Schedule - Balance Sheet                                | 139         |
| J-2                                | Financial Data Schedule - Revenues and Expenses                        | 140         |
| J-3                                | Schedule of Program Costs - Completed                                  | 141-142     |
| <br><b>Statistical Section</b><br> |  |             |
|                                    | Net Position by Component  | 143-144     |
|                                    | Changes in Net Position by Component                                   | 145-150     |
|                                    | Fund Balances of Governmental Funds                                    | 151-152     |
|                                    | Changes in Fund Balances of Governmental Funds                         | 153-154     |
|                                    | General Government Tax Revenues by Source                              | 155-156     |
|                                    | Assessed Value and Actual Value of Taxable Property                    | 157         |
|                                    | Property Tax Rates - Direct and Overlapping Governments                | 158         |
|                                    | Principal Property Taxpayers   | 159         |
|                                    | Property Tax Levies and Collections                                    | 160         |
|                                    | Ratios of Outstanding Debt by Type                                     | 161-162     |
|                                    | Ratios of General Bonded Debt Outstanding                              | 163         |
|                                    | Direct and Overlapping Governmental Activities Debt                    | 164         |
|                                    | Legal Debt Margin Information  | 165         |
|                                    | Computation of Legal Debt Margin                                       | 166         |
|                                    | Pledged Revenue Coverage   | 167         |
|                                    | Demographic and Economic Statistics                                    | 168         |
|                                    | Principal Employers  | 169         |
|                                    | Full-Time Equivalent City Government Employees by Function             | 170-171     |
|                                    | Operating Indicators by Functions                                      | 172-173     |
|                                    | Capital Asset Statistics by Function                                   | 174-175     |

**CITY OF SHELBY, NORTH CAROLINA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR YEAR ENDED JUNE 30, 2023**

**TABLE OF CONTENTS**

| <b>Compliance Section</b>   | <b><u>Page</u></b> |
|---|--------------------|
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 176-177            |
| 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                   | 178-180            |
| Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by Uniform Guidance and the State Single Audit Implementation Act                         | 181-183            |
| Schedule of Findings and Questioned Costs   | 184-185            |
| Schedule of Prior Year Audit Findings   | 186                |
| Schedule of Expenditures of Federal and State Awards  | 187                |





# INTRODUCTORY SECTION





November 9, 2023

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, 2023.

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, 2023, 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, 2023, 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 the 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 first governor of Kentucky. The City has a population of approximately 22,000 and presently covers a land area of 24 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 November 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, building inspections, 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 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 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. The City has begun developing other

industrial areas to attract even more industrial expansion. The City currently owns approximately 120 acres which is actively marketed to private sector industrial clients.

Clearwater Paper Corporation, a company that manufactures private brand paper products, has approximately 2,000,000 square feet in facilities, investing over \$700 million in net new investment since 2012. Clearwater Paper Corporation previously employed approximately 264 employees and has added another 180 through expansion. Clearwater Paper Corporation has been annexed into the City and is being served by City utilities.

Greenheck Fan Corporation, a machining manufacturer of air movement and control equipment, has expanded its manufacturing facilities in Shelby, North Carolina. The company has invested 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, purchased the third of the City's Job-Ready shell buildings in August 2021. The company has invested \$21 million in the new operations and will eventually 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. Residential growth through the development of new subdivisions and infill development of previously unused land is adding to the City's economic activity.

**Long-term financial planning.** The City of Shelby completed a Strategic Growth Plan in FY 2005 which was 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 current plan will be replaced by the close of 2024.

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 provides 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 additions or renovations of park and recreational facilities as well as recommendations 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. Since the adoption of this

plan, the City has opened a new \$7.7 million park and soccer complex (Hanna Park) and has just completed a segment of the Carolina Harmony Trail which will eventually extend up to 11 miles.

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. The plan was updated in 2023 for FY 2024 and will be updated again in FY 2024 for the 2025 Fiscal Year.

**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 Affordable Housing Fund is a Special Revenue fund within the Governmental Funds that is not annually budgeted. This fund will be budgeted when the purpose for these funds are more narrowly defined. All other non-capital Governmental Funds, both major and non-major, have annually appropriated budgets. 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 2024**

2021 was a tax revaluation year for the City of Shelby. The City tax rate remains assessed at 51.75 cents per one hundred dollars of valuation for FY 2024. Budgeted expenditures in the

Governmental activities are expected to be \$34,764,753 in FY 2024 – a 15% increase from FY 2023 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 public safety vehicles, fueling station pumps and a garbage truck which will be financed over a period of 59 months. Sanitation rates were increased based on the March, 2023 CPI – a 5.3% increase.

The City's water and sewer rates will increase by 4% for FY 2024 primarily to cover increased costs of operations and infrastructure maintenance. The residential electric basic facilities charges were increased by \$3 per month paired with an energy cost reduction of 12% in FY 2024. 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 2024. This budget includes the purchase of various pieces of equipment such as an electric bucket truck, a gas line welding truck and an excavator which will be financed over a period of 59 months. Expenditures in the Business-Type activities are expected to be 3% higher in FY 2024 than FY 2023 due primarily to compensation related expenses.

### **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, 2022. This was the twenty-fifth 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, 2022

*Christopher P. Morill*

Executive Director/CEO

---

City of Shelby, North Carolina

List of Principal Officials

June 30, 2023

---

*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*

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*

Brad Fraser - Interim  
*Police Chief*

Charles K. Holtzclaw  
*Director of Parks & Recreation*

Scott Black  
*Director of Public Works*

William P. Hunt  
*Fire Chief*

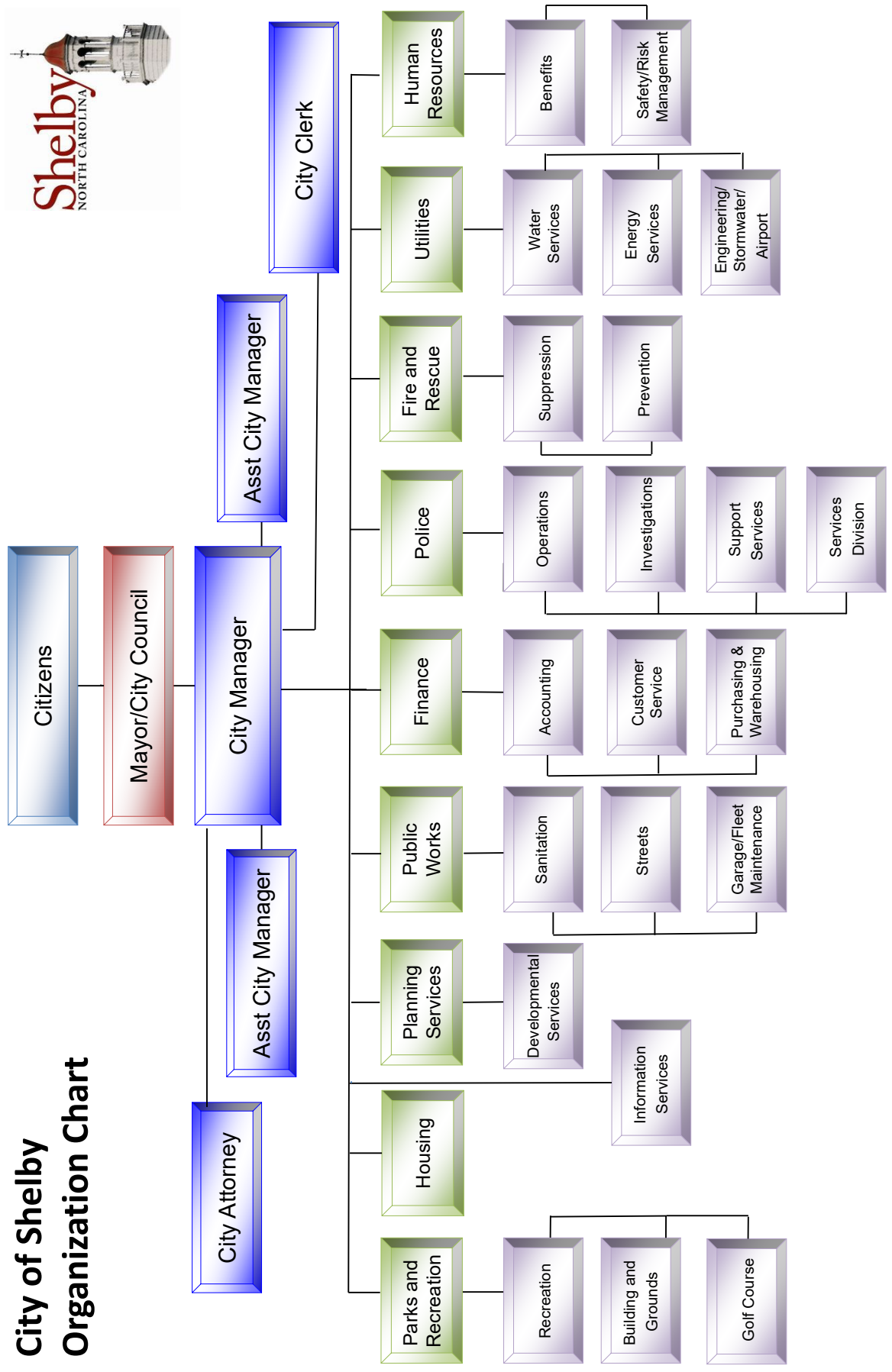
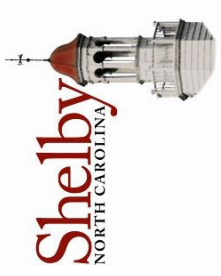
Bryan T. Howell  
*Director of Housing*

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

Vacant  
*City Attorney*

Vacant  
*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, 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, 2023, 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, 2023, 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, which represents 100%, respectively, of the assets, net position, and revenues of the discretely presented component units as of June 30, 2023. 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*.

### ***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 November 9, 2023, 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  
November 9, 2023

## 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, 2023. 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

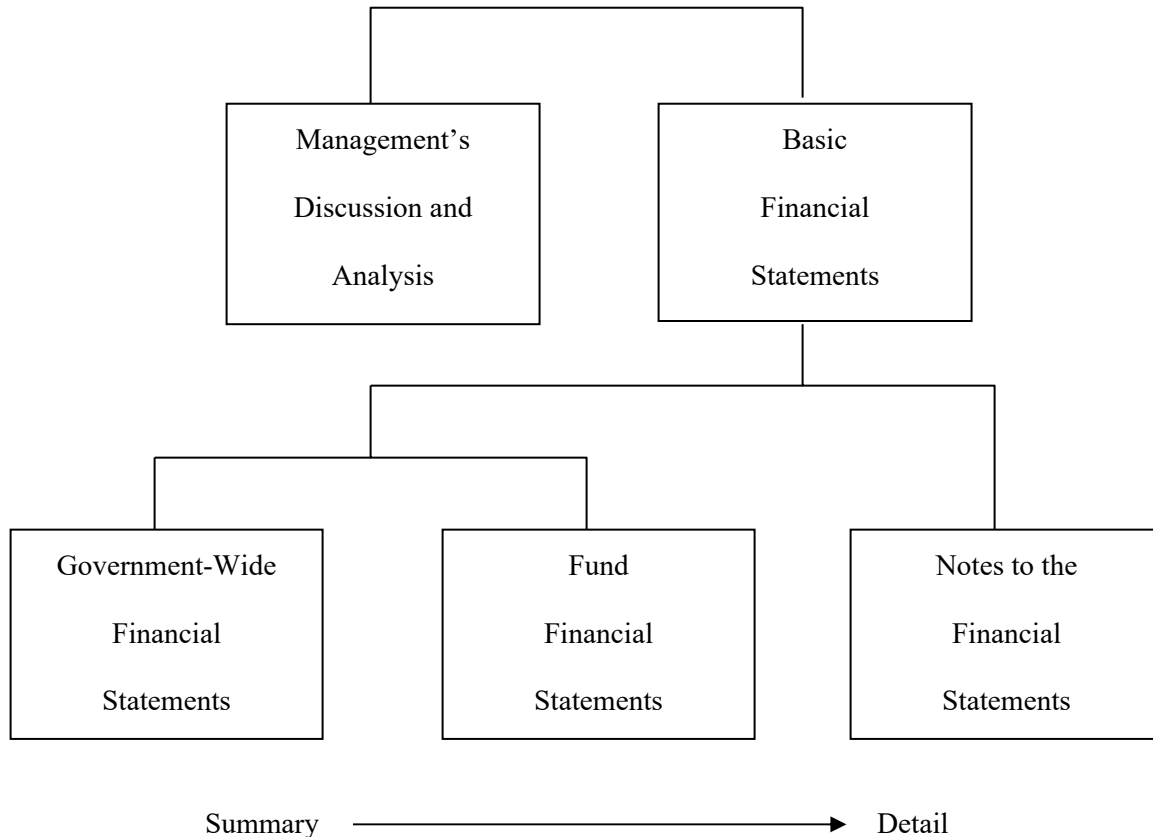
- The assets and deferred outflows of resources of the City of Shelby exceed its liabilities and deferred inflows of resources at the close of the fiscal year by \$224,208,286 (*net position*).
- The government's total net position increased by \$15,089,238, due to an increase of \$7,314,335 in governmental activities' net position and an increase of \$7,774,903 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 \$33,685,345, with a net increase in fund balance of \$5,326,972. Approximately 42.21 percent of this total amount, or \$14,217,633, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$14,345,506, or 39.62 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 ten 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 and Economic Development Project Fund are also considered major funds and are 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>2023</u>                    | <u>2022</u>          | <u>2023</u>                     | <u>2022</u>           | <u>2023</u>           | <u>2022</u>           |
| <b>Assets:</b>                        |                                |                      |                                 |                       |                       |                       |
| Current/other assets                  | \$ 37,941,277                  | \$ 35,862,087        | \$ 44,441,488                   | \$ 42,522,077         | \$ 82,382,765         | \$ 78,384,164         |
| Capital assets                        | <u>73,990,056</u>              | <u>65,527,087</u>    | <u>180,422,377</u>              | <u>180,360,095</u>    | <u>254,412,433</u>    | <u>245,887,182</u>    |
| Total assets                          | <u>111,931,333</u>             | <u>101,389,174</u>   | <u>224,863,865</u>              | <u>222,882,172</u>    | <u>336,795,198</u>    | <u>324,271,346</u>    |
| <b>Deferred Outflows of Resources</b> |                                |                      |                                 |                       |                       |                       |
|                                       | <u>10,283,455</u>              | <u>8,782,586</u>     | <u>3,038,679</u>                | <u>2,554,455</u>      | <u>13,322,134</u>     | <u>11,337,041</u>     |
| <b>Liabilities:</b>                   |                                |                      |                                 |                       |                       |                       |
| Long-term liabilities                 | 44,530,440                     | 36,455,908           | 60,211,428                      | 63,929,344            | 104,741,868           | 100,385,252           |
| Other liabilities                     | <u>7,466,420</u>               | <u>9,207,161</u>     | <u>9,061,176</u>                | <u>10,044,636</u>     | <u>16,527,596</u>     | <u>19,251,797</u>     |
| Total liabilities                     | <u>51,996,860</u>              | <u>45,663,069</u>    | <u>69,272,604</u>               | <u>73,973,980</u>     | <u>121,269,464</u>    | <u>119,637,049</u>    |
| <b>Deferred Inflows of Resources</b>  |                                |                      |                                 |                       |                       |                       |
|                                       | <u>3,683,493</u>               | <u>5,288,591</u>     | <u>956,089</u>                  | <u>1,563,699</u>      | <u>4,639,582</u>      | <u>6,852,290</u>      |
| <b>Net Position:</b>                  |                                |                      |                                 |                       |                       |                       |
| Net investment in capital assets      | 60,394,574                     | 58,692,544           | 122,213,118                     | 117,355,043           | 182,607,692           | 176,047,587           |
| Restricted                            | 7,950,511                      | 8,920,184            | -                               | -                     | 7,950,511             | 8,920,184             |
| Unrestricted                          | <u>(1,810,650)</u>             | <u>(8,392,628)</u>   | <u>35,460,733</u>               | <u>32,543,905</u>     | <u>33,650,083</u>     | <u>24,151,277</u>     |
| Total net position                    | <u>\$ 66,534,435</u>           | <u>\$ 59,220,100</u> | <u>\$ 157,673,851</u>           | <u>\$ 149,898,948</u> | <u>\$ 224,208,286</u> | <u>\$ 209,119,048</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 \$224,208,286 as of June 30, 2023. The City's net position increased by \$15,089,238 for the fiscal year ended June 30, 2023. 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, \$7,950,511, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$33,650,083 is unrestricted.

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

- Property tax collection rate remained stable with a current year collection rate of 97.67%, as compared with 98.83% in the previous year.
- Increase in sales tax collections contributed to increased revenues in the current year.
- Increase in charges for services and grants and contributions increased revenues in the current year.
- The Clearwater Paper Corporation S2 operations continued to positively influence the net position.
- 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>2023</u>                    | <u>2022</u>          | <u>2023</u>                     | <u>2022</u>           | <u>2023</u>           | <u>2022</u>           |
| <b>Revenues:</b>                        |                                |                      |                                 |                       |                       |                       |
| Program revenues:                       |                                |                      |                                 |                       |                       |                       |
| Charges for services                    | \$ 4,057,062                   | \$ 3,367,789         | \$ 65,621,727                   | \$ 64,202,170         | \$ 69,678,789         | \$ 67,569,959         |
| Operating grants and contributions      | 8,229,017                      | 1,938,770            | 554,269                         | 725,886               | 8,783,286             | 2,664,656             |
| Capital grants and contributions        | 5,282,180                      | 1,794,576            | 1,690,274                       | 383,908               | 6,972,454             | 2,178,484             |
| General revenues:                       |                                |                      |                                 |                       |                       |                       |
| Property taxes                          | 14,314,650                     | 13,937,349           | -                               | -                     | 14,314,650            | 13,937,349            |
| Other taxes                             | 9,435,871                      | 8,590,907            | -                               | -                     | 9,435,871             | 8,590,907             |
| Gain (loss) on sale of assets           | 14,844                         | 3,774,988            | 63,943                          | -                     | 78,787                | 3,774,988             |
| Investment earnings                     | 1,418,763                      | 55,907               | 279,064                         | 13,223                | 1,697,827             | 69,130                |
| Total revenues                          | <u>42,752,387</u>              | <u>33,460,286</u>    | <u>68,209,277</u>               | <u>65,325,187</u>     | <u>110,961,664</u>    | <u>98,785,473</u>     |
| <b>Expenses:</b>                        |                                |                      |                                 |                       |                       |                       |
| General government                      | 4,855,243                      | 3,986,284            | -                               | -                     | 4,855,243             | 3,986,284             |
| Public safety                           | 16,271,855                     | 13,907,859           | -                               | -                     | 16,271,855            | 13,907,859            |
| Transportation                          | 3,124,904                      | 4,772,158            | -                               | -                     | 3,124,904             | 4,772,158             |
| Environmental protection                | 2,156,143                      | 1,871,038            | -                               | -                     | 2,156,143             | 1,871,038             |
| Cultural and recreational               | 3,258,500                      | 3,325,160            | -                               | -                     | 3,258,500             | 3,325,160             |
| Housing and redevelopment               | 7,730,941                      | 1,488,920            | -                               | -                     | 7,730,941             | 1,488,920             |
| Interest on long-term debt              | 487,439                        | 243,713              | -                               | -                     | 487,439               | 243,713               |
| Water                                   | -                              | -                    | 5,842,006                       | 4,971,595             | 5,842,006             | 4,971,595             |
| Sewer                                   | -                              | -                    | 6,096,316                       | 5,271,286             | 6,096,316             | 5,271,286             |
| Electric                                | -                              | -                    | 17,815,818                      | 19,077,607            | 17,815,818            | 19,077,607            |
| Gas                                     | -                              | -                    | 25,416,690                      | 21,769,529            | 25,416,690            | 21,769,529            |
| Stormwater                              | -                              | -                    | 1,011,970                       | 718,947               | 1,011,970             | 718,947               |
| Housing assistance                      | -                              | -                    | 1,804,601                       | 1,363,429             | 1,804,601             | 1,363,429             |
| Total expenses                          | <u>37,885,025</u>              | <u>29,595,132</u>    | <u>57,987,401</u>               | <u>53,172,393</u>     | <u>95,872,426</u>     | <u>82,767,525</u>     |
| Change in net position before transfers | 4,867,362                      | 3,865,154            | 10,221,876                      | 12,152,794            | 15,089,238            | 16,017,948            |
| Transfers in (out)                      | <u>2,446,973</u>               | <u>3,472,936</u>     | <u>(2,446,973)</u>              | <u>(3,472,936)</u>    | <u>-</u>              | <u>-</u>              |
| Change in net position                  | 7,314,335                      | 7,338,090            | 7,774,903                       | 8,679,858             | 15,089,238            | 16,017,948            |
| <b>Net Position:</b>                    |                                |                      |                                 |                       |                       |                       |
| Beginning of year - July 1              | <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>    |
| End of year -June 30                    | <u>\$ 66,534,435</u>           | <u>\$ 59,220,100</u> | <u>\$ 157,673,851</u>           | <u>\$ 149,898,948</u> | <u>\$ 224,208,286</u> | <u>\$ 209,119,048</u> |

**Governmental Activities.** Governmental activities increased the City’s net position by \$7,314,335. Key elements of this increase are as follows:

- Increase in property tax levy of around \$400,000 contributed to an overall increase in revenues in the current year; and
- Increase in sales tax collections of around \$710,000 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 \$188,000; and
- General Fund financing increased a little over \$402,000 due in large part to a new public safety 800mHz handheld radios; and
- Unprecedented citizen purchasing which helped to bolster the sales & use tax receipts; and
- Recognition of American Rescue Plan funds of \$5,684,015.

**Business-Type Activities.** Business-type activities increased the City of Shelby’s net position by \$7,774,903. Key elements of this increase are as follows:

- Increase in water rates resulted in approximately \$191,000 in additional revenue; and
- Recognition of American Rescue Plan funds of \$899,477 for water and sewer projects; and
- Inflows of cash, primarily through increased revenues from water, sewer and electric sales to customers. Clearwater Paper Corporation S2 was operational for the fourth full year and continues 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 \$17,022,963, while total fund balance reached \$22,487,200. 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 47.02% of total General Fund expenditures and transfers to other funds, while total fund balance represents 62.11% of that same amount.

At June 30, 2023, the governmental funds of the City of Shelby reported a combined fund balance of \$33,685,345, an increase of \$5,326,972 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 recognition of American Rescue Plan funds. Revenue from sales tax has experienced an upward trend from FY 2021 and continued through FY 2023.

The American Rescue Plan Act fund of the City of Shelby transferred the revenue to the General Fund, Water Fund, and Sewer Fund for revenue replacement during FY 2023 for salaries and benefits in those funds. The General Fund plans to use the funds that were freed up by the use of ARPA funds for salaries and benefits for renovation and repair of the city owned building located at 311 S. Lafayette Street. As of June 30, 2023, all ARPA funds have been expended by the City.

The Economic Development Project Fund accounts for projects such as the construction of the City's fourth Shell Building and the City's Rail Trail. The City received \$2,000,000 in NC SCIF grant funding for the construction of Phase 1 of the City's Rail Trail.

**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 \$10,698,000 (36% of original General Fund budget,) of which a large part was proceeds from financing, transfer from ARPA fund and recognition of additional sales & use tax revenue. 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 \$5,670,858; the Sewer Fund was \$6,605,693; the Electric Fund was \$13,375,341; and the Gas Fund was \$6,516,734. 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 rates and system expansion along with the receipt of American Rescue Plan funds.

### **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, 2023 totaled \$254,412,433 (net of accumulated depreciation). These assets include buildings, land, improvements, equipment, and right to use assets.

Major capital asset transactions during the year include:

- Construction in Progress of the Rail Trail of \$978,308
- Construction in Progress of City Park Pool Renovation of \$2,402,535
- Construction in Progress of TAMP Resurfacing of \$2,604,085
- Construction in Progress of City Hall Roof Replacement of \$308,525
- Construction in Progress of the 24" Cross-town Waterline of \$328,252
- Construction in Progress of ARP Waterline Projects of \$303,929
- Construction in Progress of ARP Water Plant Projects of \$222,166
- Construction in Progress of Water Planning of \$34,787
- Construction in Progress of Randolph Road Industrial Park sewer of \$1,130,892

- Construction in Progress of Hickory Creek Sewer \$93,715
- Construction in Progress of ARP Sewerline Projects \$297,788
- Construction in Progress of Wastewater Planning of \$152,634
- Construction in Progress of Electric Substation 10 Additions of \$119,831
- Construction in Progress of Highway 74 D&E gas line relocation of \$15,172

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

|   | <u>Governmental Activities</u> |                      | <u>Business-Type Activities</u> |                       | <u>Total</u>          |                       |
|---|--------------------------------|----------------------|---------------------------------|-----------------------|-----------------------|-----------------------|
|   | <u>2023</u>                    | <u>2022</u>          | <u>2023</u>                     | <u>2022</u>           | <u>2023</u>           | <u>2022</u>           |
| Land  | \$ 7,751,776                   | \$ 7,647,902         | \$ 6,809,094                    | \$ 6,809,094          | \$ 14,560,870         | \$ 14,456,996         |
| Buildings and systems                           | 23,827,856                     | 17,818,550           | 251,192,385                     | 248,441,002           | 275,020,241           | 266,259,552           |
| Improvements other than buildings               | 31,352,716                     | 27,921,059           | 2,112,178                       | 1,728,270             | 33,464,894            | 29,649,329            |
| Machinery and equipment                         | 11,900,110                     | 10,526,573           | 5,931,039                       | 7,182,540             | 17,831,149            | 17,709,113            |
| Infrastructure                                  | 17,235,718                     | 17,185,805           | -                               | -                     | 17,235,718            | 17,185,805            |
| Vehicles and motorized equipment                | 8,963,923                      | 9,231,092            | 3,869,621                       | 4,333,187             | 12,833,544            | 13,564,279            |
| Leased equipment and vehicles                   | 1,123,259                      | 271,023              | 6,534                           | 6,534                 | 1,129,793             | 277,557               |
| Subscriptions                                   | 195,453                        | -                    | 3,777                           | -                     | 199,230               | -                     |
| Construction in progress                        | 7,398,556                      | 11,841,370           | 3,322,587                       | 759,361               | 10,721,143            | 12,600,731            |
| Subtotal  | 109,749,367                    | 102,443,374          | 273,247,215                     | 269,259,988           | 382,996,582           | 371,703,362           |
| Less: accumulated depreciation and amortization | (35,759,311)                   | (36,763,854)         | (92,824,838)                    | (88,895,851)          | (128,584,149)         | (125,659,705)         |
| Capital assets, net                             | <u>\$ 73,990,056</u>           | <u>\$ 65,679,520</u> | <u>\$ 180,422,377</u>           | <u>\$ 180,364,137</u> | <u>\$ 254,412,433</u> | <u>\$ 246,043,657</u> |

Additional information on the City's capital assets can be found in Note 2.A. of the basic financial statements located on pages 48-55.

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

|                                     | <u>Governmental Activities</u> |                      | <u>Business-Type Activities</u> |                      | <u>Total</u>          |                       |
|-------------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|-----------------------|-----------------------|
|                                     | <u>2023</u>                    | <u>2022</u>          | <u>2023</u>                     | <u>2022</u>          | <u>2023</u>           | <u>2022</u>           |
| Direct placement & direct borrowing |                                |                      |                                 |                      |                       |                       |
| installment purchase notes          | \$ 12,537,486                  | \$ 8,165,251         | \$ 48,710,326                   | \$ 51,721,943        | \$ 61,247,812         | \$ 59,887,194         |
| General obligation bonds            | 5,600,000                      | 6,000,000            | -                               | -                    | 5,600,000             | 6,000,000             |
| Leases and subscriptions            | 1,126,436                      | 152,878              | 2,293                           | 4,020                | 1,128,729             | 156,898               |
| Revenue bonds                       | -                              | -                    | 9,746,019                       | 11,574,072           | 9,746,019             | 11,574,072            |
| Net pension liability-LGERS         | 9,232,503                      | 2,617,708            | 2,734,658                       | 758,810              | 11,967,161            | 3,376,518             |
| Total pension liability-LEOSSA      | 3,553,959                      | 4,069,189            | -                               | -                    | 3,553,959             | 4,069,189             |
| Compensated absences                | 1,355,427                      | 1,143,927            | 317,350                         | 310,903              | 1,672,777             | 1,454,830             |
| Other post-employment benefits      | 14,856,561                     | 16,560,523           | 4,610,959                       | 5,119,935            | 19,467,520            | 21,680,458            |
| Total                               | <u>\$ 48,262,372</u>           | <u>\$ 38,709,476</u> | <u>\$ 66,121,605</u>            | <u>\$ 69,489,683</u> | <u>\$ 114,383,977</u> | <u>\$ 108,199,159</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 \$143,000,000.

Additional information regarding the City of Shelby's long-term debt can be found in Note 2.B. on pages 56-68 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 3.4% in June 2022 to 3.3% in June 2023. Cleveland County's numbers changed from 4.4% in June 2022 to 3.6% in June 2023.
- Maco, Inc. received a \$160,000 NC Rural Infrastructure Authority grant to support the expansion of 7,800 square feet of building space and new equipment to help automate production. Maco, Inc. is a family-owned company that opened in 1979 and is a steel fabricating company which does welding, machining and industrial and structural steel manufacturing. Maco has 58 employees and plans to add 20 new jobs over the next 2 years. This expansion equals a new investment of \$485,093 over 3 years.
- Safety Test & Equipment received a \$175,000 NC Rural Infrastructure Authority grant to support the expansion of 11,200 square feet of building space and purchase new equipment. SafetyTest produces safety equipment used by line workers, electricians, and related equipment to stock repair trucks. The company will create 23 new jobs while investing \$516,774.
- Greenheck Fan Corporation, a machining manufacturer of air movement and control equipment, is continuing 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. Ames continues to add jobs in Shelby.
- The City of Shelby completed and sold its third Job-Ready Shell building 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. Steffes continues to create new jobs.
- The City of Shelby has seen an increase in residential building and renovation/addition permit requests.
- The City of Shelby completed the building process of its fourth Job-Ready Shell building. Located on Randolph Road, this is a 108,500 square foot industrial building with the ability to be expanded to 256,500 square feet. Efforts to market the building began in FY 2022 and will continue through FY 2024.

## Budget Highlights for the Fiscal Year Ending June 30, 2024

**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 2024. Budgeted expenditures in the Governmental activities are expected to be \$34,764,753 in FY 2024 – a 15% increase from FY 2023 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, fueling station pumps and a garbage truck which will be financed over a period of 59 months. The budget also includes a Ladder Fire Apparatus which will be financed over 10 years. Sanitation rates were increased based on the March, 2023 Southeast CPI – a 5.3% increase.

**Business-Type Activities.** The City's water and sewer rates will increase by 4% for FY 2024 primarily to cover increased costs of operations and infrastructure maintenance. The residential electric basic facilities charges were increased by \$3 per month along with an energy cost reduction of 12% in FY 2024. 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 2024. This budget includes the purchase of various pieces of equipment such as an electric bucket truck, a gas line welding truck and an excavator which will be financed over a period of 59 months. Expenditures in the Business-Type activities are expected to be 3% higher in FY 2024 than FY 2023 due primarily to compensation related expenses.

## **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, 2023

|   | Primary Government      |                          |                    | Component Unit           |
|---|-------------------------|--------------------------|--------------------|--------------------------|
|   | Governmental Activities | Business-Type Activities | Total              | City of Shelby ABC Board |
| <b>Assets:</b>                                |                         |                          |                    |                          |
| Current assets:                               |                         |                          |                    |                          |
| Cash and cash equivalents                     | \$ 21,873,314           | \$ 32,278,058            | \$ 54,151,372      | \$ 344,415               |
| Taxes receivable, net                         | 615,334                 | -                        | 615,334            | -                        |
| Accounts receivable, net                      | 1,487,736               | 6,465,326                | 7,953,062          | -                        |
| Notes receivable, current                     | 404                     | 33,400                   | 33,804             | -                        |
| Interest receivable                           | 82,424                  | -                        | 82,424             | -                        |
| Leases receivable, current                    | -                       | 1,683                    | 1,683              | -                        |
| Due from other governments                    | 3,459,851               | 975,970                  | 4,435,821          | -                        |
| Internal balances                             | (783,029)               | 783,029                  | -                  | -                        |
| Inventories                                   | 203,198                 | 2,924,190                | 3,127,388          | 751,955                  |
| Prepaid items                                 | 395,484                 | 124,004                  | 519,488            | 7,053                    |
| Cash and cash equivalents, restricted         | <u>10,606,561</u>       | <u>641,673</u>           | <u>11,248,234</u>  | -                        |
| Total current assets                          | <u>37,941,277</u>       | <u>44,227,333</u>        | <u>82,168,610</u>  | <u>1,103,423</u>         |
| Non-current assets:                           |                         |                          |                    |                          |
| Long-term notes receivable                    | -                       | 192,114                  | 192,114            | -                        |
| Leases receivable, net of current portion     | -                       | 22,041                   | 22,041             | -                        |
| Capital assets:                               |                         |                          |                    |                          |
| Right to use assets, net                      | 1,125,900               | 3,839                    | 1,129,739          | -                        |
| Capital assets, non-depreciable               | 15,150,332              | 10,131,681               | 25,282,013         | 182,567                  |
| Capital assets, net                           | <u>57,713,824</u>       | <u>170,286,857</u>       | <u>228,000,681</u> | <u>273,207</u>           |
| Total capital assets                          | <u>73,990,056</u>       | <u>180,422,377</u>       | <u>254,412,433</u> | <u>455,774</u>           |
| Total non-current assets                      | <u>73,990,056</u>       | <u>180,636,532</u>       | <u>254,626,588</u> | <u>455,774</u>           |
| Total assets                                  | <u>111,931,333</u>      | <u>224,863,865</u>       | <u>336,795,198</u> | <u>1,559,197</u>         |
| <b>Deferred Outflows of Resources:</b>        |                         |                          |                    |                          |
| OPEB deferrals                                | 3,405,446               | 1,017,208                | 4,422,654          | -                        |
| Pension deferrals                             | 6,878,009               | 1,772,092                | 8,650,101          | 160,518                  |
| Deferred charge on refunding                  | -                       | 249,379                  | 249,379            | -                        |
| Total deferred outflows of resources          | <u>10,283,455</u>       | <u>3,038,679</u>         | <u>13,322,134</u>  | <u>160,518</u>           |
| <b>Liabilities:</b>                           |                         |                          |                    |                          |
| Current liabilities:                          |                         |                          |                    |                          |
| Accounts payable and accrued liabilities      | 1,220,929               | 2,339,767                | 3,560,696          | 480,569                  |
| Accrued interest payable                      | 93,890                  | 107,305                  | 201,195            | -                        |
| Unearned revenue                              | -                       | 94,876                   | 94,876             | -                        |
| Advances from grantors                        | 2,419,669               | -                        | 2,419,669          | -                        |
| Liabilities to be paid from restricted assets | -                       | 609,051                  | 609,051            | -                        |
| Current portion of long-term liabilities      | <u>3,731,932</u>        | <u>5,910,177</u>         | <u>9,642,109</u>   | -                        |
| Total current liabilities                     | <u>7,466,420</u>        | <u>9,061,176</u>         | <u>16,527,596</u>  | <u>480,569</u>           |

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

CITY OF SHELBY, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2023

|                                       | Primary Government      |                          |                       | Component Unit           |
|---------------------------------------|-------------------------|--------------------------|-----------------------|--------------------------|
|                                       | Governmental Activities | Business-Type Activities | Total                 | City of Shelby ABC Board |
| Long-term liabilities:                |                         |                          |                       |                          |
| Net pension liability - LGERS         | 9,232,503               | 2,734,658                | 11,967,161            | 188,424                  |
| Total pension liability - LEOSSA      | 3,553,959               | -                        | 3,553,959             | -                        |
| Total OPEB liability                  | 14,856,561              | 4,397,959                | 19,254,520            | -                        |
| Due in more than one year             | 16,887,417              | 53,078,811               | 69,966,228            | -                        |
| Total long-term liabilities           | <u>44,530,440</u>       | <u>60,211,428</u>        | <u>104,741,868</u>    | <u>188,424</u>           |
| Total liabilities                     | <u>51,996,860</u>       | <u>69,272,604</u>        | <u>121,269,464</u>    | <u>668,993</u>           |
| <b>Deferred Inflows of Resources:</b> |                         |                          |                       |                          |
| Lease deferrals                       | -                       | 23,662                   | 23,662                | -                        |
| OPEB deferrals                        | 2,875,782               | 859,000                  | 3,734,782             | -                        |
| Pension deferrals                     | <u>807,711</u>          | <u>73,427</u>            | <u>881,138</u>        | <u>796</u>               |
| Total deferred inflows of resources   | <u>3,683,493</u>        | <u>956,089</u>           | <u>4,639,582</u>      | <u>796</u>               |
| <b>Net Position:</b>                  |                         |                          |                       |                          |
| Net investment in capital assets      | 60,394,574              | 122,213,118              | 182,607,692           | 475,774                  |
| Restricted for:                       |                         |                          |                       |                          |
| Stabilization by state statute        | 5,257,295               | -                        | 5,257,295             | -                        |
| Perpetual - non-expendable            | 1,678,788               | -                        | 1,678,788             | -                        |
| Public safety                         | 174,764                 | -                        | 174,764               | -                        |
| Streets - Powell Bill                 | 839,664                 | -                        | 839,664               | -                        |
| Working capital                       | -                       | -                        | -                     | 210,000                  |
| Unrestricted                          | <u>(1,810,650)</u>      | <u>35,460,733</u>        | <u>33,650,083</u>     | <u>364,152</u>           |
| Total net position                    | <u>\$ 66,534,435</u>    | <u>\$ 157,673,851</u>    | <u>\$ 224,208,286</u> | <u>\$ 1,049,926</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, 2023

| 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               | \$ 4,855,243         | \$ 437,542           | \$ 6,429,126                       | \$ -                             |
| Public safety                    | 16,271,855           | 704,974              | 1,397,649                          | -                                |
| Transportation                   | 3,124,904            | 732,875              | 30,865                             | 787,840                          |
| Environmental protection         | 2,156,143            | 1,420,371            | -                                  | -                                |
| Cultural and recreational        | 3,258,500            | 483,245              | -                                  | -                                |
| Housing and redevelopment        | 7,730,941            | 278,055              | 371,377                            | 4,494,340                        |
| Interest on long-term debt       | 487,439              | -                    | -                                  | -                                |
| Total governmental activities    | <u>37,885,025</u>    | <u>4,057,062</u>     | <u>8,229,017</u>                   | <u>5,282,180</u>                 |
| <b>Business-Type Activities:</b> |                      |                      |                                    |                                  |
| Water Fund                       | 5,842,006            | 6,190,225            | -                                  | -                                |
| Sewer Fund                       | 6,096,316            | 6,689,177            | -                                  | 1,116,725                        |
| Electric Fund                    | 17,815,818           | 21,960,518           | -                                  | -                                |
| Gas Fund                         | 25,416,690           | 29,112,049           | -                                  | -                                |
| Stormwater Fund                  | 1,011,970            | 920,525              | -                                  | -                                |
| Housing Assistance Fund          | 1,804,601            | 749,233              | 554,269                            | 573,549                          |
| Total business-type activities   | <u>57,987,401</u>    | <u>65,621,727</u>    | <u>554,269</u>                     | <u>1,690,274</u>                 |
| Total primary government         | <u>\$ 95,872,426</u> | <u>\$ 69,678,789</u> | <u>\$ 8,783,286</u>                | <u>\$ 6,972,454</u>              |
| <b>Component Unit:</b>           |                      |                      |                                    |                                  |
| City of Shelby ABC Board         | <u>\$ 6,828,053</u>  | <u>\$ 6,847,578</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, 2023

|   | Net (Expense) Revenue and Changes in Net Position |                             |                       |                             |
|---|---|-----------------------------|-----------------------|-----------------------------|
|   | Primary Government                                |                             |                       | Component Unit              |
|   | Governmental<br>Activities                        | Business-Type<br>Activities | Total                 | City of Shelby<br>ABC Board |
| <b>Functions/Programs:</b>                  |   |                             |                       |                             |
| <b>Primary Government:</b>                  |   |                             |                       |                             |
| <b>Governmental Activities:</b>             |   |                             |                       |                             |
| General government                          | \$ 2,011,425                                      | \$ -                        | \$ 2,011,425          |                             |
| Public safety                               | (14,169,232)                                      | -                           | (14,169,232)          |                             |
| Transportation                              | (1,573,324)                                       | -                           | (1,573,324)           |                             |
| Environmental protection                    | (735,772)   | -                           | (735,772)             |                             |
| Cultural and recreational                   | (2,775,255)                                       | -                           | (2,775,255)           |                             |
| Housing and redevelopment                   | (2,587,169)                                       | -                           | (2,587,169)           |                             |
| Interest on long-term debt                  | (487,439)   | -                           | (487,439)             |                             |
| Total governmental activities               | <u>(20,316,766)</u>                               | <u>-</u>                    | <u>(20,316,766)</u>   |                             |
| <b>Business-Type Activities:</b>            |   |                             |                       |                             |
| Water Fund                                  | -   | 348,219                     | 348,219               |                             |
| Sewer Fund                                  | -   | 1,709,586                   | 1,709,586             |                             |
| Electric Fund                               | -   | 4,144,700                   | 4,144,700             |                             |
| Gas Fund                                    | -   | 3,695,359                   | 3,695,359             |                             |
| Stormwater Fund                             | -   | (91,445)                    | (91,445)              |                             |
| Housing Assistance Fund                     | -   | 72,450                      | 72,450                |                             |
| Total business-type activities              | <u>-</u>  | <u>9,878,869</u>            | <u>9,878,869</u>      |                             |
| Total primary government                    | <u>(20,316,766)</u>                               | <u>9,878,869</u>            | <u>(10,437,897)</u>   |                             |
| <b>Component Unit:</b>                      |   |                             |                       |                             |
| City of Shelby ABC Board                    |   |                             |                       | <u>\$ 19,525</u>            |
| <b>General Revenues:</b>                    |   |                             |                       |                             |
| Taxes                                       |   |                             |                       |                             |
| Property tax                                | 14,314,650  | -                           | 14,314,650            | -                           |
| Sales tax                                   | 7,288,494   | -                           | 7,288,494             | -                           |
| Franchise tax                               | 2,029,188   | -                           | 2,029,188             | -                           |
| Other taxes                                 | 118,189   | -                           | 118,189               | -                           |
| Investment earnings                         | 1,418,763   | 279,064                     | 1,697,827             | 626                         |
| Gain on disposal of assets                  | 14,844  | 63,943                      | 78,787                | -                           |
| Total general revenues, excluding transfers | <u>25,184,128</u>                                 | <u>343,007</u>              | <u>25,527,135</u>     | <u>626</u>                  |
| Transfers                                   | <u>2,446,973</u>                                  | <u>(2,446,973)</u>          | <u>-</u>              | <u>-</u>                    |
| Total general revenues and transfers        | <u>27,631,101</u>                                 | <u>(2,103,966)</u>          | <u>25,527,135</u>     | <u>626</u>                  |
| Change in net position                      | 7,314,335   | 7,774,903                   | 15,089,238            | 20,151                      |
| <b>Net Position:</b>                        |   |                             |                       |                             |
| Beginning of year - July 1                  | <u>59,220,100</u>                                 | <u>149,898,948</u>          | <u>209,119,048</u>    | <u>1,029,775</u>            |
| End of year - June 30                       | <u>\$ 66,534,435</u>                              | <u>\$ 157,673,851</u>       | <u>\$ 224,208,286</u> | <u>\$ 1,049,926</u>         |

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

CITY OF SHELBY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2023

|   | Major Funds          |                           |                                   |                             | Total Governmental Funds |
|---|----------------------|---------------------------|-----------------------------------|-----------------------------|--------------------------|
|   | General Fund         | American Rescue Plan Fund | Economic Development Project Fund | Nonmajor Governmental Funds |                          |
| <b>Assets:</b>  |                      |                           |                                   |                             |                          |
| Cash and cash equivalents   | \$ 15,177,754        | \$ 3,493                  | \$ 1,405,046                      | \$ 5,287,021                | \$ 21,873,314            |
| Receivables, net:   |                      |                           |                                   |                             |                          |
| Taxes   | 608,579              | -                         | -                                 | 6,755                       | 615,334                  |
| Accounts  | 1,239,546            | -                         | -                                 | 248,190                     | 1,487,736                |
| Interest  | 59,857               | 13,729                    | 113                               | 8,725                       | 82,424                   |
| Loans   | -                    | -                         | -                                 | 404                         | 404                      |
| Due from other funds  | 226,880              | -                         | -                                 | -                           | 226,880                  |
| Due from other governments  | 3,339,272            | -                         | -                                 | 120,579                     | 3,459,851                |
| Inventories   | 203,198              | -                         | -                                 | -                           | 203,198                  |
| Prepaid items   | 395,484              | -                         | -                                 | -                           | 395,484                  |
| Restricted cash and cash equivalents                                  | 2,347,457            | -                         | 1,221,419                         | 7,037,685                   | 10,606,561               |
| Total assets  | <u>\$ 23,598,027</u> | <u>\$ 17,222</u>          | <u>\$ 2,626,578</u>               | <u>\$ 12,709,359</u>        | <u>\$ 38,951,186</u>     |
| <b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b> |                      |                           |                                   |                             |                          |
| <b>Liabilities:</b>   |                      |                           |                                   |                             |                          |
| Accounts payable and accrued liabilities                              | \$ 502,248           | \$ -                      | \$ 90,831                         | \$ 627,850                  | \$ 1,220,929             |
| Due to other funds  | -                    | 17,222                    | -                                 | 992,687                     | 1,009,909                |
| Advances from grantors  | -                    | -                         | 1,221,419                         | 1,198,250                   | 2,419,669                |
| Total liabilities   | <u>502,248</u>       | <u>17,222</u>             | <u>1,312,250</u>                  | <u>2,818,787</u>            | <u>4,650,507</u>         |
| <b>Deferred Inflows of Resources:</b>                                 |                      |                           |                                   |                             |                          |
| Taxes receivable  | <u>608,579</u>       | <u>-</u>                  | <u>-</u>                          | <u>6,755</u>                | <u>615,334</u>           |
| <b>Fund Balances:</b>   |                      |                           |                                   |                             |                          |
| Non-spendable:  |                      |                           |                                   |                             |                          |
| Inventories   | 203,198              | -                         | -                                 | -                           | 203,198                  |
| Prepays   | 395,484              | -                         | -                                 | -                           | 395,484                  |
| Perpetual   | -                    | -                         | -                                 | 1,678,788                   | 1,678,788                |
| Restricted:   |                      |                           |                                   |                             |                          |
| Stabilization by state statute  | 4,865,555            | 13,729                    | 113                               | 377,898                     | 5,257,295                |
| Public safety   | -                    | -                         | -                                 | 174,764                     | 174,764                  |
| Capital purchases   | 1,507,793            | -                         | -                                 | -                           | 1,507,793                |
| Streets - Powell Bill   | 839,664              | -                         | -                                 | -                           | 839,664                  |
| Transportation  | -                    | -                         | -                                 | 4,160,647                   | 4,160,647                |
| Committed:  |                      |                           |                                   |                             |                          |
| Economic development  | -                    | -                         | 1,314,215                         | 199,475                     | 1,513,690                |
| Assigned:   |                      |                           |                                   |                             |                          |
| Subsequent year's expenditures  | 330,000              | -                         | -                                 | -                           | 330,000                  |
| Economic development  | -                    | -                         | -                                 | 4,015,708                   | 4,015,708                |
| Unassigned  | 14,345,506           | (13,729)                  | -                                 | (723,463)                   | 13,608,314               |
| Total fund balances   | <u>22,487,200</u>    | <u>-</u>                  | <u>1,314,328</u>                  | <u>9,883,817</u>            | <u>33,685,345</u>        |
| Total liabilities, deferred inflows of resources, and fund balances   | <u>\$ 23,598,027</u> | <u>\$ 17,222</u>          | <u>\$ 2,626,578</u>               | <u>\$ 12,709,359</u>        | <u>\$ 38,951,186</u>     |

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

CITY OF SHELBY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2023

|   | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---|
| Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:  |   |
| Total fund balances   | \$ 33,685,345                           |
| 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. | 73,990,056                              |
| 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.  | 615,334                                 |
| Deferred inflows of resources related to pensions are not reported in the funds.  |   |
| LGERS   | (265,700)                               |
| LEOSSA  | (542,011)                               |
| Deferred inflows of resources related to OPEB are not reported in the funds.  | (2,875,782)                             |
| Deferred outflows of resources related to pensions are not reported in the funds.   |   |
| LGERS   | 6,088,738                               |
| LEOSSA  | 789,271                                 |
| Deferred outflows of resources related to OPEB are not reported in the funds.   | 3,405,446                               |
| Net pension liability - LGERS   | (9,232,503)                             |
| Total pension liability - LEOSSA  | (3,553,959)                             |
| OPEB liability  | (14,856,561)                            |
| 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>(20,713,239)</u>                     |
| Net position of governmental activities per Exhibit A   | <u>\$ 66,534,435</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, 2023

|  | Major Funds          |                                 |   | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|---------------------------------|---|-----------------------------------|--------------------------------|
|  | General<br>Fund      | American<br>Rescue<br>Plan Fund | Economic<br>Development<br>Project Fund |                                   |                                |
| <b>Revenues:</b>                       |                      |                                 |   |                                   |                                |
| Ad valorem taxes                       | \$ 14,024,256        | \$ -                            | \$ -                                    | \$ 119,388                        | \$ 14,143,644                  |
| Other taxes and licenses               | 7,288,494            | -                               | -                                       | -                                 | 7,288,494                      |
| Unrestricted intergovernmental         | 2,326,952            | -                               | -                                       | -                                 | 2,326,952                      |
| Restricted intergovernmental           | 1,091,344            | 6,382,235                       | 4,494,340                               | 1,226,189                         | 13,194,108                     |
| Permits and fees                       | 627,202              | -                               | -                                       | -                                 | 627,202                        |
| Sales and services                     | 2,677,289            | -                               | -                                       | -                                 | 2,677,289                      |
| Investment earnings (loss)             | 842,025              | 196,018                         | 1,617                                   | 379,103                           | 1,418,763                      |
| Donations                              | -                    | -                               | -                                       | 45,010                            | 45,010                         |
| Miscellaneous                          | 567,020              | -                               | -                                       | 278,055                           | 845,075                        |
| Total revenues                         | <u>29,444,582</u>    | <u>6,578,253</u>                | <u>4,495,957</u>                        | <u>2,047,745</u>                  | <u>42,566,537</u>              |
| <b>Expenditures:</b>                   |                      |                                 |   |                                   |                                |
| Current:                               |                      |                                 |   |                                   |                                |
| General government                     | 4,250,089            | -                               | -                                       | 363,067                           | 4,613,156                      |
| Public safety                          | 17,483,975           | -                               | -                                       | 92,452                            | 17,576,427                     |
| Transportation                         | 2,595,817            | -                               | -                                       | 2,681,427                         | 5,277,244                      |
| Environmental protection               | 2,087,111            | -                               | -                                       | -                                 | 2,087,111                      |
| Cultural and recreation                | 3,181,034            | -                               | -                                       | 2,471,535                         | 5,652,569                      |
| Housing and redevelopment              | -                    | -                               | 8,055,333                               | 905,030                           | 8,960,363                      |
| Debt service:                          |                      |                                 |   |                                   |                                |
| Principal retirement                   | 2,529,399            | -                               | -                                       | -                                 | 2,529,399                      |
| Interest and other charges             | 440,189              | -                               | -                                       | -                                 | 440,189                        |
| Total expenditures                     | <u>32,567,614</u>    | <u>-</u>                        | <u>8,055,333</u>                        | <u>6,513,511</u>                  | <u>47,136,458</u>              |
| Revenues over (under) expenditures     | <u>(3,123,032)</u>   | <u>6,578,253</u>                | <u>(3,559,376)</u>                      | <u>(4,465,766)</u>                | <u>(4,569,921)</u>             |
| <b>Other Financing Sources (Uses):</b> |                      |                                 |   |                                   |                                |
| Transfers from other funds             | 8,984,015            | -                               | 135,000                                 | 4,671,598                         | 13,790,613                     |
| Transfers (to) other funds             | (3,638,300)          | (6,583,492)                     | -                                       | (1,165,500)                       | (11,387,292)                   |
| Long-term debt issued                  | 2,013,918            | -                               | 4,250,000                               | -                                 | 6,263,918                      |
| Lease liabilities issued               | 1,015,821            | -                               | -                                       | -                                 | 1,015,821                      |
| Subscription liabilities issued        | 195,453              | -                               | -                                       | -                                 | 195,453                        |
| Proceeds from sale of assets           | 18,380               | -                               | -                                       | -                                 | 18,380                         |
| Total other financing sources (uses)   | <u>8,589,287</u>     | <u>(6,583,492)</u>              | <u>4,385,000</u>                        | <u>3,506,098</u>                  | <u>9,896,893</u>               |
| Net change in fund balances            | 5,466,255            | (5,239)                         | 825,624                                 | (959,668)                         | 5,326,972                      |
| <b>Fund Balances:</b>                  |                      |                                 |   |                                   |                                |
| Beginning of year - July 1             | <u>17,020,945</u>    | <u>5,239</u>                    | <u>488,704</u>                          | <u>10,843,485</u>                 | <u>28,358,373</u>              |
| End of year - June 30                  | <u>\$ 22,487,200</u> | <u>\$ -</u>                     | <u>\$ 1,314,328</u>                     | <u>\$ 9,883,817</u>               | <u>\$ 33,685,345</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, 2023**

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) \$ 5,326,972

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 171,006

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. 10,783,525

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 (211,500)  
Pension expense - LGERS (842,758)  
Pension expense - LEOSSA (167,501)  
Other post-employment benefits (279,377)

Book value of capital assets disposed of during the year, not recognized on modified accrual basis (3,536)

Book value of capital assets transferred from enterprise funds 43,652

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. (7,475,192)

Depreciation expense allocates the costs of capital assets over their useful lives. Amortization expense allocates the cost of right to use assets over the terms of the agreements. It is not reported as an expenditure in the governmental funds statement. (2,513,105)

Change in accrued interest payable, governmental fund debt (47,250)

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. 2,529,399

Change in net position of governmental activities per Exhibit B \$ 7,314,335

*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, 2023**

|  | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Over/Under</u> |
|--|-------------------------|---------------------|---------------------------|--|
|  | <u>Original</u>         | <u>Final</u>        |                           |  |
| <b>Revenues:</b>                       |                         |                     |                           |  |
| Ad valorem taxes                       | \$ 13,615,000           | \$ 13,615,000       | \$ 14,024,256             | \$ 409,256   |
| Other taxes and licenses               | 6,000,000               | 6,800,000           | 7,288,494                 | 488,494  |
| Unrestricted intergovernmental         | 2,275,000               | 2,275,000           | 2,326,952                 | 51,952   |
| Restricted intergovernmental           | 884,000                 | 1,058,400           | 1,091,344                 | 32,944   |
| Permits and fees                       | 390,200                 | 390,200             | 627,202                   | 237,002  |
| Sales and services                     | 2,361,700               | 2,496,700           | 2,677,289                 | 180,589  |
| Investment earnings                    | 21,000                  | 21,000              | 842,025                   | 821,025  |
| Miscellaneous                          | 616,500                 | 616,500             | 567,020                   | (49,480)   |
| Total revenues                         | <u>26,163,400</u>       | <u>27,272,800</u>   | <u>29,444,582</u>         | <u>2,171,782</u>                                     |
| <b>Expenditures:</b>                   |                         |                     |                           |  |
| Current:                               |                         |                     |                           |  |
| General government                     | 4,685,194               | 7,589,457           | 4,250,089                 | 3,339,368  |
| Public safety                          | 14,994,820              | 17,764,725          | 17,483,975                | 280,750  |
| Transportation                         | 3,052,972               | 3,298,040           | 2,595,817                 | 702,223  |
| Environmental protection               | 2,017,910               | 2,293,018           | 2,087,111                 | 205,907  |
| Cultural and recreational              | 3,655,775               | 3,887,834           | 3,181,034                 | 706,800  |
| Debt service:                          |                         |                     |                           |  |
| Principal retirement                   | 1,882,800               | 2,553,100           | 2,529,399                 | 23,701   |
| Interest and other charges             | 356,800                 | 454,195             | 440,189                   | 14,006   |
| Total expenditures                     | <u>30,646,271</u>       | <u>37,840,369</u>   | <u>32,567,614</u>         | <u>5,272,755</u>                                     |
| Revenues over (under) expenditures     | <u>(4,482,871)</u>      | <u>(10,567,569)</u> | <u>(3,123,032)</u>        | <u>7,444,537</u>                                     |
| <b>Other Financing Sources (Uses):</b> |                         |                     |                           |  |
| Transfers from other funds             | 3,300,000               | 8,987,508           | 8,984,015                 | (3,493)  |
| Transfers (to) other funds             | (47,000)                | (3,638,300)         | (3,638,300)               | -  |
| Long-term debt issued                  | 1,117,037               | 2,267,037           | 2,013,918                 | (253,119)  |
| Lease liabilities issued               | -                       | -                   | 1,015,821                 | 1,015,821  |
| Subscription liabilities issued        | -                       | -                   | 195,453                   | 195,453  |
| Proceeds from sale of capital assets   | 20,000                  | 20,000              | 18,380                    | (1,620)  |
| Appropriated fund balance              | 92,834                  | 2,931,324           | -                         | (2,931,324)  |
| Total other financing sources (uses)   | <u>4,482,871</u>        | <u>10,567,569</u>   | <u>8,589,287</u>          | <u>(1,978,282)</u>                                   |
| Net change in fund balance             | <u>\$ -</u>             | <u>\$ -</u>         | <u>5,466,255</u>          | <u>\$ 5,466,255</u>                                  |
| <b>Fund Balance:</b>                   |                         |                     |                           |  |
| Beginning of year - July 1             |                         |                     | <u>17,020,945</u>         |  |
| End of year - June 30                  |                         |                     | <u>\$ 22,487,200</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, 2023

|   | Major Enterprise Funds |                   |                   |                   | Nonmajor Funds   | Total Proprietary Funds |
|---|------------------------|-------------------|-------------------|-------------------|------------------|-------------------------|
|   | Water Fund             | Sewer Fund        | Electric Fund     | Gas Fund          |                  |                         |
| <b>Assets:</b>                              |                        |                   |                   |                   |                  |                         |
| Current assets:                             |                        |                   |                   |                   |                  |                         |
| Cash and cash equivalents                   | \$ 5,804,780           | \$ 7,905,179      | \$ 10,428,233     | \$ 5,193,654      | \$ 2,946,212     | \$ 32,278,058           |
| Accounts receivable, net                    | 897,997                | 974,869           | 2,714,444         | 1,759,253         | 118,763          | 6,465,326               |
| Advanced to other funds                     | -                      | -                 | 100,000           | 10,000            | -                | 110,000                 |
| Due from other funds                        | -                      | -                 | -                 | -                 | 833,689          | 833,689                 |
| Due from other governments                  | -                      | 966,022           | -                 | -                 | 9,948            | 975,970                 |
| Notes receivable, current                   | 33,400                 | -                 | -                 | -                 | -                | 33,400                  |
| Leases receivable, current                  | 1,683                  | -                 | -                 | -                 | -                | 1,683                   |
| Inventories                                 | 712,688                | 217,573           | 1,404,015         | 576,330           | 13,584           | 2,924,190               |
| Prepaid items                               | 27,354                 | 21,295            | 9,985             | 45,695            | 19,675           | 124,004                 |
| Restricted cash and cash equivalents        | -                      | -                 | 565,417           | -                 | 76,256           | 641,673                 |
| Total current assets                        | <u>7,477,902</u>       | <u>10,084,938</u> | <u>15,222,094</u> | <u>7,584,932</u>  | <u>4,018,127</u> | <u>44,387,993</u>       |
| Non-current assets:                         |                        |                   |                   |                   |                  |                         |
| Advanced to other funds                     | -                      | -                 | 1,400,000         | 850,000           | -                | 2,250,000               |
| Long-term notes receivable                  | 192,114                | -                 | -                 | -                 | -                | 192,114                 |
| Leases receivable, net of current portion   | 22,041                 | -                 | -                 | -                 | -                | 22,041                  |
| Capital assets:                             |                        |                   |                   |                   |                  |                         |
| Land and construction in progress           | 1,312,954              | 1,960,702         | 6,070,520         | 509,332           | 278,173          | 10,131,681              |
| Other capital assets, net of depreciation   | 53,839,579             | 71,109,190        | 19,715,682        | 20,634,791        | 4,987,615        | 170,286,857             |
| Right to use assets, net of amortization    | -                      | 1,698             | -                 | -                 | 2,141            | 3,839                   |
| Total capital assets                        | <u>55,152,533</u>      | <u>73,071,590</u> | <u>25,786,202</u> | <u>21,144,123</u> | <u>5,267,929</u> | <u>180,422,377</u>      |
| Total non-current assets                    | <u>55,366,688</u>      | <u>73,071,590</u> | <u>27,186,202</u> | <u>21,994,123</u> | <u>5,267,929</u> | <u>182,886,532</u>      |
| Total assets                                | <u>62,844,590</u>      | <u>83,156,528</u> | <u>42,408,296</u> | <u>29,579,055</u> | <u>9,286,056</u> | <u>227,274,525</u>      |
| <b>Deferred Outflows of Resources:</b>      |                        |                   |                   |                   |                  |                         |
| Contributions to pension plan in            |                        |                   |                   |                   |                  |                         |
| OPEB deferrals                              | 221,132                | 265,359           | 221,132           | 221,132           | 88,453           | 1,017,208               |
| Pension deferrals                           | 395,328                | 451,647           | 352,438           | 411,919           | 160,760          | 1,772,092               |
| Deferred charge on refunding                | 103,946                | 32,923            | 84,607            | 27,903            | -                | 249,379                 |
| Total deferred outflows of resources        | <u>720,406</u>         | <u>749,929</u>    | <u>658,177</u>    | <u>660,954</u>    | <u>249,213</u>   | <u>3,038,679</u>        |
| <b>Liabilities:</b>                         |                        |                   |                   |                   |                  |                         |
| Current liabilities:                        |                        |                   |                   |                   |                  |                         |
| Accounts payable and accrued liabilities    | 195,350                | 39,624            | 1,391,707         | 596,417           | 116,669          | 2,339,767               |
| Accrued interest payable                    | 65,721                 | 26,127            | 7,945             | 7,512             | -                | 107,305                 |
| 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                            | -                      | -                 | 62,254            | -                 | 32,622           | 94,876                  |
| Compensated absences payable                | 18,801                 | 18,769            | 14,862            | 16,715            | 10,193           | 79,340                  |
| Current portion of long-term debt           | 2,243,893              | 2,577,079         | 435,897           | 343,847           | 17,121           | 5,617,837               |
| Other post-employment benefits, current     | 46,000                 | 56,000            | 46,000            | 46,000            | 19,000           | 213,000                 |
| Liabilities payable from restricted assets: |                        |                   |                   |                   |                  |                         |
| Customer deposits                           | -                      | -                 | 565,417           | -                 | 43,634           | 609,051                 |
| Total current liabilities                   | <u>2,606,475</u>       | <u>2,812,323</u>  | <u>2,539,197</u>  | <u>1,022,217</u>  | <u>241,624</u>   | <u>9,221,836</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, 2023

|                                       | Major Enterprise Funds |                      |                      |                      | Nonmajor Funds      | Total Proprietary Funds |
|---------------------------------------|------------------------|----------------------|----------------------|----------------------|---------------------|-------------------------|
|                                       | Water Fund             | Sewer Fund           | Electric Fund        | Gas Fund             |                     |                         |
| Non-current liabilities:              |                        |                      |                      |                      |                     |                         |
| Advanced from other funds             | 381,500                | 1,868,500            | -                    | -                    | -                   | 2,250,000               |
| Compensated absences payable          | 56,401                 | 56,305               | 44,584               | 50,143               | 30,577              | 238,010                 |
| Other long-term debt                  | 20,325,444             | 29,183,888           | 1,769,702            | 1,539,444            | 22,323              | 52,840,801              |
| Net pension liability                 | 611,034                | 695,455              | 545,504              | 636,673              | 245,992             | 2,734,658               |
| Other post-employment benefits        | 999,852                | 1,097,671            | 924,307              | 983,436              | 392,693             | 4,397,959               |
| Total non-current liabilities         | <u>22,374,231</u>      | <u>32,901,819</u>    | <u>3,284,097</u>     | <u>3,209,696</u>     | <u>691,585</u>      | <u>62,461,428</u>       |
| Total liabilities                     | <u>24,980,706</u>      | <u>35,714,142</u>    | <u>5,823,294</u>     | <u>4,231,913</u>     | <u>933,209</u>      | <u>71,683,264</u>       |
| <b>Deferred Inflows of Resources:</b> |                        |                      |                      |                      |                     |                         |
| Lease deferrals                       | 23,662                 | -                    | -                    | -                    | -                   | 23,662                  |
| OPEB deferrals                        | 186,739                | 224,087              | 186,739              | 186,739              | 74,696              | 859,000                 |
| Pension deferrals                     | 15,889                 | 18,989               | 15,889               | 15,888               | 6,772               | 73,427                  |
| Total deferred inflows of resources   | <u>226,290</u>         | <u>243,076</u>       | <u>202,628</u>       | <u>202,627</u>       | <u>81,468</u>       | <u>956,089</u>          |
| <b>Net Position:</b>                  |                        |                      |                      |                      |                     |                         |
| Net investment in capital assets      | 32,687,142             | 41,343,546           | 23,665,210           | 19,288,735           | 5,228,485           | 122,213,118             |
| Unrestricted                          | <u>5,670,858</u>       | <u>6,605,693</u>     | <u>13,375,341</u>    | <u>6,516,734</u>     | <u>3,292,107</u>    | <u>35,460,733</u>       |
| Total net position                    | <u>\$ 38,358,000</u>   | <u>\$ 47,949,239</u> | <u>\$ 37,040,551</u> | <u>\$ 25,805,469</u> | <u>\$ 8,520,592</u> | <u>\$ 157,673,851</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, 2023

|   | Major Enterprise Funds |                      |                      |                      | Nonmajor<br>Funds   | Total<br>Proprietary<br>Funds |
|---|------------------------|----------------------|----------------------|----------------------|---------------------|-------------------------------|
|   | Water<br>Fund          | Sewer<br>Fund        | Electric<br>Fund     | Gas<br>Fund          |                     |                               |
| <b>Operating Revenues:</b>                                  |                        |                      |                      |                      |                     |                               |
| Charges for services  | \$ 5,939,869           | \$ 6,376,536         | \$ 21,516,139        | \$ 28,867,751        | \$ 1,621,210        | \$ 64,321,505                 |
| Other fees  | 175,428                | 169,130              | -                    | 46,127               | 28,834              | 419,519                       |
| Other operating revenues                                    | 74,928                 | 143,511              | 444,379              | 198,171              | 19,714              | 880,703                       |
| Total operating revenues                                    | <u>6,190,225</u>       | <u>6,689,177</u>     | <u>21,960,518</u>    | <u>29,112,049</u>    | <u>1,669,758</u>    | <u>65,621,727</u>             |
| <b>Operating Expenses:</b>                                  |                        |                      |                      |                      |                     |                               |
| Administration  | 942,403                | 754,652              | 1,239,902            | 1,345,076            | 1,416,826           | 5,698,859                     |
| Operations and maintenance                                  | 905,124                | 1,092,889            | 15,724,171           | 23,212,160           | 875,682             | 41,810,026                    |
| Treatment plant   | 1,920,851              | 1,871,354            | -                    | -                    | -                   | 3,792,205                     |
| Depreciation and amortization                               | <u>1,594,059</u>       | <u>2,132,590</u>     | <u>805,640</u>       | <u>812,264</u>       | <u>523,579</u>      | <u>5,868,132</u>              |
| Total operating expenses                                    | <u>5,362,437</u>       | <u>5,851,485</u>     | <u>17,769,713</u>    | <u>25,369,500</u>    | <u>2,816,087</u>    | <u>57,169,222</u>             |
| Operating income (loss)                                     | <u>827,788</u>         | <u>837,692</u>       | <u>4,190,805</u>     | <u>3,742,549</u>     | <u>(1,146,329)</u>  | <u>8,452,505</u>              |
| <b>Non-Operating Revenues (Expenses):</b>                   |                        |                      |                      |                      |                     |                               |
| Grants  | -                      | -                    | -                    | -                    | 554,269             | 554,269                       |
| Investment earnings (loss)                                  | 46,143                 | 55,809               | 91,933               | 59,138               | 26,041              | 279,064                       |
| Gain (loss) on disposal of asset                            | (6,061)                | 62,808               | 653                  | 6,543                | -                   | 63,943                        |
| Interest expense and fiscal charges                         | <u>(479,569)</u>       | <u>(244,831)</u>     | <u>(46,105)</u>      | <u>(47,190)</u>      | <u>(484)</u>        | <u>(818,179)</u>              |
| Total non-operating revenues (expenses)                     | <u>(439,487)</u>       | <u>(126,214)</u>     | <u>46,481</u>        | <u>18,491</u>        | <u>579,826</u>      | <u>79,097</u>                 |
| Income (loss) before capital contributions<br>and transfers | 388,301                | 711,478              | 4,237,286            | 3,761,040            | (566,503)           | 8,531,602                     |
| Capital contributions                                       | -                      | 1,116,725            | -                    | -                    | 573,549             | 1,690,274                     |
| Transfers from other funds                                  | 2,330,423              | 2,168,163            | -                    | 110,264              | -                   | 4,608,850                     |
| Transfers to other funds                                    | <u>(5,000)</u>         | <u>(5,000)</u>       | <u>(1,296,438)</u>   | <u>(5,705,733)</u>   | <u>(43,652)</u>     | <u>(7,055,823)</u>            |
| Change in net position                                      | 2,713,724              | 3,991,366            | 2,940,848            | (1,834,429)          | (36,606)            | 7,774,903                     |
| <b>Net Position:</b>  |                        |                      |                      |                      |                     |                               |
| Beginning year - July 1                                     | <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>            |
| End of year - June 30                                       | <u>\$ 38,358,000</u>   | <u>\$ 47,949,239</u> | <u>\$ 37,040,551</u> | <u>\$ 25,805,469</u> | <u>\$ 8,520,592</u> | <u>\$ 157,673,851</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, 2023

|  | 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   | \$ 6,154,283           | \$ 6,687,797        | \$ 22,502,237        | \$ 30,243,321       | \$ 1,676,921        | \$ 67,264,559           |
| Cash paid for goods and services                                     | (3,010,943)            | (3,181,953)         | (16,141,472)         | (24,536,380)        | (1,826,790)         | (48,697,538)            |
| Cash paid to employees   | (874,911)              | (664,385)           | (1,150,775)          | (1,256,747)         | (379,984)           | (4,326,802)             |
| Net cash provided (used) by operating activities                     | <u>2,268,429</u>       | <u>2,841,459</u>    | <u>5,209,990</u>     | <u>4,450,194</u>    | <u>(529,853)</u>    | <u>14,240,219</u>       |
| <b>Cash Flows from Non-Capital Financing Activities:</b>             |                        |                     |                      |                     |                     |                         |
| Proceeds from non-capital grants                                     | -                      | -                   | -                    | -                   | 554,269             | 554,269                 |
| Increase (decrease) in due from other funds                          | (27,250)               | (82,750)            | 100,000              | 21,816              | 33                  | 11,849                  |
| Transfers from (to) other funds                                      | <u>2,325,423</u>       | <u>2,163,163</u>    | <u>(1,296,438)</u>   | <u>(5,595,469)</u>  | <u>-</u>            | <u>(2,403,321)</u>      |
| Net cash provided (used) by non-capital financing activities         | <u>2,298,173</u>       | <u>2,080,413</u>    | <u>(1,196,438)</u>   | <u>(5,573,653)</u>  | <u>554,302</u>      | <u>(1,837,203)</u>      |
| <b>Cash Flows from Capital and Related Financing Activities:</b>     |                        |                     |                      |                     |                     |                         |
| Acquisition and construction of capital assets                       | (973,202)              | (2,039,083)         | (1,197,744)          | (1,198,237)         | (573,549)           | (5,981,815)             |
| Capital contributions - grants                                       | -                      | 159,521             | -                    | -                   | 936,719             | 1,096,240               |
| Proceeds from issuance of long-term debt                             | 80,057                 | 283,960             | 204,957              | 71,931              | -                   | 640,905                 |
| Payment on notes receivable  | 31,846                 | -                   | -                    | -                   | -                   | 31,846                  |
| Principal paid on long-term debt                                     | (2,213,666)            | (2,498,602)         | (418,345)            | (333,840)           | (21,626)            | (5,486,079)             |
| Interest paid on long-term debt                                      | (449,870)              | (239,896)           | (31,237)             | (42,997)            | (484)               | (764,484)               |
| Net cash provided (used) by capital and related financing activities | <u>(3,524,835)</u>     | <u>(4,334,100)</u>  | <u>(1,442,369)</u>   | <u>(1,503,143)</u>  | <u>341,060</u>      | <u>(10,463,387)</u>     |
| <b>Cash Flows from Investing Activities:</b>                         |                        |                     |                      |                     |                     |                         |
| Proceeds from sales of assets  | 4,275                  | 64,979              | 1,803                | 8,454               | -                   | 79,511                  |
| Interest received from investments                                   | <u>46,143</u>          | <u>55,809</u>       | <u>91,933</u>        | <u>59,138</u>       | <u>26,041</u>       | <u>279,064</u>          |
| Net cash provided (used) by investing activities                     | <u>50,418</u>          | <u>120,788</u>      | <u>93,736</u>        | <u>67,592</u>       | <u>26,041</u>       | <u>358,575</u>          |
| Net increase (decrease) in cash and cash equivalents                 | 1,092,185              | 708,560             | 2,664,919            | (2,559,010)         | 391,550             | 2,298,204               |
| <b>Cash and Cash Equivalents:</b>                                    |                        |                     |                      |                     |                     |                         |
| Beginning of year - July 1   | <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>       |
| End of year - June 30  | <u>\$ 5,804,780</u>    | <u>\$ 7,905,179</u> | <u>\$ 10,993,650</u> | <u>\$ 5,193,654</u> | <u>\$ 3,022,468</u> | <u>\$ 32,919,731</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, 2023

|   | Major Enterprise Funds |                     |                     |                     | Nonmajor Funds      | Total Proprietary Funds |
|---|------------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|
|   | Water Fund             | Sewer Fund          | Electric Fund       | Gas Fund            |                     |                         |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |                        |                     |                     |                     |                     |                         |
| Operating income (loss)   | \$ 827,788             | \$ 837,692          | \$ 4,190,805        | \$ 3,742,549        | \$ (1,146,329)      | \$ 8,452,505            |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                        |                     |                     |                     |                     |                         |
| Depreciation  | 1,594,059              | 2,132,590           | 805,640             | 812,264             | 523,579             | 5,868,132               |
| Changes in assets and liabilities:  |                        |                     |                     |                     |                     |                         |
| (Increase) decrease in accounts receivable  | (44,373)               | (9,958)             | 509,250             | 1,093,596           | 7,413               | 1,555,928               |
| (Increase) decrease in leases receivable  | 1,661                  | -                   | -                   | -                   | -                   | 1,661                   |
| (Increase) decrease in inventories  | (192,455)              | (47,397)            | (348,764)           | (58,239)            | (569)               | (647,424)               |
| (Increase) decrease in prepaids   | (14,871)               | (1,474)             | 53,450              | (31,395)            | (4,320)             | 1,390                   |
| Increase (decrease) in accounts payable and accrued liabilities                                       | 22,358                 | (160,261)           | (100,382)           | (1,234,586)         | 62,599              | (1,410,272)             |
| Increase (decrease) in unearned revenues  | 8,481                  | -                   | 15,174              | 37,676              | -                   | 61,331                  |
| Increase (decrease) in customer deposits  | -                      | -                   | 17,295              | -                   | (250)               | 17,045                  |
| Increase (decrease) in compensated absences   | (5,375)                | 2,827               | (5,345)             | 15,463              | (1,123)             | 6,447                   |
| (Increase) decrease in deferred outflows of resources for pensions                                    | (136,452)              | (163,742)           | (136,452)           | (136,452)           | (54,581)            | (627,679)               |
| Increase (decrease) in lease deferrals  | (1,711)                | -                   | -                   | -                   | -                   | (1,711)                 |
| Increase (decrease) in net pension liability  | 429,532                | 515,439             | 429,532             | 429,532             | 171,813             | 1,975,848               |
| Increase (decrease) in deferred inflows of resources for pensions                                     | (238,356)              | (286,027)           | (238,356)           | (238,356)           | (95,342)            | (1,096,437)             |
| (Increase) decrease in deferred outflows of resources for OPEB  | 22,151                 | 26,580              | 22,151              | 22,151              | 8,860               | 101,893                 |
| Increase (decrease) in deferred inflows of resources for OPEB   | 106,639                | 127,966             | 106,639             | 106,638             | 42,656              | 490,538                 |
| Increase (decrease) in other post-employment benefits   | (110,647)              | (132,776)           | (110,647)           | (110,647)           | (44,259)            | (508,976)               |
| Net cash provided (used) by operating activities  | <u>\$ 2,268,429</u>    | <u>\$ 2,841,459</u> | <u>\$ 5,209,990</u> | <u>\$ 4,450,194</u> | <u>\$ (529,853)</u> | <u>\$ 14,240,219</u>    |
| <b>Non-Cash Investing, Capital, and Financing Activities:</b>   |                        |                     |                     |                     |                     |                         |
| Book value of capital assets transferred/disposed   | \$ 10,336              | \$ 2,171            | \$ 1,150            | \$ 1,911            | \$ 43,652           | \$ 59,220               |
| Right to use assets/liabilities issued  | \$ -                   | \$ 2,160            | \$ -                | \$ -                | \$ 1,617            | \$ 3,777                |

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, 2023

### 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, 2023

*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.

**American Rescue Plan Fund.** This special revenue 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.

**Economic Development Project Fund.** This capital project fund accounts for various economic development capital projects of the City.

The City reports the following nonmajor governmental funds:

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

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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.

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, 2023

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, 2023

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, 2023

State law [G.S. 159-30] 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 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, 2023

### Restricted Cash

| <b>Governmental Activities:</b>  |                      |
|----------------------------------|----------------------|
| <b>General Fund:</b>             |                      |
| Streets - Powell Bill            | \$ 839,664           |
| Unspent debt proceeds            | 1,507,793            |
| <b>Capital Project Funds:</b>    |                      |
| Unspent debt proceeds            | 4,160,647            |
| Advances from grantors           | 2,419,669            |
| <b>Raper Roark Trust Fund:</b>   |                      |
| Downtown redevelopment           | 720,031              |
| <b>Cemetery Fund:</b>            |                      |
| Perpetual care of cemetery       | 958,757              |
| Total governmental activities    | <u>\$ 10,606,561</u> |
| <br>                             |                      |
| <b>Business-Type Activities:</b> |                      |
| <b>Electric Fund:</b>            |                      |
| Customer deposits                | \$ 565,417           |
| <b>Housing Assistance Fund:</b>  |                      |
| Customer deposits                | 76,256               |
| Total business-type activities   | <u>\$ 641,673</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, 2022. 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, 2023

### **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, 2023

The City’s capital assets include certain right to use lease assets as a result of implementing GASB 87. 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 lease assets are amortized on a straight-line basis over the life of the related lease.

The City’s capital assets also include certain has right to use subscription assets related to subscription-based information technology arrangements (SBITAs) as a result of implementing GASB 96. The right to use subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus payments made to the SBITA vendor before commencement of the subscription term, plus capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The right to use subscription assets are amortized on a straight-line basis over the life of the related SBITA.

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

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

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

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

### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net 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*

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

*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.

### **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, 2023.

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, 2023

### 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 and elected to use \$6,382,235 for revenue replacement. As of June 30, 2023, the City has spent all of the ARPA 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<br>Fund | Nonmajor<br>Governmental<br>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.  | \$ 203,198      | \$ -                              |
| <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.  | 395,484         | -                                 |
| <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. | -               | 1,678,788                         |
| Total   | \$ 598,682      | \$ 1,678,788                      |

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

**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<br>Fund     | American<br>Rescue Plan<br>Fund | Economic<br>Development<br>Project Fund | Nonmajor<br>Governmental<br>Funds |
|---|---------------------|---------------------------------|---|-----------------------------------|
| <i>Restricted for Stabilization by State Statute</i> - portion of fund balance that is restricted by state statute [G.S. 159-8(a)].   | \$ 4,865,555        | \$ 13,729                       | \$ 113                                  | \$ 377,898                        |
| <i>Restricted for Public Safety</i> - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.   | -                   | -                               | -                                       | 174,764                           |
| <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. | 839,664             | -                               | -                                       | -                                 |
| <i>Restricted for Transportation</i> - portion of fund balance (unspent debt proceeds) that is restricted by revenue source for capital expenditures.   | -                   | -                               | -                                       | 4,160,647                         |
| <i>Restricted for Capital Purchases</i> - portion of fund balance (unspent debt proceeds) that is restricted by revenue source for vehicle and equipment purchases.   | 1,507,793           | -                               | -                                       | -                                 |
| <b>Total</b>  | <b>\$ 7,213,012</b> | <b>\$ 13,729</b>                | <b>\$ 113</b>                           | <b>\$ 4,713,309</b>               |

Restricted fund balance differs on Exhibit A from Exhibit C for unspent debt proceeds in the governmental funds of \$5,668,440, and restricted for perpetual – non-expendable of \$1,678,788, for a net difference of \$3,989,652.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**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>Economic<br/>Development<br/>Project Fund</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> |
|--|--|--|
| <i>Committed for Economic Development</i> - portion of fund balance that is committed for future development activities. | <u>\$ 1,314,215</u>                              | <u>\$ 199,475</u>                          |

**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<br/>Fund</b> | <b>Nonmajor<br/>Governmental<br/>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. | \$ 330,000              | \$ -                                       |
| <i>Assigned for Economic Development</i> - portion of fund balance that is assigned for economic development.  | <u>-</u>                | <u>4,015,708</u>                           |
| Total  | <u>\$ 330,000</u>       | <u>\$ 4,015,708</u>                        |

**Unassigned Fund Balance.** Unassigned fund balance represents the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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) | \$ 22,487,200        |
| <b>Less:</b>                                  |                      |
| Non-spendable                                 | (598,682)            |
| Stabilization by state statute                | <u>(4,865,555)</u>   |
| Available for appropriation                   | <u>\$ 17,022,963</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, 2023

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, 2023, the City’s deposits had a carrying amount of \$28,564,859 and a bank balance of \$29,267,060. Of the City’s bank balance, \$1,253,193 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 \$336,735 and a bank balance of \$530,027. 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 \$4,725 at June 30, 2023, and the ABC Board had petty cash of \$7,680.

### Investments

At June 30, 2023, the City had the following investments and maturities:

| <u>Investment Type</u> | <u>Valuation<br/>Measurement Method</u> | <u>Book Value<br/>at 6/30/2023</u> | <u>Less Than<br/>Six Months</u> |
|------------------------|---|------------------------------------|---------------------------------|
| NCCMT - Govt Portfolio | Fair Value - Level 1                    | \$ 36,830,022                      | \$ 36,830,022                   |

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, 2023. 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, 2023**

**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<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>        |
|---------------------|------------------------------------|-------------------------------------|---------------------|
| Taxes receivable    | \$ 208,000                         | \$ -                                | \$ 208,000          |
| Accounts receivable | 153,588                            | 2,265,044                           | 2,418,632           |
| <b>Total</b>        | <b>\$ 361,588</b>                  | <b>\$ 2,265,044</b>                 | <b>\$ 2,626,632</b> |

Due from other governments consists of the following at June 30, 2023:

|                                     | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>        |
|-------------------------------------|------------------------------------|-------------------------------------|---------------------|
| General Fund sales tax refund       | \$ 807,116                         | \$ -                                | \$ 807,116          |
| General Fund local option sales tax | 1,776,914                          | -                                   | 1,776,914           |
| General Fund utility franchise tax  | 442,944                            | -                                   | 442,944             |
| General Fund other                  | 312,298                            | -                                   | 312,298             |
| Nonmajor grants                     | 120,579                            | -                                   | 120,579             |
| Sewer Fund sales tax                | -                                  | 8,818                               | 8,818               |
| Sewer Fund grants                   | -                                  | 957,204                             | 957,204             |
| Nonmajor fund grants                | -                                  | 9,948                               | 9,948               |
| <b>Total</b>                        | <b>\$ 3,459,851</b>                | <b>\$ 975,970</b>                   | <b>\$ 4,435,821</b> |

**Leases Receivable**

Details of the City’s leases receivable at June 30, 2023, are as follows:

On July 1, 2021, City of Shelby, NC was the lessor of a 190-month lease for the use of land. An initial lease receivable was recorded in the amount of \$27,084. As of June 30, 2023, the value of the lease receivable is \$23,724. 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, 2023, was \$23,662, 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, 2023

Future minimum lease payments receivable as of June 30, 2023 were as follows:

| Year Ending<br><u>June 30</u> | <u>Business-Type Activities</u> |                 |                  |
|-------------------------------|---------------------------------|-----------------|------------------|
|                               | <u>Principal</u>                | <u>Interest</u> | <u>Total</u>     |
| 2024                          | \$ 1,683                        | \$ 317          | \$ 2,000         |
| 2025                          | 1,706                           | 294             | 2,000            |
| 2026                          | 1,729                           | 271             | 2,000            |
| 2027                          | 1,752                           | 248             | 2,000            |
| 2028                          | 1,775                           | 225             | 2,000            |
| 2028-2032                     | 9,237                           | 763             | 10,000           |
| 2033-2037                     | 5,842                           | 158             | 6,000            |
| Total                         | <u>\$ 23,724</u>                | <u>\$ 2,276</u> | <u>\$ 26,000</u> |

### Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2023 was as follows:

|  | <u>Beginning<br/>Balances</u> | <u>Additions</u> | <u>Deletions</u>   | <u>Transfers</u>    | <u>Ending<br/>Balances</u> |
|--|-------------------------------|------------------|--------------------|---------------------|----------------------------|
| <b>Governmental Activities:</b>        |                               |                  |                    |                     |                            |
| <b>Non-Depreciable Capital Assets:</b> |                               |                  |                    |                     |                            |
| Land                                   | \$ 7,647,902                  | \$ 103,874       | \$ -               | \$ -                | \$ 7,751,776               |
| Construction in progress               | 11,841,370                    | 6,504,135        | -                  | (10,946,949)        | 7,398,556                  |
| Total non-depreciable capital assets   | <u>19,489,272</u>             | <u>6,608,009</u> | <u>-</u>           | <u>(10,946,949)</u> | <u>15,150,332</u>          |
| <b>Depreciable Capital Assets:</b>     |                               |                  |                    |                     |                            |
| Buildings                              | 17,818,550                    | 224,302          | -                  | 5,785,004           | 23,827,856                 |
| Other improvements                     | 27,921,059                    | -                | -                  | 3,431,657           | 31,352,716                 |
| Machinery and equipment                | 10,526,573                    | 1,493,529        | (2,196,663)        | 2,076,671           | 11,900,110                 |
| Vehicles                               | 9,231,092                     | 1,162,490        | (1,458,844)        | 29,185              | 8,963,923                  |
| Infrastructure                         | 17,185,805                    | 49,913           | -                  | -                   | 17,235,718                 |
| Leased equipment                       | 35,897                        | -                | -                  | -                   | 35,897                     |
| Leased vehicles                        | 235,126                       | 1,049,829        | (197,593)          | -                   | 1,087,362                  |
| Subscription assets                    | -                             | 195,453          | -                  | -                   | 195,453                    |
| Total depreciable capital assets       | <u>82,954,102</u>             | <u>4,175,516</u> | <u>(3,853,100)</u> | <u>11,322,517</u>   | <u>94,599,035</u>          |

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

|   | <u>Beginning</u><br><u>Balances</u> | <u>Additions</u>    | <u>Deletions</u>      | <u>Transfers</u>  | <u>Ending</u><br><u>Balances</u> |
|---|-------------------------------------|---------------------|-----------------------|-------------------|----------------------------------|
| <b>Governmental Activities (continued):</b>             |                                     |                     |                       |                   |                                  |
| <b>Less Accumulated Depreciation/<br/>Amortization:</b> |                                     |                     |                       |                   |                                  |
| Buildings   | 9,264,394                           | 461,175             | -                     | -                 | 9,725,569                        |
| Other improvements                                      | 5,118,730                           | 733,061             | -                     | -                 | 5,851,791                        |
| Machinery and equipment                                 | 8,960,578                           | 466,872             | (2,196,127)           | 302,731           | 7,534,054                        |
| Vehicles  | 7,913,797                           | 429,633             | (1,455,844)           | 29,185            | 6,916,771                        |
| Infrastructure  | 5,387,765                           | 150,549             | -                     | -                 | 5,538,314                        |
| Leased equipment  | 3,098                               | 7,829               | -                     | -                 | 10,927                           |
| Leased vehicles   | 115,492                             | 222,883             | (197,593)             | -                 | 140,782                          |
| Subscription assets                                     | -                                   | 41,103              | -                     | -                 | 41,103                           |
| Total accumulated depreciation                          | <u>36,763,854</u>                   | <u>\$ 2,513,105</u> | <u>\$ (3,849,564)</u> | <u>\$ 331,916</u> | <u>35,759,311</u>                |
| Total depreciable capital assets, net                   | <u>46,190,248</u>                   |                     |                       |                   | <u>58,839,724</u>                |
| Governmental activities<br>capital assets, net          | <u>\$ 65,679,520</u>                |                     |                       |                   | <u>\$ 73,990,056</u>             |

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

|  |                     |
|--|---------------------|
| <b>Governmental Activities:</b>                      |                     |
| General government                                   | \$ 833,744          |
| Public safety  | 744,561             |
| Transportation                                       | 491,247             |
| Environmental protection                             | 237,874             |
| Cultural and recreational                            | <u>205,679</u>      |
| Total depreciation expense - governmental activities | <u>\$ 2,513,105</u> |

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

Capital asset activity for business-type activities for the year ended June 30, 2023 was as follows:

|  | <u>Beginning<br/>Balances</u> | <u>Additions</u>    | <u>Deletions</u>   | <u>Transfers</u> | <u>Ending<br/>Balances</u> |
|--|-------------------------------|---------------------|--------------------|------------------|----------------------------|
| <b>Water Fund:</b>                     |                               |                     |                    |                  |                            |
| <b>Non-Depreciable Capital Assets:</b> |                               |                     |                    |                  |                            |
| Land                                   | \$ 382,220                    | \$ -                | \$ -               | \$ -             | \$ 382,220                 |
| Construction in progress               | 36,600                        | 894,134             | -                  | -                | 930,734                    |
| Total non-depreciable capital assets   | <u>418,820</u>                | <u>894,134</u>      | <u>-</u>           | <u>-</u>         | <u>1,312,954</u>           |
| <b>Depreciable Capital Assets:</b>     |                               |                     |                    |                  |                            |
| Buildings and system                   | 13,711,718                    | -                   | -                  | (22,068)         | 13,689,650                 |
| Water extensions                       | 61,751,680                    | 48,335              | -                  | 22,068           | 61,822,083                 |
| Machinery and equipment                | 1,677,067                     | 30,733              | (39,336)           | -                | 1,668,464                  |
| Vehicles                               | 508,465                       | -                   | (59,653)           | -                | 448,812                    |
| Total depreciable capital assets       | <u>77,648,930</u>             | <u>79,068</u>       | <u>(98,989)</u>    | <u>-</u>         | <u>77,629,009</u>          |
| <b>Less Accumulated Depreciation:</b>  |                               |                     |                    |                  |                            |
| Buildings and system                   | 8,679,400                     | 530,181             | -                  | -                | 9,209,581                  |
| Water extensions                       | 11,748,090                    | 805,420             | -                  | -                | 12,553,510                 |
| Machinery and equipment                | 1,450,156                     | 63,419              | (39,336)           | -                | 1,474,239                  |
| Vehicles                               | 406,378                       | 195,039             | (49,317)           | -                | 552,100                    |
| Total accumulated depreciation         | <u>22,284,024</u>             | <u>\$ 1,594,059</u> | <u>\$ (88,653)</u> | <u>\$ -</u>      | <u>23,789,430</u>          |
| Total depreciable capital assets, net  | <u>55,364,906</u>             |                     |                    |                  | <u>53,839,579</u>          |
| Water Fund capital assets, net         | <u>\$ 55,783,726</u>          |                     |                    |                  | <u>\$ 55,152,533</u>       |

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

|   | <u>Beginning<br/>Balances</u> | <u>Additions</u>    | <u>Deletions</u>    | <u>Transfers</u>   | <u>Ending<br/>Balances</u> |
|---|-------------------------------|---------------------|---------------------|--------------------|----------------------------|
| <b>Sewer Fund:</b>                                      |                               |                     |                     |                    |                            |
| <b>Non-Depreciable Capital Assets:</b>                  |                               |                     |                     |                    |                            |
| Land  | \$ 58,402                     | \$ -                | \$ -                | \$ -               | \$ 58,402                  |
| Construction in progress                                | 227,270                       | 1,675,030           | -                   | -                  | 1,902,300                  |
| Total non-depreciable capital assets                    | <u>285,672</u>                | <u>1,675,030</u>    | <u>-</u>            | <u>-</u>           | <u>1,960,702</u>           |
| <b>Depreciable Capital Assets:</b>                      |                               |                     |                     |                    |                            |
| Buildings and system                                    | 36,801,973                    | -                   | -                   | 7,641,505          | 44,443,478                 |
| Sewer extensions  | 59,457,767                    | 131,069             | -                   | (7,641,505)        | 51,947,331                 |
| Machinery and equipment                                 | 2,011,707                     | 96,280              | (481,230)           | -                  | 1,626,757                  |
| Vehicles  | 895,008                       | 136,704             | (160,197)           | -                  | 871,515                    |
| IT subscriptions  | -                             | 2,160               | -                   | -                  | 2,160                      |
| Total depreciable capital assets                        | <u>99,166,455</u>             | <u>366,213</u>      | <u>(641,427)</u>    | <u>-</u>           | <u>98,891,241</u>          |
| <b>Less Accumulated Depreciation/<br/>Amortization:</b> |                               |                     |                     |                    |                            |
| Buildings and system                                    | 9,171,753                     | 699,550             | -                   | -                  | 9,871,303                  |
| Sewer extensions  | 14,377,944                    | 1,356,390           | -                   | -                  | 15,734,334                 |
| Machinery and equipment                                 | 1,905,524                     | 45,709              | (479,292)           | -                  | 1,471,941                  |
| Vehicles  | 831,798                       | 30,479              | (159,964)           | -                  | 702,313                    |
| IT subscriptions  | -                             | 462                 | -                   | -                  | 462                        |
| Total accumulated depreciation                          | <u>26,287,019</u>             | <u>\$ 2,132,590</u> | <u>\$ (639,256)</u> | <u>\$ -</u>        | <u>27,780,353</u>          |
| Total depreciable capital assets, net                   | <u>72,879,436</u>             |                     |                     |                    | <u>71,110,888</u>          |
| Sewer Fund capital assets, net                          | <u>\$ 73,165,108</u>          |                     |                     |                    | <u>\$ 73,071,590</u>       |
| <b>Electric Fund:</b>                                   |                               |                     |                     |                    |                            |
| <b>Non-Depreciable Capital Assets:</b>                  |                               |                     |                     |                    |                            |
| Land  | \$ 5,723,460                  | \$ -                | \$ -                | \$ -               | \$ 5,723,460               |
| Construction in progress                                | 226,586                       | 120,474             | -                   | -                  | 347,060                    |
| Total non-depreciable capital assets                    | <u>5,950,046</u>              | <u>120,474</u>      | <u>-</u>            | <u>-</u>           | <u>6,070,520</u>           |
| <b>Depreciable Capital Assets:</b>                      |                               |                     |                     |                    |                            |
| Buildings and system                                    | 4,626,956                     | -                   | -                   | 756,081            | 5,383,037                  |
| Electric extensions                                     | 27,905,731                    | 943,397             | -                   | (922,623)          | 27,926,505                 |
| Machinery and equipment                                 | 1,146,837                     | 133,873             | (163,793)           | 166,542            | 1,283,459                  |
| Vehicles  | 1,619,835                     | -                   | (180,010)           | (29,185)           | 1,410,640                  |
| Total depreciable capital assets                        | <u>35,299,359</u>             | <u>1,077,270</u>    | <u>(343,803)</u>    | <u>(29,185)</u>    | <u>36,003,641</u>          |
| <b>Less Accumulated Depreciation:</b>                   |                               |                     |                     |                    |                            |
| Buildings and system                                    | 2,449,561                     | 68,600              | -                   | -                  | 2,518,161                  |
| Electric extensions                                     | 11,127,762                    | 619,796             | -                   | -                  | 11,747,558                 |
| Machinery and equipment                                 | 1,146,837                     | 21,255              | (162,643)           | -                  | 1,005,449                  |
| Vehicles  | 1,129,997                     | 95,989              | (180,010)           | (29,185)           | 1,016,791                  |
| Total accumulated depreciation                          | <u>15,854,157</u>             | <u>\$ 805,640</u>   | <u>\$ (342,653)</u> | <u>\$ (29,185)</u> | <u>16,287,959</u>          |
| Total depreciable capital assets, net                   | <u>19,445,202</u>             |                     |                     |                    | <u>19,715,682</u>          |
| Electric Fund capital assets, net                       | <u>\$ 25,395,248</u>          |                     |                     |                    | <u>\$ 25,786,202</u>       |

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

|   | <u>Beginning<br/>Balances</u> | <u>Additions</u>  | <u>Deletions</u>    | <u>Transfers</u>    | <u>Ending<br/>Balances</u> |
|---|-------------------------------|-------------------|---------------------|---------------------|----------------------------|
| <b>Gas Fund:</b>  |                               |                   |                     |                     |                            |
| <b>Non-Depreciable Capital Assets:</b>                  |                               |                   |                     |                     |                            |
| Land  | \$ 366,839                    | \$ -              | \$ -                | \$ -                | \$ 366,839                 |
| Construction in progress                                | 268,905                       | 785,940           | -                   | (912,352)           | 142,493                    |
| Total non-depreciable capital assets                    | <u>635,744</u>                | <u>785,940</u>    | <u>-</u>            | <u>(912,352)</u>    | <u>509,332</u>             |
| <b>Depreciable Capital Assets:</b>                      |                               |                   |                     |                     |                            |
| Buildings and system                                    | 3,075,561                     | -                 | -                   | -                   | 3,075,561                  |
| Gas extensions  | 31,696,816                    | 309,223           | -                   | 912,352             | 32,918,391                 |
| Machinery and equipment                                 | 1,270,616                     | 24,608            | (118,675)           | (7,465)             | 1,169,084                  |
| Vehicles  | 1,017,173                     | 78,466            | (220,156)           | (16,257)            | 859,226                    |
| Total depreciable capital assets                        | <u>37,060,166</u>             | <u>412,297</u>    | <u>(338,831)</u>    | <u>888,630</u>      | <u>38,022,262</u>          |
| <b>Less Accumulated Depreciation:</b>                   |                               |                   |                     |                     |                            |
| Buildings and system                                    | 665,566                       | 54,610            | -                   | -                   | 720,176                    |
| Sewer extensions  | 14,176,117                    | 684,979           | -                   | -                   | 14,861,096                 |
| Machinery and equipment                                 | 1,191,113                     | 22,498            | (118,269)           | (7,465)             | 1,087,877                  |
| Vehicles  | 903,053                       | 50,177            | (218,651)           | (16,257)            | 718,322                    |
| Total accumulated depreciation                          | <u>16,935,849</u>             | <u>\$ 812,264</u> | <u>\$ (336,920)</u> | <u>\$ (23,722)</u>  | <u>17,387,471</u>          |
| Total depreciable capital assets, net                   | <u>20,124,317</u>             |                   |                     |                     | <u>20,634,791</u>          |
| Gas Fund capital assets, net                            | <u>\$ 20,760,061</u>          |                   |                     |                     | <u>\$ 21,144,123</u>       |
| <br>  |                               |                   |                     |                     |                            |
| <b>Stormwater Fund:</b>                                 |                               |                   |                     |                     |                            |
| <b>Depreciable Capital Assets:</b>                      |                               |                   |                     |                     |                            |
| Machinery and equipment                                 | \$ 522,193                    | \$ -              | \$ -                | \$ (338,918)        | \$ 183,275                 |
| Vehicles  | 75,268                        | -                 | -                   | -                   | 75,268                     |
| IT subscriptions  | -                             | 1,617             | -                   | -                   | 1,617                      |
| Total depreciable capital assets                        | <u>597,461</u>                | <u>1,617</u>      | <u>-</u>            | <u>(338,918)</u>    | <u>260,160</u>             |
| <b>Less Accumulated Depreciation/<br/>Amortization:</b> |                               |                   |                     |                     |                            |
| Machinery and equipment                                 | 430,375                       | 5,582             | -                   | (295,266)           | 140,691                    |
| Vehicles  | 75,268                        | -                 | -                   | -                   | 75,268                     |
| IT subscriptions  | -                             | 1,026             | -                   | -                   | 1,026                      |
| Total accumulated depreciation                          | <u>505,643</u>                | <u>\$ 6,608</u>   | <u>\$ -</u>         | <u>\$ (295,266)</u> | <u>216,985</u>             |
| Total depreciable capital assets, net                   | <u>91,818</u>                 |                   |                     |                     | <u>43,175</u>              |
| Stormwater Fund capital<br>assets, net                  | <u>\$ 91,818</u>              |                   |                     |                     | <u>\$ 43,175</u>           |

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

|   | <u>Beginning<br/>Balances</u> | <u>Additions</u>  | <u>Deletions</u>    | <u>Transfers</u> | <u>Ending<br/>Balances</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                     | 573,549           | -                   | -                | 9,986,349                  |
| Other improvements                                      | 1,728,270                     | -                 | -                   | 383,908          | 2,112,178                  |
| Machinery and equipment                                 | 554,120                       | -                 | (170,212)           | (383,908)        | -                          |
| Vehicles  | 217,438                       | -                 | (29,535)            | 16,257           | 204,160                    |
| Right to use leased equipment                           | 6,534                         | -                 | -                   | -                | 6,534                      |
| Total depreciable capital assets                        | <u>11,919,162</u>             | <u>573,549</u>    | <u>(199,747)</u>    | <u>16,257</u>    | <u>12,309,221</u>          |
| <b>Less Accumulated Depreciation/<br/>Amortization:</b> |                               |                   |                     |                  |                            |
| Buildings and system                                    | 5,876,960                     | 368,795           | -                   | -                | 6,245,755                  |
| Other improvements                                      | 801,681                       | 115,328           | -                   | 12,937           | 929,946                    |
| Machinery and equipment                                 | 173,133                       | 10,016            | (170,212)           | (12,937)         | -                          |
| Vehicles  | 174,893                       | 20,340            | (29,535)            | 16,257           | 181,955                    |
| Right to use leased equipment                           | 2,492                         | 2,492             | -                   | -                | 4,984                      |
| Total accumulated depreciation                          | <u>7,029,159</u>              | <u>\$ 516,971</u> | <u>\$ (199,747)</u> | <u>\$ 16,257</u> | <u>7,362,640</u>           |
| Total depreciable capital assets, net                   | <u>4,890,003</u>              |                   |                     |                  | <u>4,946,581</u>           |
| Housing Assistance Fund capital<br>assets, net          | <u>\$ 5,168,176</u>           |                   |                     |                  | <u>\$ 5,224,754</u>        |
| Total business-type capital assets                      | <u>\$180,364,137</u>          |                   |                     |                  | <u>\$180,422,377</u>       |

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Construction Commitments

The City has active construction projects as of June 30, 2023. At year-end, the City's commitments with contractors are as follows:

| <u>Project</u>  | <u>Project<br/>Authorizations</u> | <u>Remaining<br/>Commitment</u> |
|---|-----------------------------------|---------------------------------|
| <b>Governmental:</b>  |                                   |                                 |
| CDBG Corona Virus Pass Thru Grant (CDBGC)                     | \$ 945,000                        | \$ 26,056                       |
| City Hall Annex Renovation Project (CHARP)                    | 114,000                           | 29,260                          |
| City Hall Roof Replacement (CHROF)                            | 857,130                           | 545,705                         |
| Transportation Asset Management Plan Resurfacing (TAMPR)      | 6,000,000                         | 2,982,677                       |
| Airport T-Hangar Project (APTHP)                              | 4,329,998                         | 7,748                           |
| Airport T-Hangar #4 Project (APTH4)                           | 1,493,100                         | 9,409                           |
| City Park Pool Renovation Project (CPPRP)                     | 2,716,595                         | 238,904                         |
| Depot Park and Depot Building (DEPOT) & (DPOPK)               | 1,000,000                         | 925,242                         |
| Rail Trail Corridor (RLTRL)                                   | 3,809,350                         | 2,136,714                       |
| Job Ready Shell Building #4 (SHL#4)                           | 8,939,000                         | 167,497                         |
| Total   | <u>30,204,173</u>                 | <u>7,069,212</u>                |
| <b>Business-Type:</b>   |                                   |                                 |
| <i>Water Fund:</i>  |                                   |                                 |
| Marion/150 Water Relocation                                   | 373,040                           | 368,040                         |
| 24" Cross-Town Waterline Extension-S.Tank/Forest Hill (61841) | 9,526,500                         | 185,448                         |
| ARP Waterline Projects (61842)                                | 1,190,600                         | 20,900                          |
| ARP Water Plant Projects (61843)                              | 457,000                           | 66,932                          |
| Water Asset Planning Grant (61844)                            | 125,000                           | 89,413                          |
| R2707D US74 Bypass Waterline (61845)                          | 19,250                            | 19,250                          |
| Total   | <u>11,691,390</u>                 | <u>749,983</u>                  |
| <i>Sewer Fund:</i>  |                                   |                                 |
| Randolph Rd. Industrial Park Sewer Extension (62878)          | 1,696,042                         | 296,743                         |
| Hickory Creek Sewer Outfall Replace (62879)                   | 4,627,000                         | 132,082                         |
| ARP Sewerline Projects (62880)                                | 1,497,250                         | 146,070                         |
| Wastewater Planning Grant (62881)                             | 480,000                           | 185,066                         |
| Total   | <u>8,300,292</u>                  | <u>759,961</u>                  |
| <i>Electric Fund:</i>   |                                   |                                 |
| Substation 8 Additional Circuit (63876)                       | 414,000                           | 88,196                          |
| Substation 10 Line Replacement (63877)                        | 732,000                           | 463,080                         |
| Total   | <u>1,146,000</u>                  | <u>551,276</u>                  |
| <i>Gas Fund:</i>  |                                   |                                 |
| Highway 74 Bypass Sections "D & E" Gas Relocation (64885)     | 1,718,888                         | 1,576,695                       |
| Total   | <u>\$ 53,060,743</u>              | <u>\$ 10,707,127</u>            |

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

Capital asset activity for the ABC Board for the year ended June 30, 2023 was as follows:

| <u>Component Unit</u>                  | <u>Beginning<br/>Balances</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending<br/>Balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| <b>Non-Depreciable Capital Assets:</b> |                               |                  |                  |                            |
| Land                                   | \$ 182,567                    | \$ -             | \$ -             | \$ 182,567                 |
| <b>Depreciable Capital Assets:</b>     |                               |                  |                  |                            |
| Buildings                              | 802,691                       | -                | -                | 802,691                    |
| Office and store equipment             | 269,561                       | 26,021           | -                | 295,582                    |
| Land improvements                      | 1,950                         | -                | -                | 1,950                      |
| Vehicle                                | 28,375                        | -                | -                | 28,375                     |
| Total depreciable capital assets       | <u>1,102,577</u>              | <u>26,021</u>    | <u>-</u>         | <u>1,128,598</u>           |
| <b>Less Accumulated Depreciation:</b>  |                               |                  |                  |                            |
| Buildings                              | 644,834                       | 6,621            | -                | 651,455                    |
| Office and store equipment             | 176,958                       | 15,883           | -                | 192,841                    |
| Land improvements                      | 593                           | 98               | -                | 691                        |
| Vehicle                                | 7,567                         | 2,837            | -                | 10,404                     |
| Total accumulated depreciation         | <u>829,952</u>                | <u>\$ 25,439</u> | <u>\$ -</u>      | <u>855,391</u>             |
| Total depreciable capital assets, net  | <u>272,625</u>                |                  |                  | <u>273,207</u>             |
| ABC Board capital assets, net          | <u>\$ 455,192</u>             |                  |                  | <u>\$ 455,774</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, 2023 were as follows:

|  | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> |
|--|------------------------------------|-------------------------------------|
| Accounts payable                               | \$ 1,012,561                       | \$ 516,548                          |
| Accrued gas and electric purchases             | -                                  | 1,728,508                           |
| Accrued payroll liabilities                    | 208,368                            | 94,711                              |
| Total accounts payable and accrued liabilities | <u>\$ 1,220,929</u>                | <u>\$ 2,339,767</u>                 |



# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Long-Term Obligations

#### Lease Liabilities

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. Details of the City's lease liabilities at June 30, 2023, are as follows:

On July 1, 2022, 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 \$40,344. As of June 30, 2023, the value of the lease liability was \$29,587. The City is required to make monthly fixed payments of \$905, including interest at a rate of 2.145%. As a result of the lease, the City has recorded a right to use asset with a net book value of \$27,261 at June 30, 2023. The lease has a guaranteed residual value payment of \$8,718.

On July 1, 2022, 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 \$40,344. As of June 30, 2023, the value of the lease liability was \$30,457. The City is required to make monthly fixed payments of \$905, including interest at a rate of 2.145%. As a result of the lease, the City has recorded a right to use asset with a net book value of \$27,261 at June 30, 2023. The lease has a guaranteed residual value payment of \$8,718.

On July 1, 2022, 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 \$40,807. As of June 30, 2023, the value of the lease liability was \$30,092. The City is required to make monthly fixed payments of \$915, including interest at a rate of 2.145%. As a result of the lease, the City has recorded a right to use asset with a net book value of \$27,664 at June 30, 2023. The lease has a guaranteed residual value payment of \$9,010.

On April 3, 2023, 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 \$44,540. As of June 30, 2023, the value of the lease liability was \$41,911. The City is required to make monthly fixed payments of \$1,012, including interest at a rate of 2.503%. As a result of the lease, the City has recorded a right to use asset with a net book value of \$42,056 at June 30, 2023. The lease has a guaranteed residual value payment of \$9,352.

On May 18, 2023, 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 \$45,209. As of June 30, 2023, the value of the lease liability was \$43,795. The City is required to make monthly fixed payments of \$1,041, including interest at a rate of 2.503%. As a result of the lease, the City has recorded a right to use asset with a net book value of \$44,363 at June 30, 2023. The lease has a guaranteed residual value payment of \$9,375.

On April 7, 2023, the City entered into several 36-month leases as lessee for the use of 16 vehicles. Aggregate initial lease liabilities were recorded in the amount of \$713,245. As of June 30, 2023, the value of the lease liabilities were \$673,430. The City is required to make monthly fixed payments of \$1,012 for each lease, a total of \$16,192, including interest at a rate of

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

2.503%. As a result of the leases, the City has recorded right to use assets with a net book value of \$676,699 at June 30, 2023. The leases have guaranteed residual value payments totaling \$149,655.

On April 7, 2023, the City entered into a 60-month lease as lessee for the use of a vehicle. An initial lease liability was recorded in the amount of \$46,792. As of June 30, 2023, the value of the lease liability was \$44,737. The City is required to make monthly fixed payments of \$811, including interest at a rate of 2.45%. As a result of the lease, the City has recorded a right to use asset with a net book value of \$46,045 at June 30, 2023. The lease has a guaranteed residual value payment of \$482.

On April 7, 2023, the City entered into a 60-month lease as lessee for the use of a vehicle. An initial lease liability was recorded in the amount of \$44,540. As of June 30, 2023, the value of the lease liability was \$41,911. The City is required to make monthly fixed payments of \$811, including interest at a rate of 2.45%. As a result of the lease, the City has recorded a right to use asset with a net book value of \$42,056 at June 30, 2023. The lease has a guaranteed residual value payment of \$467.

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, 2023, the value of the lease liability was \$25,344. 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 \$24,308 at June 30, 2023.

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, 2023, the value of the lease liability was \$330. 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 \$663 at June 30, 2023.

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, 2023, the value of the lease liability was \$1,487. 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 \$1,550 at June 30, 2023.

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, 2023, the value of the lease liability was \$8,501. 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 \$8,380 at June 30, 2023. The lease has a guaranteed residual value payment of \$7,155.

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, 2023, the value of the lease liability was \$4,931. 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 \$4,794 at June 30, 2023. The lease has a guaranteed residual value payment of \$6,658.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 are as follows:

| Year Ending<br><u>June 30</u> | <u>Governmental Activities</u> |                  |                     | <u>Business-Type Activities</u> |                 |                 |
|-------------------------------|--------------------------------|------------------|---------------------|---------------------------------|-----------------|-----------------|
|                               | <u>Principal</u>               | <u>Interest</u>  | <u>Total</u>        | <u>Principal</u>                | <u>Interest</u> | <u>Total</u>    |
| 2024                          | \$ 272,764                     | \$ 20,880        | \$ 293,644          | \$ 1,487                        | \$ 4            | \$ 1,491        |
| 2025                          | 290,297                        | 14,376           | 304,673             | -                               | -               | -               |
| 2026                          | 371,542                        | 6,904            | 378,446             | -                               | -               | -               |
| 2027                          | 23,445                         | 707              | 24,152              | -                               | -               | -               |
| 2028                          | 16,978                         | 200              | 17,178              | -                               | -               | -               |
| Total                         | <u>\$ 975,026</u>              | <u>\$ 43,067</u> | <u>\$ 1,018,093</u> | <u>\$ 1,487</u>                 | <u>\$ 4</u>     | <u>\$ 1,491</u> |

### Subscription Liabilities

The City has entered into subscription-based information technology arrangements (SBITAs). The SBITAs qualify as other than short-term SBITAs under GASB 96 and, therefore, have been recorded at the present value of the future minimum subscription payments as of the date of their inception.

On July 1, 2022, the City entered into a 18-month subscription for the use of software. An initial subscription liability was recorded in the amount of \$1,617. As of June 30, 2023, the value of the subscription liability was \$806. The City is required to make annual fixed payments of \$823, including interest at a rate of 2.194%. As a result of the subscription, the City has recorded a right to use asset with a net book value of \$591 at June 30, 2023.

On February 24, 2023, the City entered into a 36-month subscription for the use of software. An initial subscription liability was recorded in the amount of \$105,336. As of June 30, 2023, the value of the subscription liability was \$90,013. The City is required to make annual fixed payments of \$30,960, including interest at a rate of 2.354%. As a result of the subscription, the City has recorded a right to use asset with a net book value of \$93,029 at June 30, 2023.

On July 5, 2022, the City entered into a 36-month subscription for the use of software. An initial subscription liability was recorded in the amount of \$100. As of June 30, 2023, the value of the subscription liability was \$0. The City is required to make annual fixed payments of \$100, including interest at a rate of 2.194%. As a result of the subscription, the City has recorded a right to use asset with a net book value of \$51 at June 30, 2023.

On November 10, 2022, the City entered into a 36-month subscription for the use of software. An initial subscription liability was recorded in the amount of \$2,160. As of June 30, 2023, the value of the subscription liability was \$0. The City is required to make annual fixed payments of \$2,160, including interest at a rate of 3.254%. As a result of the subscription, the City has recorded a right to use asset with a net book value of \$1,698 at June 30, 2023.

On September 15, 2022, the City entered into a 36-month subscription for the use of software. An initial subscription liability was recorded in the amount of \$80,617. As of June 30, 2023, the value of the subscription liability was \$53,117. The City is required to make annual fixed

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

payments of \$27,500, including interest at a rate of 2.354%. As a result of the subscription, the City has recorded a right to use asset with a net book value of \$59,268 at June 30, 2023.

On November 17, 2022, the City entered into a 36-month subscription for the use of software. An initial subscription liability was recorded in the amount of \$1,120. As of June 30, 2023, the value of the subscription liability was \$0. The City is required to make annual fixed payments of \$1,120, including interest at a rate of 3.378%. As a result of the subscription, the City has recorded a right to use asset with a net book value of \$888 at June 30, 2023.

On July 1, 2022, the City entered into a 13-month subscription for the use of software. An initial subscription liability was recorded in the amount of \$8,280. As of June 30, 2023, the value of the subscription liability was \$8,280. The City is required to make annual fixed payments of \$8,457, including interest at a rate of 1.850%. As a result of the subscription, the City has recorded a right to use asset with a net book value of \$1,114 at June 30, 2023.

The future minimum subscription obligations and the net present value of these minimum subscription payments as of June 30, 2023 were as follows:

| <b>Year Ending<br/>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>  |
| 2024                           | \$ 63,936                      | \$ 2,174        | \$ 66,110         | \$ 806                          | \$ 18           | \$ 824        |
| 2025                           | 56,420                         | 3,129           | 59,549            | -                               | -               | -             |
| 2026                           | 31,054                         | 1,302           | 32,356            | -                               | -               | -             |
| Total                          | <u>\$ 151,410</u>              | <u>\$ 6,605</u> | <u>\$ 158,015</u> | <u>\$ 806</u>                   | <u>\$ 18</u>    | <u>\$ 824</u> |

**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, 2023 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. \$ 5,600,000

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Debt service requirements to maturity of general obligation bonds are as follow:

| Year Ending<br><u>June 30</u> | <u>Governmental Activities</u> |                     |                     |
|-------------------------------|--------------------------------|---------------------|---------------------|
|                               | <u>Principal</u>               | <u>Interest</u>     | <u>Total</u>        |
| 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                          | 400,000                        | 108,000             | 508,000             |
| 2029-2033                     | 2,000,000                      | 378,000             | 2,378,000           |
| 2034-2037                     | 1,600,000                      | 108,000             | 1,708,000           |
| Total                         | <u>\$ 5,600,000</u>            | <u>\$ 1,134,000</u> | <u>\$ 6,734,000</u> |

### Installment Debt

All financing arrangements that have an outstanding balance at June 30, 2023 are summarized as follows:

| Financing<br>Agreements       | Interest<br>Rate | Date<br>Debt<br>Matures | Amount of<br>Original<br>Debt | <u>Balance Outstanding at<br/>June 30, 2023</u> |                                 |                      |                   |                     |                    |
|-------------------------------|------------------|-------------------------|-------------------------------|---|---------------------------------|----------------------|-------------------|---------------------|--------------------|
|                               |                  |                         |                               | Governmental<br>Activities                      | <u>Business-Type Activities</u> |                      |                   |                     |                    |
|                               |                  |                         |                               |   | Water<br>Fund                   | Sewer<br>Fund        | Electric<br>Fund  | Gas<br>Fund         | Stormwater<br>Fund |
| 2014 DENR                     | 0.00%            | 2034                    | \$ 726,000                    | \$ -  | \$ -                            | \$ 399,287           | \$ -              | \$ -                | \$ -               |
| 2015 DENR                     | 0.00%            | 2029                    | 3,130,438                     | -   | -                               | 1,878,263            | -                 | -                   | -                  |
| 2015 DENR                     | 0.00%            | 2029                    | 9,396,658                     | -   | -                               | 6,107,828            | -                 | -                   | -                  |
| Hannah Park                   | 2.83%            | 2032                    | 7,700,000                     | 4,620,000                                       | -                               | -                    | -                 | -                   | -                  |
| 2019 DENR                     | 1.53%            | 2039                    | 16,349,774                    | -   | 13,963,672                      | -                    | -                 | -                   | -                  |
| 2020 DENR                     | 0.00%            | 2040                    | 19,145,415                    | -   | -                               | 17,406,843           | -                 | -                   | -                  |
| 2019 Purchase<br>of equipment | 2.95%            | 2025                    | 479,700                       | 101,359   | 52,815                          | 1,363                | 8,668             | 7,410               | 3,810              |
| 2020 Purchase<br>of equipment | 1.42%            | 2025                    | 1,103,671                     | 379,955   | 4,803                           | 23,604               | -                 | 34,965              | -                  |
| 2021 Purchase<br>of equipment | 1.68%            | 2025                    | 1,330,143                     | 376,870   | 42,416                          | 18,148               | 263,489           | 71,484              | 33,341             |
| 2022 Purchase<br>of equipment | 1.58%            | 2027                    | 2,284,000                     | 1,204,384                                       | 56,384                          | 195,810              | 285,850           | 96,594              | -                  |
| 2023 Purchase<br>of equipment | 5.00%            | 2028                    | 640,904                       | 2,013,918                                       | 80,057                          | 283,960              | 204,957           | 71,931              | -                  |
| Cleveland County              | 3.25%            | 2033                    | 11,064,000                    | -   | 2,687,147                       | 3,664,273            | -                 | 761,154             | -                  |
| Cleveland County              | 2.39%            | 2032                    | 4,250,000                     | 3,841,000                                       | -                               | -                    | -                 | -                   | -                  |
| Total                         |                  |                         | <u>\$ 85,854,229</u>          | <u>\$ 12,537,486</u>                            | <u>\$ 16,887,294</u>            | <u>\$ 29,979,379</u> | <u>\$ 762,964</u> | <u>\$ 1,043,538</u> | <u>\$ 37,151</u>   |

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Governmental Activities Long-Term Debt**

The future minimum payments of the governmental activities long-term notes payable as of June 30, 2023 are as follows:

| <b>Year Ending<br/>June 30</b> | <b>Governmental Activities</b> |                     |                      |
|--------------------------------|--------------------------------|---------------------|----------------------|
|                                | <b>Principal</b>               | <b>Interest</b>     | <b>Total</b>         |
| 2024                           | \$ 1,943,375                   | \$ 315,933          | \$ 2,259,308         |
| 2025                           | 1,961,381                      | 271,896             | 2,233,277            |
| 2026                           | 1,794,644                      | 225,213             | 2,019,857            |
| 2027                           | 1,686,277                      | 181,108             | 1,867,385            |
| 2028                           | 1,392,430                      | 137,142             | 1,529,572            |
| 2029-2032                      | 3,759,379                      | 247,207             | 4,006,586            |
| Total                          | <u>\$ 12,537,486</u>           | <u>\$ 1,378,499</u> | <u>\$ 13,915,985</u> |

The City’s outstanding notes from direct placements related to governmental activities of \$8,696,486 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 of \$3,841,000 is secured by the property. The interlocal agreement specifies 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, 2023. Once the property is sold, the County and City split the proceeds of sale at 50 percent. The City’s share of the installment contract will be satisfied with proceeds of the sale, and the excess proceeds were split 50 percent between the County and the City. The interlocal agreement does not contain any provisions in the event of the City’s default under the agreement. The City is not a party to the installment contract between the County and the issuer of the installment contract.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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

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

| <b>Year Ending<br/>June 30</b> | <b>Water Fund</b>    |                     |                      |
|--------------------------------|----------------------|---------------------|----------------------|
|                                | <b>Principal</b>     | <b>Interest</b>     | <b>Total</b>         |
| 2024                           | \$ 1,218,112         | \$ 300,708          | \$ 1,518,820         |
| 2025                           | 1,165,809            | 276,814             | 1,442,623            |
| 2026                           | 1,164,311            | 254,231             | 1,418,542            |
| 2027                           | 1,150,870            | 231,682             | 1,382,552            |
| 2028                           | 1,137,045            | 209,254             | 1,346,299            |
| 2029-2033                      | 5,301,251            | 718,932             | 6,020,183            |
| 2034-2038                      | 4,106,965            | 314,183             | 4,421,148            |
| 2039-2040                      | 1,642,931            | 37,702              | 1,680,633            |
| <b>Total</b>                   | <b>\$ 16,887,294</b> | <b>\$ 2,343,506</b> | <b>\$ 19,230,800</b> |

| <b>Year Ending<br/>June 30</b> | <b>Sewer Fund</b>    |                   |                      |
|--------------------------------|----------------------|-------------------|----------------------|
|                                | <b>Principal</b>     | <b>Interest</b>   | <b>Total</b>         |
| 2024                           | \$ 2,157,779         | \$ 123,964        | \$ 2,281,743         |
| 2025                           | 2,157,633            | 109,489           | 2,267,122            |
| 2026                           | 2,148,862            | 94,211            | 2,243,073            |
| 2027                           | 2,145,505            | 79,049            | 2,224,554            |
| 2028                           | 2,097,427            | 63,864            | 2,161,291            |
| 2029-2033                      | 9,777,075            | 123,500           | 9,900,575            |
| 2034-2038                      | 6,594,078            | -                 | 6,594,078            |
| 2039-2041                      | 2,901,020            | -                 | 2,901,020            |
| <b>Total</b>                   | <b>\$ 29,979,379</b> | <b>\$ 594,077</b> | <b>\$ 30,573,456</b> |

| <b>Year Ending<br/>June 30</b> | <b>Electric Fund</b> |                  |                   |
|--------------------------------|----------------------|------------------|-------------------|
|                                | <b>Principal</b>     | <b>Interest</b>  | <b>Total</b>      |
| 2024                           | \$ 204,222           | \$ 14,201        | \$ 218,423        |
| 2025                           | 198,358              | 11,139           | 209,497           |
| 2026                           | 201,268              | 7,613            | 208,881           |
| 2027                           | 115,388              | 4,156            | 119,544           |
| 2028                           | 43,728               | 1,526            | 45,254            |
| <b>Total</b>                   | <b>\$ 762,964</b>    | <b>\$ 38,635</b> | <b>\$ 801,599</b> |

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

| <b>Year Ending<br/>June 30</b> | <b>Gas Fund</b>     |                   |                     |
|--------------------------------|---------------------|-------------------|---------------------|
|                                | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
| 2024                           | \$ 170,733          | \$ 28,503         | \$ 199,236          |
| 2025                           | 163,316             | 24,500            | 187,816             |
| 2026                           | 147,254             | 20,530            | 167,784             |
| 2027                           | 124,156             | 16,836            | 140,992             |
| 2028                           | 99,918              | 13,363            | 113,281             |
| 2029-2032                      | 338,161             | 25,653            | 363,814             |
| <b>Total</b>                   | <b>\$ 1,043,538</b> | <b>\$ 129,385</b> | <b>\$ 1,172,923</b> |

| <b>Year Ending<br/>June 30</b> | <b>Stormwater Fund</b> |                 |                  |
|--------------------------------|------------------------|-----------------|------------------|
|                                | <b>Principal</b>       | <b>Interest</b> | <b>Total</b>     |
| 2024                           | \$ 14,828              | \$ 476          | \$ 15,304        |
| 2025                           | 11,141                 | 244             | 11,385           |
| 2026                           | 11,182                 | 115             | 11,297           |
| <b>Total</b>                   | <b>\$ 37,151</b>       | <b>\$ 835</b>   | <b>\$ 37,986</b> |

The City’s outstanding notes from direct borrowings and direct placements related to business-type activities is \$48,710,326.

\$1,841,859 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 \$7,112,574 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 \$39,755,893 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.



**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**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, 2023 are as follows:

|  | <u>Interest Rates</u> | <u>Date Series Matures</u> | <u>Amount of Original Issue</u> | <u>Balance Outstanding June 30, 2023</u> |
|--|-----------------------|----------------------------|---------------------------------|--|
| Combined Enterprise System,<br>Series 2016           | 1.95%                 | 2032                       | \$ 3,020,000                    | \$ 1,820,020                             |
| Combined Enterprise System,<br>Refunding Series 2021 | 1.40%                 | 2031                       | 10,747,000                      | <u>7,925,999</u>                         |
| Total  |                       |                            |                                 | <u><u>\$ 9,746,019</u></u>               |

Revenue bond debt service requirements to maturity are as follows:

| <u>Year Ending June 30</u> | <u>Water Fund</u>          |                          |                            |
|----------------------------|----------------------------|--------------------------|----------------------------|
|                            | <u>Principal</u>           | <u>Interest</u>          | <u>Total</u>               |
| 2024                       | \$ 1,025,781               | \$ 85,701                | \$ 1,111,482               |
| 2025                       | 1,041,505                  | 70,182                   | 1,111,687                  |
| 2026                       | 677,262                    | 55,753                   | 733,015                    |
| 2027                       | 685,394                    | 45,109                   | 730,503                    |
| 2028                       | 699,186                    | 34,296                   | 733,482                    |
| 2029-2032                  | <u>1,552,915</u>           | <u>43,821</u>            | <u>1,596,736</u>           |
| Total                      | <u><u>\$ 5,682,043</u></u> | <u><u>\$ 334,862</u></u> | <u><u>\$ 6,016,905</u></u> |

| <u>Year Ending June 30</u> | <u>Sewer Fund</u>          |                         |                            |
|----------------------------|----------------------------|-------------------------|----------------------------|
|                            | <u>Principal</u>           | <u>Interest</u>         | <u>Total</u>               |
| 2024                       | \$ 419,300                 | \$ 23,472               | \$ 442,772                 |
| 2025                       | 424,435                    | 17,583                  | 442,018                    |
| 2026                       | 277,664                    | 12,158                  | 289,822                    |
| 2027                       | 279,863                    | 8,263                   | 288,126                    |
| 2028                       | 283,510                    | 4,332                   | 287,842                    |
| 2029                       | <u>96,816</u>              | <u>1,017</u>            | <u>97,833</u>              |
| Total                      | <u><u>\$ 1,781,588</u></u> | <u><u>\$ 66,825</u></u> | <u><u>\$ 1,848,413</u></u> |

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

| <b>Year Ending<br/>June 30</b> | <b>Electric Fund</b> |                  |                     |
|--------------------------------|----------------------|------------------|---------------------|
|                                | <b>Principal</b>     | <b>Interest</b>  | <b>Total</b>        |
| 2024                           | \$ 231,675           | \$ 19,385        | \$ 251,060          |
| 2025                           | 235,408              | 16,129           | 251,537             |
| 2026                           | 239,139              | 12,820           | 251,959             |
| 2027                           | 240,835              | 9,467            | 250,302             |
| 2028                           | 246,262              | 6,076            | 252,338             |
| 2029-2031                      | 249,316              | 2,619            | 251,935             |
| Total                          | <u>\$ 1,442,635</u>  | <u>\$ 66,496</u> | <u>\$ 1,509,131</u> |

| <b>Year Ending<br/>June 30</b> | <b>Gas Fund</b>   |                  |                   |
|--------------------------------|-------------------|------------------|-------------------|
|                                | <b>Principal</b>  | <b>Interest</b>  | <b>Total</b>      |
| 2024                           | \$ 173,114        | \$ 11,150        | \$ 184,264        |
| 2025                           | 175,424           | 8,718            | 184,142           |
| 2026                           | 134,680           | 6,405            | 141,085           |
| 2027                           | 135,704           | 4,517            | 140,221           |
| 2028                           | 137,968           | 2,609            | 140,577           |
| 2029-2031                      | 82,863            | 870              | 83,733            |
| Total                          | <u>\$ 839,753</u> | <u>\$ 34,269</u> | <u>\$ 874,022</u> |

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 \$10,248,471. Principal and interest paid for the current year and total customer net revenues were \$1,994,508 and \$14,943,387, respectively.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2023 was as follows:

|   |                      |
|---|----------------------|
| Operating revenues  | \$ 63,951,969        |
| Operating expenses*   | <u>49,008,582</u>    |
| <br>  |                      |
| Net income available for debt service                             | <u>\$ 14,943,387</u> |
| <br>  |                      |
| Debt service, principal, and interest paid<br>(Revenue bond only) | <u>\$ 1,994,508</u>  |
| <br>  |                      |
| Debt service coverage ratio                                       | <u>749.23%</u>       |

\*Per rate covenants, this does not include depreciation and amortization expense of \$5,868,132.

### 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.

**Changes in Long-Term Liabilities.** Long-term liability activity for the fiscal year ended June 30, 2023 was as follows:

|  | <u>Beginning<br/>Balances</u> | <u>Additions</u>     | <u>Reductions</u>     | <u>Ending<br/>Balances</u> | <u>Due<br/>Within<br/>One Year</u> |
|--|-------------------------------|----------------------|-----------------------|----------------------------|------------------------------------|
| <b>Governmental Activities:</b>                  |                               |                      |                       |                            |                                    |
| Direct placement installment debt                | \$ 8,165,251                  | \$ 6,263,918         | \$ (1,891,683)        | \$ 12,537,486              | \$ 1,943,375                       |
| General obligation bonds                         | 6,000,000                     | -                    | (400,000)             | 5,600,000                  | 400,000                            |
| Lease liabilities                                | 152,878                       | 1,015,821            | (193,673)             | 975,026                    | 272,764                            |
| Subscription liabilities                         | -                             | 195,453              | (44,043)              | 151,410                    | 63,936                             |
| Total pension liability - LEO                    | 4,069,189                     | -                    | (515,230)             | 3,553,959                  | -                                  |
| Compensated absences                             | 1,143,927                     | 2,097,820            | (1,886,320)           | 1,355,427                  | 338,857                            |
| Net pension liability - LGERS                    | 2,617,708                     | 6,614,795            | -                     | 9,232,503                  | -                                  |
| Total OPEB liability                             | <u>16,560,523</u>             | <u>1,218,000</u>     | <u>(2,921,962)</u>    | <u>14,856,561</u>          | <u>713,000</u>                     |
| Governmental activities<br>long-term liabilities | <u>\$ 38,709,476</u>          | <u>\$ 17,405,807</u> | <u>\$ (7,852,911)</u> | <u>\$ 48,262,372</u>       | <u>\$ 3,731,932</u>                |

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

|  | <u>Beginning<br/>Balances</u> | <u>Additions</u>    | <u>Reductions</u>     | <u>Ending<br/>Balances</u> | <u>Due<br/>Within<br/>One Year</u> |
|--|-------------------------------|---------------------|-----------------------|----------------------------|------------------------------------|
| <b>Business-Type Activities:</b>                     |                               |                     |                       |                            |                                    |
| <b>Water Fund:</b>                                   |                               |                     |                       |                            |                                    |
| Revenue bonds  | \$ 6,694,497                  | \$ -                | \$ (1,012,454)        | \$ 5,682,043               | \$ 1,025,781                       |
| Direct placement & direct borrowing installment debt | 18,008,449                    | 80,057              | (1,201,212)           | 16,887,294                 | 1,218,112                          |
| Compensated absences                                 | 80,577                        | 110,910             | (116,285)             | 75,202                     | 18,801                             |
| Net pension liability - LGERS                        | 181,502                       | 429,532             | -                     | 611,034                    | -                                  |
| Total OPEB liability                                 | <u>1,156,499</u>              | <u>79,091</u>       | <u>(189,738)</u>      | <u>1,045,852</u>           | <u>46,000</u>                      |
| Water Fund long-term liabilities                     | <u>\$ 26,121,524</u>          | <u>\$ 699,590</u>   | <u>\$ (2,519,689)</u> | <u>\$ 24,301,425</u>       | <u>\$ 2,308,694</u>                |
| <b>Sewer Fund:</b>                                   |                               |                     |                       |                            |                                    |
| Revenue bonds  | \$ 2,196,551                  | \$ -                | \$ (414,963)          | \$ 1,781,588               | \$ 419,300                         |
| Direct placement & direct borrowing installment debt | 31,776,898                    | 283,960             | (2,081,479)           | 29,979,379                 | 2,157,779                          |
| Subscription liabilities                             | -                             | 2,160               | (2,160)               | -                          | -                                  |
| Compensated absences                                 | 72,247                        | 135,590             | (132,763)             | 75,074                     | 18,769                             |
| Net pension liability - LGERS                        | 180,016                       | 515,439             | -                     | 695,455                    | -                                  |
| Total OPEB liability                                 | <u>1,286,447</u>              | <u>94,909</u>       | <u>(227,685)</u>      | <u>1,153,671</u>           | <u>56,000</u>                      |
| Sewer Fund long-term liabilities                     | <u>\$ 35,512,159</u>          | <u>\$ 1,032,058</u> | <u>\$ (2,859,050)</u> | <u>\$ 33,685,167</u>       | <u>\$ 2,651,848</u>                |
| <b>Electric Fund:</b>                                |                               |                     |                       |                            |                                    |
| Revenue bonds  | \$ 1,671,937                  | \$ -                | \$ (229,302)          | \$ 1,442,635               | \$ 231,675                         |
| Direct placement installment debt                    | 747,050                       | 204,957             | (189,043)             | 762,964                    | 204,222                            |
| Compensated absences                                 | 64,791                        | 97,846              | (103,191)             | 59,446                     | 14,862                             |
| Net pension liability - LGERS                        | 115,972                       | 429,532             | -                     | 545,504                    | -                                  |
| Total OPEB liability                                 | <u>1,080,954</u>              | <u>79,091</u>       | <u>(189,738)</u>      | <u>970,307</u>             | <u>46,000</u>                      |
| Electric Fund long-term liabilities                  | <u>\$ 3,680,704</u>           | <u>\$ 811,426</u>   | <u>\$ (711,274)</u>   | <u>\$ 3,780,856</u>        | <u>\$ 496,759</u>                  |
| <b>Gas Fund:</b>                                     |                               |                     |                       |                            |                                    |
| Revenue bonds  | \$ 1,011,087                  | \$ -                | \$ (171,334)          | \$ 839,753                 | \$ 173,114                         |
| Direct placement installment debt                    | 1,134,113                     | 71,931              | (162,506)             | 1,043,538                  | 170,733                            |
| Compensated absences                                 | 51,395                        | 119,330             | (103,867)             | 66,858                     | 16,715                             |
| Net pension liability - LGERS                        | 207,141                       | 429,532             | -                     | 636,673                    | -                                  |
| Total OPEB liability                                 | <u>1,140,083</u>              | <u>79,091</u>       | <u>(189,738)</u>      | <u>1,029,436</u>           | <u>46,000</u>                      |
| Gas Fund long-term liabilities                       | <u>\$ 3,543,819</u>           | <u>\$ 699,884</u>   | <u>\$ (627,445)</u>   | <u>\$ 3,616,258</u>        | <u>\$ 406,562</u>                  |

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

|   | <u>Beginning<br/>Balances</u> | <u>Additions</u>    | <u>Reductions</u>     | <u>Ending<br/>Balances</u> | <u>Due<br/>Within<br/>One Year</u> |
|---|-------------------------------|---------------------|-----------------------|----------------------------|------------------------------------|
| <b>Housing Assistance Fund:</b>                         |                               |                     |                       |                            |                                    |
| Compensated absences                                    | \$ 29,987                     | \$ 55,802           | \$ (53,009)           | \$ 32,780                  | \$ 8,195                           |
| Lease liabilities                                       | 4,020                         | -                   | (2,533)               | 1,487                      | 1,487                              |
| Net pension liability - LGERS                           | 74,179                        | 171,813             | -                     | 245,992                    | -                                  |
| Total OPEB liability                                    | <u>455,952</u>                | <u>31,636</u>       | <u>(75,895)</u>       | <u>411,693</u>             | <u>19,000</u>                      |
| Housing Assistance<br>long-term liabilities             | <u>\$ 564,138</u>             | <u>\$ 259,251</u>   | <u>\$ (131,437)</u>   | <u>\$ 691,952</u>          | <u>\$ 28,682</u>                   |
| <b>Stormwater Fund:</b>                                 |                               |                     |                       |                            |                                    |
| Direct placement installment debt                       | \$ 55,433                     | \$ -                | \$ (18,282)           | \$ 37,151                  | \$ 14,828                          |
| Subscription liabilities                                | -                             | 1,617               | (811)                 | 806                        | 806                                |
| Compensated absences                                    | <u>11,906</u>                 | <u>15,313</u>       | <u>(19,229)</u>       | <u>7,990</u>               | <u>1,998</u>                       |
| Stormwater Fund<br>long-term liabilities                | <u>\$ 67,339</u>              | <u>\$ 16,930</u>    | <u>\$ (38,322)</u>    | <u>\$ 45,947</u>           | <u>\$ 17,632</u>                   |
| <b>Total Business-Type Activities:</b>                  |                               |                     |                       |                            |                                    |
| Revenue bonds   | \$ 11,574,072                 | \$ -                | \$ (1,828,053)        | \$ 9,746,019               | \$ 1,849,870                       |
| Direct placement & direct<br>borrowing installment debt | 51,721,943                    | 640,905             | (3,652,522)           | 48,710,326                 | 3,765,674                          |
| Lease liabilities                                       | 4,020                         | -                   | (2,533)               | 1,487                      | 1,487                              |
| Subscription liabilities                                | -                             | 3,777               | (2,971)               | 806                        | 806                                |
| Compensated absences                                    | 310,903                       | 534,791             | (528,344)             | 317,350                    | 79,340                             |
| Net pension liability - LGERS                           | 758,810                       | 1,975,848           | -                     | 2,734,658                  | -                                  |
| Total OPEB liability                                    | <u>5,119,935</u>              | <u>363,818</u>      | <u>(872,794)</u>      | <u>4,610,959</u>           | <u>213,000</u>                     |
| Business-type activities<br>long-term liabilities       | <u>\$ 69,489,683</u>          | <u>\$ 3,519,139</u> | <u>\$ (6,887,217)</u> | <u>\$66,121,605</u>        | <u>\$ 5,910,177</u>                |

Compensated absences are typically liquidated in the General Fund.

At June 30, 2023, the City has a legal debt margin of approximately \$143,000,000.

### **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

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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.

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, 2023 was 13.10% of compensation for law enforcement officers and 12.10% 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

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

employees during the year. Contributions to the pension plan from the City of Shelby were \$2,181,782 for the year ended June 30, 2023. The ABC Board’s contributions to LGERS for the year ended June 30, 2023 were \$52,149.

*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, 2023, the City reported a liability of \$11,967,161 for its proportionate share of the net pension liability and the ABC Board reported \$188,424. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2023, the City’s proportion was 0.21213% (measured as of June 30, 2022), which was a decrease of 0.00804% from its proportion as of June 30, 2022 (measured as of June 30, 2021.)

For the year ended June 30, 2023, the City recognized pension expense of \$3,276,270. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <b><u>Deferred<br/>Outflows of<br/>Resources</u></b> | <b><u>Deferred<br/>Inflows of<br/>Resources</u></b> |
|--|--|---|
| Differences between expected and actual experience   | \$ 515,654   | \$ 50,557   |
| Changes of assumptions   | 1,194,054  | -   |
| Net difference between projected and actual earnings<br>on pension plan investments                          | 3,955,272  | -   |
| Changes in proportion and differences between City<br>contributions and proportionate share of contributions | 14,068   | 288,570   |
| City contributions subsequent to the measurement date  | <u>2,181,782</u>                                     | <u>-</u>  |
| Total  | <u>\$ 7,860,830</u>                                  | <u>\$ 339,127</u>                                   |

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

\$2,181,782 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, 2024. 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>       |
| 2024               | \$ 1,658,089        |
| 2025               | 1,389,130           |
| 2026               | 408,337             |
| 2027               | 1,884,365           |
| 2028               | -                   |
| Thereafter         | -                   |
| Total              | <u>\$ 5,339,921</u> |

*Actuarial Assumptions*

The total pension liability in the December 31, 2021, 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 |

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, 2021 valuation, with the exception of the discount rate, were based on the results of an actuarial experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

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



# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2022 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               | 33.0%                    | 0.9%  |
| Global equity              | 38.0%                    | 6.5%  |
| Real estate                | 8.0%                     | 5.9%  |
| Alternatives               | 8.0%                     | 8.2%  |
| Opportunistic fixed income | 7.0%                     | 5.0%  |
| Inflation sensitive        | 6.0%                     | 2.7%  |
| Total                      | <u>100.0%</u>            |   |

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, 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 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

### *Discount Rate*

The discount rate used to measure the total pension liability was 6.50%. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those 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 benefits payments to determine the total pension liability.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

***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:

|   | <b>1%<br/>Decrease<br/><u>(5.50%)</u></b> | <b>Discount<br/>Rate<br/><u>(6.50%)</u></b> | <b>1%<br/>Increase<br/><u>(7.50%)</u></b> |
|---|---|---|---|
| City's proportionate share of the net pension liability (asset) | <u>\$ 21,599,185</u>                      | <u>\$ 11,967,161</u>                        | <u>\$ 4,029,815</u>                       |

***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.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2021, the Separation Allowance’s membership consisted of:

|   |                  |
|---|------------------|
| Inactive members currently receiving benefits | 15               |
| Active members                                | <u>74</u>        |
| Total   | <u><u>89</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.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2021 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                  |   |
|------------------|---|
| Inflation        | 2.50 percent  |
| Salary increases | 3.25 to 7.75 percent, including inflation and productivity factor |
| Discount rate    | 4.31 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, 2021 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.

***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.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**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 \$214,415 as benefits came due.

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

At June 30, 2023, the City reported a total pension liability of \$3,553,959. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was rolled forward to December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the City recognized pension expense of \$408,050.

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience                                      | \$ 210,981                                    | \$ 3,062                                     |
| Changes of assumptions and other inputs   | 449,931                                       | 538,949                                      |
| City benefit payments and administrative expenses<br>subsequent to the measurement date | <u>128,359</u>                                | <u>-</u>                                     |
| Total   | <u>\$ 789,271</u>                             | <u>\$ 542,011</u>                            |

\$128,359 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, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending<br/>June 30</u> | <u>Amount</u>     |
|--------------------------------|-------------------|
| 2024                           | \$ 134,824        |
| 2025                           | 129,594           |
| 2026                           | (6,253)           |
| 2027                           | (105,541)         |
| 2028                           | (33,723)          |
| Thereafter                     | <u>-</u>          |
| Total                          | <u>\$ 118,901</u> |

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

*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 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

|                         | <b>1%<br/>Decrease<br/>(3.31%)</b> | <b>Current<br/>Discount<br/>Rate<br/>(4.31%)</b> | <b>1%<br/>Increase<br/>(5.31%)</b> |
|-------------------------|------------------------------------|--|------------------------------------|
| Total pension liability | <u>\$ 3,819,450</u>                | <u>\$ 3,553,959</u>                              | <u>\$ 3,311,831</u>                |

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

|  | <b>2023</b>         |
|--|---------------------|
| Beginning balance  | \$ 4,069,189        |
| Service cost   | 170,718             |
| Interest on the total pension liability  | 89,145              |
| Differences between expected and actual experience in the measurement of the total pension liability | 13,732              |
| Changes of assumptions or other inputs   | (574,410)           |
| Benefit payments   | <u>(214,415)</u>    |
| Ending balance of the total pension liability  | <u>\$ 3,553,959</u> |

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

**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 | 0.21213%      | n/a           | -             |
| Pension liability                            | \$ 11,967,161 | \$ 3,553,959  | \$ 15,521,120 |
| Pension expense                              | 3,276,270     | 408,050       | 3,684,320     |

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

|   | <u>LGERS</u>        | <u>LEOSSA</u>     | <u>Total</u>        |
|---|---------------------|-------------------|---------------------|
| <b><u>Deferred Outflows of Resources</u></b>  |                     |                   |                     |
| Pensions - difference between expected and actual experience  | \$ 515,654          | \$ 210,981        | \$ 726,635          |
| Net difference between projected and actual investment earnings   | 3,955,272           | -                 | 3,955,272           |
| Changes of assumptions  | 1,194,054           | 449,931           | 1,643,985           |
| Pensions - change in proportion and differences between employer contributions and proportionate share of contributions | 14,068              | -                 | 14,068              |
| Benefit payments and administration costs subsequent to the measurement date  | <u>2,181,782</u>    | <u>128,359</u>    | <u>2,310,141</u>    |
| Total   | <u>\$ 7,860,830</u> | <u>\$ 789,271</u> | <u>\$ 8,650,101</u> |

|   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| <b><u>Deferred Inflows of Resources</u></b>   |                   |                   |                   |
| Pensions - difference between expected and actual experience  | \$ 50,557         | \$ 3,062          | \$ 53,619         |
| (Increase) decreases of assumptions   | -                 | 538,949           | 538,949           |
| Pensions - change in proportion and differences between employer contributions and proportionate share of contributions | <u>288,570</u>    | <u>-</u>          | <u>288,570</u>    |
| Total   | <u>\$ 339,127</u> | <u>\$ 542,011</u> | <u>\$ 881,138</u> |

**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.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

**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 \$890,561 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   | <u>306</u>        |
|   | <u><u>364</u></u> |

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Total OPEB Liability

The City’s total OPEB liability of \$19,467,520 was measured as of June 30, 2022 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   |
| Municipal bond index rate                  | 3.54 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 percent by 2031 |

### Changes in the Total OPEB Liability

|  | <b>Total OPEB<br/>Liability</b> |
|--|---------------------------------|
| Balance at June 30, 2022                           | <u>\$ 21,680,458</u>            |
| (Increase) decreases for the year:                 |                                 |
| Service cost                                       | 1,026,025                       |
| Interest   | 480,520                         |
| Differences between expected and actual experience | 75,273                          |
| Changes of assumptions or other inputs             | (2,869,399)                     |
| Benefit payments                                   | (925,357)                       |
| Net changes  | <u>(2,212,938)</u>              |
| Balance at June 30, 2023                           | <u>\$ 19,467,520</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.

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54%.



**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

Mortality rates were based on the Pub-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 (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

|                      | <b>1%<br/>Decrease<br/>(2.54%)</b> | <b>Current<br/>Discount<br/>Rate<br/>(3.54%)</b> | <b>1%<br/>Increase<br/>(4.54%)</b> |
|----------------------|------------------------------------|--|------------------------------------|
| Total OPEB liability | <u>\$ 21,497,565</u>               | <u>\$ 19,467,520</u>                             | <u>\$ 17,674,202</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%<br/>Decrease</b> | <b>Current</b>       | <b>1%<br/>Increase</b> |
|----------------------|------------------------|----------------------|------------------------|
| Total OPEB liability | <u>\$ 17,191,973</u>   | <u>\$ 19,467,520</u> | <u>\$ 22,190,126</u>   |

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$1,397,781. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience                                      | \$ 175,212                                    | \$ 829,238                                   |
| Changes of assumptions and other inputs   | 3,248,934                                     | 2,905,544                                    |
| City benefit payments and administrative expenses<br>subsequent to the measurement date | <u>998,508</u>                                | <u>-</u>                                     |
| Total   | <u>\$ 4,422,654</u>                           | <u>\$ 3,734,782</u>                          |

\$998,508 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, 2024. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Year Ending</b> |                     |
|--------------------|---------------------|
| <b>June 30</b>     | <b>Amount</b>       |
| 2024               | \$ (115,120)        |
| 2025               | (100,667)           |
| 2026               | 3,433               |
| 2027               | 52,857              |
| 2028               | 128,584             |
| Thereafter         | <u>(279,723)</u>    |
| Total              | <u>\$ (310,636)</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, 2023

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<br>Outflows | Deferred<br>Inflows |
|--|----------------------|---------------------|
| Contributions to pension plan in current fiscal year:  |                      |                     |
| LGERS  | \$ 2,181,782         | \$ -                |
| LEOSSA   | 128,359              | -                   |
| Benefit payments/administration costs paid subsequent to<br>the measurement date (OPEB)          | 998,508              | -                   |
| Differences between expected and actual experience:  |                      |                     |
| LGERS  | 515,654              | 50,557              |
| LEOSSA   | 210,981              | 3,062               |
| OPEB   | 175,212              | 829,238             |
| Changes in assumptions:  |                      |                     |
| LGERS  | 1,194,054            | -                   |
| LEOSSA   | 449,931              | 538,949             |
| OPEB   | 3,248,934            | 2,905,544           |
| Net difference between projected and actual:   |                      |                     |
| LGERS  | 3,955,272            | -                   |
| Changes in proportion and differences between<br>employer contributions and proportionate share: |                      |                     |
| LGERS  | 14,068               | 288,570             |
| Deferred charge on refunding   | 249,379              | -                   |
| Taxes receivable (General Fund)  | -                    | 608,579             |
| Taxes receivable (nonmajor funds)  | -                    | 6,755               |
| Lease deferrals  | -                    | 23,662              |
| Total  | \$ 13,322,134        | \$ 5,254,916        |

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### **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 \$5 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 entirely 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 was bonded for \$100,000 as of June 30, 2023, increased to \$1,000,000 effective July 1, 2023. 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, 2023, 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, 2023**

**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, 2023 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     | \$ 158,998          |
| General Fund                          | American Rescue Plan Fund | 17,222              |
| 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                | 408,750             |
| Electric Fund                         | Sewer Fund                | 1,091,250           |
| Gas Fund                              | Sewer Fund                | 860,000             |
| Housing Assistance Fund               | Affordable Housing Fund   | <u>833,689</u>      |
| Total                                 |                           | <u>\$ 3,420,569</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, 2023 was \$860,000. 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, 2023 for the Water and Sewer Funds were \$408,750 and \$1,091,250, respectively. The \$226,880 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. The \$833,689 interfund receivable between the Housing Assistance Fund and the Affordable Housing Fund represents the initial startup of the Affordable Housing Fund, which will be transferred in the future as new affordable housing projects are started.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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            |   |
|                       | ARPA Fund            | 5,684,015            | Grant expenditures                                    |
| Econ. Dev. Commision  |                      |                      |   |
| Special Revenue Fund  | General Fund         | 304,624              | Economic development purposes - project contributions |
|                       | Water Fund           | 5,000                |   |
|                       | Sewer Fund           | 5,000                |   |
|                       | Electric Fund        | 396,438              |   |
|                       | Gas Fund             | 696,438              |   |
| Emergency Telephone   |                      |                      |   |
| System Fund           | General Fund         | 28,673               | Reimburse unallowed expenses                          |
| County Capital        |                      |                      |   |
| Project Fund          | General Fund         | 626,130              | Capital project funding                               |
|                       | Gas Fund             | 2,609,295            |   |
| Economic Dev. Capital |                      |                      |   |
| Project Fund          | Econ. Dev Commission | 135,000              | Capital project funding                               |
| Water Fund            |                      |                      |   |
|                       | General Fund         | 1,552,105            | Project contributions                                 |
|                       | ARPA Fund            | 388,995              | Capital purposes                                      |
|                       | Econ. Dev Commission | 389,323              | Return of contributions                               |
| Sewer Fund            |                      |                      |   |
|                       | General Fund         | 1,126,768            | Project contributions                                 |
|                       | ARPA Fund            | 510,482              | Grant expenditures                                    |
|                       | Econ. Dev Commission | 530,913              | Return of contributions                               |
| Gas Fund              | Econ. Dev Commission | <u>110,264</u>       | Return of contributions                               |
| Total                 |                      | <u>\$ 18,289,199</u> |   |

The Stormwater Fund also made non-cash transfers representing the net book value of capital assets of \$43,652 to capital assets of governmental activities.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 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     | \$ 73,990,056             |
| Outstanding balance on related debt             | (19,263,922)              |
| Unspent debt proceeds                           | 5,668,440                 |
| Total governmental activities                   | <u>\$ 60,394,574</u>      |
| <br>  |                           |
| <b>Business-Type Activities:</b>                |                           |
| <b>Water Fund:</b>                              |                           |
| Capital assets, net of accumulated depreciation | \$ 55,152,533             |
| Outstanding balance on related debt             | (22,569,337)              |
| Deferred charge on refunding                    | 103,946                   |
| Total Water                                     | <u>32,687,142</u>         |
| <br>  |                           |
| <b>Sewer Fund:</b>                              |                           |
| Capital assets, net of accumulated depreciation | 73,071,590                |
| Outstanding balance on related debt             | (31,760,967)              |
| Deferred charge on refunding                    | 32,923                    |
| Total Sewer                                     | <u>41,343,546</u>         |
| <br>  |                           |
| <b>Electric Fund:</b>                           |                           |
| Capital assets, net of accumulated depreciation | 25,786,202                |
| Outstanding balance on related debt             | (2,205,599)               |
| Deferred charge on refunding                    | 84,607                    |
| Total Electric                                  | <u>23,665,210</u>         |
| <br>  |                           |
| <b>Gas Fund:</b>                                |                           |
| Capital assets, net of accumulated depreciation | 21,144,123                |
| Outstanding balance on related debt             | (1,883,291)               |
| Deferred charge on refunding                    | 27,903                    |
| Total Gas                                       | <u>19,288,735</u>         |
| <br>  |                           |
| <b>Stormwater Fund:</b>                         |                           |
| Capital assets, net of accumulated depreciation | 43,175                    |
| Outstanding balance on related debt             | (37,957)                  |
| Total Stormwater                                | <u>5,218</u>              |
| <br>  |                           |
| <b>Housing Assistance Fund:</b>                 |                           |
| Capital assets and right to use assets, net     | 5,224,754                 |
| Outstanding balance on related debt             | (1,487)                   |
| Total Housing Assistance                        | <u>5,223,267</u>          |
| <br>Total business-type activities              | <br><u>\$ 122,213,118</u> |

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 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, 2023, were \$12,425,314.

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 \$17,492 to the Commission during the year ended June 30, 2023.





## **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 SIX FISCAL YEARS

|  | <b>Total OPEB Liability</b> |                      |                      |
|--|-----------------------------|----------------------|----------------------|
|  | <u>2023</u>                 | <u>2022</u>          | <u>2021</u>          |
| Beginning balance  | \$ 21,680,458               | \$ 18,818,304        | \$ 16,252,566        |
| Service cost   | 1,026,025                   | 951,356              | 690,967              |
| Interest on TOL and cash flows                                   | 480,520                     | 427,070              | 578,432              |
| Differences between expected and actual experience               | 75,273                      | 71,417               | 32,807               |
| Changes of assumptions or other inputs                           | (2,869,399)                 | 2,307,668            | 2,104,564            |
| Benefit payments   | <u>(925,357)</u>            | <u>(895,357)</u>     | <u>(841,032)</u>     |
| Ending balance of the total pension liability                    | <u>\$ 19,467,520</u>        | <u>\$ 21,680,458</u> | <u>\$ 18,818,304</u> |
| Covered-employee payroll   | \$ 13,923,727               | \$ 13,923,727        | \$ 13,711,420        |
| Total OPEB liability as a percentage of covered-employee payroll | 139.82%                     | 155.71%              | 137.25%              |

**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:

| <u>Fiscal Year</u> | <u>Rate</u> |
|--------------------|-------------|
| 2023               | 3.54%       |
| 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

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

|  | <b>Total OPEB Liability</b> |                      |                      |
|--|-----------------------------|----------------------|----------------------|
|  | <u>2020</u>                 | <u>2019</u>          | <u>2018</u>          |
| Beginning balance  | \$ 16,973,586               | \$ 16,938,421        | \$ 17,227,773        |
| Service cost   | 749,635                     | 777,437              | 844,592              |
| Interest on TOL and cash flows                                   | 643,340                     | 587,434              | 507,111              |
| Differences between expected and actual experience               | (1,569,626)                 | 83,254               | 21,481               |
| Changes of assumptions or other inputs                           | 334,602                     | (530,312)            | (896,404)            |
| Benefit payments   | <u>(878,971)</u>            | <u>(882,648)</u>     | <u>(766,132)</u>     |
| Ending balance of the total pension liability                    | <u>\$ 16,252,566</u>        | <u>\$ 16,973,586</u> | <u>\$ 16,938,421</u> |
| Covered-employee payroll   | \$ 13,711,420               | \$ 12,728,673        | \$ 12,728,673        |
| Total OPEB liability as a percentage of covered-employee payroll | 118.53%                     | 133.35%              | 133.07%              |

**CITY OF SHELBY, NORTH CAROLINA**

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

|  | <b>Local Governmental Employees' Retirement System</b> |              |              |              |              |
|--|--|--------------|--------------|--------------|--------------|
|  | <b>2023</b>  | <b>2022</b>  | <b>2021</b>  | <b>2020</b>  | <b>2019</b>  |
| Shelby's proportion of the net pension liability (asset) (%)   | 0.21213%   | 0.22017%     | 0.23206%     | 0.22646%     | 0.22259%     |
| Shelby's proportion of the net pension liability (asset) (\$)  | \$ 11,967,161  | \$ 3,376,518 | \$ 8,292,492 | \$ 6,184,447 | \$ 5,280,596 |
| Shelby's covered payroll   | 16,517,568   | 15,155,678   | 15,390,331   | 14,754,447   | 13,525,005   |
| Shelby's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 72.45%   | 22.28%       | 53.88%       | 41.92%       | 39.04%       |
| Plan fiduciary net position as a percentage of the total pension liability**                             | 84.14%   | 95.51%       | 88.61%       | 90.86%       | 91.63%       |

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

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

**CITY OF SHELBY, NORTH CAROLINA**

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

|  | <b>Local Governmental Employees' Retirement System</b> |              |             |                |              |
|--|--|--------------|-------------|----------------|--------------|
|  | <b>2018</b>  | <b>2017</b>  | <b>2016</b> | <b>2015</b>    | <b>2014</b>  |
| Shelby's proportion of the net pension liability (asset) (%)   | 0.22505%   | 0.21857%     | 0.21316%    | 0.21615%       | 0.25200%     |
| Shelby's proportion of the net pension liability (asset) (\$)  | \$ 3,438,141   | \$ 4,638,788 | \$ 956,648  | \$ (1,274,737) | \$ 2,714,525 |
| Shelby's covered payroll   | 13,368,109   | 12,458,381   | 11,891,524  | 11,775,999     | 11,242,846   |
| Shelby's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 25.72%   | 37.23%       | 8.04%       | ( 10.82%)      | 24.14%       |
| Plan fiduciary net position as a percentage of the total pension liability**                             | 94.18%   | 91.47%       | 98.09%      | 102.64%        | 94.35%       |

**CITY OF SHELBY, NORTH CAROLINA**

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

| <b>Local Governmental Employees' Retirement System</b>               |                  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|
|  | <u>2023</u>      | <u>2022</u>      | <u>2021</u>      | <u>2020</u>      | <u>2019</u>      |
| Contractually required contribution                                  | \$ 2,181,782     | \$ 1,908,147     | \$ 1,570,798     | \$ 1,412,825     | \$ 1,179,602     |
| Contributions in relation to the contractually required contribution | <u>2,181,782</u> | <u>1,908,147</u> | <u>1,570,798</u> | <u>1,412,825</u> | <u>1,179,602</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Shelby's covered payroll   | \$ 17,627,563    | \$ 16,517,568    | \$ 15,155,678    | \$ 15,390,331    | \$ 14,754,447    |
| Contributions as a percentage of covered payroll                     | 12.38%           | 11.55%           | 10.36%           | 9.18%            | 7.99%            |

**CITY OF SHELBY, NORTH CAROLINA**

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

| <b>Local Governmental Employees' Retirement System</b>               |                  |                  |                |                |                |
|--|------------------|------------------|----------------|----------------|----------------|
|  | <u>2018</u>      | <u>2017</u>      | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    |
| Contractually required contribution                                  | \$ 1,046,976     | \$ 1,004,436     | \$ 855,814     | \$ 851,812     | \$ 838,951     |
| Contributions in relation to the contractually required contribution | <u>1,046,976</u> | <u>1,004,436</u> | <u>855,814</u> | <u>851,812</u> | <u>838,951</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| Shelby's covered payroll   | \$ 13,525,005    | \$ 13,368,109    | \$ 12,458,381  | \$ 11,891,524  | \$ 11,775,999  |
| Contributions as a percentage of covered payroll                     | 7.74%            | 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 SEVEN FISCAL YEARS

| <u>Law Enforcement Officers' Special Separation Allowance</u> |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | <u>2023</u>         | <u>2022</u>         | <u>2021</u>         | <u>2020</u>         |
| Beginning balance   | 4,069,189           | \$ 3,994,593        | \$ 2,767,698        | \$ 2,502,779        |
| Service cost  | 170,718             | 183,762             | 111,544             | 99,044              |
| Interest on the total pension liability                       | 89,145              | 75,340              | 87,704              | 88,720              |
| Differences between expected and actual experience            | 13,732              | 96,352              | 231,007             | 130,856             |
| Changes of assumptions or other inputs                        | (574,410)           | (98,912)            | 951,413             | 77,106              |
| Benefit payments  | <u>(214,415)</u>    | <u>(181,946)</u>    | <u>(154,773)</u>    | <u>(130,807)</u>    |
| Ending balance of the total pension liability                 | <u>\$ 3,553,959</u> | <u>\$ 4,069,189</u> | <u>\$ 3,994,593</u> | <u>\$ 2,767,698</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, 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> |
|--------------------|-------------|
| 2023               | 4.31%       |
| 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 CHANGES IN TOTAL PENSION LIABILITY  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST SEVEN FISCAL YEARS

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

**CITY OF SHELBY, NORTH CAROLINA**

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

| <b>Law Enforcement Officers' Special Separation Allowance</b>           |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
|   | <b>2023</b>  | <b>2022</b>  | <b>2021</b>  | <b>2020</b>  |
| Total pension liability   | \$ 3,553,959 | \$ 4,069,189 | \$ 3,994,593 | \$ 2,767,698 |
| Covered-employee payroll  | 4,035,257    | 3,995,369    | 3,850,369    | 3,688,116    |
| Total pension liability as a percentage<br>of covered-employee payroll* | 88.07%       | 101.85%      | 103.75%      | 75.04%       |

**Notes to the Schedule:**

The City of Shelby has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB State 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

**CITY OF SHELBY, NORTH CAROLINA**

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

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





## **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, 2023  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

|   | 2023              |                   |                        | 2022              |
|---|-------------------|-------------------|------------------------|-------------------|
|   | Budget            | Actual            | Variance<br>Over/Under | Actual            |
| <b>Revenues:</b>                                |                   |                   |                        |                   |
| <b>Ad Valorem Taxes:</b>                        |                   |                   |                        |                   |
| Current year                                    | \$ 13,500,000     | \$ 13,887,656     | \$ 387,656             | \$ 13,703,407     |
| Prior years                                     | 130,000           | 136,071           | 6,071                  | 102,956           |
| Tax discounts                                   | (45,000)          | (40,731)          | 4,269                  | (40,046)          |
| Interest and penalties                          | 30,000            | 41,260            | 11,260                 | 38,546            |
| Total   | <u>13,615,000</u> | <u>14,024,256</u> | <u>409,256</u>         | <u>13,804,863</u> |
| <b>Other Taxes and Licenses:</b>                |                   |                   |                        |                   |
| Local option sales tax                          | 6,800,000         | 7,285,471         | 485,471                | 6,575,004         |
| Privilege licenses                              | -                 | 3,023             | 3,023                  | -                 |
| Total   | <u>6,800,000</u>  | <u>7,288,494</u>  | <u>488,494</u>         | <u>6,575,004</u>  |
| <b>Unrestricted Intergovernmental Revenues:</b> |                   |                   |                        |                   |
| Payment in lieu of taxes                        | 15,000            | 17,873            | 2,873                  | 15,548            |
| Utility franchise tax                           | 2,000,000         | 2,029,188         | 29,188                 | 1,913,081         |
| Beer and wine tax                               | 85,000            | 100,316           | 15,316                 | 87,274            |
| ABC revenue                                     | 175,000           | 179,575           | 4,575                  | 205,075           |
| Total   | <u>2,275,000</u>  | <u>2,326,952</u>  | <u>51,952</u>          | <u>2,220,978</u>  |
| <b>Restricted Intergovernmental Revenues:</b>   |                   |                   |                        |                   |
| Powell Bill allocation                          | 652,000           | 688,049           | 36,049                 | 693,431           |
| Federal and state grants                        | 339,400           | 315,727           | (23,673)               | 274,099           |
| ABC law enforcement revenue                     | 25,000            | 27,741            | 2,741                  | 32,905            |
| Rental vehicle gross receivable tax             | 42,000            | 59,827            | 17,827                 | 61,995            |
| Total   | <u>1,058,400</u>  | <u>1,091,344</u>  | <u>32,944</u>          | <u>1,062,430</u>  |
| <b>Permits and Fees:</b>                        |                   |                   |                        |                   |
| Building permits/inspection fees                | 266,600           | 460,713           | 194,113                | 284,669           |
| Other permits                                   | 123,600           | 165,989           | 42,389                 | 147,025           |
| Filing fees                                     | -                 | 500               | 500                    | 640               |
| Total   | <u>390,200</u>    | <u>627,202</u>    | <u>237,002</u>         | <u>432,334</u>    |
| <b>Sales and Services:</b>                      |                   |                   |                        |                   |
| Court costs and fees                            | 5,500             | 4,646             | (854)                  | 5,819             |
| Golf cart rentals                               | 70,100            | 74,187            | 4,087                  | 70,702            |
| Recreation revenue                              | 344,100           | 361,087           | 16,987                 | 356,903           |
| Garbage disposal fees                           | 1,400,000         | 1,420,371         | 20,371                 | 1,317,540         |
| Utility late fees                               | 180,000           | 198,464           | 18,464                 | 190,770           |
| Airport fuel sales                              | 335,000           | 388,410           | 53,410                 | 326,963           |
| Other rent                                      | 162,000           | 230,124           | 68,124                 | 184,836           |
| Total   | <u>2,496,700</u>  | <u>2,677,289</u>  | <u>180,589</u>         | <u>2,453,533</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, 2023  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

|   | 2023       |            | Variance<br>Over/Under | 2022       |
|---|------------|------------|------------------------|------------|
|   | Budget     | Actual     |                        | Actual     |
| <b>Investment Earnings</b>                        | 21,000     | 842,025    | 821,025                | 37,463     |
| <b>Miscellaneous:</b>                             |            |            |                        |            |
| Student resource officer                          | 539,500    | 489,164    | (50,336)               | 293,088    |
| Public nuisance                                   | 15,000     | 47,265     | 32,265                 | 16,782     |
| Donations   | -          | -          | -                      | 4,000      |
| Other   | 62,000     | 30,591     | (31,409)               | 112,453    |
| Total   | 616,500    | 567,020    | (49,480)               | 426,323    |
| Total revenues                                    | 27,272,800 | 29,444,582 | 2,171,782              | 27,012,928 |
| <b>Expenditures:</b>                              |            |            |                        |            |
| <b>General Government:</b>                        |            |            |                        |            |
| Mayor and council                                 | 62,104     | 59,052     | 3,052                  | 80,561     |
| Administration and general                        | 578,884    | 533,613    | 45,271                 | 692,016    |
| Finance   | 763,248    | 694,287    | 68,961                 | 594,549    |
| Purchasing  | 80,240     | 69,785     | 10,455                 | 83,027     |
| Human resources                                   | 395,573    | 351,974    | 43,599                 | 211,045    |
| City hall   | 131,025    | 113,076    | 17,949                 | 114,955    |
| Building and zoning                               | 406,050    | 303,965    | 102,085                | 248,772    |
| Community development                             | 615,517    | 574,209    | 41,308                 | 472,691    |
| Special appropriations                            | 4,556,816  | 1,550,128  | 3,006,688              | 1,171,865  |
| Total   | 7,589,457  | 4,250,089  | 3,339,368              | 3,669,481  |
| <b>Public Safety:</b>                             |            |            |                        |            |
| Police department                                 | 10,896,744 | 10,869,048 | 27,696                 | 8,254,750  |
| Fire department                                   | 6,867,981  | 6,614,927  | 253,054                | 4,870,462  |
| Total   | 17,764,725 | 17,483,975 | 280,750                | 13,125,212 |
| <b>Transportation:</b>                            |            |            |                        |            |
| Streets and highways                              | 1,307,250  | 1,070,278  | 236,972                | 1,213,901  |
| Street maintenance and repairs - Powell Bill      | 157,475    | 122,341    | 35,134                 | 104,218    |
| Street construction and improvement - Powell Bill | 592,615    | 209,869    | 382,746                | 491,042    |
| Garage  | 620,422    | 614,200    | 6,222                  | 520,719    |
| Airport   | 620,278    | 579,129    | 41,149                 | 529,695    |
| Total   | 3,298,040  | 2,595,817  | 702,223                | 2,859,575  |
| <b>Environmental Protection:</b>                  |            |            |                        |            |
| Sanitation  | 2,293,018  | 2,087,111  | 205,907                | 1,883,238  |



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, 2023  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

|   | 2023         |               | Variance<br>Over/Under | 2022          |
|---|--------------|---------------|------------------------|---------------|
|   | Budget       | Actual        |                        | Actual        |
| <b>Cultural and Recreational:</b>                                     |              |               |                        |               |
| Parks and recreation  | 3,887,834    | 3,181,034     | 706,800                | 2,925,709     |
| <b>Debt Service:</b>  |              |               |                        |               |
| Principal retirement  | 2,553,100    | 2,529,399     | 23,701                 | 6,394,544     |
| Interest  | 454,195      | 440,189       | 14,006                 | 290,362       |
| Total   | 3,007,295    | 2,969,588     | 37,707                 | 6,684,906     |
| Total expenditures  | 37,840,369   | 32,567,614    | 5,272,755              | 31,148,121    |
| Revenues over (under) expenditures                                    | (10,567,569) | (3,123,032)   | 7,444,537              | (4,135,193)   |
| <b>Other Financing Sources (Uses):</b>                                |              |               |                        |               |
| Transfers from other funds  | 8,987,508    | 8,984,015     | (3,493)                | 3,300,000     |
| Transfers (to) other funds  | (3,638,300)  | (3,638,300)   | -                      | (1,615,941)   |
| Long-term debt issued   | 2,267,037    | 2,013,918     | (253,119)              | 1,495,800     |
| Lease liabilities issued  | -            | 1,015,821     | 1,015,821              | 87,050        |
| Subscription liabilities issued                                       | -            | 195,453       | 195,453                | -             |
| Proceeds from sale of capital assets                                  | 20,000       | 18,380        | (1,620)                | 5,686,464     |
| Appropriated fund balance   | 2,931,324    | -             | (2,931,324)            | -             |
| Total other financing sources (uses)                                  | 10,567,569   | 8,589,287     | (1,978,282)            | 8,953,373     |
| Net change in fund balance  | \$ -         | 5,466,255     | \$ 5,466,255           | 4,818,180     |
| <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  |              | 17,020,945    |                        | 12,202,765    |
| End of year - June 30   |              | \$ 22,487,200 |                        | \$ 17,020,945 |





## MAJOR GOVERNMENTAL FUNDS

### *Special Revenue Fund*

**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).

### *Capital Project Fund*

**Economic Development Project Fund** – This fund is used to account for City capital projects that support economic development efforts in the area.



**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, 2023**

|  | <b>Project<br/>Authorization</b> | <b>Actual</b>          |                         | <b>Total</b>       |
|--|----------------------------------|------------------------|-------------------------|--------------------|
|  |                                  | <b>Prior<br/>Years</b> | <b>Current<br/>Year</b> |                    |
| <b>Revenues:</b>                       |                                  |                        |                         |                    |
| Restricted intergovernmental           | \$ 6,382,235                     | \$ -                   | \$ 6,382,235            | \$ 6,382,235       |
| Investment income                      | 204,750                          | 5,239                  | 196,018                 | 201,257            |
| Total revenues                         | <u>6,586,985</u>                 | <u>5,239</u>           | <u>6,578,253</u>        | <u>6,583,492</u>   |
| <b>Other Financing Sources (Uses):</b> |                                  |                        |                         |                    |
| Transfers to other funds               | <u>(6,586,985)</u>               | <u>-</u>               | <u>(6,583,492)</u>      | <u>(6,583,492)</u> |
| Net change in fund balance             | <u>\$ -</u>                      | <u>\$ 5,239</u>        | <u>\$ (5,239)</u>       | <u>\$ -</u>        |

## CITY OF SHELBY, NORTH CAROLINA

**ECONOMIC DEVELOPMENT PROJECT - MAJOR CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023**

|   | <u>Project<br/>Authorization</u> | <u>Actual</u>          |                         | <u>Total</u>        |
|---|----------------------------------|------------------------|-------------------------|---------------------|
|   |                                  | <u>Prior<br/>Years</u> | <u>Current<br/>Year</u> |                     |
| <b>Revenues:</b>  |                                  |                        |                         |                     |
| County, local grants                                      | \$ 9,215,210                     | \$ 531,666             | \$ 4,015,759            | \$ 4,547,425        |
| Restricted intergovernmental                              | 6,573,000                        | 714,491                | 478,581                 | 1,193,072           |
| Investment earnings (loss)                                | -                                | 2,699                  | 1,617                   | 4,316               |
| Total revenues  | <u>15,788,210</u>                | <u>1,248,856</u>       | <u>4,495,957</u>        | <u>5,744,813</u>    |
| <b>Expenditures:</b>                                      |                                  |                        |                         |                     |
| Payment to Cleveland County                               | 350,000                          | -                      | -                       | -                   |
| Project #WSBPR - Washburn Switch<br>Business Park Roadway | 438,210                          | 203,758                | -                       | 203,758             |
| Project #SHL4 - Job ready shell building #4               | 8,939,000                        | 1,602,753              | 7,077,025               | 8,679,778           |
| Project #RLTRL - NS Rail Trail Corridor                   | 9,309,350                        | 6,029,668              | 978,308                 | 7,007,976           |
| Project #FCCSI - Foothills Commerce<br>Center sidewalks   | 135,000                          | -                      | -                       | -                   |
| Total expenditures  | <u>19,171,560</u>                | <u>7,836,179</u>       | <u>8,055,333</u>        | <u>15,891,512</u>   |
| Revenues over (under) expenditures                        | <u>(3,383,350)</u>               | <u>(6,587,323)</u>     | <u>(3,559,376)</u>      | <u>(10,146,699)</u> |
| <b>Other Financing Sources (Uses):</b>                    |                                  |                        |                         |                     |
| Long-term debt issued                                     | 1,340,000                        | 5,500,000              | 4,250,000               | 9,750,000           |
| Transfers from other funds                                | 2,043,350                        | 1,576,027              | 135,000                 | 1,711,027           |
| Total other financing sources (uses)                      | <u>3,383,350</u>                 | <u>7,076,027</u>       | <u>4,385,000</u>        | <u>11,461,027</u>   |
| Net change in fund balance (deficit)                      | <u>\$ -</u>                      | <u>\$ 488,704</u>      | <u>\$ 825,624</u>       | <u>\$ 1,314,328</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*

- **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, 2023

|   | <b>Nonmajor<br/>Special<br/>Revenue<br/>Funds</b> | <b>Nonmajor<br/>Capital<br/>Project<br/>Funds</b> | <b>Nonmajor<br/>Permanent<br/>Funds</b> | <b>Total</b>         |
|---|---|---|---|----------------------|
| <b>Assets:</b>  |   |   |   |                      |
| Cash and cash equivalents   | \$ 5,087,546                                      | \$ 199,475  | \$ -                                    | \$ 5,287,021         |
| Receivables, net:   |   |   |   |                      |
| Taxes   | 6,755   | -   | -                                       | 6,755                |
| Accounts  | 223,404   | 11,776  | 13,010                                  | 248,190              |
| Interest  | 8,725   | -   | -                                       | 8,725                |
| Loans   | 404   | -   | -                                       | 404                  |
| Due from other governments  | 28,845  | 91,734  | -                                       | 120,579              |
| Cash and cash equivalents - restricted                                    | <u>-</u>  | <u>5,358,897</u>                                  | <u>1,678,788</u>                        | <u>7,037,685</u>     |
| Total assets  | <u>\$ 5,355,679</u>                               | <u>\$ 5,661,882</u>                               | <u>\$ 1,691,798</u>                     | <u>\$ 12,709,359</u> |
| <b>Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances:</b> |   |   |   |                      |
| <b>Liabilities:</b>   |   |   |   |                      |
| Accounts payable and accrued liabilities                                  | \$ 63,385   | \$ 564,465  | \$ -                                    | \$ 627,850           |
| Due to other funds  | 833,689   | 158,998   | -                                       | 992,687              |
| Advances from grantors  | <u>-</u>  | <u>1,198,250</u>                                  | <u>-</u>                                | <u>1,198,250</u>     |
| Total liabilities   | <u>897,074</u>                                    | <u>1,921,713</u>                                  | <u>-</u>                                | <u>2,818,787</u>     |
| <b>Deferred Inflows of Resources:</b>                                     |   |   |   |                      |
| Taxes receivable  | <u>6,755</u>                                      | <u>-</u>  | <u>-</u>                                | <u>6,755</u>         |
| <b>Fund Balances:</b>   |   |   |   |                      |
| Non-spendable:  |   |   |   |                      |
| Perpetual   | -   | -   | 1,678,788                               | 1,678,788            |
| Restricted:   |   |   |   |                      |
| Stabilization by state statute  | 261,378   | 103,510   | 13,010                                  | 377,898              |
| Transportation  | -   | 4,160,647   | -                                       | 4,160,647            |
| Public safety   | 174,764   | -   | -                                       | 174,764              |
| Committed:  |   |   |   |                      |
| Economic development  | -   | 199,475   | -                                       | 199,475              |
| Assigned:   |   |   |   |                      |
| Economic development  | 4,015,708   | -   | -                                       | 4,015,708            |
| Unassigned  | <u>-</u>  | <u>(723,463)</u>                                  | <u>-</u>                                | <u>(723,463)</u>     |
| Total fund balances   | <u>4,451,850</u>                                  | <u>3,740,169</u>                                  | <u>1,691,798</u>                        | <u>9,883,817</u>     |
| Total liabilities, deferred inflows of<br>resources, and fund balances    | <u>\$ 5,355,679</u>                               | <u>\$ 5,661,882</u>                               | <u>\$ 1,691,798</u>                     | <u>\$ 12,709,359</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, 2023**

|  | <b>Nonmajor<br/>Special<br/>Revenue<br/>Funds</b> | <b>Nonmajor<br/>Capital<br/>Project<br/>Funds</b> | <b>Nonmajor<br/>Permanent<br/>Funds</b> | <b>Total</b>        |
|--|---|---|---|---------------------|
| <b>Revenues:</b>                       |   |   |   |                     |
| Ad valorem taxes                       | \$ 119,388  | \$ -  | \$ -                                    | \$ 119,388          |
| Restricted intergovernmental           | 438,349   | 787,840   | -                                       | 1,226,189           |
| Investment earnings (loss)             | 120,059   | 224,524   | 34,520                                  | 379,103             |
| Miscellaneous                          | 278,055   | -   | -                                       | 278,055             |
| Donations                              | -   | -   | 45,010                                  | 45,010              |
| Total revenues                         | <u>955,851</u>                                    | <u>1,012,364</u>                                  | <u>79,530</u>                           | <u>2,047,745</u>    |
| <b>Expenditures:</b>                   |   |   |   |                     |
| General government                     | -   | 362,865   | 202                                     | 363,067             |
| Public safety                          | 92,452  | -   | -                                       | 92,452              |
| Transportation                         | -   | 2,681,427   | -                                       | 2,681,427           |
| Cultural and recreational              | -   | 2,471,535   | -                                       | 2,471,535           |
| Housing and redevelopment              | 653,916   | 251,114   | -                                       | 905,030             |
| Total expenditures                     | <u>746,368</u>                                    | <u>5,766,941</u>                                  | <u>202</u>                              | <u>6,513,511</u>    |
| Revenues over (under) expenditures     | <u>209,483</u>                                    | <u>(4,754,577)</u>                                | <u>79,328</u>                           | <u>(4,465,766)</u>  |
| <b>Other Financing Sources (Uses):</b> |   |   |   |                     |
| Transfers from other funds             | 1,436,173   | 3,235,425   | -                                       | 4,671,598           |
| Transfers (to) other funds             | (1,165,500)                                       | -   | -                                       | (1,165,500)         |
| Total other financing sources (uses)   | <u>270,673</u>                                    | <u>3,235,425</u>                                  | <u>-</u>                                | <u>3,506,098</u>    |
| Net change in fund balances            | 480,156   | (1,519,152)                                       | 79,328                                  | (959,668)           |
| <b>Fund Balances:</b>                  |   |   |   |                     |
| Beginning of year - July 1             | <u>3,971,694</u>                                  | <u>5,259,321</u>                                  | <u>1,612,470</u>                        | <u>10,843,485</u>   |
| End of year - June 30                  | <u>\$ 4,451,850</u>                               | <u>\$ 3,740,169</u>                               | <u>\$ 1,691,798</u>                     | <u>\$ 9,883,817</u> |

## CITY OF SHELBY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2023

|   | <b>Emergency<br/>Telephone<br/>System Fund</b> | <b>Economic<br/>Development<br/>Commission<br/>Fund</b> | <b>Affordable<br/>Housing<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Special<br/>Revenue<br/>Funds</b> |
|---|--|---|--|---|
| <b>Assets:</b>  |  |   |  |   |
| Cash and cash equivalents   | \$ 206,693                                     | \$ 4,047,164  | \$ 833,689                             | \$ 5,087,546  |
| Receivables, net:   |  |   |  |   |
| Taxes   | -  | 6,755   | -                                      | 6,755   |
| Accounts  | 5,581  | 217,823   | -                                      | 223,404   |
| Interest  | -  | 8,725   | -                                      | 8,725   |
| Loans   | -  | 404   | -                                      | 404   |
| Due from other governments  | -  | 28,845  | -                                      | 28,845  |
| Total assets  | <u>\$ 212,274</u>                              | <u>\$ 4,309,716</u>                                     | <u>\$ 833,689</u>                      | <u>\$ 5,355,679</u>   |
| <b>Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances:</b> |  |   |  |   |
| <b>Liabilities:</b>   |  |   |  |   |
| Accounts payable and accrued liabilities                                  | \$ 31,929                                      | \$ 31,456   | \$ -                                   | \$ 63,385   |
| Due to other funds  | -  | -   | 833,689                                | 833,689   |
| Total liabilities   | <u>31,929</u>                                  | <u>31,456</u>   | <u>833,689</u>                         | <u>897,074</u>  |
| <b>Deferred Inflows of Resources:</b>                                     |  |   |  |   |
| Taxes receivable  | -  | 6,755   | -                                      | 6,755   |
| <b>Fund Balances:</b>   |  |   |  |   |
| Restricted:   |  |   |  |   |
| Stabilization by state statute  | 5,581  | 255,797   | -                                      | 261,378   |
| Public safety   | 174,764  | -   | -                                      | 174,764   |
| Assigned:   |  |   |  |   |
| Economic development  | -  | 4,015,708   | -                                      | 4,015,708   |
| Total fund balances   | <u>180,345</u>                                 | <u>4,271,505</u>  | <u>-</u>                               | <u>4,451,850</u>  |
| Total liabilities, deferred inflows of<br>resources, and fund balances    | <u>\$ 212,274</u>                              | <u>\$ 4,309,716</u>                                     | <u>\$ 833,689</u>                      | <u>\$ 5,355,679</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, 2023**

|  | <u>Emergency<br/>Telephone<br/>System Fund</u> | <u>Economic<br/>Development<br/>Commission<br/>Fund</u> | <u>Affordable<br/>Housing<br/>Fund</u> | <u>Total<br/>Nonmajor<br/>Special<br/>Revenue<br/>Funds</u> |
|--|--|---|--|---|
| <b>Revenues:</b>                       |  |   |  |   |
| Ad valorem taxes                       | \$ -   | \$ 119,388  | \$ -                                   | \$ 119,388  |
| Restricted intergovernmental           | 66,972   | 371,377   | -                                      | 438,349   |
| Investment earnings (loss)             | -  | 120,059   | -                                      | 120,059   |
| Miscellaneous income                   | -  | 278,055   | -                                      | 278,055   |
| Total revenues                         | <u>66,972</u>                                  | <u>888,879</u>  | <u>-</u>                               | <u>955,851</u>  |
| <b>Expenditures:</b>                   |  |   |  |   |
| Public safety                          | 92,452   | -   | -                                      | 92,452  |
| Housing and redevelopment              | -  | 653,916   | -                                      | 653,916   |
| Total expenditures                     | <u>92,452</u>                                  | <u>653,916</u>  | <u>-</u>                               | <u>746,368</u>  |
| Revenues over (under) expenditures     | <u>(25,480)</u>                                | <u>234,963</u>  | <u>-</u>                               | <u>209,483</u>  |
| <b>Other Financing Sources (Uses):</b> |  |   |  |   |
| Transfers from other funds             | 28,673   | 1,407,500   | -                                      | 1,436,173   |
| Transfers (to) other funds             | -  | (1,165,500)   | -                                      | (1,165,500)   |
| Total other financing sources (uses)   | <u>28,673</u>                                  | <u>242,000</u>  | <u>-</u>                               | <u>270,673</u>  |
| Net change in fund balances            | 3,193  | 476,963   | -                                      | 480,156   |
| <b>Fund Balances:</b>                  |  |   |  |   |
| Beginning of year - July 1             | <u>177,152</u>                                 | <u>3,794,542</u>  | <u>-</u>                               | <u>3,971,694</u>  |
| End of year - June 30                  | <u>\$ 180,345</u>                              | <u>\$ 4,271,505</u>                                     | <u>\$ -</u>                            | <u>\$ 4,451,850</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, 2023

|  | <u>2023</u>    |                   |                                |
|--|----------------|-------------------|--------------------------------|
|  | <u>Budget</u>  | <u>Actual</u>     | <u>Variance<br/>Over/Under</u> |
| <b>Revenues:</b>                       |                |                   |                                |
| Restricted intergovernmental           | \$ 107,000     | \$ 66,972         | \$ (40,028)                    |
| <b>Expenditures:</b>                   |                |                   |                                |
| Public safety:                         |                |                   |                                |
| Software                               | 20,000         | 12,205            | 7,795                          |
| Furniture                              | 500            | -                 | 500                            |
| Hardware                               | 8,200          | 8,403             | (203)                          |
| Phone system                           | 106,973        | 71,844            | 35,129                         |
| Total expenditures                     | <u>135,673</u> | <u>92,452</u>     | <u>43,221</u>                  |
| Revenues over (under) expenditures     | (28,673)       | (25,480)          | 3,193                          |
| <b>Other Financing Sources (Uses):</b> |                |                   |                                |
| Transfers from other funds             | <u>28,673</u>  | <u>28,673</u>     | <u>-</u>                       |
| Net change in fund balance             | <u>\$ -</u>    | 3,193             | <u>\$ 3,193</u>                |
| <b>Fund Balance:</b>                   |                |                   |                                |
| Beginning of year - July 1             |                | <u>177,152</u>    |                                |
| End of year - June 30                  |                | <u>\$ 180,345</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, 2023

|  | <b>2023</b>        |                     |                                |
|--|--------------------|---------------------|--------------------------------|
|  | <u>Budget</u>      | <u>Actual</u>       | <u>Variance<br/>Over/Under</u> |
| <b>Revenues:</b>                       |                    |                     |                                |
| Ad valorem taxes                       | \$ 129,750         | \$ 119,388          | \$ (10,362)                    |
| Restricted intergovernmental           | 250,000            | 371,377             | 121,377                        |
| Investment earnings (loss)             | 77,500             | 120,059             | 42,559                         |
| Miscellaneous income                   | 2,000              | 278,055             | 276,055                        |
| Total revenues                         | <u>459,250</u>     | <u>888,879</u>      | <u>429,629</u>                 |
| <b>Expenditures:</b>                   |                    |                     |                                |
| Housing and redevelopment              | <u>701,250</u>     | <u>653,916</u>      | <u>47,334</u>                  |
| Revenues over (under) expenditures     | <u>(242,000)</u>   | <u>234,963</u>      | <u>476,963</u>                 |
| <b>Other Financing Sources (Uses):</b> |                    |                     |                                |
| Transfers from other funds             | 1,407,500          | 1,407,500           | -                              |
| Transfers (to) other funds             | <u>(1,165,500)</u> | <u>(1,165,500)</u>  | <u>-</u>                       |
| Total other financing sources (uses)   | <u>242,000</u>     | <u>242,000</u>      | <u>-</u>                       |
| Net change in fund balance             | <u>\$ -</u>        | <u>476,963</u>      | <u>\$ 476,963</u>              |
| <b>Fund Balance:</b>                   |                    |                     |                                |
| Beginning of year - July 1             |                    | <u>3,794,542</u>    |                                |
| End of year - June 30                  |                    | <u>\$ 4,271,505</u> |                                |

## CITY OF SHELBY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2023

|  | <b>Capital<br/>Projects<br/>Fund</b> | <b>Economic<br/>Development<br/>Reserve<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Capital<br/>Project<br/>Funds</b> |
|--|--------------------------------------|--|---|
|  | <u>          </u>                    | <u>          </u>                                    | <u>          </u>   |
| <b>Assets:</b>                           |                                      |  |   |
| Cash and cash equivalents                | \$ -                                 | \$ 199,475   | \$ 199,475  |
| Receivables, net                         | 11,776                               | -  | 11,776  |
| Interest receivable                      | -                                    | -  | -   |
| Due from other governments               | 91,734                               | -  | 91,734  |
| Restricted cash and cash equivalents     | <u>5,358,897</u>                     | <u>-</u>   | <u>5,358,897</u>  |
| <br>Total assets                         | <br><u>\$ 5,462,407</u>              | <br><u>\$ 199,475</u>                                | <br><u>\$ 5,661,882</u>                                     |
| <b>Liabilities and Fund Balances:</b>    |                                      |  |   |
| <b>Liabilities:</b>                      |                                      |  |   |
| Accounts payable and accrued liabilities | \$ 564,465                           | \$ -   | \$ 564,465  |
| Due to other funds                       | 158,998                              | -  | 158,998   |
| Advances from grantors                   | <u>1,198,250</u>                     | <u>-</u>   | <u>1,198,250</u>  |
| Total liabilities                        | <u>1,921,713</u>                     | <u>-</u>   | <u>1,921,713</u>  |
| <b>Fund Balances:</b>                    |                                      |  |   |
| Restricted:                              |                                      |  |   |
| Stabilization by state statute           | 103,510                              | -  | 103,510   |
| Transportation - unspent debt proceeds   | 4,160,647                            | -  | 4,160,647   |
| Committed:                               |                                      |  |   |
| Economic development                     | -                                    | 199,475  | 199,475   |
| Assigned:                                |                                      |  |   |
| Unassigned                               | <u>(723,463)</u>                     | <u>-</u>   | <u>(723,463)</u>  |
| Total fund balances                      | <u>3,540,694</u>                     | <u>199,475</u>                                       | <u>3,740,169</u>  |
| <br>Total liabilities and fund balances  | <br><u>\$ 5,462,407</u>              | <br><u>\$ 199,475</u>                                | <br><u>\$ 5,661,882</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, 2023**

|  | <b>Capital<br/>Projects<br/>Fund</b> | <b>Economic<br/>Development<br/>Reserve<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Capital<br/>Project<br/>Funds</b> |
|--|--------------------------------------|--|---|
|  | <u>          </u>                    | <u>          </u>                                    | <u>          </u>   |
| <b>Revenues:</b>                       |                                      |  |   |
| Restricted intergovernmental           | \$ 787,840                           | \$ -   | \$ 787,840  |
| Investment earnings (loss)             | 224,524                              | -  | 224,524   |
| Total revenues                         | <u>1,012,364</u>                     | <u>-</u>   | <u>1,012,364</u>  |
| <b>Expenditures:</b>                   |                                      |  |   |
| General government                     | 362,865                              | -  | 362,865   |
| Transportation                         | 2,681,427                            | -  | 2,681,427   |
| Cultural and recreation                | 2,471,535                            | -  | 2,471,535   |
| Housing and redevelopment              | 251,114                              | -  | 251,114   |
| Total expenditures                     | <u>5,766,941</u>                     | <u>-</u>   | <u>5,766,941</u>  |
| Revenues over (under) expenditures     | <u>(4,754,577)</u>                   | <u>-</u>   | <u>(4,754,577)</u>  |
| <b>Other Financing Sources (Uses):</b> |                                      |  |   |
| Transfers from other funds             | <u>3,235,425</u>                     | <u>-</u>   | <u>3,235,425</u>  |
| Net change in fund balances            | (1,519,152)                          | -  | (1,519,152)   |
| <b>Fund Balances:</b>                  |                                      |  |   |
| Beginning of year - July 1             | <u>5,059,846</u>                     | <u>199,475</u>                                       | <u>5,259,321</u>  |
| End of year - June 30                  | <u>\$ 3,540,694</u>                  | <u>\$ 199,475</u>                                    | <u>\$ 3,740,169</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, 2023

|  | Project<br>Authorization | Actual             |                    | Total               |
|--|--------------------------|--------------------|--------------------|---------------------|
|  |                          | Prior<br>Years     | Current<br>Year    |                     |
| <b>Revenues:</b>   |                          |                    |                    |                     |
| Proj #THDTR - Carolina Thread Trail                        | \$ 333,200               | \$ 393,648         | \$ 500             | \$ 394,148          |
| Proj #APTHP - Airport T Hanger                             | 3,757,386                | 4,302,710          | -                  | 4,302,710           |
| Proj #USPIP - Uptown Streetscape/Ped Improvements          | 668,538                  | -                  | -                  | -                   |
| Proj #ALP20 - Airport Layout Plan Update 2020              | 237,500                  | 236,283            | 1,168              | 237,451             |
| Proj #APTH4 - Airport T Hangar #4                          | 1,424,945                | 611,855            | 127,542            | 739,397             |
| Proj #CDBG - Community Dev Block Grant-Corona Virus        | 900,000                  | 141,019            | 279,630            | 420,649             |
| Proj #DEPOT/DPOPK -<br>Depot Park and playground equipment | 1,000,000                | -                  | 379,000            | 379,000             |
| Investment earnings (loss)                                 | -                        | 5,235              | 224,524            | 229,759             |
| Total revenues   | <u>8,321,569</u>         | <u>5,690,750</u>   | <u>1,012,364</u>   | <u>6,703,114</u>    |
| <b>Expenditures:</b>                                       |                          |                    |                    |                     |
| Proj #THDTR - Carolina Thread Trail                        | 645,450                  | 770,913            | -                  | 770,913             |
| Proj #APTHP - Airport T hanger                             | 4,341,473                | 4,340,831          | -                  | 4,340,831           |
| Proj #USPIP - Uptown streetscape/ped improvements          | 4,890,975                | 4,832,397          | -                  | 4,832,397           |
| Proj #EGP15 - East gateway enhancement project             | 436,500                  | 412,743            | -                  | 412,743             |
| Proj #ALP20 - Airport layout plan update 2020              | 250,000                  | 248,714            | 1,271              | 249,985             |
| Proj #APTH4 - Airport T hangar #4                          | 1,493,100                | 1,368,101          | 76,071             | 1,444,172           |
| Proj #CDBG - Community dev block grant-coronavirus         | 945,000                  | 250,500            | 251,114            | 501,614             |
| Proj #CPRP - City park pool renovation                     | 2,716,595                | 91,271             | 2,402,535          | 2,493,806           |
| Proj #TAMPR - Tamp resurfacing phase I                     | 6,000,000                | 82,082             | 2,604,085          | 2,686,167           |
| Proj #CHROF - City Hall roof replacement 2022              | 857,130                  | -                  | 308,525            | 308,525             |
| Proj #CHARP - City Hall Annex renovation                   | 114,000                  | -                  | 54,340             | 54,340              |
| Proj #DEPOT/DPOPK -<br>Depot Park and playground equipment | 1,000,000                | -                  | 69,000             | 69,000              |
| Total expenditures   | <u>23,690,223</u>        | <u>12,397,552</u>  | <u>5,766,941</u>   | <u>18,164,493</u>   |
| Revenues over (under) expenditures                         | <u>(15,368,654)</u>      | <u>(6,706,802)</u> | <u>(4,754,577)</u> | <u>(11,461,379)</u> |
| <b>Other Financing Sources (Uses):</b>                     |                          |                    |                    |                     |
| Transfers from other funds                                 | 9,368,654                | 5,766,648          | 3,235,425          | 9,002,073           |
| Long-term debt issued                                      | <u>6,000,000</u>         | <u>6,000,000</u>   | <u>-</u>           | <u>6,000,000</u>    |
| Total other financing sources (uses)                       | <u>15,368,654</u>        | <u>11,766,648</u>  | <u>3,235,425</u>   | <u>15,002,073</u>   |
| Net change in fund balance                                 | \$ -                     | \$ 5,059,846       | \$ (1,519,152)     | \$ 3,540,694        |

## 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, 2023**

|  | <u>Project<br/>Authorization</u> | <u>Actual</u>          |                         | <u>Total</u>      |
|--|----------------------------------|------------------------|-------------------------|-------------------|
|  |                                  | <u>Prior<br/>Years</u> | <u>Current<br/>Year</u> |                   |
| <b>Other Financing Sources (Uses):</b> |                                  |                        |                         |                   |
| Transfers (to) other funds             | \$ (1,500,000)                   | \$ (1,500,000)         | \$ -                    | \$ (1,500,000)    |
| Proceeds from sale of assets           | <u>1,500,000</u>                 | <u>1,699,475</u>       | <u>-</u>                | <u>1,699,475</u>  |
| Total other financing sources (uses)   | <u>-</u>                         | <u>199,475</u>         | <u>-</u>                | <u>199,475</u>    |
| Net change in fund balance             | <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, 2023

|   | <u>Raper Roark<br/>Trust Fund</u> | <u>Cemetery<br/>Fund</u> | <u>Total<br/>Permanent<br/>Funds</u> |
|---|-----------------------------------|--------------------------|--------------------------------------|
| <b>Assets:</b>                                |                                   |                          |                                      |
| Accounts receivable, net                      | \$ 11,285                         | \$ 1,725                 | \$ 13,010                            |
| Cash and cash equivalents - restricted        | <u>720,031</u>                    | <u>958,757</u>           | <u>1,678,788</u>                     |
| Total assets                                  | <u>\$ 731,316</u>                 | <u>\$ 960,482</u>        | <u>\$ 1,691,798</u>                  |
| <b>Fund Balances:</b>                         |                                   |                          |                                      |
| Non-spendable:                                |                                   |                          |                                      |
| Perpetual                                     | \$ 720,031                        | \$ 958,757               | \$ 1,678,788                         |
| Restricted for stabilization by state statute | <u>11,285</u>                     | <u>1,725</u>             | <u>13,010</u>                        |
| Total fund balances                           | <u>\$ 731,316</u>                 | <u>\$ 960,482</u>        | <u>\$ 1,691,798</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, 2023**

|                             | <u>Raper Roark<br/>Trust Fund</u> | <u>Cemetery<br/>Fund</u> | <u>Total<br/>Permanent<br/>Funds</u> |
|-----------------------------|-----------------------------------|--------------------------|--------------------------------------|
| <b>Revenues:</b>            |                                   |                          |                                      |
| Investment earnings         | \$ 9,900                          | \$ 24,620                | \$ 34,520                            |
| Donations                   | <u>2,300</u>                      | <u>42,710</u>            | <u>45,010</u>                        |
| Total revenues              | <u>12,200</u>                     | <u>67,330</u>            | <u>79,530</u>                        |
| <b>Expenditures:</b>        |                                   |                          |                                      |
| General government          | <u>202</u>                        | <u>-</u>                 | <u>202</u>                           |
| Net change in fund balances | 11,998                            | 67,330                   | 79,328                               |
| <b>Fund Balances:</b>       |                                   |                          |                                      |
| Beginning of year - July 1  | <u>719,318</u>                    | <u>893,152</u>           | <u>1,612,470</u>                     |
| End of year - June 30       | <u>\$ 731,316</u>                 | <u>\$ 960,482</u>        | <u>\$ 1,691,798</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 Funds*

- **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, 2023

|                                   | <u>Budget</u>    | <u>Actual</u>    | <u>Variance<br/>Over/Under</u> |
|-----------------------------------|------------------|------------------|--------------------------------|
| <b>Revenues:</b>                  |                  |                  |                                |
| Operating revenues:               |                  |                  |                                |
| Charges for sales and services:   |                  |                  |                                |
| Water charges                     | \$ 5,920,000     | \$ 5,939,869     | \$ 19,869                      |
| Water taps                        | 140,000          | 168,648          | 28,648                         |
| Water cutoffs                     | 4,000            | 6,780            | 2,780                          |
| Other                             | 58,001           | 106,774          | 48,773                         |
| Total operating revenues          | <u>6,122,001</u> | <u>6,222,071</u> | <u>100,070</u>                 |
| Non-operating revenues:           |                  |                  |                                |
| Investment earnings               | <u>100</u>       | <u>3,044</u>     | <u>2,944</u>                   |
| Total revenues                    | <u>6,122,101</u> | <u>6,225,115</u> | <u>103,014</u>                 |
| <b>Expenditures:</b>              |                  |                  |                                |
| Operating expenditures:           |                  |                  |                                |
| Cost of sales and services:       |                  |                  |                                |
| Administration                    | 953,957          | 874,911          | 79,046                         |
| Operations                        | 849,330          | 752,175          | 97,155                         |
| Maintenance and repairs           | 198,945          | 152,946          | 45,999                         |
| Treatment plant                   | 2,116,970        | 1,920,518        | 196,452                        |
| Capital outlay                    | 226,583          | 79,068           | 147,515                        |
| Total costs of sales and services | <u>4,345,785</u> | <u>3,779,618</u> | <u>566,167</u>                 |
| Debt service:                     |                  |                  |                                |
| Principal retirement              | 2,185,571        | 2,213,666        | (28,095)                       |
| Interest                          | 449,752          | 449,814          | (62)                           |
| Total debt service                | <u>2,635,323</u> | <u>2,663,480</u> | <u>(28,157)</u>                |
| Total operating expenditures      | <u>6,981,108</u> | <u>6,443,098</u> | <u>538,010</u>                 |
| Revenue over (under) expenditures | <u>(859,007)</u> | <u>(217,983)</u> | <u>641,024</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, 2023

|   | <u>Budget</u>  | <u>Actual</u>  | <u>Variance<br/>Over/Under</u> |
|---|----------------|----------------|--------------------------------|
| <b>Other Financing Sources (Uses):</b>  |                |                |                                |
| Intrafund transfers   | (547,829)      | (547,829)      | -                              |
| Transfers from other funds  | 778,318        | 778,318        | -                              |
| Transfers (to) other funds  | (5,000)        | (5,000)        | -                              |
| Proceeds from sale of assets  | 3,000          | 4,275          | 1,275                          |
| Long-term debt issued   | 80,000         | 80,057         | 57                             |
| Appropriated fund balance   | 550,518        | -              | (550,518)                      |
| Total other financing sources (uses)  | <u>859,007</u> | <u>309,821</u> | <u>(549,186)</u>               |
| Revenue and other financing sources over<br>(under) expenditures and other financing uses | <u>\$ -</u>    | <u>91,838</u>  | <u>\$ 91,838</u>               |

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

|   |                     |
|---|---------------------|
| Reconciling items:  |                     |
| Debt principal  | 2,213,666           |
| Long-term debt issued   | (80,057)            |
| Capital outlay  | 79,068              |
| Book value of disposed assets                                   | (10,336)            |
| (Increase) decrease in accrued interest                         | (12,375)            |
| (Increase) decrease in compensated absences                     | 5,375               |
| (Increase) decrease in other post-employment benefits           | 110,647             |
| Increase (decrease) in deferred outflows of resources - OPEB    | (22,151)            |
| (Increase) decrease in deferred inflows of resources - OPEB     | (106,639)           |
| (Increase) decrease in net pension liability                    | (429,532)           |
| Increase (decrease) in deferred outflows of resources - pension | 136,452             |
| (Increase) decrease in deferred inflows of resources - pension  | 238,356             |
| Payment on notes receivable                                     | (31,846)            |
| Depreciation  | (1,594,059)         |
| Amortization of deferred charge on refunding                    | (17,324)            |
| Water Capital Projects Fund revenues                            | 42,707              |
| Water Capital Projects Fund transfers in (out)                  | 1,552,105           |
| Water Capital Projects Fund intrafund transfer                  | 547,829             |
| Total reconciling items   | <u>2,621,886</u>    |
| Change in net position  | <u>\$ 2,713,724</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, 2023

|   | Project<br>Authorization | Actual              |                     | Total               |
|---|--------------------------|---------------------|---------------------|---------------------|
|   |                          | Prior<br>Years      | Current<br>Year     |                     |
| <b>Revenues:</b>  |                          |                     |                     |                     |
| <b>Capital Grants:</b>  |                          |                     |                     |                     |
| Project #841 - Crosstown waterline/Forest Hill Dr.  | \$ 9,273,000             | \$ -                | \$ -                | \$ -                |
| Project #844 - Water asset planning   | 100,000                  | -                   | -                   | -                   |
| Investment earnings (loss)  | -                        | 997                 | 42,707              | 43,704              |
| Total revenues  | <u>9,373,000</u>         | <u>997</u>          | <u>42,707</u>       | <u>43,704</u>       |
| <b>Expenditures:</b>  |                          |                     |                     |                     |
| Project #837 - Metcalf & Fallston Relocate  | 176,176                  | -                   | -                   | -                   |
| Project #839 - Marion Hwy 150   | 373,040                  | -                   | 5,000               | 5,000               |
| Project #840 - Joe's Lake Road  | 47,553                   | -                   | -                   | -                   |
| Project #841 - Crosstown waterline/Forest Hill Dr.  | 9,526,500                | 36,600              | 328,252             | 364,852             |
| Project #842 - Water line project   | 1,230,600                | -                   | 303,929             | 303,929             |
| Project #843 - Water Treatment Plant Filter Rehabilitation                                | 457,000                  | -                   | 222,166             | 222,166             |
| Project #844 - Water asset planning   | 125,000                  | -                   | 34,787              | 34,787              |
| Project #845 - US 74D Bypass waterline  | 19,250                   | -                   | -                   | -                   |
| Total expenditures  | <u>11,955,119</u>        | <u>36,600</u>       | <u>894,134</u>      | <u>930,734</u>      |
| Revenues over (under) expenditures  | <u>(2,582,119)</u>       | <u>(35,603)</u>     | <u>(851,427)</u>    | <u>(887,030)</u>    |
| <b>Other Financing Sources (Uses):</b>  |                          |                     |                     |                     |
| Intrafund transfers   | 1,030,014                | 2,503,006           | 547,829             | 3,050,835           |
| Transfer from other funds   | <u>1,552,105</u>         | <u>-</u>            | <u>1,552,105</u>    | <u>1,552,105</u>    |
| Total other financing sources (uses)  | <u>2,582,119</u>         | <u>2,503,006</u>    | <u>2,099,934</u>    | <u>4,602,940</u>    |
| Revenue and other financing sources over<br>(under) expenditures and other financing uses | <u>\$ -</u>              | <u>\$ 2,467,403</u> | <u>\$ 1,248,507</u> | <u>\$ 3,715,910</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, 2023**

|                                    | <u>Budget</u>      | <u>Actual</u>    | <u>Variance<br/>Over/Under</u> |
|------------------------------------|--------------------|------------------|--------------------------------|
| <b>Revenues:</b>                   |                    |                  |                                |
| Operating revenues:                |                    |                  |                                |
| Charges for services               | \$ 6,225,000       | \$ 6,376,536     | \$ 151,536                     |
| Other fees                         | 95,000             | 169,130          | 74,130                         |
| Other operating revenues           | <u>61,999</u>      | <u>143,511</u>   | <u>81,512</u>                  |
| Total operating revenue            | <u>6,381,999</u>   | <u>6,689,177</u> | <u>307,178</u>                 |
| Non-operating revenues:            |                    |                  |                                |
| Investment earnings                | <u>100</u>         | <u>5,606</u>     | <u>5,506</u>                   |
| Total revenues                     | <u>6,382,099</u>   | <u>6,694,783</u> | <u>312,684</u>                 |
| <b>Expenditures:</b>               |                    |                  |                                |
| Operating expenditures:            |                    |                  |                                |
| Cost of sales and services:        |                    |                  |                                |
| Administration                     | 758,323            | 661,853          | 96,470                         |
| Line operation                     | 853,908            | 771,278          | 82,630                         |
| Maintenance and repairs            | 363,360            | 323,769          | 39,591                         |
| Treatment plant                    | 2,053,088          | 1,871,687        | 181,401                        |
| Capital outlay                     | <u>625,359</u>     | <u>366,213</u>   | <u>259,146</u>                 |
| Total costs of sales and services  | <u>4,654,038</u>   | <u>3,994,800</u> | <u>659,238</u>                 |
| Debt service:                      |                    |                  |                                |
| Principal retirement               | 2,514,156          | 2,498,602        | 15,554                         |
| Interest                           | <u>241,757</u>     | <u>239,937</u>   | <u>1,820</u>                   |
| Total debt service                 | <u>2,755,913</u>   | <u>2,738,539</u> | <u>17,374</u>                  |
| Total operating expenditures       | <u>7,409,951</u>   | <u>6,733,339</u> | <u>676,612</u>                 |
| Revenues over (under) expenditures | <u>(1,027,852)</u> | <u>(38,556)</u>  | <u>989,296</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, 2023

|   | <u>Budget</u>    | <u>Actual</u>  | <u>Variance<br/>Over/Under</u> |
|---|------------------|----------------|--------------------------------|
| <b>Other Financing Sources (Uses):</b>  |                  |                |                                |
| Intrafund transfers   | (550,482)        | (550,482)      | -                              |
| Transfers from other funds  | 1,041,395        | 1,041,395      | -                              |
| Transfers (to) other funds  | (5,000)          | (5,000)        | -                              |
| Proceeds from sale of assets  | 5,000            | 64,979         | 59,979                         |
| Long-term debt issued   | 269,000          | 283,960        | 14,960                         |
| Subscription liabilities issued   | -                | 2,160          | 2,160                          |
| Appropriated fund balance   | 267,939          | -              | (267,939)                      |
| Total other financing sources (uses)  | <u>1,027,852</u> | <u>837,012</u> | <u>(190,840)</u>               |
| Revenue and other financing sources over<br>(under) expenditures and other financing uses | <u>\$ -</u>      | <u>798,456</u> | <u>\$ 798,456</u>              |

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

|   |                     |
|---|---------------------|
| Long-term debt issued   | (283,960)           |
| Subscription liabilities issued                                 | (2,160)             |
| Debt principal  | 2,498,602           |
| Capital outlay  | 366,213             |
| Book value of disposed capital assets                           | (2,171)             |
| (Increase) decrease in accrued interest                         | 552                 |
| (Increase) decrease in compensated absences                     | (2,827)             |
| (Increase) decrease in other post-employment benefits           | 132,776             |
| Increase (decrease) in deferred outflows of resources - OPEB    | (26,580)            |
| (Increase) decrease in deferred inflows of resources - OPEB     | (127,966)           |
| (Increase) decrease in net pension liability                    | (515,439)           |
| Increase (decrease) in deferred outflows of resources - pension | 163,742             |
| (Increase) decrease in deferred inflows of resources - pension  | 286,027             |
| Depreciation and amortization                                   | (2,132,590)         |
| Amortization of deferred charge on refunding                    | (5,487)             |
| Sewer Capital Projects Fund revenues                            | 1,166,928           |
| Sewer Capital Projects Fund transfer from other funds           | 1,126,768           |
| Sewer Capital Projects Fund intrafund transfer                  | 550,482             |
| Total reconciling items   | <u>3,192,910</u>    |
| Change in net position  | <u>\$ 3,991,366</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, 2023

|   | Project<br>Authorization | Actual              |                     | Total               |
|---|--------------------------|---------------------|---------------------|---------------------|
|   |                          | Prior<br>Years      | Current<br>Year     |                     |
| <b>Revenues:</b>  |                          |                     |                     |                     |
| Project #878 - Randolph Road industrial park ext.   | \$ 1,484,036             | \$ -                | \$ 1,116,725        | \$ 1,116,725        |
| Project #879 - Hickory Creek sewer outfall  | 4,627,000                | -                   | -                   | -                   |
| Project #881 - Wastewater planning  | 300,000                  | -                   | -                   | -                   |
| Investment earnings (loss)  | -                        | 1,305               | 50,203              | 51,508              |
| Total revenues  | <u>6,411,036</u>         | <u>1,305</u>        | <u>1,166,928</u>    | <u>1,168,233</u>    |
| <b>Expenditures:</b>  |                          |                     |                     |                     |
| Project #878 - Randolph Road industrial park ext.   | 1,696,042                | 145,380             | 1,130,893           | 1,276,273           |
| Project #879 - Hickory Creek sewer outfall  | 4,627,000                | 81,890              | 93,715              | 175,605             |
| Project #880 - Sewerline project  | 1,497,250                | -                   | 297,788             | 297,788             |
| Project #881 - Wastewater planning  | 480,000                  | -                   | 152,634             | 152,634             |
| Total expenditures  | <u>8,300,292</u>         | <u>227,270</u>      | <u>1,675,030</u>    | <u>1,902,300</u>    |
| Revenues over (under) expenditures  | <u>(1,889,256)</u>       | <u>(225,965)</u>    | <u>(508,102)</u>    | <u>(734,067)</u>    |
| <b>Other Financing Sources (Uses):</b>  |                          |                     |                     |                     |
| Transfers from other funds  | 1,126,768                | -                   | 1,126,768           | 1,126,768           |
| Intrafund transfers   | 762,488                  | 2,079,896           | 550,482             | 2,630,378           |
| Total other financing sources (uses)  | <u>1,889,256</u>         | <u>2,079,896</u>    | <u>1,677,250</u>    | <u>3,757,146</u>    |
| Revenue and other financing sources over<br>(under) expenditures and other financing uses | <u>\$ -</u>              | <u>\$ 1,853,931</u> | <u>\$ 1,169,148</u> | <u>\$ 3,023,079</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, 2023

|  | <u>Budget</u>     | <u>Actual</u>      | <u>Variance<br/>Over/Under</u> |
|--|-------------------|--------------------|--------------------------------|
| <b>Revenues:</b>                       |                   |                    |                                |
| Operating revenues:                    |                   |                    |                                |
| Charges for services                   | \$ 20,970,000     | \$ 21,516,139      | \$ 546,139                     |
| Other operating revenues               | 240,000           | 444,379            | 204,379                        |
| Total operating revenues               | <u>21,210,000</u> | <u>21,960,518</u>  | <u>750,518</u>                 |
| <b>Non-Operating Revenues:</b>         |                   |                    |                                |
| Investment earnings                    | <u>1,000</u>      | <u>91,658</u>      | <u>90,658</u>                  |
| Total revenues                         | <u>21,211,000</u> | <u>22,052,176</u>  | <u>841,176</u>                 |
| <b>Expenditures:</b>                   |                   |                    |                                |
| Operating expenditures:                |                   |                    |                                |
| Cost of sales and services:            |                   |                    |                                |
| Administration                         | 1,434,146         | 1,172,380          | 261,766                        |
| Line operation                         | 17,231,982        | 15,724,171         | 1,507,811                      |
| Capital outlay                         | 2,379,865         | 1,077,270          | 1,302,595                      |
| Total costs of sales and services      | <u>21,045,993</u> | <u>17,973,821</u>  | <u>3,072,172</u>               |
| Debt service:                          |                   |                    |                                |
| Principal repayment                    | 476,000           | 418,345            | 57,655                         |
| Interest and fees                      | 33,000            | 31,237             | 1,763                          |
| Total debt service                     | <u>509,000</u>    | <u>449,582</u>     | <u>59,418</u>                  |
| Total expenditures                     | <u>21,554,993</u> | <u>18,423,403</u>  | <u>3,131,590</u>               |
| Revenues over (under) expenditures     | <u>(343,993)</u>  | <u>3,628,773</u>   | <u>3,972,766</u>               |
| <b>Other Financing Sources (Uses):</b> |                   |                    |                                |
| Transfers to other funds               | (1,296,438)       | (1,296,438)        | -                              |
| Intrafund transfers                    | (237,100)         | (237,100)          | -                              |
| Proceeds from sale of assets           | 5,000             | 1,803              | (3,197)                        |
| Long-term debt issued                  | 200,000           | 204,957            | 4,957                          |
| Appropriated fund balance              | 1,672,531         | -                  | (1,672,531)                    |
| Total other financing sources (uses)   | <u>343,993</u>    | <u>(1,326,778)</u> | <u>(1,670,771)</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, 2023

|  | <u>Budget</u> | <u>Actual</u> | <u>Variance<br/>Over/Under</u> |
|--|---------------|---------------|--------------------------------|
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | \$ -          | 2,301,995     | \$ 2,301,995                   |

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

|   |                     |
|---|---------------------|
| Debt principal  | 418,345             |
| Long-term debt issued   | (204,957)           |
| Capital outlay  | 1,077,270           |
| (Increase) decrease in accrued interest                         | (768)               |
| (Increase) decrease in compensated absences                     | 5,345               |
| (Increase) decrease in other post-employment benefits           | 110,647             |
| Increase (decrease) in deferred outflows of resources - OPEB    | (22,151)            |
| (Increase) decrease in deferred inflows of resources - OPEB     | (106,639)           |
| (Increase) decrease in net pension liability                    | (429,532)           |
| Increase (decrease) in deferred outflows of resources - pension | 136,452             |
| (Increase) decrease in deferred inflows of resources - pension  | 238,356             |
| Book value of disposed capital assets                           | (1,150)             |
| Depreciation  | (805,640)           |
| Amortization of deferred charge on refunding                    | (14,100)            |
| Electric Capital Projects Fund revenues                         | 275                 |
| Electric Capital Projects Fund intrafund transfer               | <u>237,100</u>      |
| Total reconciling items   | <u>638,853</u>      |
| Change in net position  | <u>\$ 2,940,848</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, 2023

|   | Project<br>Authorization | Actual              |                   | Total               |
|---|--------------------------|---------------------|-------------------|---------------------|
|   |                          | Prior<br>Years      | Current<br>Year   |                     |
| <b>Revenues:</b>  |                          |                     |                   |                     |
| Investment earnings   | \$ -                     | \$ 2,089            | \$ 275            | \$ 2,364            |
| <b>Expenditures:</b>  |                          |                     |                   |                     |
| Project #874 - Electric circuit 104   | 122,585                  | 76,040              | -                 | 76,040              |
| Project #876 - Substation 8 additional circuit  | 414,000                  | 105,696             | 643               | 106,339             |
| Project #877 - Substation 10 line repair  | 732,000                  | 44,850              | 119,831           | 164,681             |
| Project #878 - Palisades underground electric   | 237,100                  | -                   | -                 | -                   |
| Total expenditures  | <u>1,505,685</u>         | <u>226,586</u>      | <u>120,474</u>    | <u>347,060</u>      |
| Revenues over (under) expenditures  | (1,505,685)              | (224,497)           | (120,199)         | (344,696)           |
| <b>Other Financing Sources (Uses):</b>  |                          |                     |                   |                     |
| Intrafund transfers   | <u>1,505,685</u>         | <u>2,155,928</u>    | <u>237,100</u>    | <u>2,393,028</u>    |
| Revenue and other financing sources over<br>(under) expenditures and other financing uses | <u>\$ -</u>              | <u>\$ 1,931,431</u> | <u>\$ 116,901</u> | <u>\$ 2,048,332</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, 2023

|  | <u>Budget</u>      | <u>Actual</u>      | <u>Variance<br/>Over/Under</u> |
|--|--------------------|--------------------|--------------------------------|
| <b>Revenues:</b>                       |                    |                    |                                |
| Operating revenues:                    |                    |                    |                                |
| Charges for services                   | \$ 28,977,747      | \$ 28,867,751      | \$ (109,996)                   |
| Other fees                             | 45,000             | 46,127             | 1,127                          |
| Other operating revenues               | 61,001             | 198,171            | 137,170                        |
| Total operating revenue                | <u>29,083,748</u>  | <u>29,112,049</u>  | <u>28,301</u>                  |
| Non-operating revenues:                |                    |                    |                                |
| Investment earnings                    | <u>1,000</u>       | <u>59,110</u>      | <u>58,110</u>                  |
| Total revenues                         | <u>29,084,748</u>  | <u>29,171,159</u>  | <u>86,411</u>                  |
| <b>Expenditures:</b>                   |                    |                    |                                |
| Operating expenditures:                |                    |                    |                                |
| Cost of sales and services:            |                    |                    |                                |
| Administration                         | 1,538,127          | 1,272,210          | 265,917                        |
| Line operation                         | 24,104,122         | 23,196,627         | 907,495                        |
| Capital outlay                         | 768,528            | 412,297            | 356,231                        |
| Total costs of sales and services      | <u>26,410,777</u>  | <u>24,881,134</u>  | <u>1,529,643</u>               |
| Debt service:                          |                    |                    |                                |
| Principal repayment                    | 337,561            | 333,840            | 3,721                          |
| Interest and fees                      | 44,203             | 43,067             | 1,136                          |
| Total debt service                     | <u>381,764</u>     | <u>376,907</u>     | <u>4,857</u>                   |
| Total expenditures                     | <u>26,792,541</u>  | <u>25,258,041</u>  | <u>1,534,500</u>               |
| Revenues over (under) expenditures     | <u>2,292,207</u>   | <u>3,913,118</u>   | <u>1,620,911</u>               |
| <b>Other Financing Sources (Uses):</b> |                    |                    |                                |
| Transfers from other funds             | 110,264            | 110,264            | -                              |
| Transfers to other funds               | (5,705,733)        | (5,705,733)        | -                              |
| Intrafund transfers                    | (1,543,888)        | (1,543,888)        | -                              |
| Proceeds from sale of assets           | 5,000              | 8,454              | 3,454                          |
| Long-term debt issued                  | 65,000             | 71,931             | 6,931                          |
| Appropriated fund balance              | <u>4,777,150</u>   | <u>-</u>           | <u>(4,777,150)</u>             |
| Total other financing sources (uses)   | <u>(2,292,207)</u> | <u>(7,058,972)</u> | <u>(4,766,765)</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, 2023**

|   | <u>Budget</u> | <u>Actual</u>      | <u>Variance<br/>Over/Under</u> |
|---|---------------|--------------------|--------------------------------|
| Revenue and other financing sources over<br>(under) expenditures and other financing uses | <u>\$ -</u>   | <u>(3,145,854)</u> | <u>\$ (3,145,854)</u>          |

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

|   |                       |
|---|-----------------------|
| Debt principal  | 333,840               |
| Long-term debt issued   | (71,931)              |
| Capital outlay  | 412,297               |
| (Increase) decrease in accrued interest                         | 458                   |
| (Increase) decrease in compensated absences                     | (15,463)              |
| (Increase) decrease in other post-employment benefits           | 110,647               |
| Increase (decrease) in deferred outflows of resources - OPEB    | (22,151)              |
| (Increase) decrease in deferred inflows of resources - OPEB     | (106,638)             |
| (Increase) decrease in net pension liability                    | (429,532)             |
| Increase (decrease) in deferred outflows of resources - pension | 136,452               |
| (Increase) decrease in deferred inflows of resources - pension  | 238,356               |
| Book value of disposed capital assets                           | (1,911)               |
| Depreciation  | (812,264)             |
| Amortization of deferred charge on refunding                    | (4,651)               |
| Gas Capital Project Fund revenues                               | 28                    |
| Gas Capital Project Fund intrafund transfer                     | <u>1,543,888</u>      |
| Total reconciling items   | <u>1,311,425</u>      |
| Change in net position  | <u>\$ (1,834,429)</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, 2023

|   | Project<br>Authorization | Actual         |                 | Total        |
|---|--------------------------|----------------|-----------------|--------------|
|   |                          | Prior<br>Years | Current<br>Year |              |
| <b>Revenues:</b>  |                          |                |                 |              |
| Investment earnings (loss)  | \$ -                     | \$ (101)       | \$ 28           | \$ (73)      |
| <b>Expenditures:</b>  |                          |                |                 |              |
| Project #885 - Highway 74 bypass<br>sections "D" and "E" gas line relocation              | 1,718,888                | 127,321        | 15,172          | 142,493      |
| Project #886 - Marion/Peach/Cherryville gas<br>line relocation                            | 483,024                  | 456,393        | -               | 456,393      |
| Project #887 - Ames Copper gas improvements   | 722,458                  | 691,926        | -               | 691,926      |
| Project #888 - Montrose/Windsor gas line replacement                                      | 362,520                  | 320,432        | -               | 320,432      |
| Project #889 - NG line replacement  | 960,000                  | 141,584        | 770,768         | 912,352      |
| Total expenditures  | 4,246,890                | 1,737,656      | 785,940         | 2,523,596    |
| Revenues over (under) expenditures  | (4,246,890)              | (1,737,757)    | (785,912)       | (2,523,669)  |
| <b>Other Financing Sources (Uses):</b>  |                          |                |                 |              |
| Intrafund transfers   | 4,246,890                | 1,151,144      | 1,543,888       | 2,695,032    |
| Long-term debt issued   | -                        | 1,184,000      | -               | 1,184,000    |
| Total other financing sources (uses)  | 4,246,890                | 2,335,144      | 1,543,888       | 3,879,032    |
| Revenue and other financing sources over<br>(under) expenditures and other financing uses | \$ -                     | \$ 597,387     | \$ 757,976      | \$ 1,355,363 |

## CITY OF SHELBY, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
JUNE 30, 2023

|   | <u>Stormwater<br/>Fund</u> | <u>Housing<br/>Assistance<br/>Fund</u> | <u>Total<br/>Nonmajor<br/>Funds</u> |
|---|----------------------------|--|-------------------------------------|
| <b>Assets:</b>                              |                            |  |                                     |
| Current assets:                             |                            |  |                                     |
| Cash and cash equivalents                   | \$ 741,900                 | \$ 2,204,312                           | \$ 2,946,212                        |
| Accounts receivable, net                    | 118,763                    | -                                      | 118,763                             |
| Due from other funds                        | -                          | 833,689                                | 833,689                             |
| Due from other governments                  | -                          | 9,948                                  | 9,948                               |
| Inventories                                 | 13,584                     | -                                      | 13,584                              |
| Prepaid items                               | 13,450                     | 6,225                                  | 19,675                              |
| Restricted cash and cash equivalents        | -                          | 76,256                                 | 76,256                              |
| Total current assets                        | <u>887,697</u>             | <u>3,130,430</u>                       | <u>4,018,127</u>                    |
| Capital assets:                             |                            |  |                                     |
| Land and construction in progress           | -                          | 278,173                                | 278,173                             |
| Other capital assets, net of depreciation   | 42,584                     | 4,945,031                              | 4,987,615                           |
| Right to use assets, net of amortization    | 591                        | 1,550                                  | 2,141                               |
| Total capital assets                        | <u>43,175</u>              | <u>5,224,754</u>                       | <u>5,267,929</u>                    |
| Total assets                                | <u>930,872</u>             | <u>8,355,184</u>                       | <u>9,286,056</u>                    |
| <b>Deferred Outflows of Resources:</b>      |                            |  |                                     |
| OPEB deferrals                              | -                          | 88,453                                 | 88,453                              |
| Pension deferrals                           | -                          | 160,760                                | 160,760                             |
| Total deferred outflows of resources        | <u>-</u>                   | <u>249,213</u>                         | <u>249,213</u>                      |
| <b>Liabilities:</b>                         |                            |  |                                     |
| Current liabilities:                        |                            |  |                                     |
| Accounts payable and accrued liabilities    | 21,758                     | 94,911                                 | 116,669                             |
| Due to other funds                          | -                          | 2,385                                  | 2,385                               |
| Unearned revenue                            | -                          | 32,622                                 | 32,622                              |
| Compensated absences payable                | 1,998                      | 8,195                                  | 10,193                              |
| Current portion of long-term debt           | 15,634                     | 1,487                                  | 17,121                              |
| Other post-employment benefits              | -                          | 19,000                                 | 19,000                              |
| Liabilities payable from restricted assets: |                            |  |                                     |
| Customer deposits                           | -                          | 43,634                                 | 43,634                              |
| Total current liabilities                   | <u>39,390</u>              | <u>202,234</u>                         | <u>241,624</u>                      |
| Non-current liabilities:                    |                            |  |                                     |
| Compensated absences payable                | 5,992                      | 24,585                                 | 30,577                              |
| Net pension liability                       | -                          | 245,992                                | 245,992                             |
| Other post-employment benefits              | -                          | 392,693                                | 392,693                             |
| Other long-term debt                        | 22,323                     | -                                      | 22,323                              |
| Total non-current liabilities               | <u>28,315</u>              | <u>663,270</u>                         | <u>691,585</u>                      |
| Total liabilities                           | <u>67,705</u>              | <u>865,504</u>                         | <u>933,209</u>                      |
| <b>Deferred Inflows of Resources:</b>       |                            |  |                                     |
| OPEB deferrals                              | -                          | 74,696                                 | 74,696                              |
| Pension deferrals                           | -                          | 6,772                                  | 6,772                               |
| Total deferred inflows of resources         | <u>-</u>                   | <u>81,468</u>                          | <u>81,468</u>                       |
| <b>Net Position:</b>                        |                            |  |                                     |
| Net investment in capital assets            | 5,218                      | 5,223,267                              | 5,228,485                           |
| Unrestricted                                | 857,949                    | 2,434,158                              | 3,292,107                           |
| Total net position                          | <u>\$ 863,167</u>          | <u>\$ 7,657,425</u>                    | <u>\$ 8,520,592</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, 2023

|  | <u>Stormwater<br/>Fund</u> | <u>Housing<br/>Assistance<br/>Fund</u> | <u>Total<br/>Nonmajor<br/>Funds</u> |
|--|----------------------------|--|-------------------------------------|
| <b>Operating Revenues:</b>                               |                            |  |                                     |
| Charges for services                                     | \$ 891,691                 | \$ 729,519                             | \$ 1,621,210                        |
| Other fees   | 28,834                     | -                                      | 28,834                              |
| Other operating revenues                                 | -                          | 19,714                                 | 19,714                              |
| Total operating revenues                                 | <u>920,525</u>             | <u>749,233</u>                         | <u>1,669,758</u>                    |
| <b>Operating Expenses:</b>                               |                            |  |                                     |
| Administration   | 1,004,902                  | 411,924                                | 1,416,826                           |
| Operations and maintenance                               | -                          | 875,682                                | 875,682                             |
| Depreciation and amortization                            | 6,608                      | 516,971                                | 523,579                             |
| Total operating expenses                                 | <u>1,011,510</u>           | <u>1,804,577</u>                       | <u>2,816,087</u>                    |
| Operating income (loss)                                  | <u>(90,985)</u>            | <u>(1,055,344)</u>                     | <u>(1,146,329)</u>                  |
| <b>Non-Operating Revenues (Expenses):</b>                |                            |  |                                     |
| Operating grants   | -                          | 554,269                                | 554,269                             |
| Investment earnings                                      | 43                         | 25,998                                 | 26,041                              |
| Interest expense and fiscal charges                      | (460)                      | (24)                                   | (484)                               |
| Total non-operating revenues (expenses)                  | <u>(417)</u>               | <u>580,243</u>                         | <u>579,826</u>                      |
| Income (loss) before capital contributions and transfers | (91,402)                   | (475,101)                              | (566,503)                           |
| Capital contributions                                    | -                          | 573,549                                | 573,549                             |
| Transfers to other funds - capital assets                | (43,652)                   | -                                      | (43,652)                            |
| Change in net position                                   | (135,054)                  | 98,448                                 | (36,606)                            |
| <b>Net Position:</b>                                     |                            |  |                                     |
| Beginning year - July 1                                  | <u>998,221</u>             | <u>7,558,977</u>                       | <u>8,557,198</u>                    |
| End of year - June 30                                    | <u>\$ 863,167</u>          | <u>\$ 7,657,425</u>                    | <u>\$ 8,520,592</u>                 |

**CITY OF SHELBY, NORTH CAROLINA**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

|  | <u>Stormwater<br/>Fund</u> | <u>Housing<br/>Assistance<br/>Fund</u> | <u>Total<br/>Nonmajor<br/>Funds</u> |
|--|----------------------------|--|-------------------------------------|
| <b>Cash Flows from Operating Activities:</b>                         |                            |  |                                     |
| Cash received from customers   | \$ 918,625                 | \$ 758,296                             | \$ 1,676,921                        |
| Cash paid for goods and services                                     | (1,025,541)                | (801,249)                              | (1,826,790)                         |
| Cash paid to employees   | <u>-</u>                   | <u>(379,984)</u>                       | <u>(379,984)</u>                    |
| Net cash provided (used) by operating activities                     | <u>(106,916)</u>           | <u>(422,937)</u>                       | <u>(529,853)</u>                    |
| <b>Cash Flows from Non-Capital Financing Activities:</b>             |                            |  |                                     |
| Proceeds from operating grants                                       | -                          | 554,269                                | 554,269                             |
| Increase (decrease) in due (to) from other funds                     | <u>33</u>                  | <u>-</u>                               | <u>33</u>                           |
| Net cash provided (used) by non-capital financing activities         | <u>33</u>                  | <u>554,269</u>                         | <u>554,302</u>                      |
| <b>Cash Flows from Capital and Related Financing Activities:</b>     |                            |  |                                     |
| Acquisition and construction of capital assets                       | -                          | (573,549)                              | (573,549)                           |
| Capital contributions - grants received                              | -                          | 936,719                                | 936,719                             |
| Principal paid on long-term liabilities                              | (19,093)                   | (2,533)                                | (21,626)                            |
| Interest paid on long-term debt                                      | <u>(460)</u>               | <u>(24)</u>                            | <u>(484)</u>                        |
| Net cash provided (used) by capital and related financing activities | <u>(19,553)</u>            | <u>360,613</u>                         | <u>341,060</u>                      |
| <b>Cash Flows from Investing Activities:</b>                         |                            |  |                                     |
| Interest received from investments                                   | <u>43</u>                  | <u>25,998</u>                          | <u>26,041</u>                       |
| Net increase (decrease) in cash and cash equivalents                 | (126,393)                  | 517,943                                | 391,550                             |
| <b>Cash and Cash Equivalents:</b>                                    |                            |  |                                     |
| Beginning of year - July 1   | <u>868,293</u>             | <u>1,762,625</u>                       | <u>2,630,918</u>                    |
| End of year - June 30  | <u>\$ 741,900</u>          | <u>\$ 2,280,568</u>                    | <u>\$ 3,022,468</u>                 |

CITY OF SHELBY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

|   | <u>Stormwater<br/>Fund</u> | <u>Housing<br/>Assistance<br/>Fund</u> | <u>Total<br/>Nonmajor<br/>Funds</u> |
|---|----------------------------|--|-------------------------------------|
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |                            |  |                                     |
| Operating income (loss)   | \$ (90,985)                | \$ (1,055,344)                         | \$ (1,146,329)                      |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                            |  |                                     |
| Depreciation and amortization   | 6,608                      | 516,971                                | 523,579                             |
| Changes in assets and liabilities:  |                            |  |                                     |
| (Increase) decrease in accounts receivable  | (1,900)                    | 9,313                                  | 7,413                               |
| (Increase) decrease in inventories  | (569)                      | -                                      | (569)                               |
| (Increase) decrease in prepaids   | (5,477)                    | 1,157                                  | (4,320)                             |
| Increase (decrease) in accounts payable and accrued liabilities                                       | (10,677)                   | 73,276                                 | 62,599                              |
| Increase (decrease) in customer deposits  | -                          | (250)                                  | (250)                               |
| Increase (decrease) in compensated absences   | (3,916)                    | 2,793                                  | (1,123)                             |
| (Increase) decrease in deferred outflows of resources for pension                                     | -                          | (54,581)                               | (54,581)                            |
| Increase (decrease) in net pension liability  | -                          | 171,813                                | 171,813                             |
| Increase (decrease) in deferred inflows of resources for pensions                                     | -                          | (95,342)                               | (95,342)                            |
| (Increase) decrease in deferred outflows of resources - OPEB  | -                          | 8,860                                  | 8,860                               |
| Increase (decrease) in deferred inflows of resources - OPEB   | -                          | 42,656                                 | 42,656                              |
| Increase (decrease) in other post-employment benefits   | -                          | (44,259)                               | (44,259)                            |
| Net cash provided (used) by operating activities  | <u>\$ (106,916)</u>        | <u>\$ (422,937)</u>                    | <u>\$ (529,853)</u>                 |
| <b>Supplemental Disclosure of Non-Cash Transactions:</b>  |                            |  |                                     |
| Right to use assets/liabilities issued  | <u>\$ 1,617</u>            | <u>\$ -</u>                            | <u>\$ 1,617</u>                     |
| Book value of capital assets transferred  | <u>\$ 43,652</u>           | <u>\$ -</u>                            | <u>\$ 43,652</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, 2023**

|  | <b>Budget</b> | <b>Actual</b> | <b>Variance<br/>Over/Under</b> |
|--|---------------|---------------|--------------------------------|
| <b>Revenues:</b>   |               |               |                                |
| Operating revenues:  |               |               |                                |
| Charges for services   | \$ 877,405    | \$ 891,691    | \$ 14,286                      |
| Other fees   | 1,000         | 28,834        | 27,834                         |
| Total operating revenues   | 878,405       | 920,525       | 42,120                         |
| Non-operating revenues:  |               |               |                                |
| Investment earnings  | -             | 43            | 43                             |
| Total revenues   | 878,405       | 920,568       | 42,163                         |
| <b>Expenditures:</b>   |               |               |                                |
| Operating expenditures:  |               |               |                                |
| Cost of sales and services:  |               |               |                                |
| Administration   | 1,404,997     | 1,008,818     | 396,179                        |
| Capital outlay   | -             | 1,617         | (1,617)                        |
| Total costs of sales and services  | 1,404,997     | 1,010,435     | 394,562                        |
| Debt service:  |               |               |                                |
| Principal repayment  | 18,500        | 19,093        | (593)                          |
| Interest and fees  | 800           | 460           | 340                            |
| Total debt service   | 19,300        | 19,553        | (253)                          |
| Total expenditures   | 1,424,297     | 1,029,988     | 394,309                        |
| Revenues over (under) expenditures   | (545,892)     | (109,420)     | 436,472                        |
| <b>Other Financing Sources (Uses):</b>   |               |               |                                |
| Subscription liabilities issued  | -             | 1,617         | 1,617                          |
| Appropriated fund balance  | 545,892       | -             | (545,892)                      |
| Total other financing sources (uses)   | 545,892       | 1,617         | (544,275)                      |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | \$ -          | (107,803)     | \$ (107,803)                   |

**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, 2023**

|   | <u>Budget</u> | <u>Actual</u>       | <u>Variance<br/>Over/Under</u> |
|---|---------------|---------------------|--------------------------------|
| <b>Reconciliation of Modified Accrual Basis<br/>with Accrual Basis:</b> |               |                     |                                |
| Debt principal  |               | 19,093              |                                |
| Subscription liabilities issued   |               | (1,617)             |                                |
| Capital outlay  |               | 1,617               |                                |
| Book value of capital assets transferred to other funds                 |               | (43,652)            |                                |
| (Increase) decrease in compensated absences                             |               | 3,916               |                                |
| Depreciation and amortization   |               | <u>(6,608)</u>      |                                |
| Total reconciling items   |               | <u>(27,251)</u>     |                                |
| Change in net position  |               | <u>\$ (135,054)</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, 2023

|  | <u>Budget</u>    | <u>Actual</u>    | <u>Variance<br/>Over/Under</u> |
|--|------------------|------------------|--------------------------------|
| <b>Revenues:</b>                       |                  |                  |                                |
| Operating revenues:                    |                  |                  |                                |
| Charges for services                   | \$ 650,000       | \$ 729,519       | \$ 79,519                      |
| Other operating revenues               | <u>3,000</u>     | <u>19,714</u>    | <u>16,714</u>                  |
| Total operating revenues               | <u>653,000</u>   | <u>749,233</u>   | <u>96,233</u>                  |
| Non-operating revenues:                |                  |                  |                                |
| Operating and capital grants           | 1,587,980        | 1,127,818        | (460,162)                      |
| Investment earnings                    | <u>5,000</u>     | <u>25,998</u>    | <u>20,998</u>                  |
| Total non-operating revenues           | <u>1,592,980</u> | <u>1,153,816</u> | <u>(439,164)</u>               |
| Total revenues                         | <u>2,245,980</u> | <u>1,903,049</u> | <u>(342,931)</u>               |
| <b>Expenditures:</b>                   |                  |                  |                                |
| Operating expenditures:                |                  |                  |                                |
| Cost of sales and services:            |                  |                  |                                |
| Administration                         | 422,150          | 409,131          | 13,019                         |
| Operating and maintenance              | 1,089,619        | 846,535          | 243,084                        |
| Capital outlay                         | <u>970,438</u>   | <u>573,549</u>   | <u>396,889</u>                 |
| Total costs of sales and services      | <u>2,482,207</u> | <u>1,829,215</u> | <u>652,992</u>                 |
| Debt service:                          |                  |                  |                                |
| Principal repayment                    | 3,476            | 2,533            | 943                            |
| Interest and fees                      | <u>24</u>        | <u>24</u>        | <u>-</u>                       |
| Total debt service                     | <u>3,500</u>     | <u>2,557</u>     | <u>943</u>                     |
| Total expenditures                     | <u>2,485,707</u> | <u>1,831,772</u> | <u>653,935</u>                 |
| Revenues over (under) expenditures     | <u>(239,727)</u> | <u>71,277</u>    | <u>311,004</u>                 |
| <b>Other Financing Sources (Uses):</b> |                  |                  |                                |
| Appropriated fund balance              | <u>239,727</u>   | <u>-</u>         | <u>(239,727)</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, 2023**

|  | <u>Budget</u> | <u>Actual</u>    | <u>Variance<br/>Over/Under</u> |
|--|---------------|------------------|--------------------------------|
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | \$ -          | 71,277           | \$ 71,277                      |
| <b>Reconciliation of Modified Accrual Basis with Accrual Basis:</b>                        |               |                  |                                |
| Capital outlay   |               | 573,549          |                                |
| Depreciation and amortization  |               | (516,971)        |                                |
| Lease principal  |               | 2,533            |                                |
| (Increase) decrease in compensated absences  |               | (2,793)          |                                |
| Increase (decrease) in deferred outflows of resources - OPEB                               |               | (8,860)          |                                |
| (Increase) decrease in deferred inflows of resources - OPEB                                |               | (42,656)         |                                |
| (Increase) decrease in other post-employment benefits                                      |               | 44,259           |                                |
| (Increase) decrease in net pension liability   |               | (171,813)        |                                |
| Increase (decrease) in deferred outflows of resources - pension                            |               | 54,581           |                                |
| (Increase) decrease in deferred inflows of resources - pension                             |               | <u>95,342</u>    |                                |
| Total reconciling items  |               | <u>27,171</u>    |                                |
| Change in net position   |               | <u>\$ 98,448</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, 2023

| Fiscal Year   | Uncollected<br>Balance<br>July 1, 2022 | Additions            | Collections<br>and Credits | Uncollected<br>Balance<br>June 30, 2023 |
|---|--|----------------------|----------------------------|---|
| 2022-2023   | \$ -                                   | \$ 14,343,472        | \$ 14,009,032              | \$ 334,440                              |
| 2021-2022   | 163,566                                | -                    | 83,467                     | 80,099                                  |
| 2020-2021   | 141,377                                | -                    | 23,322                     | 118,055                                 |
| 2019-2020   | 167,376                                | -                    | 11,538                     | 155,838                                 |
| 2018-2019   | 62,372                                 | -                    | 6,954                      | 55,418                                  |
| 2017-2018   | 22,307                                 | -                    | 2,894                      | 19,413                                  |
| 2016-2017   | 18,077                                 | -                    | 2,405                      | 15,672                                  |
| 2015-2016   | 17,652                                 | -                    | 2,548                      | 15,104                                  |
| 2014-2015   | 17,086                                 | -                    | 1,984                      | 15,102                                  |
| 2013-2014   | 16,079                                 | -                    | 1,886                      | 14,193                                  |
| 2012-2013   | 14,436                                 | -                    | 14,436                     | -                                       |
| Total   | <u>\$ 640,328</u>                      | <u>\$ 14,343,472</u> | <u>\$ 14,160,466</u>       | <u>\$ 823,334</u>                       |
| Less: allowance for uncollectible ad valorem taxes receivable         |  |                      |                            | (208,000)                               |
| Ad valorem taxes receivable, net                                      |  |                      |                            | <u>\$ 615,334</u>                       |
| <b>Reconciliation with Revenues:</b>                                  |  |                      |                            |   |
| Ad valorem taxes - General Fund                                       |  |                      |                            | \$ 14,024,256                           |
| Ad valorem taxes - Special Revenue Fund                               |  |                      |                            | 119,388                                 |
| Interest and penalties collected                                      |  |                      |                            | (42,366)                                |
| Discounts allowed   |  |                      |                            | 41,736                                  |
| Discoveries of prior years' taxes                                     |  |                      |                            |   |
| Miscellaneous adjustments   |  |                      |                            | 3,016                                   |
| Arrears written off for tax year 2012-2013 per statute of limitations |  |                      |                            | 14,436                                  |
| Total collections and credits   |  |                      |                            | <u>\$ 14,160,466</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, 2023

|  | <u>Total</u>                  |             | <u>Total Levy</u>     |   |  |
|--|-------------------------------|-------------|-----------------------|---|--|
|  | <u>Property<br/>Valuation</u> | <u>Rate</u> | <u>Total<br/>Levy</u> | <u>Property<br/>Excluding<br/>Registered<br/>Motor<br/>Vehicles</u> | <u>Registered<br/>Motor<br/>Vehicles</u> |
| <b>Original Levy:</b>                                      |                               |             |                       |   |  |
| Property taxed at current year's rate                      | \$ 2,639,195,169              | \$ 0.5175   | \$ 13,657,835         | \$ 12,737,911   | \$ 919,924                               |
| Municipal service district taxed at<br>current year's rate | <u>53,538,111</u>             | 0.7675      | <u>410,905</u>        | <u>375,834</u>  | <u>35,071</u>                            |
| Total original levy  | <u>2,692,733,280</u>          |             | <u>14,068,740</u>     | <u>13,113,745</u>   | <u>954,995</u>                           |
| <b>Discoveries:</b>  |                               |             |                       |   |  |
| Property taxed at current year's rate                      | 63,934,493                    | 0.5175      | 330,861               | 330,861   | -  |
| Municipal service district taxed at<br>current year's rate | <u>1,062,801</u>              | 0.7675      | <u>8,157</u>          | <u>8,157</u>  | <u>-</u>                                 |
| Total discoveries  | <u>64,997,294</u>             |             | <u>339,018</u>        | <u>339,018</u>  | <u>-</u>                                 |
| <b>Releases:</b>   |                               |             |                       |   |  |
| Property taxed at current year's rate                      | 12,396,908                    | 0.5175      | 64,154                | 64,154  | -  |
| Municipal service district taxed at<br>current year's rate | <u>17,199</u>                 | 0.7675      | <u>132</u>            | <u>132</u>  | <u>-</u>                                 |
| Total abatements   | <u>12,414,107</u>             |             | <u>64,286</u>         | <u>64,286</u>   | <u>-</u>                                 |
| Total property valuation                                   | <u>\$ 2,745,316,466</u>       |             |                       |   |  |
| <b>Net Levy</b>  |                               |             | 14,343,472            | 13,388,477  | 954,995                                  |
| Uncollected taxes at June 30, 2023                         |                               |             | <u>334,440</u>        | <u>334,440</u>  | <u>-</u>                                 |
| <b>Current Year's Taxes Collected</b>                      |                               |             | <u>\$ 14,009,032</u>  | <u>\$ 13,054,037</u>  | <u>\$ 954,995</u>                        |
| <b>Current Levy Collection Percentage</b>                  |                               |             | <u>97.67%</u>         | <u>97.50%</u>   | <u>100.00%</u>                           |
| <b>Prior Year Levy Collection Percentage</b>               |                               |             | <u>98.83%</u>         | <u>98.75%</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, 2023

|  | City-Wide               |           |                      | Total Levy   |                                 |
|--|-------------------------|-----------|----------------------|--|---------------------------------|
|  | Property<br>Valuation   | Rate      | Total<br>Levy        | Property<br>Excluding<br>Registered<br>Motor<br>Vehicles | Registered<br>Motor<br>Vehicles |
| <b>Original Levy:</b>                        |                         |           |                      |  |                                 |
| Property taxed at current year's rate        | \$ 2,639,195,169        | \$ 0.5175 | \$ 13,657,835        | \$ 12,737,911  | \$ 919,924                      |
| <b>Discoveries:</b>                          |                         |           |                      |  |                                 |
| Property taxed at current year's rate        | 63,934,493              | 0.5175    | 330,861              | 330,861  | -                               |
| <b>Releases:</b>                             |                         |           |                      |  |                                 |
| Property taxed at current year's rate        | <u>12,396,908</u>       | 0.5175    | <u>64,154</u>        | <u>64,154</u>  | <u>-</u>                        |
| Total property valuation                     | <u>\$ 2,690,732,754</u> |           |                      |  |                                 |
| <b>Net Levy</b>                              |                         |           | 13,924,542           | 13,004,618   | 919,924                         |
| Uncollected taxes at June 30, 2023           |                         |           | <u>315,010</u>       | <u>315,010</u>   | <u>-</u>                        |
| <b>Current Year's Taxes Collected</b>        |                         |           | <u>\$ 13,609,532</u> | <u>\$ 12,689,608</u>                                     | <u>\$ 919,924</u>               |
| <b>Current Levy Collection Percentage</b>    |                         |           | <u>97.74%</u>        | <u>97.58%</u>  | <u>100.00%</u>                  |
| <b>Prior Year Levy Collection Percentage</b> |                         |           | <u>98.82%</u>        | <u>98.74%</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, 2023

|  | Municipal Service District |           |                   | Total Levy   |                                 |
|--|----------------------------|-----------|-------------------|--|---------------------------------|
|  | Property<br>Valuation      | Rate      | Total<br>Levy     | Property<br>Excluding<br>Registered<br>Motor<br>Vehicles | Registered<br>Motor<br>Vehicles |
|  |                            |           |                   |  |                                 |
| <b>Original Levy:</b>                        |                            |           |                   |  |                                 |
| Property taxed at current year's rate        | \$ 53,538,111              | \$ 0.7675 | \$ 410,905        | \$ 375,834   | \$ 35,071                       |
| <b>Discoveries:</b>                          |                            |           |                   |  |                                 |
| Property taxed at current year's rate        | 1,062,801                  | 0.7675    | 8,157             | 8,157  | -                               |
| <b>Releases:</b>                             |                            |           |                   |  |                                 |
| Property taxed at current year's rate        | <u>17,199</u>              | 0.7675    | <u>132</u>        | <u>132</u>   | <u>-</u>                        |
| Total property valuation                     | <u>\$ 54,583,713</u>       |           |                   |  |                                 |
| <b>Net Levy</b>                              |                            |           | 418,930           | 383,859  | 35,071                          |
| Uncollected taxes at June 30, 2023           |                            |           | <u>19,430</u>     | <u>19,430</u>  | <u>-</u>                        |
| <b>Current Year's Taxes Collected</b>        |                            |           | <u>\$ 399,500</u> | <u>\$ 364,429</u>  | <u>\$ 35,071</u>                |
| <b>Current Levy Collection Percentage</b>    |                            |           | <u>95.36%</u>     | <u>94.94%</u>  | <u>100.00%</u>                  |
| <b>Prior Year Levy Collection Percentage</b> |                            |           | <u>99.09%</u>     | <u>99.02%</u>  | <u>100.00%</u>                  |



## CITY OF SHELBY, NORTH CAROLINA

FINANCIAL DATA SCHEDULE - BALANCE SHEET  
JUNE 30, 2023

| Line<br>Item # | Account Description  | Low Rent<br>14.850  | CFP<br>14.872     | Total               |
|----------------|--|---------------------|-------------------|---------------------|
|                | <b>Assets:</b>   |                     |                   |                     |
|                | Current assets:  |                     |                   |                     |
|                | Cash:  |                     |                   |                     |
| 111            | Cash - unrestricted  | \$ 2,204,312        | \$ -              | \$ 2,204,312        |
| 113            | Cash - other restricted  | -                   | 32,622            | 32,622              |
| 114            | Cash - tenant security deposits                                      | 43,634              | -                 | 43,634              |
| 100            | Total cash   | <u>2,247,946</u>    | <u>32,622</u>     | <u>2,280,568</u>    |
|                | Accounts and notes receivables:                                      |                     |                   |                     |
| 124            | Accounts receivable - other governments                              | 9,948               | -                 | 9,948               |
| 120            | Total receivables, net allowances for uncollectibles                 | <u>9,948</u>        | <u>-</u>          | <u>9,948</u>        |
| 142            | Prepaid expenses and other assets                                    | 6,225               | -                 | 6,225               |
| 150            | Total current assets   | <u>2,264,119</u>    | <u>32,622</u>     | <u>2,296,741</u>    |
|                | Non-current assets:  |                     |                   |                     |
| 174-050        | Due from other funds   | 833,689             | -                 | 833,689             |
|                | Fixed assets:  |                     |                   |                     |
| 161            | Land   | 278,173             | -                 | 278,173             |
| 162            | Buildings  | 9,412,800           | 573,549           | 9,986,349           |
| 163            | Furniture, equipment, and machinery - dwellings                      | 2,322,871           | -                 | 2,322,871           |
| 166            | Accumulated depreciation   | <u>(7,362,639)</u>  | <u>-</u>          | <u>(7,362,639)</u>  |
| 160            | Total fixed assets, net of accumulated depreciation                  | <u>4,651,205</u>    | <u>573,549</u>    | <u>5,224,754</u>    |
| 180            | Total non-current assets   | <u>5,484,894</u>    | <u>573,549</u>    | <u>6,058,443</u>    |
| 190            | Total assets   | <u>7,749,013</u>    | <u>606,171</u>    | <u>8,355,184</u>    |
|                | <b>Deferred Outflows of Resources:</b>                               |                     |                   |                     |
| 200            | Pension and OPEB deferrals   | 249,213             | -                 | 249,213             |
| 290            | Total assets and deferred outflows of resources                      | <u>\$ 7,998,226</u> | <u>\$ 606,171</u> | <u>\$ 8,604,397</u> |
|                | <b>Liabilities, Deferred Inflows of Resources, and Net Position:</b> |                     |                   |                     |
|                | Liabilities:   |                     |                   |                     |
|                | Current liabilities:   |                     |                   |                     |
| 312            | Accounts payable < 90 days   | \$ 88,169           | \$ -              | \$ 88,169           |
| 321            | Accrued wages/payroll taxes payable                                  | 9,127               | -                 | 9,127               |
| 322            | Accrued compensated absences   | 8,195               | -                 | 8,195               |
| 341            | Tenant security deposits   | 43,634              | -                 | 43,634              |
| 342            | Unearned revenues  | -                   | 32,622            | 32,622              |
| 343            | Current portion of long-term debt                                    | 1,487               | -                 | 1,487               |
| 345            | Other post-employment benefits                                       | 19,000              | -                 | 19,000              |
| 310            | Total current liabilities  | <u>169,612</u>      | <u>32,622</u>     | <u>202,234</u>      |
|                | Non-current liabilities:   |                     |                   |                     |
| 354            | Accrued compensated absences - non-current                           | 24,585              | -                 | 24,585              |
| 357            | Other post-employment benefit & pension liabilities                  | 638,685             | -                 | 638,685             |
| 350            | Total non-current liabilities  | <u>663,270</u>      | <u>-</u>          | <u>663,270</u>      |
| 300            | Total liabilities  | <u>832,882</u>      | <u>32,622</u>     | <u>865,504</u>      |
|                | <b>Deferred Inflows of Resources:</b>                                |                     |                   |                     |
| 400            | Pension deferrals  | 81,468              | -                 | 81,468              |
|                | <b>Net Position:</b>   |                     |                   |                     |
| 508.4          | Net investment in capital assets                                     | 4,649,718           | 573,549           | 5,223,267           |
| 512.4          | Unrestricted net position  | 2,434,158           | -                 | 2,434,158           |
| 513            | Total net position   | <u>7,083,876</u>    | <u>573,549</u>    | <u>7,657,425</u>    |
| 600            | Total liabilities, deferred inflows of resources, and net position   | <u>\$ 7,998,226</u> | <u>\$ 606,171</u> | <u>\$ 8,604,397</u> |

## CITY OF SHELBY, NORTH CAROLINA

FINANCIAL DATA SCHEDULE - REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2023

| Line<br>Item #            | Account Description  | Low Rent<br>14,850  | CFP<br>14,872     | Total            |
|---------------------------|--|---------------------|-------------------|------------------|
| <b>Revenue:</b>           |  |                     |                   |                  |
| 70300                     | Net tenant rental revenue  | \$ 729,519          | \$ -              | \$ 729,519       |
| 70500                     | Total tenant revenue   | <u>729,519</u>      | <u>-</u>          | <u>729,519</u>   |
| 70600                     | HUD PHA operating grants   | 554,269             | -                 | 554,269          |
| 70610                     | HUD PHA capital grants   | -                   | 573,549           | 573,549          |
| 71100                     | Investment income - unrestricted                                     | 25,998              | -                 | 25,998           |
| 71500                     | Other revenues   | <u>19,714</u>       | <u>-</u>          | <u>19,714</u>    |
| 70000                     | Total revenues   | <u>1,329,500</u>    | <u>573,549</u>    | <u>1,903,049</u> |
| <b>Expenses:</b>          |  |                     |                   |                  |
| Administrative:           |  |                     |                   |                  |
| 91100                     | Administrative salaries  | 352,923             | -                 | 352,923          |
| 91200                     | Audit services   | 8,111               | -                 | 8,111            |
| 91500                     | Employee benefit contributions - administrative                      | 171,221             | -                 | 171,221          |
| 91810                     | Allocated Overhead   | 94,019              | -                 | 94,019           |
| Tenant services:          |  |                     |                   |                  |
| 92400                     | Tenant services - other  | 2,583               | -                 | 2,583            |
| Utilities:                |  |                     |                   |                  |
| 93100                     | Water  | 142,892             | -                 | 142,892          |
| 93200                     | Electricity  | 122,150             | -                 | 122,150          |
| 93300                     | Gas  | 142,982             | -                 | 142,982          |
| 94200                     | Ordinary maintenance and operation - materials and other             | 61,585              | -                 | 61,585           |
| 94300                     | Ordinary maintenance and operation - contract costs                  | 15,010              | -                 | 15,010           |
| General expenses:         |  |                     |                   |                  |
| 96100                     | Insurance premiums   | 96,859              | -                 | 96,859           |
| 96200                     | Other general expenses   | 22,328              | -                 | 22,328           |
| 96210                     | Compensated absences   | 32,780              | -                 | 32,780           |
| 96300                     | Payments in lieu of taxes  | 21,679              | -                 | 21,679           |
| 96400                     | Bad debt - tenant rents  | <u>484</u>          | <u>-</u>          | <u>484</u>       |
| 96900                     | Total operating expenses   | <u>1,287,630</u>    | <u>-</u>          | <u>1,287,630</u> |
| 97000                     | Excess operating revenue over operating expenses                     | <u>41,870</u>       | <u>573,549</u>    | <u>615,419</u>   |
| 90000                     | Total expenses   | <u>1,804,601</u>    | <u>-</u>          | <u>1,804,601</u> |
| 10000                     | Excess (deficiency) of revenue over expenses                         | <u>\$ (475,101)</u> | <u>\$ 573,549</u> | <u>\$ 98,448</u> |
| MEMO Account Information: |  |                     |                   |                  |
| 11030                     | Beginning equity   | \$ 7,175,069        | \$ 383,908        | \$ 7,558,977     |
| 11040                     | Prior period adjustments, equity transfers and corrections of errors | 383,908             | (383,908)         | -                |
| 11190                     | Unit months available  | 2,064               | -                 | 2,064            |
| 11210                     | Number of unit months leased   | 2,063               | -                 | 2,063            |



## CITY OF SHELBY, NORTH CAROLINA

SCHEDULE OF PROGRAM COSTS - COMPLETED  
FOR THE YEAR ENDED JUNE 30, 2023

| <u>Program Name</u>         | <u>AL#</u> | <u>Funds<br/>Approved</u> | <u>Funds Advanced</u>     |                        |                         |
|-----------------------------|------------|---------------------------|---------------------------|------------------------|-------------------------|
|                             |            |                           | <u>Ending<br/>Balance</u> | <u>Prior<br/>Audit</u> | <u>Current<br/>Year</u> |
| Capital Fund Program (CFP): |            |                           |                           |                        |                         |
| NC19P034501-21              | 14.872     | \$ 501,579                | \$ 501,579                | \$ -                   | \$ 501,579              |
| Capital Fund Program (CFP): |            |                           |                           |                        |                         |
| NC19P034501-20              | 14.872     | \$ 468,859                | \$ 9,948                  | \$ -                   | \$ 9,948                |
| Capital Fund Program (CFP): |            |                           |                           |                        |                         |
| NC19P034501-19              | 14.872     | \$ 435,140                | \$ 435,140                | \$ 340,496             | \$ 94,644               |

## CITY OF SHELBY, NORTH CAROLINA

SCHEDULE OF PROGRAM COSTS - COMPLETED  
FOR THE YEAR ENDED JUNE 30, 2023

| <u>Program Name</u>         | <u>Funds Expended</u>     |                        |                         | <u>Excess (Deficiency)</u> |                           |
|-----------------------------|---------------------------|------------------------|-------------------------|----------------------------|---------------------------|
|                             | <u>Ending<br/>Balance</u> | <u>Prior<br/>Audit</u> | <u>Current<br/>Year</u> | <u>Funds<br/>Approved</u>  | <u>Funds<br/>Advanced</u> |
| Capital Fund Program (CFP): |                           |                        |                         |                            |                           |
| NC19P034501-21              | \$ 468,957                | \$ -                   | \$ 468,957              | \$ -                       | \$ 32,622                 |
| Capital Fund Program (CFP): |                           |                        |                         |                            |                           |
| NC19P034501-20              | \$ 9,948                  | \$ -                   | \$ 9,948                | \$ 458,911                 | \$ -                      |
| Capital Fund Program (CFP): |                           |                        |                         |                            |                           |
| NC19P034501-19              | \$ 435,140                | \$ 340,496             | \$ 94,644               | \$ -                       | \$ -                      |





## 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 143-154)

*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 155-160)

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

### Debt Capacity (Page 161-167)

*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 168-171)

*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 172-175)

*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>2014</b>                      | <b>2015</b>       | <b>2016</b>       | <b>2017</b>       | <b>2018</b>       |
| <b>Governmental Activities</b>              |                                  |                   |                   |                   |                   |
| Net investment in capital assets            | \$ 33,394                        | \$ 34,486         | \$ 37,344         | \$ 36,664         | \$ 38,492         |
| Restricted                                  | 5,077                            | 5,448             | 5,566             | 4,325             | 5,426             |
| Unrestricted                                | 1,015                            | 916               | 82                | (231)             | (9,528)           |
| Total governmental activities net position  | <u>\$ 39,486</u>                 | <u>\$ 40,850</u>  | <u>\$ 42,992</u>  | <u>\$ 40,758</u>  | <u>\$ 34,390</u>  |
| <b>Business-Type Activities</b>             |                                  |                   |                   |                   |                   |
| Net investment in capital assets            | \$ 68,475                        | \$ 72,259         | \$ 75,472         | \$ 80,074         | \$ 91,821         |
| Unrestricted                                | 25,549                           | 21,387            | 20,638            | 19,004            | 12,384            |
| Total business-type activities net position | <u>\$ 94,024</u>                 | <u>\$ 93,646</u>  | <u>\$ 96,110</u>  | <u>\$ 99,078</u>  | <u>\$ 104,205</u> |
| <b>Primary Government</b>                   |                                  |                   |                   |                   |                   |
| Net investment in capital assets            | \$ 101,869                       | \$ 106,745        | \$ 112,816        | \$ 116,738        | \$ 130,313        |
| Restricted                                  | 5,077                            | 5,448             | 5,566             | 4,325             | 5,426             |
| Unrestricted                                | 26,564                           | 22,303            | 20,638            | 18,773            | 2,856             |
| Total primary government net position       | <u>\$ 133,510</u>                | <u>\$ 134,496</u> | <u>\$ 139,020</u> | <u>\$ 139,836</u> | <u>\$ 138,595</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>2019</b>                      | <b>2020</b>       | <b>2021</b>       | <b>2022</b>       | <b>2023</b>       |
| <b>Governmental Activities</b>              |                                  |                   |                   |                   |                   |
| Net investment in capital assets            | \$ 47,196                        | \$ 52,963         | \$ 55,363         | \$ 58,693         | \$ 60,395         |
| Restricted                                  | 5,564                            | 6,350             | 6,461             | 8,920             | 7,950             |
| Unrestricted                                | <u>(9,548)</u>                   | <u>(11,406)</u>   | <u>(9,942)</u>    | <u>(8,393)</u>    | <u>(1,811)</u>    |
| Total governmental activities net position  | <u>\$ 43,212</u>                 | <u>\$ 47,907</u>  | <u>\$ 51,882</u>  | <u>\$ 59,220</u>  | <u>\$ 66,534</u>  |
| <b>Business-Type Activities</b>             |                                  |                   |                   |                   |                   |
| Net investment in capital assets            | \$ 108,941                       | \$ 111,590        | \$ 108,114        | \$ 117,355        | \$ 122,213        |
| Unrestricted                                | <u>12,581</u>                    | <u>18,080</u>     | <u>33,105</u>     | <u>32,544</u>     | <u>35,461</u>     |
| Total business-type activities net position | <u>\$ 121,522</u>                | <u>\$ 129,670</u> | <u>\$ 141,219</u> | <u>\$ 149,899</u> | <u>\$ 157,674</u> |
| <b>Primary Government</b>                   |                                  |                   |                   |                   |                   |
| Net investment in capital assets            | \$ 156,137                       | \$ 164,553        | \$ 163,477        | \$ 176,048        | \$ 182,608        |
| Restricted                                  | 5,564                            | 6,350             | 6,461             | 8,920             | 7,950             |
| Unrestricted                                | <u>3,033</u>                     | <u>6,674</u>      | <u>23,163</u>     | <u>24,151</u>     | <u>33,650</u>     |
| Total primary government net position       | <u>\$ 164,734</u>                | <u>\$ 177,577</u> | <u>\$ 193,101</u> | <u>\$ 209,119</u> | <u>\$ 224,208</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>2014</b>                      | <b>2015</b>      | <b>2016</b>      | <b>2017</b>      | <b>2018</b>      |
| <b>Expenses</b>                                |                                  |                  |                  |                  |                  |
| Governmental activities:                       |                                  |                  |                  |                  |                  |
| General government                             | \$ 2,584                         | \$ 2,605         | \$ 2,335         | \$ 3,041         | \$ 3,151         |
| Public safety                                  | 10,101                           | 10,075           | 10,467           | 11,631           | 11,246           |
| Transportation                                 | 3,193                            | 3,101            | 3,349            | 2,891            | 3,040            |
| Environmental protection                       | 1,700                            | 1,640            | 1,502            | 1,707            | 2,084            |
| Cultural and recreational                      | 2,354                            | 2,295            | 2,471            | 2,590            | 2,534            |
| Housing and redevelopment                      | 1,133                            | 997              | 2,891            | 1,151            | 1,804            |
| Interest on long-term debt                     | 41                               | 12               | 57               | 96               | 252              |
| Total governmental activities expenses         | <u>21,106</u>                    | <u>20,725</u>    | <u>23,072</u>    | <u>23,107</u>    | <u>24,111</u>    |
| Business-type activities:                      |                                  |                  |                  |                  |                  |
| Water  | 3,932                            | 3,896            | 4,097            | 4,334            | 4,357            |
| Sewer  | 4,441                            | 4,257            | 4,359            | 4,448            | 4,724            |
| Electric                                       | 19,892                           | 21,974           | 20,608           | 21,272           | 20,922           |
| Gas  | 14,512                           | 14,717           | 10,827           | 11,543           | 12,921           |
| Stormwater                                     | -                                | 294              | 726              | 833              | 938              |
| Housing assistance                             | 1,207                            | 1,221            | 1,256            | 1,470            | 1,321            |
| Total business-type activities expenses        | <u>43,984</u>                    | <u>46,359</u>    | <u>41,873</u>    | <u>43,900</u>    | <u>45,183</u>    |
| Total primary governmental expenses            | <u>\$ 65,090</u>                 | <u>\$ 67,084</u> | <u>\$ 64,945</u> | <u>\$ 67,007</u> | <u>\$ 69,294</u> |
| <b>Program Revenues</b>                        |                                  |                  |                  |                  |                  |
| Governmental activities:                       |                                  |                  |                  |                  |                  |
| Charges for services:                          |                                  |                  |                  |                  |                  |
| General government                             | \$ 377                           | \$ 402           | \$ 3,371         | \$ 572           | \$ 556           |
| Public safety                                  | 11                               | 14               | 23               | 23               | 36               |
| Transportation                                 | 346                              | 289              | 268              | 228              | 281              |
| Environmental protection                       | 1,230                            | 1,184            | 1,142            | 1,351            | 1,351            |
| Cultural and recreational                      | 356                              | 302              | 272              | 295              | 297              |
| Housing and redevelopment                      | 133                              | -                | -                | -                | -                |
| Operating grants and contributions:            |                                  |                  |                  |                  |                  |
| General government                             | 85                               | 67               | 55               | 83               | 340              |
| Public safety                                  | 1,014                            | 1,143            | 1,167            | 1,192            | 1,197            |
| Transportation                                 | 20                               | 20               | 15               | 15               | -                |
| Cultural and recreational                      | 30                               | -                | -                | -                | -                |
| Housing and redevelopment                      | 205                              | 318              | 683              | 417              | 222              |
| Capital grants and contributions:              |                                  |                  |                  |                  |                  |
| Public safety                                  | 27                               | -                | -                | -                | 921              |
| Transportation                                 | 176                              | 360              | 437              | 328              | 445              |
| Cultural and recreational                      | -                                | -                | -                | 1                | 304              |
| Housing and redevelopment                      | 1,527                            | 494              | 229              | 48               | 352              |
| Total governmental activities program revenues | <u>5,537</u>                     | <u>4,593</u>     | <u>7,662</u>     | <u>4,553</u>     | <u>6,302</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>2019</b>                      | <b>2020</b>      | <b>2021</b>      | <b>2022</b>      | <b>2023</b>      |
| <b>Expenses</b>                                |                                  |                  |                  |                  |                  |
| Governmental activities:                       |                                  |                  |                  |                  |                  |
| General government                             | \$ 2,717                         | \$ 3,492         | \$ 3,682         | \$ 3,986         | \$ 4,855         |
| Public safety                                  | 13,143                           | 13,790           | 13,632           | 13,908           | 16,272           |
| Transportation                                 | 5,977                            | 3,225            | 3,258            | 4,772            | 3,125            |
| Environmental protection                       | 1,955                            | 2,054            | 1,884            | 1,871            | 2,156            |
| Cultural and recreational                      | 13                               | (1,505)          | 3,003            | 3,325            | 3,259            |
| Housing and redevelopment                      | 1,199                            | 6,027            | 839              | 1,489            | 7,731            |
| Interest on long-term debt                     | 240                              | 195              | 448              | 244              | 487              |
| Total governmental activities expenses         | <u>25,244</u>                    | <u>27,278</u>    | <u>26,746</u>    | <u>29,595</u>    | <u>37,885</u>    |
| Business-type activities:                      |                                  |                  |                  |                  |                  |
| Water  | 4,399                            | 4,673            | 4,623            | 4,972            | 5,842            |
| Sewer  | 5,506                            | 5,084            | 5,072            | 5,271            | 6,096            |
| Electric                                       | 19,499                           | 19,335           | 18,666           | 19,078           | 17,816           |
| Gas  | 13,535                           | 12,642           | 14,222           | 21,770           | 25,417           |
| Stormwater                                     | 737                              | 617              | 815              | 719              | 1,012            |
| Housing assistance                             | 1,335                            | 1,407            | 1,311            | 1,363            | 1,804            |
| Total business-type activities expenses        | <u>45,011</u>                    | <u>43,758</u>    | <u>44,709</u>    | <u>53,173</u>    | <u>57,987</u>    |
| Total primary governmental expenses            | <u>\$ 70,255</u>                 | <u>\$ 71,036</u> | <u>\$ 71,455</u> | <u>\$ 82,768</u> | <u>\$ 95,872</u> |
| <b>Program Revenues</b>                        |                                  |                  |                  |                  |                  |
| Governmental activities:                       |                                  |                  |                  |                  |                  |
| Charges for services:                          |                                  |                  |                  |                  |                  |
| General government                             | \$ 446                           | \$ 769           | \$ 417           | \$ 459           | \$ 438           |
| Public safety                                  | 29                               | 48               | 435              | 487              | 705              |
| Transportation                                 | 257                              | 302              | 479              | 633              | 733              |
| Environmental protection                       | 1,673                            | 1,513            | 1,291            | 1,318            | 1,420            |
| Cultural and recreational                      | 291                              | 265              | 333              | 471              | 483              |
| Housing and redevelopment                      | 154                              | 3                | 2                | -                | 278              |
| Operating grants and contributions:            |                                  |                  |                  |                  |                  |
| General government                             | 45                               | 81               | 193              | 142              | 6,429            |
| Public safety                                  | 1,280                            | 1,285            | 1,467            | 1,134            | 1,398            |
| Transportation                                 | -                                | 72               | -                | 62               | 31               |
| Cultural and recreational                      | -                                | -                | -                | -                | -                |
| Housing and redevelopment                      | 711                              | 247              | 272              | 601              | 371              |
| Capital grants and contributions:              |                                  |                  |                  |                  |                  |
| Public safety                                  | -                                | -                | -                | -                | -                |
| Transportation                                 | 4,184                            | 2,550            | 218              | 979              | 788              |
| Cultural and recreational                      | 316                              | 24               | -                | -                | -                |
| Housing and redevelopment                      | 149                              | 1,646            | 1,219            | 815              | 4,494            |
| Total governmental activities program revenues | <u>9,535</u>                     | <u>8,805</u>     | <u>6,326</u>     | <u>7,101</u>     | <u>17,568</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>2014</b>                      | <b>2015</b>        | <b>2016</b>       | <b>2017</b>        | <b>2018</b>       |
| Business-type activities:                          |                                  |                    |                   |                    |                   |
| Charges for services                               |                                  |                    |                   |                    |                   |
| Water  | 4,630                            | 4,849              | 4,722             | 5,151              | 4,712             |
| Sewer  | 5,088                            | 5,082              | 5,230             | 5,604              | 5,447             |
| Electric   | 21,468                           | 22,286             | 21,981            | 22,641             | 23,250            |
| Gas  | 18,547                           | 17,591             | 14,164            | 14,955             | 17,252            |
| Stormwater   | -                                | 796                | 736               | 810                | 789               |
| Housing assistance                                 | 586                              | 593                | 623               | 633                | 973               |
| Operating grants and contributions                 |                                  |                    |                   |                    |                   |
| Water  | 91                               | 85                 | 79                | 72                 | 65                |
| Sewer  | 37                               | 35                 | 32                | 30                 | 27                |
| Gas  | 11                               | 10                 | 9                 | 8                  | 8                 |
| Housing assistance                                 | 424                              | 462                | 455               | 450                | 466               |
| Capital grants and contributions                   |                                  |                    |                   |                    |                   |
| Water  | 465                              | -                  | -                 | 6                  | 1,128             |
| Sewer  | 624                              | -                  | -                 | -                  | 3,477             |
| Electric   | -                                | -                  | -                 | -                  | -                 |
| Gas  | 261                              | -                  | -                 | -                  | 175               |
| Housing assistance                                 | 226                              | 166                | 260               | 77                 | 252               |
| Total business-type activities program revenues    | <u>52,458</u>                    | <u>51,955</u>      | <u>48,291</u>     | <u>50,437</u>      | <u>58,021</u>     |
| Total primary governmental program revenues        | <u>\$ 57,995</u>                 | <u>\$ 56,548</u>   | <u>\$ 55,953</u>  | <u>\$ 54,990</u>   | <u>\$ 64,323</u>  |
| Net (expense)/revenue                              |                                  |                    |                   |                    |                   |
| Governmental activities                            | \$ (15,569)                      | \$ (16,132)        | \$ (15,410)       | \$ (18,554)        | \$ (17,809)       |
| Business-type activities                           | <u>8,474</u>                     | <u>5,595</u>       | <u>6,417</u>      | <u>6,537</u>       | <u>12,838</u>     |
| Total primary governmental net expenses (revenues) | <u>\$ (7,095)</u>                | <u>\$ (10,537)</u> | <u>\$ (8,993)</u> | <u>\$ (12,017)</u> | <u>\$ (4,971)</u> |
| <b>General Revenues and Other Changes in</b>       |                                  |                    |                   |                    |                   |
| <b>  Net Position</b>                              |                                  |                    |                   |                    |                   |
| Governmental activities:                           |                                  |                    |                   |                    |                   |
| Taxes  |                                  |                    |                   |                    |                   |
| Property taxes, levied for general purpose         | \$ 8,017                         | \$ 8,316           | \$ 8,263          | \$ 9,016           | \$ 10,366         |
| Sales tax  | 2,809                            | 2,980              | 3,061             | 3,501              | 3,972             |
| Franchise tax                                      | 1,586                            | 1,835              | 2,008             | 1,930              | 1,975             |
| Other taxes  | 90                               | 97                 | 99                | 104                | 103               |
| Unrestricted investment earnings                   | 186                              | 143                | 114               | (4)                | 249               |
| Gain on disposal of assets                         | -                                | -                  | -                 | -                  | -                 |
| Transfers  | <u>3,215</u>                     | <u>5,584</u>       | <u>4,005</u>      | <u>-</u>           | <u>-</u>          |
| Total governmental activities                      | <u>15,903</u>                    | <u>18,954</u>      | <u>17,550</u>     | <u>14,547</u>      | <u>16,665</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>2019</b>                      | <b>2020</b>       | <b>2021</b>       | <b>2022</b>        | <b>2023</b>       |
| Business-type activities:                          |                                  |                   |                   |                    |                   |
| Charges for services                               |                                  |                   |                   |                    |                   |
| Water  | 5,133                            | 5,431             | 5,453             | 6,142              | 6,190             |
| Sewer  | 6,099                            | 5,843             | 6,137             | 6,853              | 6,689             |
| Electric   | 23,840                           | 24,938            | 25,894            | 22,817             | 21,961            |
| Gas  | 18,180                           | 16,138            | 19,723            | 26,778             | 29,112            |
| Stormwater   | 848                              | 906               | 920               | 905                | 921               |
| Housing assistance                                 | 655                              | 669               | 669               | 708                | 749               |
| Operating grants and contributions                 |                                  |                   |                   |                    |                   |
| Water  | 58                               | 51                | 43                | 18                 | -                 |
| Sewer  | 24                               | 21                | 18                | 7                  | -                 |
| Gas  | 7                                | 6                 | 5                 | 2                  | -                 |
| Housing assistance                                 | 435                              | 622               | 581               | 698                | 554               |
| Capital grants and contributions                   |                                  |                   |                   |                    |                   |
| Water  | 6,706                            | 571               | -                 | -                  | -                 |
| Sewer  | 6,166                            | (80)              | -                 | -                  | 1,117             |
| Electric   | -                                | -                 | 136               | -                  | -                 |
| Gas  | 324                              | -                 | -                 | -                  | -                 |
| Housing assistance                                 | 255                              | 323               | 65                | 384                | 573               |
| Total business-type activities program revenues    | <u>68,730</u>                    | <u>55,439</u>     | <u>59,644</u>     | <u>65,312</u>      | <u>67,866</u>     |
| Total primary governmental program revenues        | <u>\$ 78,265</u>                 | <u>\$ 64,244</u>  | <u>\$ 65,970</u>  | <u>\$ 72,413</u>   | <u>\$ 85,434</u>  |
| Net (expense)/revenue                              |                                  |                   |                   |                    |                   |
| Governmental activities                            | \$ (15,709)                      | \$ (18,473)       | \$ (20,420)       | \$ (22,494)        | \$(20,317)        |
| Business-type activities                           | <u>23,719</u>                    | <u>11,681</u>     | <u>14,935</u>     | <u>12,139</u>      | <u>9,879</u>      |
| Total primary governmental net expenses (revenues) | <u>\$ 8,010</u>                  | <u>\$ (6,792)</u> | <u>\$ (5,485)</u> | <u>\$ (10,355)</u> | <u>\$(10,438)</u> |
| <b>General Revenues and Other Changes in</b>       |                                  |                   |                   |                    |                   |
| <b>  Net Position</b>                              |                                  |                   |                   |                    |                   |
| Governmental activities:                           |                                  |                   |                   |                    |                   |
| Taxes  |                                  |                   |                   |                    |                   |
| Property taxes, levied for general purpose         | \$ 10,905                        | \$ 12,736         | \$ 13,346         | \$ 13,937          | \$ 14,315         |
| Sales tax  | 4,542                            | 4,587             | 5,589             | 6,575              | 7,288             |
| Franchise tax                                      | 2,024                            | 1,918             | 1,945             | 1,913              | 2,029             |
| Other taxes  | 101                              | 102               | 100               | 103                | 118               |
| Unrestricted investment earnings                   | 334                              | 196               | 25                | 56                 | 1,419             |
| Gain on disposal of assets                         | -                                | -                 | -                 | 3,775              | 15                |
| Transfers  | -                                | -                 | 3,390             | 3,473              | 2,447             |
| Total governmental activities                      | <u>17,906</u>                    | <u>19,539</u>     | <u>24,395</u>     | <u>29,832</u>      | <u>27,631</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>2014</b>                      | <b>2015</b>      | <b>2016</b>      | <b>2017</b>      | <b>2018</b>      |
| Business-type activities         |                                  |                  |                  |                  |                  |
| Unrestricted investment earnings | 159                              | 27               | 52               | (11)             | 132              |
| Gain on disposal of assets       | -                                | -                | -                | -                | -                |
| Miscellaneous                    | -                                | -                | -                | -                | (1,083)          |
| Transfers                        | (3,215)                          | (5,584)          | (4,005)          | -                | -                |
| Total business-type activities   | <u>(3,056)</u>                   | <u>(5,557)</u>   | <u>3,953</u>     | <u>(11)</u>      | <u>(951)</u>     |
| Total primary government         | <u>\$ 12,847</u>                 | <u>\$ 13,397</u> | <u>\$ 21,503</u> | <u>\$ 14,536</u> | <u>\$ 15,714</u> |
| <b>Change in Net Position</b>    |                                  |                  |                  |                  |                  |
| Governmental activities          | \$ 334                           | \$ 2,824         | \$ 2,141         | \$ (32)          | \$ 2,709         |
| Business-type activities         | <u>5,418</u>                     | <u>38</u>        | <u>2,465</u>     | <u>2,551</u>     | <u>8,032</u>     |
| Total primary government         | <u>\$ 5,752</u>                  | <u>\$ 2,862</u>  | <u>\$ 4,606</u>  | <u>\$ 2,519</u>  | <u>\$ 10,741</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>2019</b>                      | <b>2020</b>      | <b>2021</b>      | <b>2022</b>      | <b>2023</b>      |
| Business-type activities         |                                  |                  |                  |                  |                  |
| Unrestricted investment earnings | 222                              | 97               | 4                | 13               | 279              |
| Gain on disposal of assets       | -                                | -                | -                | -                | 64               |
| Miscellaneous                    | -                                | -                | -                | -                | -                |
| Transfers                        | -                                | -                | (3,390)          | (3,473)          | (2,447)          |
| Total business-type activities   | <u>222</u>                       | <u>97</u>        | <u>(3,386)</u>   | <u>(3,460)</u>   | <u>(2,104)</u>   |
| Total primary government         | <u>\$ 18,128</u>                 | <u>\$ 19,636</u> | <u>\$ 21,009</u> | <u>\$ 26,372</u> | <u>\$ 25,527</u> |
| <b>Change in Net Position</b>    |                                  |                  |                  |                  |                  |
| Governmental activities          | \$ 8,822                         | \$ 4,695         | \$ 3,975         | \$ 7,338         | \$ 7,314         |
| Business-type activities         | <u>17,317</u>                    | <u>8,148</u>     | <u>11,549</u>    | <u>8,680</u>     | <u>7,775</u>     |
| Total primary government         | <u>\$ 26,139</u>                 | <u>\$ 12,843</u> | <u>\$ 15,524</u> | <u>\$ 16,018</u> | <u>\$ 15,089</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>2014</b>                      | <b>2015</b>     | <b>2016</b>     | <b>2017</b>     | <b>2018</b>     |
| General Fund                       |                                  |                 |                 |                 |                 |
| Non-spendable                      | \$ 422                           | \$ 372          | \$ 434          | \$ 452          | \$ 475          |
| Restricted                         | 4,163                            | 3,813           | 3,991           | 3,179           | 3,385           |
| Assigned                           | 334                              | 472             | 351             | 730             | 343             |
| Unassigned                         | <u>3,005</u>                     | <u>4,267</u>    | <u>2,859</u>    | <u>3,697</u>    | <u>5,028</u>    |
| Total General Fund                 | <u>\$ 7,924</u>                  | <u>\$ 8,924</u> | <u>\$ 7,636</u> | <u>\$ 8,058</u> | <u>\$ 9,231</u> |
| All other governmental funds       |                                  |                 |                 |                 |                 |
| Non-spendable                      |                                  |                 |                 |                 |                 |
| Special Revenue Fund               | \$ -                             | \$ 59           | \$ 61           | \$ 12           | \$ 30           |
| Permanent funds                    | 712                              | 764             | 818             | 879             | 1,191           |
| Restricted                         |                                  |                 |                 |                 |                 |
| Special Revenue Fund               | 185                              | 191             | 221             | 239             | 289             |
| Capital Projects Fund              | 17                               | 669             | 525 *           | 7,853           | 3,503           |
| Permanent funds                    | -                                | 11              | 11              | 15              | 11              |
| Committed                          |                                  |                 |                 |                 |                 |
| Special Revenue Fund               | -                                | -               | -               | -               | -               |
| Capital Projects Fund              | 460                              | 804             | 199             | 445             | 200             |
| Assigned                           |                                  |                 |                 |                 |                 |
| Special Revenue Fund               | 435                              | 416             | 2,013           | 1,730           | 1,923           |
| Capital Projects Fund              | -                                | -               | -               | -               | -               |
| Unassigned                         |                                  |                 |                 |                 |                 |
| Special Revenue Fund               | -                                | -               | -               | -               | -               |
| Capital Projects Fund              | -                                | (513)           | (666)           | -               | (622)           |
| Total all other governmental funds | <u>\$ 1,809</u>                  | <u>\$ 2,401</u> | <u>\$ 3,182</u> | <u>\$ 3,320</u> | <u>\$ 6,525</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>2019</b>                      | <b>2020</b>     | <b>2021</b>      | <b>2022</b>      | <b>2023</b>      |
| General Fund                       |                                  |                 |                  |                  |                  |
| Non-spendable                      | \$ 477                           | \$ 491          | \$ 574           | \$ 682           | \$ 599           |
| Restricted                         | 3,622                            | 3,770           | 5,204            | 7,755            | 7,213            |
| Assigned                           | 604                              | 662             | -                | 93               | 330              |
| Unassigned                         | <u>2,897</u>                     | <u>4,539</u>    | <u>6,425</u>     | <u>8,491</u>     | <u>14,345</u>    |
| Total General Fund                 | <u>\$ 7,600</u>                  | <u>\$ 9,462</u> | <u>\$ 12,203</u> | <u>\$ 17,021</u> | <u>\$ 22,487</u> |
| All other governmental funds       |                                  |                 |                  |                  |                  |
| Non-spendable                      |                                  |                 |                  |                  |                  |
| Special Revenue Fund               | \$ 32                            | \$ 30           | \$ 27            | \$ 29            | \$ -             |
| Permanent funds                    | 1,244                            | 1,318           | 1,495            | 1,601            | 1,679            |
| Restricted                         |                                  |                 |                  |                  |                  |
| Special Revenue Fund               | 659                              | 1,206           | 214              | 181              | 436              |
| Capital Projects Fund              | 3,124                            | 1,759           | 112              | 6,703            | 4,264            |
| Permanent funds                    | 11                               | 11              | 11               | 11               | 13               |
| Committed                          |                                  |                 |                  |                  |                  |
| Special Revenue Fund               | -                                | -               | -                | 5                | -                |
| Capital Projects Fund              | 216                              | 199             | 199              | 688              | 1,513            |
| Assigned                           |                                  |                 |                  |                  |                  |
| Special Revenue Fund               | 2,723                            | 1,975           | 2,594            | 3,762            | 4,016            |
| Capital Projects Fund              | -                                | -               | -                | -                | -                |
| Unassigned                         |                                  |                 |                  |                  |                  |
| Special Revenue Fund               | -                                | (67)            | -                | -                | -                |
| Capital Projects Fund              | <u>(633)</u>                     | <u>(771)</u>    | <u>(391)</u>     | <u>(1,643)</u>   | <u>(723)</u>     |
| Total all other governmental funds | <u>\$ 7,376</u>                  | <u>\$ 5,660</u> | <u>\$ 4,261</u>  | <u>\$ 11,337</u> | <u>\$ 11,198</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>2014</b>                      | <b>2015</b>     | <b>2016</b>     | <b>2017</b>     | <b>2018</b>       |
| <b>Revenues</b>  |                                  |                 |                 |                 |                   |
| Ad valorem taxes   | \$ 8,020                         | \$ 8,298        | \$ 8,326        | \$ 9,015        | \$ 10,351         |
| Other taxes and licenses                                     | 2,808                            | 2,980           | 3,061           | 3,501           | 3,972             |
| Unrestricted intergovernmental revenues                      | 1,741                            | 2,007           | 2,221           | 2,149           | 2,265             |
| Restricted intergovernmental revenues                        | 2,746                            | 1,933           | 2,259           | 1,737           | 3,272             |
| Permits and fees   | 207                              | 232             | 327             | 347             | 267               |
| Sales and services   | 1,968                            | 1,783           | 1,698           | 1,893           | 1,943             |
| Investment earnings  | 186                              | 143             | 114             | (4)             | 213               |
| Donations  | 74                               | 61              | 53              | 61              | 306               |
| Miscellaneous  | 455                              | 500             | 362             | 357             | 327               |
| Total revenues   | <u>18,205</u>                    | <u>17,936</u>   | <u>18,422</u>   | <u>19,056</u>   | <u>22,916</u>     |
| <b>Expenditures</b>  |                                  |                 |                 |                 |                   |
| General government   | 2,282                            | 1,639           | 1,825           | 2,020           | 1,279             |
| Public safety  | 9,164                            | 9,613           | 9,978           | 10,430          | 10,576            |
| Transportation   | 2,502                            | 2,977           | 2,853           | 2,991           | 2,505             |
| Environmental protection                                     | 1,593                            | 1,537           | 1,502           | 1,485           | 1,596             |
| Cultural and recreational                                    | 2,062                            | 1,999           | 1,876           | 1,656           | 2,011             |
| Housing and redevelopment                                    | 1,134                            | 1,529           | 3,456           | 1,334           | 1,804             |
| Capital outlay   | 3,822                            | 3,254           | 4,128           | 2,077           | 10,034            |
| Debt service   |                                  |                 |                 |                 |                   |
| Principal  | 923                              | 959             | 934             | 973             | 1,493             |
| Interest and other charges                                   | 25                               | 13              | 58              | 66              | 242               |
| Total expenditures   | <u>23,507</u>                    | <u>23,520</u>   | <u>26,611</u>   | <u>23,033</u>   | <u>31,540</u>     |
| Excess of revenues<br>over (under) expenditures              | <u>(5,302)</u>                   | <u>(5,302)</u>  | <u>(8,189)</u>  | <u>(3,977)</u>  | <u>(8,624)</u>    |
| <b>Other financing sources (uses)</b>                        |                                  |                 |                 |                 |                   |
| Transfers from other funds                                   | 3,727                            | 6,983           | 4,303           | 5,377           | 4,902             |
| Transfers to other funds                                     | (512)                            | (1,399)         | (299)           | (1,402)         | (1,047)           |
| Installment debt issued                                      | 560                              | 1,515           | 828             | 8,371           | 1,259             |
| Lease and subscription liabilities issued                    | -                                | -               | -               | -               | -                 |
| Proceeds from sale of assets                                 | 29                               | 11              | 2,849           | 44              | 35                |
| Total other financing sources (uses)                         | <u>3,804</u>                     | <u>7,110</u>    | <u>4,682</u>    | <u>12,390</u>   | <u>5,149</u>      |
| Net change in fund balance                                   | <u>\$ (1,498)</u>                | <u>\$ 1,526</u> | <u>\$ (507)</u> | <u>\$ 8,413</u> | <u>\$ (3,475)</u> |
| Debt services as a percentage of<br>non-capital expenditures | <u>4.82%</u>                     | <u>4.80%</u>    | <u>4.41%</u>    | <u>4.96%</u>    | <u>8.07%</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>2019</b>                      | <b>2020</b>    | <b>2021</b>     | <b>2022</b>      | <b>2023</b>     |
| <b>Revenues</b>  |                                  |                |                 |                  |                 |
| Ad valorem taxes   | \$ 10,848                        | \$ 12,537      | \$ 13,397       | \$ 13,924        | \$ 14,144       |
| Other taxes and licenses                                     | 4,542                            | 4,587          | 5,589           | 6,575            | 7,288           |
| Unrestricted intergovernmental revenues                      | 2,271                            | 2,243          | 2,229           | 2,221            | 2,327           |
| Restricted intergovernmental revenues                        | 4,748                            | 7,134          | 3,068           | 3,480            | 13,194          |
| Permits and fees   | 220                              | 290            | 388             | 432              | 627             |
| Sales and services   | 2,243                            | 2,107          | 2,166           | 2,454            | 2,677           |
| Investment earnings  | 334                              | 196            | 25              | 56               | 1,419           |
| Donations  | 45                               | 81             | 169             | 104              | 45              |
| Miscellaneous  | 509                              | 593            | 351             | 426              | 845             |
| Total revenues   | <u>25,760</u>                    | <u>29,768</u>  | <u>27,382</u>   | <u>29,672</u>    | <u>42,566</u>   |
| <b>Expenditures</b>  |                                  |                |                 |                  |                 |
| General government   | 2,629                            | 2,973          | 3,395           | 3,670            | 4,613           |
| Public safety  | 12,047                           | 12,378         | 12,121          | 13,406           | 17,577          |
| Transportation   | 5,471                            | 2,676          | 3,051           | 4,355            | 5,277           |
| Environmental protection                                     | 1,676                            | 1,715          | 1,947           | 1,883            | 2,087           |
| Cultural and recreational                                    | (309)                            | (1,842)        | 2,726           | 3,017            | 5,653           |
| Housing and redevelopment                                    | 1,199                            | 6,027          | 6,476           | 3,489            | 8,960           |
| Capital outlay   | 9,411                            | 8,610          | -               | -                | -               |
| Debt service   |                                  |                |                 |                  |                 |
| Principal  | 1,605                            | 1,471          | 2,194           | 6,395            | 2,529           |
| Interest and other charges                                   | 248                              | 192            | 403             | 290              | 440             |
| Total expenditures   | <u>33,977</u>                    | <u>34,200</u>  | <u>32,313</u>   | <u>36,505</u>    | <u>47,136</u>   |
| Excess of revenues<br>over (under) expenditures              | <u>(8,217)</u>                   | <u>(4,432)</u> | <u>(4,931)</u>  | <u>(6,833)</u>   | <u>(4,570)</u>  |
| <b>Other financing sources (uses)</b>                        |                                  |                |                 |                  |                 |
| Transfers from other funds                                   | 9,854                            | 5,109          | 5,944           | 6,145            | 13,791          |
| Transfers to other funds                                     | (3,229)                          | (1,479)        | (2,553)         | (2,672)          | (11,387)        |
| Installment debt issued                                      | 480                              | 946            | 3,597           | 7,496            | 6,264           |
| Lease and subscription liabilities issued                    | -                                | -              | -               | 271              | 1,211           |
| Proceeds from sale of assets                                 | 333                              | 1              | 28              | 6,745            | 18              |
| Total other financing sources (uses)                         | <u>7,438</u>                     | <u>4,577</u>   | <u>7,016</u>    | <u>17,985</u>    | <u>9,897</u>    |
| Net change in fund balance                                   | <u>\$ (779)</u>                  | <u>\$ 145</u>  | <u>\$ 2,085</u> | <u>\$ 11,152</u> | <u>\$ 5,327</u> |
| Debt services as a percentage of<br>non-capital expenditures | <u>7.54%</u>                     | <u>6.50%</u>   | <u>8.04%</u>    | <u>19.91%</u>    | <u>8.17%</u>    |

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

| <u>Year Ended<br/>June 30</u> | <u>Ad Valorem</u> | <u>Sales</u> | <u>Intangibles</u> | <u>Utility<br/>Franchise</u> | <u>Beer<br/>and<br/>Wine</u> |
|-------------------------------|-------------------|--------------|--------------------|------------------------------|------------------------------|
| 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                          | 13,925,624        | 5,588,203    | -                  | 1,945,397                    | 83,894                       |
| 2022                          | 14,143,013        | 6,575,004    | -                  | 1,913,081                    | 87,274                       |
| 2023                          | 14,009,472        | 7,285,471    | -                  | 2,029,187                    | 100,316                      |

\* Includes General and Special Revenue Funds.

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

| <u>Year Ended<br/>June 30</u> | <u>Inventory</u> | <u>Food<br/>Stamp</u> | <u>Licenses<br/>and CATV<br/>Franchise</u> | <u>Total</u> |
|-------------------------------|------------------|-----------------------|--|--------------|
| 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                          | -                | -                     | -  | 21,545,139   |
| 2022                          | -                | -                     | -  | 22,720,394   |
| 2023                          | -                | -                     | -  | 23,426,469   |

\* 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<br/>June 30</u> | <u>Real<br/>Property</u> | <u>Personal<br/>Property</u> | <u>Public<br/>Service<br/>Companies</u> | <u>Total<br/>Assessed<br/>Value*</u> | <u>Total<br/>Direct<br/>Tax Rate</u> |
|-------------------------------|--------------------------|------------------------------|---|--------------------------------------|--------------------------------------|
| 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                               |
| 2023                          | 1,737,020                | 767,209                      | 64,178                                  | 2,568,407                            | 0.5175                               |

Source: Cleveland County Tax Collector's Office annual Recap report

\* 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<br/>June 30</b> | <b>City of<br/>Shelby (#)</b> | <b>Uptown Shelby<br/>Municipal<br/>Service<br/>District</b> | <b>Cleveland<br/>County</b> | <b>County<br/>School<br/>District</b> |
|-------------------------------|-------------------------------|---|-----------------------------|---------------------------------------|
| 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                                 |
| 2023                          | 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)**

| <b>Taxpayer</b>                           | <b>2023</b>               |             |   | <b>2014</b>               |             |   |
|---|---------------------------|-------------|---|---------------------------|-------------|---|
|   | <b>Assessed Valuation</b> | <b>Rank</b> | <b>Percentage of Total Assessed Valuation</b> | <b>Assessed Valuation</b> | <b>Rank</b> | <b>Percentage of Total Assessed Valuation</b> |
| Clearwater Paper Corporation              | \$ 516,428                | 1           | 17.34%  |                           |             |   |
| Nippon Electric Glass (Formerly PPG)      | 105,587                   | 2           | 3.55%   | \$ 101,425                | 1           | 5.57%   |
| Wal-Mart Stores                           | 68,527                    | 3           | 2.30%   | 67,166                    | 2           | 3.69%   |
| Charlotte-Mecklenburg Hospital            | 66,635                    | 4           | 2.24%   |                           |             |   |
| KSM Castings NC Inc.                      | 65,963                    | 5           | 2.21%   | -                         |             |   |
| Greenheck Fan Corp & Real Estate Holdings | 42,824                    | 6           | 1.44%   |                           |             |   |
| Curtis Wright Controls, Inc.              | 30,080                    | 7           | 1.01%   | 26,518                    | 3           | 1.46%   |
| Duke Energy Carolina                      | 25,383                    | 8           | 0.85%   | 13,174                    | 7           | 0.72%   |
| Walmart Transportation Inc                | 20,803                    | 9           | 0.70%   |                           |             |   |
| Mafic USA LLC                             | 19,484                    | 10          | 0.65%   |                           |             |   |
| Shelby Mall LLC                           |                           |             |   | 17,376                    | 4           | 0.95%   |
| Lowe's Home Centers, Inc.                 |                           |             |   | 15,292                    | 5           | 0.84%   |
| Baldor Electric Company                   |                           |             |   | 14,106                    | 6           | 0.77%   |
| Wal-Mart Real Estate Business             |                           |             |   | 11,581                    | 8           | 0.64%   |
| NCCT LLC                                  |                           |             |   | 10,954                    | 9           | 0.60%   |
| Kendrion Shelby, Inc                      |                           |             |   | 10,218                    | 10          | 0.56%   |
| <b>Totals</b>                             | <b>\$ 961,714</b>         |             | <b>32.29%</b>                                 | <b>\$ 287,810</b>         |             | <b>15.80%</b>                                 |
| <b>Total Taxable Assessed Value</b>       | <b>2,978,157</b>          |             |   | <b>\$ 1,821,310</b>       |             |   |

**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<br>June 30 | Total Tax<br>Levy for<br>Fiscal Year | Collected within the<br>Fiscal Year of the Levy |                       | Current<br>Outstanding<br>Balance | Collections<br>in Subsequent<br>Years | Total Collections to Date |                       |
|-----------------------|--------------------------------------|---|-----------------------|-----------------------------------|---------------------------------------|---------------------------|-----------------------|
|                       |                                      | Amount  | Percentage<br>of Levy |                                   |                                       | Amount                    | Percentage<br>of Levy |
| 2014                  | 7,670                                | 7,437   | 96.96%                | 14                                | 24                                    | 7,461                     | 97.27%                |
| 2015                  | 7,543                                | 7,385   | 97.91%                | 15                                | 42                                    | 7,427                     | 97.84%                |
| 2016                  | 7,756                                | 7,604   | 98.04%                | 15                                | 129                                   | 7,733                     | 98.04%                |
| 2017                  | 8,356                                | 8,204   | 98.18%                | 16                                | 117                                   | 8,320                     | 99.57%                |
| 2018                  | 9,666                                | 9,523   | 98.53%                | 19                                | 99                                    | 9,622                     | 99.55%                |
| 2019                  | 10,170                               | 9,967   | 98.01%                | 55                                | 124                                   | 10,091                    | 99.23%                |
| 2020                  | 11,994                               | 11,622  | 96.90%                | 156                               | 201                                   | 11,823                    | 98.58%                |
| 2021                  | 12,474                               | 12,271  | 98.37%                | 118                               | 81                                    | 12,352                    | 99.02%                |
| 2022                  | 13,069                               | 12,905  | 98.75%                | 80                                | 83                                    | 12,988                    | 99.38%                |
| 2023                  | 13,388                               | 13,054  | 97.50%                | 334                               |                                       |                           |                       |

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

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

| Year Ended<br>June 30 | Governmental Activities                |                                |                              | Business-Type Activities |  |                              | Total<br>Primary<br>Government |
|-----------------------|--|--------------------------------|------------------------------|--------------------------|--|------------------------------|--------------------------------|
|                       | Installment<br>Purchase<br>Obligations | General<br>Obligation<br>Bonds | Lease & SBITA<br>Liabilities | Revenue<br>Bonds         | Installment<br>Purchase<br>Obligations | Lease & SBITA<br>Liabilities |                                |
| 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                          | 153                          | 11,574                   | 51,722                                 | 4                            | 77,618                         |
| 2023                  | 12,537                                 | 5,600                          | 975                          | 9,746                    | 48,710                                 | 2                            | 77,571                         |

N/A - information not available.

(1) Cleveland County

Ratios of Outstanding Debt by Type

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

| Year Ended<br>June 30 | (1)   | Percentage<br>of Personal<br>Income | (2)  | Per<br>Capita |
|-----------------------|---|-------------------------------------|--|---------------|
|                       | (County)<br>Personal Income<br>(amounts<br>expressed<br>in thousands) |                                     | (County)<br>Per Capita<br>Personal<br>Income |               |
| 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                                       | 4,180         |
| 2022                  | 4,121,428   | 1.88%                               | 24,505                                       | 3,490         |
| 2023                  | N/A   | N/A                                 | N/A  | 3,521         |

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<br/>June 30</u> | <u>General<br/>Obligation<br/>Bonds</u> | <u>Percentage<br/>of Actual<br/>Taxable Value<br/>of Property</u> | <u>Per<br/>Capita</u> |
|-------------------------------|---|---|-----------------------|
| 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                   |
| 2020                          | -                                       | 0.00%   | N/A                   |
| 2021                          | -                                       | 0.00%   | N/A                   |
| 2022                          | 6,000                                   | 0.24%   | 270                   |
| 2023                          | 5,600                                   | 0.22%   | 254                   |

**City of Shelby, North Carolina**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2023**

|   | <u>Net General<br/>Obligation<br/>Bonded Debt</u> | <u>Percentage<br/>Applicable<br/>To City**</u> | <u>City of Shelby<br/>Share of Debt</u> |
|---|---|--|---|
| Direct debt - City of Shelby*                         |   |  |   |
| General Obligation Bonded Debt                        | \$ 5,600,000                                      | 100.00%  | \$ 5,600,000                            |
| 2019 Purchase of Equipment                            | 101,359   | 100.00%  | 101,359                                 |
| 2020 Purchase of Equipment                            | 379,955   | 100.00%  | 379,955                                 |
| 2021 Purchase of Equipment                            | 376,870   | 100.00%  | 376,870                                 |
| 2022 Purchase of Equipment                            | 1,204,384   | 100.00%  | 1,204,384                               |
| 2023 Purchase of Equipment                            | 2,013,918   | 100.00%  | 2,013,918                               |
| Hanna Park Capital Project                            | 4,620,000   | 100.00%  | 4,620,000                               |
| Lease Liabilities                                     | 975,026   | 100.00%  | 975,026                                 |
| Subscription Liabilities                              | 151,410   | 100.00%  | 151,410                                 |
| <br>Overlapping Governmental debt - Cleveland County* | <u>44,246,244</u>                                 | 27.86%   | <u>12,327,168</u>                       |
| <br>Total direct and overlapping debt                 | <u>\$ 59,669,166</u>                              |  | <u>\$ 27,750,090</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<br/>June 30</b> | <b>Debt Limits<br/>8% of<br/>Assessed<br/>Value</b> | <b>Total Net<br/>Debt<br/>Applicable<br/>to Limit</b> | <b>Legal Debt<br/>Margin</b> | <b>Total Net<br/>Debt<br/>Applicable to<br/>Limit as a<br/>Percentage<br/>of Debt Limit</b> |
|-------------------------------|---|---|------------------------------|---|
| 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%  |
| 2023                          | 219,625   | 76,594  | 143,031                      | 53.55%  |

**City of Shelby, North Carolina**  
**Computation of Legal Debt Margin**  
**June 30, 2023**

|  |          | (Thousands of dollars) |
|--|----------|------------------------|
| Assessed value of taxable property *               |          | <u>\$ 2,745,316</u>    |
| Debt limit - eight percent (8%) of assessed value  |          | \$ 219,625             |
| Gross debt   |          |                        |
| General obligation bonds                           | \$ 5,600 |                        |
| Revenue bonds                                      | 9,746    |                        |
| Other financing agreements/notes payable           | 61,248   | \$ 76,594              |
| Total amount of debt applicable to debt limitation |          | <u>76,594</u>          |
| Legal debt margin                                  |          | <u>\$ 143,031</u>      |

**\*Source:** Cleveland County Tax Assessor's Office

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

| <b>Year Ended<br/>June 30</b> | <b>Operating<br/>Revenues*</b> | <b>Operating<br/>Expenses**</b> | <b>Net Revenue<br/>Available For<br/>Debt Service</b> | <b>Debt Service Requirements***</b> |                 |              | <b>Coverage</b> |
|-------------------------------|--------------------------------|---------------------------------|---|-------------------------------------|-----------------|--------------|-----------------|
|                               |                                |                                 |   | <b>Principal</b>                    | <b>Interest</b> | <b>Total</b> |                 |
| 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%            |
| 2023                          | 63,951,969                     | 49,008,582                      | 14,943,387  | 1,828,053                           | 166,456         | 1,994,509    | 749%            |

\* 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 general fund or debt defeasance transactions.



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

| <b>Year Ended<br/>June 30</b> | <b>(1)<br/>Population</b> | <b>(2)<br/>Per Capita<br/>Income</b> | <b>(2)<br/>Median<br/>Age</b> | <b>(3)<br/>School<br/>Enrollment</b> | <b>(4)<br/>Unemployment<br/>Rate</b> | <b>(5)<br/>Personal<br/>Income</b> |
|-------------------------------|---------------------------|--------------------------------------|-------------------------------|--------------------------------------|--------------------------------------|------------------------------------|
| 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                             |
| 2023                          | 22,031                    | 25,748                               | 45.8                          | 14,011                               | 5.20%                                | 34,628                             |

- (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](http://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>2023*</b> |                             | <b>2019</b> |                             |
|---|--------------------------------|--------------|-----------------------------|-------------|-----------------------------|
|   |                                | <b>Rank</b>  | <b>Employment<br/>Range</b> | <b>Rank</b> | <b>Employment<br/>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            | 1000+                       | 4           | 500-999                     |
| Greenheck Fan Corporation                   | Manufacturing                  | 5            | 500-999                     |             |                             |
| Clearwater Paper                            | Manufacturing                  | 6            | 500-999                     |             |                             |
| Hanesbrands, Inc.                           | Retail distribution            | 7            | 500-999                     |             |                             |
| Gardner-Webb University                     | Education                      | 8            | 500-999                     | 5           | 500-999                     |
| Ingles Markets                              | Trade/Transportation/Utilities | 9            | 500-999                     | 6           | 500-999                     |
| NEG (Formerly PPG Fiber Glass Products)     | Industrial supplies            | 10           | 500-999                     | 7           | 500-999                     |
| Cleveland Community College                 | Education                      |              |                             | 9           | 250-499                     |
| ABB (Formerly Baldor Electric Company)      | Manufacturing                  |              |                             | 10          | 250-499                     |
| Eaton Corporation                           | Manufacturing                  |              |                             | 8           | 500-999                     |
| City of Shelby                              | Public administration          |              |                             |             |                             |
| Curtiss-Wright Flight Systems, Inc.         | Transportation equipment       |              |                             |             |                             |
| White Oak Manor, Inc.                       | Education and health services  |              |                             |             |                             |

**Sources:** Cleveland County Economic Development Partnership (704-669-4703) ccedp.com  
NC Department of Commerce - [d4/nccommerce.com/QCEWLargestEmployers](https://www.nccommerce.com/QCEWLargestEmployers)

\* Information as of 12/31/2022

**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 |              |              |              |              |
|---------------------------|---------------------------|--------------|--------------|--------------|--------------|
|                           | 2014                      | 2015         | 2016         | 2017*        | 2018         |
| General government        | 35.0                      | 35.0         | 34.0         | 34.0         | 34.0         |
| Public safety             |                           |              |              |              |              |
| Police                    | 97.0                      | 97.0         | 95.0         | 88.0         | 88.0         |
| Fire                      | 58.0                      | 58.0         | 56.0         | 53.0         | 54.0         |
| Transportation            | 21.0                      | 21.0         | 24.0         | 23.0         | 22.0         |
| Environmental protection  | 17.0                      | 17.0         | 16.0         | 16.0         | 16.0         |
| Cultural and recreational | 30.0                      | 30.0         | 32.0         | 22.0         | 22.0         |
| Housing and redevelopment | 9.0                       | 9.0          | 9.0          | 9.0          | 9.0          |
| Business-type activities  |                           |              |              |              |              |
| Water                     | 18.0                      | 16.0         | 16.5         | 16.0         | 18.0         |
| Sewer                     | 21.0                      | 21.0         | 23.0         | 24.0         | 22.0         |
| Electric                  | 12.0                      | 12.0         | 14.0         | 15.0         | 15.0         |
| Gas                       | 18.0                      | 18.0         | 19.0         | 19.0         | 19.0         |
| Stormwater                | -                         | 2.0          | 2.0          | 2.0          | 3.0          |
| Housing                   | 7.0                       | 7.0          | 7.5          | 7.0          | 7.0          |
| Total                     | <u>343.0</u>              | <u>343.0</u> | <u>348.0</u> | <u>328.0</u> | <u>329.0</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**

|                           | <u>2019</u>  | <u>2020</u>  | <u>2021</u>  | <u>2022</u>  | <u>2023</u>  |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Function</b>           |              |              |              |              |              |
| General government        | 34.0         | 34.0         | 37.0         | 37.0         | 38.0         |
| Public safety             |              |              |              |              |              |
| Police                    | 88.0         | 88.0         | 88.0         | 90.0         | 89.0         |
| Fire                      | 54.0         | 54.0         | 54.0         | 54.0         | 56.0         |
| Transportation            | 22.0         | 23.0         | 22.0         | 22.0         | 22.0         |
| Environmental protection  | 16.0         | 16.0         | 16.0         | 16.0         | 16.0         |
| Cultural and recreational | 26.0         | 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         | 20.0         | 20.0         | 20.0         |
| Sewer                     | 22.0         | 22.0         | 22.0         | 22.0         | 22.0         |
| Electric                  | 15.0         | 16.0         | 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          | 8.0          | 8.0          | 8.0          |
| Total                     | <u>333.0</u> | <u>335.0</u> | <u>340.0</u> | <u>342.0</u> | <u>344.0</u> |

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

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

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

| Function                                     | Fiscal Year Ended June 30 |        |        |        |        |
|--|---------------------------|--------|--------|--------|--------|
|  | 2014                      | 2015   | 2016   | 2017   | 2018   |
| <b>Public safety</b>                         |                           |        |        |        |        |
| Police:                                      |                           |        |        |        |        |
| Number of calls for service                  | 35,877                    | 36,173 | 36,186 | 46,592 | 39,097 |
| Uniform Crime Report Part I crimes reported  | 761                       | 861    | 771    | 816    | 708    |
| Uniform Crime Report Part II crimes reported | 453                       | 525    | 517    | 483    | 519    |
| Fire   |                           |        |        |        |        |
| Number of responses                          | 1,935                     | 2,112  | 2,250  | 2,285  | 2,199  |
| Number of inspections                        | 1,185                     | 1,258  | 1,355  | 1,423  | 1,103  |
| Transportation                               |                           |        |        |        |        |
| Miles of street repaved                      | 2.38                      | 2.57   | 4.13   | 2.01   | 3.22   |
| Environmental protection                     |                           |        |        |        |        |
| Tons of solid waste collected                | 4,884                     | 6,632  | 7,045  | 6,960  | 7,174  |
| Tons of recycling collected                  | 710                       | 955    | 996    | 959    | 1,050  |
| Tons of yard waste collected                 | -                         | -      | -      | 5,635  | 7,665  |
| Cultural and recreational                    |                           |        |        |        |        |
| Number of youth sport program participants   | 3,881                     | 4,009  | 4,114  | 4,188  | 4,390  |
| Number of adult sport program participants   | 1,230                     | 1,351  | 1,762  | 1,966  | 2,268  |
| Number of golf rounds played                 | 8,704                     | 7,529  | 6,506  | 6,583  | 6,138  |
| Housing and redevelopment                    |                           |        |        |        |        |
| Building inspections:                        |                           |        |        |        |        |
| Number of permits issued                     | 1,007                     | 1,138  | 1,066  | 1,202  | 1,428  |
| Number of inspections                        | 3,395                     | 3,935  | 4,384  | 4,187  | 4,256  |
| Business-type activities                     |                           |        |        |        |        |
| Water system                                 |                           |        |        |        |        |
| Customers at June 30                         | 9,739                     | 9,874  | 9,927  | 9,996  | 10,036 |
| Average of daily consumption **              | 5.57                      | 5.84   | 5.67   | 6.07   | 6.22   |
| Peak daily consumption **                    | 8.15                      | 8.45   | 8.45   | 9.33   | 8.95   |
| Sewer system                                 |                           |        |        |        |        |
| Customers at June 30                         | 8,016                     | 8,136  | 8,201  | 8,264  | 8,319  |
| Average of daily treatment **                | 3.57                      | 3.07   | 3.47   | 3.04   | 3.22   |
| Peak daily treatment **                      | 10.59                     | 10.25  | 11.77  | 8.52   | 9.51   |
| Electric system                              |                           |        |        |        |        |
| Customers at June 30                         | 7,505                     | 7,605  | 7,671  | 7,729  | 7,750  |
| Natural gas system                           |                           |        |        |        |        |
| Customers at June 30                         | 9,588                     | 9,643  | 9,617  | 9,624  | 9,647  |

\*\* 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 |        |        |        |        |
|--|---------------------------|--------|--------|--------|--------|
|  | 2019                      | 2020   | 2021   | 2022   | 2023   |
| <b>Function</b>                              |                           |        |        |        |        |
| Public safety                                |                           |        |        |        |        |
| Police:                                      |                           |        |        |        |        |
| Number of calls for service                  | 43,360                    | 35,777 | 38,387 | 38,713 | 39,824 |
| Uniform Crime Report Part I crimes reported  | 846                       | 492    | 897    | 777    | 756    |
| Uniform Crime Report Part II crimes reported | 649                       | 888    | 1,367  | 944    | 917    |
| Fire   |                           |        |        |        |        |
| Number of responses                          | 2,496                     | 2,214  | 1,694  | 2,809  | 2,872  |
| Number of inspections                        | 1,489                     | 771    | 1,650  | 1,316  | 1,931  |
| Transportation                               |                           |        |        |        |        |
| Miles of street repaved                      | 2.64                      | 4.23   | 2.76   | 3.37   | 18.00  |
| Environmental protection                     |                           |        |        |        |        |
| Tons of solid waste collected                | 7,481                     | 7,481  | 9,245  | 8,884  | 8,569  |
| Tons of recycling collected                  | 1,064                     | 391    | -      | -      | -      |
| Tons of yard waste collected                 | 5,331                     | 5,645  | 5,808  | 3,638  | 5,251  |
| Cultural and recreational                    |                           |        |        |        |        |
| Number of youth sport program participants   | 4,178                     | 1,583  | 1,583  | 4,975  | 5,000  |
| Number of adult sport program participants   | 2,230                     | 1,080  | 1,080  | 4,791  | 4,000  |
| Number of golf rounds played                 | 5,481                     | 8,793  | 12,412 | 12,281 | 13,623 |
| Housing and redevelopment                    |                           |        |        |        |        |
| Building inspections:                        |                           |        |        |        |        |
| Number of permits issued                     | 1,114                     | 1,022  | 1,073  | 1,109  | 1,118  |
| Number of inspections                        | 2,896                     | 2,955  | 3,200  | 3,977  | 5,350  |
| Business-type activities                     |                           |        |        |        |        |
| Water system                                 |                           |        |        |        |        |
| Customers at June 30                         | 10,031                    | 10,112 | 10,148 | 10,192 | 10,339 |
| Average of daily consumption **              | 6.23                      | 6.35   | 5.14   | 5.43   | 5.37   |
| Peak daily consumption **                    | 8.60                      | 9.01   | 8.45   | 7.60   | 8.94   |
| Sewer system                                 |                           |        |        |        |        |
| Customers at June 30                         | 9,343                     | 8,411  | 8,418  | 8,460  | 8,569  |
| Average of daily treatment **                | 3.84                      | 3.70   | 3.66   | 3.05   | 3.43   |
| Peak daily treatment **                      | 10.66                     | 6.35   | 14.99  | 7.80   | 19.02  |
| Electric system                              |                           |        |        |        |        |
| Customers at June 30                         | 7,716                     | 7,790  | 7,794  | 7,840  | 7,979  |
| Natural gas system                           |                           |        |        |        |        |
| Customers at June 30                         | 9,652                     | 9,735  | 9,785  | 9,883  | 9,884  |

\*\* 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 |       |       |       |       |
|----------------------------|---------------------------|-------|-------|-------|-------|
|                            | 2014                      | 2015  | 2016  | 2017  | 2018  |
| <b>Function</b>            |                           |       |       |       |       |
| Public safety              |                           |       |       |       |       |
| Police                     |                           |       |       |       |       |
| Number of stations         | 1                         | 1     | 2     | 2     | 2     |
| Number of patrol units     | 50                        | 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       | 124                       | 124   | 124   | 124   | 124   |
| Miles of unpaved roads     | 0                         | 0     | 0     | 0     | 0     |
| Miles of sidewalks         | 28                        | 29    | 30    | 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       | 222                       | 223   | 221   | 221   | 221   |
| Number of fire hydrants    | 1,376                     | 1,389 | 1,394 | 1,412 | 1,416 |
| Sewer system               |                           |       |       |       |       |
| Number of treatment plants | 1                         | 1     | 1     | 1     | 1     |
| Plant capacity *           | 6                         | 6     | 6     | 6     | 6     |
| Miles of sanitary sewers   | 190                       | 191   | 191   | 191   | 191   |
| Miles of force main        |                           |       |       |       | 25    |
| Miles of storm sewers      | 10                        | 25    | 26    | 26    | 26    |
| Electric system            |                           |       |       |       |       |
| Number of sub-stations     | 4                         | 4     | 4     | 4     | 4     |
| System capacity **         | 65                        | 65    | 65    | 65    | 65    |
| Miles of primary lines     | 147                       | 148   | 148   | 149   | 152   |
| Miles of secondary lines   | 211                       | 211   | 211   | 211   | 211   |
| Natural gas system         |                           |       |       |       |       |
| Miles of gas mains         | 504                       | 501   | 501   | 502   | 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 |       |       |       |       |
|----------------------------|---------------------------|-------|-------|-------|-------|
|                            | 2019                      | 2020  | 2021  | 2022  | 2023  |
| Public safety              |                           |       |       |       |       |
| Police                     |                           |       |       |       |       |
| Number of stations         | 1                         | 1     | 1     | 1     | 1     |
| Number of patrol units     | 50                        | 50    | 56    | 56    | 56    |
| Fire                       |                           |       |       |       |       |
| Number of stations         | 3                         | 3     | 3     | 3     | 3     |
| Transportation             |                           |       |       |       |       |
| Number of airports         | 1                         | 1     | 1     | 1     | 1     |
| Miles of paved roads       | 125                       | 125   | 125   | 125   | 124   |
| Miles of unpaved roads     | 0                         | 0     | 0     | 0     | 0     |
| Miles of sidewalks         | 30                        | 30    | 31    | 31    | 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       | 228                       | 227   | 227   | 227   | 227   |
| Number of fire hydrants    | 1,440                     | 1,447 | 1,447 | 1,453 | 1,462 |
| Sewer system               |                           |       |       |       |       |
| Number of treatment plants | 1                         | 1     | 1     | 1     | 1     |
| Plant capacity *           | 6                         | 6     | 6     | 6     | 6     |
| Miles of sanitary sewers   | 194                       | 194   | 194   | 195   | 195   |
| Miles of force main        | 26                        | 26    | 26    | 26    | 26    |
| Miles of storm sewers      | 29                        | 122   | 29    | 29    | 29    |
| Electric system            |                           |       |       |       |       |
| Number of sub-stations     | 4                         | 4     | 4     | 4     | 4     |
| System capacity **         | 65                        | 65    | 65    | 65    | 65    |
| Miles of primary lines     | 150                       | 150   | 150   | 151   | 152   |
| Miles of secondary lines   | 210                       | 213   | 214   | 216   | 217   |
| Natural gas system         |                           |       |       |       |       |
| Miles of gas mains         | 506                       | 508   | 508   | 511   | 511   |

\* 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 and Questioned Costs

Schedule of Prior Year Audit Findings

Schedule of Expenditures of Federal and State Awards



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

*“A Professional Association of Certified Public Accountants and Management Consultants”*

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

### **Independent Auditor’s Report**

To the Honorable Mayor and  
Members of the City Council  
City of Shelby, 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, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated November 9, 2023. Our report includes a reference to other auditors who audited the financial statements of the City of Shelby ABC Board, as described in our report on the City of Shelby’s financial statements. The financial statements of the City of Shelby ABC Board were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the City of Shelby ABC Board.

### **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  
November 9, 2023

# 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, 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, 2023. The City of Shelby’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2023.

#### ***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  
November 9, 2023



# 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, 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, 2023. The City of Shelby’s major state programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2023.

##### ***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  
November 9, 2023



**CITY OF SHELBY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**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> |
|---|-------------------|
| Coronavirus State and Local Fiscal Recovery Funds | 21.027            |

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 AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**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**

Industrial Development Fund  
 State Capital and Infrastructure Fund

Auditee qualified as state low-risk auditee? No

**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, 2023**

None reported.

**CITY OF SHELBY, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

| Grantor/Pass-through<br>Grantor/Program Title  | Federal<br>AL<br>Number | State/<br>Pass-through<br>Grantor's<br>Number | Fed. (Direct &<br>Pass-through)<br>Expenditures | State<br>Expenditures | Pass-Through<br>to<br>Subrecipients |
|--|-------------------------|---|---|-----------------------|-------------------------------------|
| <b>Federal Grants:</b>   |                         |   |   |                       |                                     |
| <u>U.S. Department of Treasury</u>   |                         |   |   |                       |                                     |
| Direct Program:  |                         |   |   |                       |                                     |
| Coronavirus State and Local Fiscal Recovery Funds<br>Passed through the NC Department of Environmental Quality<br>Division of Water Infrastructure                       | 21.027                  |   | \$ 6,382,235                                    | \$ -                  | \$ -                                |
| Coronavirus State and Local Fiscal Recovery Funds - Wastewater Planning  | 21.027                  | AIA-W-ARP-0075                                | 95,396  | -                     | -                                   |
| Coronavirus State and Local Fiscal Recovery Funds - Hickory Creek  | 21.027                  | SRP-W-ARP-0029                                | 93,715  | -                     | -                                   |
| Total U.S. Department of the Treasury  |                         |   | <u>6,571,346</u>                                | <u>-</u>              | <u>-</u>                            |
| <u>U.S. Dept. of Housing and Urban Development</u>   |                         |   |   |                       |                                     |
| Direct Program:  |                         |   |   |                       |                                     |
| Low Rent Housing Program:<br>Public Housing Operating Fund   | 14.850                  | NC034-00000121D                               | 554,269   | -                     | -                                   |
| Public Housing Capital Fund:<br>Capital Fund Program (CFP)--2019   | 14.872                  | NC19P034501-19                                | 94,644  | -                     | -                                   |
| Capital Fund Program (CFP)--2020   | 14.872                  | NC20P034501-20                                | 9,948   | -                     | -                                   |
| Capital Fund Program (CFP)--2021   | 14.872                  | NC21P034501-21                                | 468,957   | -                     | -                                   |
| Passed through the NC Department of Commerce:<br>Community Development Block Grants/State's program and Non-Entitlement<br>Grants in Hawaii                              | 14.228                  | 20-V-3507                                     | 251,114   | -                     | 200,000                             |
| Total U.S. Dept. of Housing and Urban Development  |                         |   | <u>1,378,932</u>                                | <u>-</u>              | <u>200,000</u>                      |
| <u>U.S. Dept. of Justice</u>   |                         |   |   |                       |                                     |
| Direct Program:  |                         |   |   |                       |                                     |
| Edward Byrne Memorial Justice Assistance Grant Program<br>Passed-through US Department of Defense:   | 16.738                  | 15PBIA-22-GG-<br>00633-JAGX                   | 6,322   | -                     | -                                   |
| Bulletproof Vest Partnership Program   | 16.607                  | 2023  | 7,483   | -                     | -                                   |
| Total U.S. Dept. of Justice  |                         |   | <u>13,805</u>                                   | <u>-</u>              | <u>-</u>                            |
| <u>U.S. Dept. of Transportation</u>  |                         |   |   |                       |                                     |
| Passed-through the N.C. Department of Transportation:<br>Airport Improvement Program, COVID-19 Airports Programs,<br>and Infrastructure Investment and Jobs Act Programs |                         |   |   |                       |                                     |
| Total U.S. Dept. of Transportation   | 20.106                  | 36237.16.17.2                                 | 68,464  | -                     | -                                   |
| Total assistance - federal programs  |                         |   | <u>68,464</u>                                   | <u>-</u>              | <u>-</u>                            |
|  |                         |   | <u>8,032,547</u>                                | <u>-</u>              | <u>200,000</u>                      |
| <b>State Grants:</b>   |                         |   |   |                       |                                     |
| <u>NC Department of Transportation:</u>  |                         |   |   |                       |                                     |
| Powell Bill  | N/A                     | 32570   | -   | 347,391               | -                                   |
| State Aid to Airports Program  | N/A                     | 36244.23.14.1                                 | -   | 1,144                 | -                                   |
| Total NC Department of Transportation  |                         |   | <u>-</u>  | <u>348,535</u>        | <u>-</u>                            |
| <u>NC Department of Commerce:</u>  |                         |   |   |                       |                                     |
| Industrial Development Fund - IDF  |                         | U-537   | -   | 957,205               | -                                   |
| Total NC Department of Commerce  |                         |   | <u>-</u>  | <u>957,205</u>        | <u>-</u>                            |
| <u>NC Office of Management and Budget:</u>   |                         |   |   |                       |                                     |
| State Capital and Infrastructure Fund:   |                         |   |   |                       |                                     |
| SCIF Grant #10363 - Rail Trail   |                         | 10363   | -   | 778,581               | -                                   |
| SCIF Grant #10364 - Freedom Park/Depot Park  |                         | 10364   | -   | 51,750                | -                                   |
| Total State Capital and Infrastructure Fund  |                         |   | <u>-</u>  | <u>830,331</u>        | <u>-</u>                            |
| Passed through Cleveland County  |                         |   |   |                       |                                     |
| State Special Appropriation  |                         | 20155   | -   | 17,250                | -                                   |
| Total NC Office of Management & Budget   |                         |   | <u>-</u>  | <u>847,581</u>        | <u>-</u>                            |
| Total assistance - State programs  |                         |   | <u>-</u>  | <u>2,153,321</u>      | <u>-</u>                            |
| Total assistance   |                         |   | <u>\$ 8,032,547</u>                             | <u>\$ 2,153,321</u>   | <u>\$ 200,000</u>                   |

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, 2023. 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. 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.