

REVIEWED

By SLGFD at 2:40 pm, Nov 03, 2021

CITY OF SHELBY NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

PREPARED BY:

CITY OF SHELBY FINANCE DEPARTMENT



CITY OF SHELBY, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2021

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INTRODUCTORY SECTION





Post Office Box 207 • Shelby, NC 28151-0207

October 15, 2021

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, 2021.

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, 2021, 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, 2021, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Shelby was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to

report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

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

Profile of the Government

The City of Shelby was incorporated in 1843 and serves as the county seat of Cleveland County. The City lies in the piedmont region of North Carolina approximately 40 miles west of Charlotte. The City was named after Colonel Isaac Shelby, who fought in the Revolutionary War and was a revolutionary war hero and later became the governor of Kentucky. The City has a population of approximately 20,000 and presently covers a land area of 22 square miles. The City of Shelby is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

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

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

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

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

Factors Affecting Financial Condition

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

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

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

The City continues to develop and market the Foothills Commerce Center in Shelby. This 152-acre business park partnership with Cleveland County ensures the availability of a quality economic development product that is being effectively marketed to both new and existing industry. The City Foothills Commerce Center was awarded the designation as a "Certified Business Park." Ultimately this designation lets potential industrial clients know that the City has completed the upfront due diligence on the site.

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

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

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

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

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

Long-term financial planning. The City of Shelby completed a Strategic Growth Plan in FY 2005, adopted by City Council in FY 2006. The strategic plan identified key quality of life issues that the City will focus its efforts on over the next 10-20 years. These issues range from community appearance to economic development to infrastructure. These issues are expected to have a financial component that will help the City determine budget priorities for future years.

The City Council approved an updated Center City Master Plan in FY 2016. The report is the product of a successful partnership led by the City of Shelby with substantial assistance from the Uptown Shelby Association, Destination Cleveland County, and many citizens and stakeholders from the community. The plan will serve as a flexible blueprint for the future. It will be a way to channel investment, build community pride and focus, and help organizations understand how their role in the community relates to others.

In FY 2019 the City Council approved a Comprehensive Parks and Recreation Master Plan. The plan will provide a framework for guiding the City in both its current evaluation, and long-range planning for the parks and recreation system for the City. The plan also makes recommendations for addition or renovations of park and recreational facilities, as well as recommendation on programs. A key objective of the comprehensive plan was the solicitation of community input helping identify the needs of the City's park and recreation system.

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

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

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

Budget Highlights for FY 2022

2021 is a tax revaluation year for the City of Shelby. The City tax rate will be assessed at 51.75 cents per one hundred dollars of valuation for FY 2022. Budgeted expenditures in the General Fund are expected to be \$25,874,835 in FY 2022 – a minimal decrease from FY 2021. This budget includes the purchase of various pieces of equipment such as a pumper fire truck, a side-arm garbage truck and a leaf vacuum truck, which will be financed over a period of 59 months. The City's water and sewer rates both increased by 4% for FY 2022. The electric rates remained unchanged for FY 2022. 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 2022.

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, 2020. This was the twenty third 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,

A handwritten signature in blue ink that reads "Rick Howell". The signature is fluid and cursive, with the first name "Rick" being more prominent than the last name "Howell".

Rick Howell
City Manager

A handwritten signature in blue ink that reads "Beth B. Beam". The signature is written in a cursive style, with the first name "Beth" and the last name "Beam" being clearly legible.

Beth B. Beam
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Shelby
North Carolina**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

City of Shelby, North Carolina

List of Principal Officials

June 30, 2021

Elected Officials

Oliver Stanhope Anthony, III
Mayor

Andrew L. Hopper, Sr.

Eric B. Hendrick
Mayor Pro Tem

Violet Arth Dukes

David W. White

David Causby

Charles L. Webber

City Administration

Rick Howell
City Manager

Justin S. Merritt
Assistant City Manager

Beth B. Beam
Director of Finance

Bernadette A. Parduski
City Clerk

Julie R. McMurry
Director of Energy Services

Deborah Jolly
Director of Human Resources

Jeff Ledford
Police Chief

Charles K. Holtzclaw
Director of Parks & Recreation

Daniel C. Darst
Director of Public Works

William P. Hunt
Fire Chief

Bryan T. Howell
Director of Housing

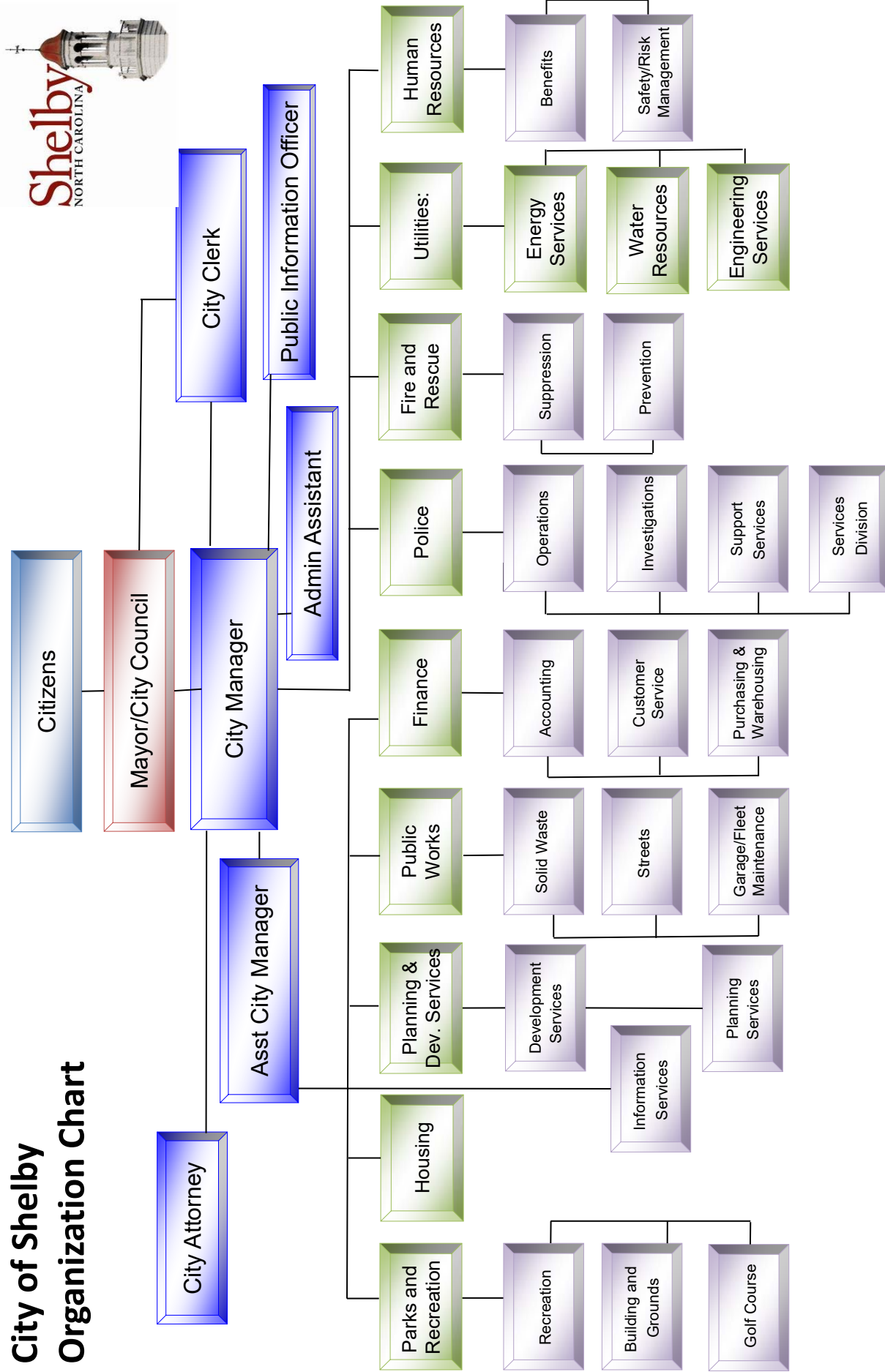
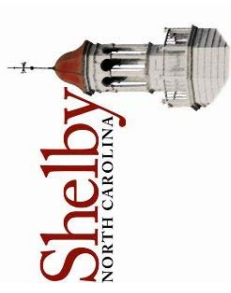
Walter Scharer, AICP
Director of Planning & Development Services

Ben Yarboro
Director of Engineering Services

David Hux
Director of Water Resources

Andrea Leslie-Fite
Staff Attorney

City of Shelby Organization Chart







FINANCIAL SECTION



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

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Shelby, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Shelby ABC Board. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Shelby ABC Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the City of Shelby ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Shelby, North Carolina, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Shelby's basic financial statements. The introductory section, combining and individual fund financial statements, budgetary schedules, other schedules, statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Financial Data Schedule is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements.

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

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, Financial Data Schedule and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2021 on our consideration of the City of Shelby's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Shelby's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 15, 2021



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, 2021. 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

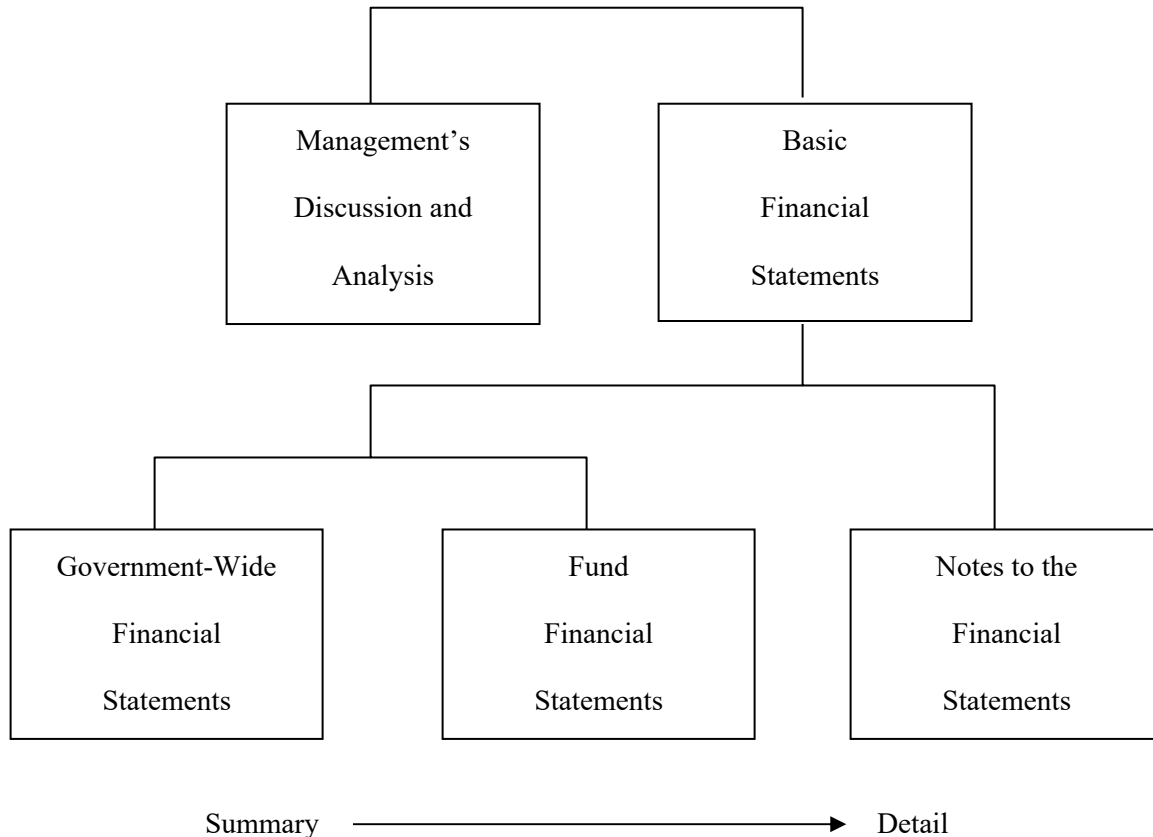
- The assets and deferred outflows of resources of the City of Shelby exceed its liabilities and deferred inflows of resources at the close of the fiscal year by \$193,101,100 (*net position*).
- The government's total net position increased by \$15,523,843, due to an increase of \$3,975,225 in governmental activities' net position and an increase of \$11,548,618 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 \$17,206,623, with a net increase in fund balance of \$2,084,719. Approximately 44.38 percent of this total amount, or \$7,636,857, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,424,760, or 24.18 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 eight 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 Economic Development Capital Project Fund is also considered a major fund and is therefore also discretely presented. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

Government-Wide Financial Analysis

City of Shelby's Net Position
Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets:						
Current/other assets	\$ 18,736,711	\$ 18,161,546	\$ 42,034,356	\$ 27,341,040	\$ 60,771,067	\$ 45,502,586
Capital assets	70,411,116	59,969,886	175,859,166	173,841,031	246,270,282	233,810,917
Total assets	<u>89,147,827</u>	<u>78,131,432</u>	<u>217,893,522</u>	<u>201,182,071</u>	<u>307,041,349</u>	<u>279,313,503</u>
Deferred Outflows of						
Resources	<u>7,077,331</u>	<u>4,118,151</u>	<u>2,031,910</u>	<u>1,462,845</u>	<u>9,109,241</u>	<u>5,580,996</u>
Liabilities:						
Long-term liabilities	38,667,640	28,152,498	68,965,395	63,220,260	107,633,035	91,372,758
Other liabilities	4,062,728	4,250,269	9,285,690	9,210,258	13,348,418	13,460,527
Total liabilities	<u>42,730,368</u>	<u>32,402,767</u>	<u>78,251,085</u>	<u>72,430,518</u>	<u>120,981,453</u>	<u>104,833,285</u>
Deferred Inflows of						
Resources	<u>1,612,780</u>	<u>1,940,031</u>	<u>455,257</u>	<u>543,926</u>	<u>2,068,037</u>	<u>2,483,957</u>
Net Position:						
Net investment in						
capital assets	55,363,388	52,963,245	108,113,687	111,590,334	163,477,075	164,553,579
Restricted	6,460,704	6,349,974	-	-	6,460,704	6,349,974
Unrestricted	(9,942,082)	(11,406,434)	33,105,403	18,080,138	23,163,321	6,673,704
Total net position	<u>\$ 51,882,010</u>	<u>\$ 47,906,785</u>	<u>\$ 141,219,090</u>	<u>\$ 129,670,472</u>	<u>\$ 193,101,100</u>	<u>\$ 177,577,257</u>

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 \$193,101,100 as of June 30, 2021. The City's net position increased by \$15,523,843 for the fiscal year ended June 30, 2021. The City's net position also reflects the net investment in capital assets (e.g., land, buildings, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Shelby uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Shelby's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net position, \$6,460,704, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$23,163,321 is unrestricted.

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

- Property tax collection rate remained stable with a current year collection rate of 98.48%, as compared with 97.12% in the previous year.
- Increase in sales tax collections contributed to increased revenues in the current year. With growth in the City's tax base, the ad valorem distribution percentage increased. Also, generally, people "bought local" during the COVID-19 pandemic.
- Increase in charges for services and grants and contributions increased revenues in the current year.
- The Clearwater Paper Corporation S2 operations continued to positively influence the net position as well.
- City departments were asked to limit spending during the year because of the uncertainty of revenue during the COVID-19 pandemic.

City of Shelby's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 2,956,600	\$ 2,900,110	\$ 58,795,503	\$ 53,925,452	\$ 61,752,103	\$ 56,825,562
Operating grants and contributions	1,932,462	1,684,673	646,920	699,858	2,579,382	2,384,531
Capital grants and contributions	1,436,537	4,219,643	201,390	813,999	1,637,927	5,033,642
General revenues:						
Property taxes	13,346,278	12,735,510	-	-	13,346,278	12,735,510
Other taxes	7,634,355	6,606,887	-	-	7,634,355	6,606,887
Investment earnings	24,645	196,229	4,377	97,441	29,022	293,670
Total revenues	<u>27,330,877</u>	<u>28,343,052</u>	<u>59,648,190</u>	<u>55,536,750</u>	<u>86,979,067</u>	<u>83,879,802</u>
Expenses:						
General government	3,682,445	3,492,288	-	-	3,682,445	3,492,288
Public safety	13,632,630	13,790,665	-	-	13,632,630	13,790,665
Transportation	3,257,654	3,224,856	-	-	3,257,654	3,224,856
Environmental protection	1,883,857	2,053,799	-	-	1,883,857	2,053,799
Cultural and recreational	3,002,858	(1,504,804)	-	-	3,002,858	(1,504,804)
Housing and redevelopment	838,885	6,026,744	-	-	838,885	6,026,744
Interest on long-term debt	447,735	194,507	-	-	447,735	194,507
Water	-	-	4,622,802	4,673,377	4,622,802	4,673,377
Sewer	-	-	5,072,184	5,084,191	5,072,184	5,084,191
Electric	-	-	18,666,030	19,334,510	18,666,030	19,334,510
Gas	-	-	14,222,102	12,642,274	14,222,102	12,642,274
Stormwater	-	-	815,497	617,170	815,497	617,170
Housing assistance	-	-	1,310,545	1,406,864	1,310,545	1,406,864
Total expenses	<u>26,746,064</u>	<u>27,278,055</u>	<u>44,709,160</u>	<u>43,758,386</u>	<u>71,455,224</u>	<u>71,036,441</u>
Change in net position before transfers	584,813	1,064,997	14,939,030	11,778,364	15,523,843	12,843,361
Transfers in (out)	<u>3,390,412</u>	<u>3,630,000</u>	<u>(3,390,412)</u>	<u>(3,630,000)</u>	<u>-</u>	<u>-</u>
Change in net position	3,975,225	4,694,997	11,548,618	8,148,364	15,523,843	12,843,361
Net Position:						
Beginning of year - July 1	<u>47,906,785</u>	<u>43,211,788</u>	<u>129,670,472</u>	<u>121,522,108</u>	<u>177,577,257</u>	<u>164,733,896</u>
End of year -June 30	<u>\$ 51,882,010</u>	<u>\$ 47,906,785</u>	<u>\$ 141,219,090</u>	<u>\$ 129,670,472</u>	<u>\$ 193,101,100</u>	<u>\$ 177,577,257</u>

Governmental Activities. Governmental activities increased the City's net position by \$3,975,225. Key elements of this increase are as follows:

- Increase in property tax levy contributed to an overall increase in revenues in the current year;
- Increase in sales tax collections contributed to overall revenue increase in the current year as the ad valorem distribution percentage increased; and
- During the COVID-19 pandemic, more people made purchases locally and increased on-line purchases, which helped to bolster the sales & use tax receipts.

Business-Type Activities. Business-type activities increased the City of Shelby's net position by \$11,548,618. Key elements of this increase are as follows:

- Increase in cash is related to debt proceeds received in the current year that will be used for construction of capital assets, specifically for this year was the Biosolids project; and
- Inflows of cash, primarily through increased revenues from water, sewer and electric sales to customers. Clearwater Paper Corporation S2 was operational for the second full year, which continued to add to utility sales.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Shelby. At the end of the current fiscal year, fund balance available in the General Fund was \$7,321,608, while total fund balance reached \$12,202,765. 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 27.55% of total General Fund expenditures and transfers to other funds, while total fund balance represents 45.92% of that same amount.

At June 30, 2021, the governmental funds of the City of Shelby reported a combined fund balance of \$17,206,623, an increase of \$2,084,719 from last year. The primary reason for this increase is due to investment in capital assets during the current year and an increase in property tax revenues. Property tax receipts increased due to commercial and industrial growth. The ad valorem distribution percentage of sales tax also increased due to industrial expansion. Revenue from sales tax experienced an upward trend due to a better economy during the COVID-19 pandemic because of local shopping.

The Economic Development Project Fund is used by the City to track multi-year construction projects that support the City's economic development goals for the area. These projects are often funded by various revenue streams including debt issues, grant funds or transfers from other City funds. Fund balance of the Economic Development Fund increased by \$809,691 over the prior year to \$742,541. This increase is mainly due to transfers from other funds for the City's matching requirements on the projects.

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 \$386,500 (1.49% of original General Fund budget). Amendments were necessary due to conservatism used in compiling the original budget and economic changes.

Proprietary Funds. The City of Shelby's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position for the major enterprise funds at the fiscal year-end was as follows: the Water Fund was \$4,211,243; the Sewer Fund was \$3,783,357; the Electric Fund was \$14,298,595; and the Gas Fund was \$7,933,255. Factors of these funds have already been addressed in the discussion of the City of Shelby's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The City of Shelby's capital assets for its governmental and business-type activities as of June 30, 2021 totaled \$246,270,282 (net of accumulated depreciation). These assets include buildings, land, improvements, and equipment.

Major capital asset transactions during the year include:

- Construction in Progress of Airport Layout Plan Update of \$221,687;
- Construction in Progress of Uptown Streetscape/Pedestrian Improvement Project of \$1,426,607;
- Construction in Progress of Job Ready Shell Building #3 of \$4,043,524;
- Construction in Progress of Water Treatment Plant Project of \$474,863; and
- Construction in Progress of Wastewater Treatment Plant Biosolids Project of \$4,353,263.

City of Shelby's Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 12,815,839	\$ 5,864,144	\$ 963,696	\$ 963,696	\$ 13,779,535	\$ 6,827,840
Buildings and systems	17,753,144	17,753,144	188,866,458	179,237,168	206,619,602	196,990,312
Improvements other than buildings	27,921,059	14,312,263	1,728,270	1,662,841	29,649,329	15,975,104
Machinery and equipment	10,185,828	9,623,860	6,852,096	6,714,652	17,037,924	16,338,512
Infrastructure	11,484,875	11,484,875	-	-	11,484,875	11,484,875
Vehicles and motorized equipment	10,868,485	11,267,616	4,040,918	3,908,272	14,909,403	15,175,888
Construction in progress	15,665,339	24,611,473	58,156,861	61,918,772	73,822,200	86,530,245
Subtotal	106,694,569	94,917,375	260,608,299	254,405,401	367,302,868	349,322,776
Less: accumulated depreciation	(36,283,453)	(34,947,489)	(84,749,133)	(80,564,370)	(121,032,586)	(115,511,859)
Capital assets, net	<u>\$ 70,411,116</u>	<u>\$ 59,969,886</u>	<u>\$ 175,859,166</u>	<u>\$ 173,841,031</u>	<u>\$ 246,270,282</u>	<u>\$ 233,810,917</u>

Additional information on the City's capital assets can be found in Note 2.A. of the basic financial statements located on pages 42-45.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Direct placement & direct borrowing						
installment purchase notes	\$ 15,623,350	\$ 8,720,538	\$ 54,323,713	\$ 47,096,502	\$ 69,947,063	\$ 55,817,040
Revenue bonds	-	-	13,754,269	15,528,260	13,754,269	15,528,260
Net pension liability-LGERS	6,403,008	4,779,813	1,889,484	1,404,634	8,292,492	6,184,447
Total pension liability-LEOSSA	3,994,593	2,767,698	-	-	3,994,593	2,767,698
Compensated absences	1,159,919	1,147,282	292,589	277,757	1,452,508	1,425,039
Other post-employment benefits	14,356,665	12,381,046	4,461,639	3,871,520	18,818,304	16,252,566
Total	<u>\$ 41,537,535</u>	<u>\$ 29,796,377</u>	<u>\$ 74,721,694</u>	<u>\$ 68,178,673</u>	<u>\$ 116,259,229</u>	<u>\$ 97,975,050</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 \$119,000,000.

Additional information regarding the City of Shelby's long-term debt can be found in Note 2.B. on pages 48-57 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

- The State of North Carolina unemployment numbers declined from 8.8% in June 2020 to 4.6% in June 2021. Cleveland County's numbers changed from 9.1% in June 2020 to 5.4% in June 2021.
- MAFIC, SA, a company that manufactures basalt fiber material, completed construction with \$15 million in net new investment. MAFIC, SA will employ 113 employees at this facility. MAFIC SA is located within the City and will be served by City utilities. This company began operating in FY 2021.
- Greenheck Fan Corporation, a machining manufacturer of air movement and control equipment, announced an expansion project that will bring 403 new jobs and \$59 million in capital investment to the City of Shelby. Jobs will include both manufacturing and professional positions.
- The City of Shelby is completing its third Job-Ready Shell building. It was sold to Steffes in August, 2021. Steffes is headquartered in North Dakota and is a family-owned equipment manufacturer specializing in steel fabrication and electrical services. They plan to invest \$21 million in the new operations and create 130 jobs over five years with an average wage of \$47,392.
- The City of Shelby has seen an increase in residential building and renovation/addition permit requests.
- The City of Shelby is beginning the building process of its fourth Job-Ready Shell building. Efforts to market the building will begin in the FY 2022.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities. 2021 is a tax revaluation year for the City of Shelby. The City tax rate will be assessed at 51.75 cents per one hundred dollars of valuation for FY 2022. Budgeted expenditures in the General Fund are expected to be \$25,874,835 in FY 2022 – a minimal decrease from FY 2021. This budget includes the purchase of various pieces of equipment such as a pumper fire truck, a side-arm garbage truck and a leaf vacuum truck which will be financed over a period of 59 months.

Business-Type Activities. The City's water and sewer rates both increased by 4% for FY 2022. The electric rates remained unchanged for FY 2022. 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 2022.

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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Shelby ABC Board
Assets:				
Current assets:				
Cash and cash equivalents	\$ 11,173,641	\$ 32,258,531	\$ 43,432,172	\$ 494,821
Taxes receivable, net	430,544	-	430,544	-
Accounts receivable, net	1,253,415	6,818,245	8,071,660	-
Loans receivable	5,136	-	5,136	-
Interest receivable	5,562	-	5,562	-
Due from other governments	2,841,389	21,873	2,863,262	-
Internal balances	34,592	(34,592)	-	-
Inventories	157,534	1,902,955	2,060,489	571,825
Prepaid items	442,997	162,398	605,395	20,936
Total current assets	16,344,810	41,129,410	57,474,220	1,087,582
Non-current assets:				
Cash and cash equivalents, restricted	2,391,901	617,293	3,009,194	-
Long-term notes receivable	-	287,653	287,653	-
Capital assets, non-depreciable	28,481,178	59,120,557	87,601,735	182,567
Capital assets, net	41,929,938	116,738,609	158,668,547	184,480
Total non-current assets	72,803,017	176,764,112	249,567,129	367,047
Total assets	89,147,827	217,893,522	307,041,349	1,454,629
Deferred Outflows of Resources:				
OPEB deferrals	2,385,804	712,642	3,098,446	-
Pension deferrals	4,691,527	986,765	5,678,292	104,772
Deferred charge on refunding	-	332,503	332,503	-
Total deferred outflows of resources	7,077,331	2,031,910	9,109,241	104,772
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	1,099,544	2,738,750	3,838,294	429,222
Accrued interest payable	93,289	147,556	240,845	-
Unearned revenue	-	25,792	25,792	-
Liabilities to be paid from restricted assets	-	617,293	617,293	-
Current portion of long-term liabilities	2,869,895	5,756,299	8,626,194	-
Total current liabilities	4,062,728	9,285,690	13,348,418	429,222
Long-term liabilities:				
Net pension liability - LGERS	6,403,008	1,889,484	8,292,492	120,782
Total pension liability - LEOSSA	3,994,593	-	3,994,593	-
Total OPEB liability	14,356,665	4,461,639	18,818,304	-
Due in more than one year	13,913,374	62,614,272	76,527,646	-
Total long-term liabilities	38,667,640	68,965,395	107,633,035	120,782
Total liabilities	42,730,368	78,251,085	120,981,453	550,004
Deferred Inflows of Resources:				
OPEB deferrals	1,515,661	452,731	1,968,392	-
Pension deferrals	97,119	2,526	99,645	-
Total deferred inflows of resources	1,612,780	455,257	2,068,037	-
Net Position:				
Net investment in capital assets	55,363,388	108,113,687	163,477,075	367,047
Restricted for:				
Stabilization by state statute	4,466,817	-	4,466,817	-
Perpetual - non-expendable	1,495,053	-	1,495,053	-
Public safety	177,608	-	177,608	-
Streets - Powell Bill	321,226	-	321,226	-
Working capital	-	-	-	174,277
Unrestricted	(9,942,082)	33,105,403	23,163,321	468,073
Total net position	\$ 51,882,010	\$ 141,219,090	\$ 193,101,100	\$ 1,009,397

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, 2021

Functions/Programs:	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General government	\$ 3,682,445	\$ 417,374	\$ 193,273
Public safety	13,632,630	435,660	1,466,780
Transportation	3,257,654	478,760	-
Environmental protection	1,883,857	1,290,716	-
Cultural and recreational	3,002,858	332,390	-
Housing and redevelopment	838,885	1,700	272,409
Interest on long-term debt	447,735	-	-
Total governmental activities	<u>26,746,064</u>	<u>2,956,600</u>	<u>1,932,462</u>
Business-Type Activities:			
Water Fund	4,622,802	5,452,704	43,023
Sewer Fund	5,072,184	6,136,789	17,587
Electric Fund	18,666,030	25,893,519	-
Gas Fund	14,222,102	19,723,313	4,992
Stormwater Fund	815,497	919,809	-
Housing Assistance Fund	1,310,545	669,369	581,318
Total business-type activities	<u>44,709,160</u>	<u>58,795,503</u>	<u>646,920</u>
Total primary government	<u>\$ 71,455,224</u>	<u>\$ 61,752,103</u>	<u>\$ 2,579,382</u>
Component Unit:			
City of Shelby ABC Board	<u>\$ 5,888,624</u>	<u>\$ 5,888,624</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, 2021

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Shelby ABC Board
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ (3,071,798)	\$ -	\$ (3,071,798)	\$ -
Public safety	(11,730,190)	-	(11,730,190)	-
Transportation	(2,561,238)	-	(2,561,238)	-
Environmental protection	(593,141)	-	(593,141)	-
Cultural and recreational	(2,670,468)	-	(2,670,468)	-
Housing and redevelopment	654,105	-	654,105	-
Interest on long-term debt	(447,735)	-	(447,735)	-
Total governmental activities	(20,420,465)	-	(20,420,465)	-
Business-Type Activities:				
Water Fund	-	872,925	872,925	-
Sewer Fund	-	1,082,192	1,082,192	-
Electric Fund	-	7,363,450	7,363,450	-
Gas Fund	-	5,506,203	5,506,203	-
Stormwater Fund	-	104,312	104,312	-
Housing Assistance Fund	-	5,571	5,571	-
Total business-type activities	-	14,934,653	14,934,653	-
Total primary government	(20,420,465)	14,934,653	(5,485,812)	-
Component Unit:				
City of Shelby ABC Board				-
General Revenues:				
Taxes				
Property tax	13,346,278	-	13,346,278	-
Sales tax	5,589,134	-	5,589,134	-
Franchise tax	1,945,397	-	1,945,397	-
Other taxes	99,824	-	99,824	-
Investment earnings	24,645	4,377	29,022	579
Total general revenues, excluding transfers	21,005,278	4,377	21,009,655	579
Transfers	3,390,412	(3,390,412)	-	-
Total general revenues and transfers	24,395,690	(3,386,035)	21,009,655	579
Change in net position	3,975,225	11,548,618	15,523,843	579
Net Position:				
Beginning of year - July 1	47,906,785	129,670,472	177,577,257	1,008,818
End of year - June 30	\$ 51,882,010	\$ 141,219,090	\$ 193,101,100	\$ 1,009,397

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

CITY OF SHELBY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	Major Funds		Nonmajor	Total
	General	Economic	Governmental	Governmental
	Fund	Development	Funds	Funds
		Project Fund		
Assets:				
Cash and cash equivalents	\$ 7,338,012	\$ 813,663	\$ 3,021,966	\$ 11,173,641
Receivables, net:				
Taxes	428,825	-	1,719	430,544
Accounts	1,238,907	-	14,508	1,253,415
Interest	4,931	10	621	5,562
Loans	-	-	5,136	5,136
Due from other funds	361,315	-	-	361,315
Due from other governments	2,701,930	-	139,459	2,841,389
Inventories	157,534	-	-	157,534
Prepaid items	416,540	-	26,457	442,997
Restricted cash and cash equivalents	896,848	-	1,495,053	2,391,901
Total assets	<u>\$ 13,544,842</u>	<u>\$ 813,673</u>	<u>\$ 4,704,919</u>	<u>\$ 19,063,434</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 913,252	\$ 71,132	\$ 115,160	\$ 1,099,544
Due to other funds	-	-	326,723	326,723
Total liabilities	<u>913,252</u>	<u>71,132</u>	<u>441,883</u>	<u>1,426,267</u>
Deferred Inflows of Resources:				
Taxes receivable	<u>428,825</u>	<u>-</u>	<u>1,719</u>	<u>430,544</u>
Fund Balances:				
Non-spendable:				
Inventories	157,534	-	-	157,534
Prepays	416,540	-	26,457	442,997
Perpetual	-	-	1,495,053	1,495,053
Restricted:				
Stabilization by state statute	4,307,083	10	159,724	4,466,817
Public safety	-	-	177,608	177,608
Capital purchases	575,622	-	-	575,622
Streets - Powell Bill	321,226	-	-	321,226
Committed:				
Capital projects	-	742,531	199,475	942,006
Assigned:				
Economic development	-	-	2,594,369	2,594,369
Unassigned	6,424,760	-	(391,369)	6,033,391
Total fund balances	<u>12,202,765</u>	<u>742,541</u>	<u>4,261,317</u>	<u>17,206,623</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,544,842</u>	<u>\$ 813,673</u>	<u>\$ 4,704,919</u>	<u>\$ 19,063,434</u>

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

CITY OF SHELBY, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Total fund balances	\$ 17,206,623
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	70,411,116
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.	430,544
Deferred inflows of resources related to pensions are not reported in the funds.	
LGERS	(28,338)
LEOSSA	(68,781)
Deferred inflows of resources related to OPEB are not reported in the funds.	(1,515,661)
Deferred outflows of resources related to pensions are not reported in the funds.	
LGERS	3,459,589
LEOSSA	1,231,938
Deferred outflows of resources related to OPEB are not reported in the funds.	2,385,804
Net pension liability - LGERS	(6,403,008)
Total pension liability - LEOSSA	(3,994,593)
OPEB liability	(14,356,665)
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>(16,876,558)</u>
Net position of governmental activities per Exhibit A	<u>\$ 51,882,010</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, 2021**

	Major Funds			
	General Fund	Economic Development Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 13,274,915	\$ -	\$ 122,291	\$ 13,397,206
Other taxes and licenses	5,589,134	-	-	5,589,134
Unrestricted intergovernmental	2,228,694	-	-	2,228,694
Restricted intergovernmental	1,354,019	1,218,881	495,259	3,068,159
Permits and fees	387,884	-	-	387,884
Sales and services	2,166,150	-	-	2,166,150
Investment earnings (loss)	15,794	(26)	8,877	24,645
Donations	-	-	168,595	168,595
Miscellaneous	349,638	-	1,700	351,338
Total revenues	<u>25,366,228</u>	<u>1,218,855</u>	<u>796,722</u>	<u>27,381,805</u>
Expenditures:				
Current:				
General government	3,393,850	-	1,519	3,395,369
Public safety	12,067,127	-	53,355	12,120,482
Transportation	2,754,014	-	296,794	3,050,808
Environmental protection	1,947,110	-	-	1,947,110
Cultural and recreation	2,725,823	-	-	2,725,823
Housing and redevelopment	-	4,130,164	2,346,192	6,476,356
Debt service:				
Principal retirement	2,194,331	-	-	2,194,331
Interest and other charges	402,666	-	-	402,666
Total expenditures	<u>25,484,921</u>	<u>4,130,164</u>	<u>2,697,860</u>	<u>32,312,945</u>
Revenues over (under) expenditures	<u>(118,693)</u>	<u>(2,911,309)</u>	<u>(1,901,138)</u>	<u>(4,931,140)</u>
Other Financing Sources (Uses):				
Transfers from other funds	3,300,000	746,000	1,897,935	5,943,935
Transfers (to) other funds	(1,090,573)	-	(1,462,950)	(2,553,523)
Long-term debt issued	622,143	2,975,000	-	3,597,143
Proceeds from sale of assets	28,304	-	-	28,304
Total other financing sources (uses)	<u>2,859,874</u>	<u>3,721,000</u>	<u>434,985</u>	<u>7,015,859</u>
Net change in fund balances	2,741,181	809,691	(1,466,153)	2,084,719
Fund Balances:				
Beginning of year - July 1	<u>9,461,584</u>	<u>(67,150)</u>	<u>5,727,470</u>	<u>15,121,904</u>
End of year - June 30	<u>\$ 12,202,765</u>	<u>\$ 742,541</u>	<u>\$ 4,261,317</u>	<u>\$ 17,206,623</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, 2021**

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)	\$ 2,084,719
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	(50,928)
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.	6,770,028
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	(12,637)
Pension expense - LGERS	(989,791)
Pension expense - LEOSSA	(281,596)
Other post-employment benefits	(267,891)
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.	(3,597,143)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,828,798)
Change in accrued interest payable, governmental fund debt	(45,069)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>2,194,331</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 3,975,225</u>

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

CITY OF SHELBY, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over/Under
Revenues:				
Ad valorem taxes	\$ 12,573,292	\$ 12,573,292	\$ 13,274,915	\$ 701,623
Other taxes and licenses	3,606,000	3,968,000	5,589,134	1,621,134
Unrestricted intergovernmental	2,238,000	2,238,000	2,228,694	(9,306)
Restricted intergovernmental	701,800	726,300	1,354,019	627,719
Permits and fees	168,750	168,750	387,884	219,134
Sales and services	2,087,150	2,087,150	2,166,150	79,000
Investment earnings	115,000	115,000	15,794	(99,206)
Miscellaneous	320,500	320,500	349,638	29,138
Total revenues	<u>21,810,492</u>	<u>22,196,992</u>	<u>25,366,228</u>	<u>3,169,236</u>
Expenditures:				
Current:				
General government	3,726,304	3,949,869	3,393,850	556,019
Public safety	12,711,664	12,568,520	12,067,127	501,393
Transportation	2,926,105	3,433,405	2,754,014	679,391
Environmental protection	1,747,635	1,963,787	1,947,110	16,677
Cultural and recreational	3,109,527	3,088,237	2,725,823	362,414
Debt service:				
Principal retirement	1,911,000	2,208,500	2,194,331	14,169
Interest and other charges	340,600	403,219	402,666	553
Total expenditures	<u>26,472,835</u>	<u>27,615,537</u>	<u>25,484,921</u>	<u>2,130,616</u>
Revenues over (under) expenditures	<u>(4,662,343)</u>	<u>(5,418,545)</u>	<u>(118,693)</u>	<u>5,299,852</u>
Other Financing Sources (Uses):				
Transfers from other funds	3,300,000	3,300,000	3,300,000	-
Transfers (to) other funds	(47,000)	(1,090,573)	(1,090,573)	-
Long-term debt issued	622,143	622,143	622,143	-
Proceeds from sale of capital assets	20,000	20,000	28,304	8,304
Appropriated fund balance	767,200	2,566,975	-	(2,566,975)
Total other financing sources (uses)	<u>4,662,343</u>	<u>5,418,545</u>	<u>2,859,874</u>	<u>(2,558,671)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,741,181	<u>\$ 2,741,181</u>
Fund Balance:				
Beginning of year - July 1			<u>9,461,584</u>	
End of year - June 30			<u>\$ 12,202,765</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, 2021

	Major Enterprise Funds				Nonmajor Funds	Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund		
Assets:						
Current assets:						
Cash and cash equivalents	\$ 4,519,523	\$ 6,257,762	\$ 11,250,407	\$ 7,522,998	\$ 2,707,841	\$ 32,258,531
Accounts receivable, net	799,415	992,809	3,058,531	1,270,641	696,849	6,818,245
Advanced to other funds	-	-	100,000	10,000	-	110,000
Due from other governments	1,395	2,243	-	-	18,235	21,873
Inventories	457,826	154,707	832,425	450,723	7,274	1,902,955
Prepaid items	19,160	18,013	78,718	30,798	15,709	162,398
Total current assets	<u>5,797,319</u>	<u>7,425,534</u>	<u>15,320,081</u>	<u>9,285,160</u>	<u>3,445,908</u>	<u>41,274,002</u>
Non-current assets:						
Restricted cash and cash equivalents	-	-	575,034	-	42,259	617,293
Advanced to other funds	-	-	1,600,000	870,000	-	2,470,000
Long-term notes receivable	287,653	-	-	-	-	287,653
Capital assets, non-depreciable	29,073,510	27,300,462	625,594	1,842,818	278,173	59,120,557
Capital assets, net	<u>27,664,035</u>	<u>46,880,225</u>	<u>19,024,940</u>	<u>18,279,556</u>	<u>4,889,853</u>	<u>116,738,609</u>
Total non-current assets	<u>57,025,198</u>	<u>74,180,687</u>	<u>21,825,568</u>	<u>20,992,374</u>	<u>5,210,285</u>	<u>179,234,112</u>
Total assets	<u>62,822,517</u>	<u>81,606,221</u>	<u>37,145,649</u>	<u>30,277,534</u>	<u>8,656,193</u>	<u>220,508,114</u>
Deferred Outflows of Resources:						
Contributions to pension plan in						
OPEB deferrals	154,923	185,906	154,922	154,922	61,969	712,642
Pension deferrals	224,605	246,779	181,715	241,196	92,470	986,765
Deferred charge on refunding	138,594	43,897	112,807	37,205	-	332,503
Total deferred outflows of resources	<u>518,122</u>	<u>476,582</u>	<u>449,444</u>	<u>433,323</u>	<u>154,439</u>	<u>2,031,910</u>
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	82,701	141,896	1,467,692	983,067	63,394	2,738,750
Accrued interest payable	82,426	40,098	12,118	12,914	-	147,556
Due to other funds	6,464	7,445	10,920	8,401	1,362	34,592
Advanced from other funds	27,250	82,750	-	-	-	110,000
Unearned revenue	-	-	25,792	-	-	25,792
Compensated absences payable	47,300	60,386	43,088	64,831	45,457	261,062
Current portion of long-term debt	2,234,431	2,550,290	345,741	316,252	48,523	5,495,237
Liabilities payable from restricted assets:						
Customer deposits	-	-	575,034	-	42,259	617,293
Total current liabilities	<u>2,480,572</u>	<u>2,882,865</u>	<u>2,480,385</u>	<u>1,385,465</u>	<u>200,995</u>	<u>9,430,282</u>
Non-current liabilities:						
Advanced from other funds	436,000	2,034,000	-	-	-	2,470,000
Compensated absences payable	31,527	-	-	-	-	31,527
Other long-term debt	24,793,216	33,629,743	2,054,156	2,050,223	55,407	62,582,745
Net pension liability	427,301	474,974	361,771	452,940	172,498	1,889,484
Other post-employment benefits	1,013,392	1,114,717	937,846	996,975	398,709	4,461,639
Total non-current liabilities	<u>26,701,436</u>	<u>37,253,434</u>	<u>3,353,773</u>	<u>3,500,138</u>	<u>626,614</u>	<u>71,435,395</u>
Total liabilities	<u>29,182,008</u>	<u>40,136,299</u>	<u>5,834,158</u>	<u>4,885,603</u>	<u>827,609</u>	<u>80,865,677</u>
Deferred Inflows of Resources:						
OPEB deferrals	98,420	118,103	98,420	98,420	39,368	452,731
Pension deferrals	476	493	476	475	606	2,526
Total deferred inflows of resources	<u>98,896</u>	<u>118,596</u>	<u>98,896</u>	<u>98,895</u>	<u>39,974</u>	<u>455,257</u>
Net Position:						
Net investment in capital assets	29,848,492	38,044,551	17,363,444	17,793,104	5,064,096	108,113,687
Unrestricted	<u>4,211,243</u>	<u>3,783,357</u>	<u>14,298,595</u>	<u>7,933,255</u>	<u>2,878,953</u>	<u>33,105,403</u>
Total net position	<u>\$ 34,059,735</u>	<u>\$ 41,827,908</u>	<u>\$ 31,662,039</u>	<u>\$ 25,726,359</u>	<u>\$ 7,943,049</u>	<u>\$ 141,219,090</u>

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, 2021

	Major Enterprise Funds				Nonmajor Funds	Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund		
Operating Revenues:						
Charges for services	\$ 5,288,337	\$ 5,931,211	\$ 21,814,728	\$ 19,086,496	\$ 1,548,610	\$ 53,669,382
Other fees	81,613	80,675	1,569	59,761	37,111	260,729
Other operating revenues	82,754	124,903	4,077,222	577,056	3,457	4,865,392
Total operating revenues	<u>5,452,704</u>	<u>6,136,789</u>	<u>25,893,519</u>	<u>19,723,313</u>	<u>1,589,178</u>	<u>58,795,503</u>
Operating Expenses:						
Administration	832,286	778,258	1,245,346	1,394,947	1,117,013	5,367,850
Operations and maintenance	711,527	910,665	16,626,140	12,071,654	694,236	31,014,222
Treatment plant	1,386,120	1,694,759	-	-	-	3,080,879
Depreciation	1,114,523	1,340,214	717,692	672,192	312,812	4,157,433
Amortization	17,324	5,487	14,100	4,651	-	41,562
Total operating expenses	<u>4,061,780</u>	<u>4,729,383</u>	<u>18,603,278</u>	<u>14,143,444</u>	<u>2,124,061</u>	<u>43,661,946</u>
Operating income (loss)	<u>1,390,924</u>	<u>1,407,406</u>	<u>7,290,241</u>	<u>5,579,869</u>	<u>(534,883)</u>	<u>15,133,557</u>
Non-Operating Revenues (Expenses):						
Grants	-	-	-	-	581,318	581,318
Refund of interest expense	43,023	17,587	-	4,992	-	65,602
Investment earnings (loss)	(791)	(829)	1,065	1,137	3,795	4,377
Interest expense and fiscal charges	(561,022)	(342,801)	(62,752)	(78,658)	(1,981)	(1,047,214)
Total non-operating revenues (expenses)	<u>(518,790)</u>	<u>(326,043)</u>	<u>(61,687)</u>	<u>(72,529)</u>	<u>583,132</u>	<u>(395,917)</u>
Income (loss) before capital contributions and transfers	872,134	1,081,363	7,228,554	5,507,340	48,249	14,737,640
Capital contributions	-	-	135,961	-	65,429	201,390
Transfers from other funds	407,250	555,360	-	116,340	-	1,078,950
Transfers to other funds	<u>(5,000)</u>	<u>(5,000)</u>	<u>(1,314,231)</u>	<u>(3,114,231)</u>	<u>(30,900)</u>	<u>(4,469,362)</u>
Change in net position	1,274,384	1,631,723	6,050,284	2,509,449	82,778	11,548,618
Net Position:						
Beginning year - July 1	<u>32,785,351</u>	<u>40,196,185</u>	<u>25,611,755</u>	<u>23,216,910</u>	<u>7,860,271</u>	<u>129,670,472</u>
End of year - June 30	<u>\$ 34,059,735</u>	<u>\$ 41,827,908</u>	<u>\$ 31,662,039</u>	<u>\$ 25,726,359</u>	<u>\$ 7,943,049</u>	<u>\$ 141,219,090</u>

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, 2021

	Major Enterprise Funds				Nonmajor Funds	Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund		
Cash Flows from Operating Activities:						
Cash received from customers	\$ 5,541,659	\$ 5,991,029	\$ 26,370,801	\$ 19,621,416	\$ 1,597,617	\$ 59,122,522
Cash paid for goods and services	(2,426,199)	(3,161,535)	(16,751,979)	(11,602,176)	(1,412,762)	(35,354,651)
Cash paid to employees	(750,099)	(678,830)	(979,429)	(1,312,565)	(344,363)	(4,065,286)
Net cash provided (used) by operating activities	2,365,361	2,150,664	8,639,393	6,706,675	(159,508)	19,702,585
Cash Flows from Non-Capital Financing Activities:						
Proceeds from non-capital grants	-	-	-	-	581,318	581,318
Increase (decrease) in due from other funds	(21,725)	(77,609)	107,082	16,970	9,479	34,197
Transfers from (to) other funds	402,250	550,360	(1,314,231)	(2,997,891)	(30,900)	(3,390,412)
Net cash provided (used) by non-capital financing activities	380,525	472,751	(1,207,149)	(2,980,921)	559,897	(2,774,897)
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(525,989)	(4,576,956)	(375,970)	(581,651)	(119,853)	(6,180,419)
Capital contributions - grants	-	-	135,961	-	65,429	201,390
Proceeds from issuance of long-term debt	1,210,303	8,020,143	435,000	118,000	55,000	9,838,446
Payment on notes receivable	28,739	-	-	-	-	28,739
Principal paid on long-term debt	(2,200,094)	(1,543,301)	(296,399)	(300,961)	(44,471)	(4,385,226)
Interest paid on long-term debt	(529,697)	(330,402)	(61,734)	(74,765)	(1,981)	(998,579)
Net cash provided (used) by capital and related financing activities	(2,016,738)	1,569,484	(163,142)	(839,377)	(45,876)	(1,495,649)
Cash Flows from Investing Activities:						
Interest received from investments	(791)	(829)	1,065	1,137	3,795	4,377
Net increase (decrease) in cash and cash equivalents	728,357	4,192,070	7,270,167	2,887,514	358,308	15,436,416
Cash and Cash Equivalents:						
Beginning of year - July 1	3,791,166	2,065,692	4,555,274	4,635,484	2,391,792	17,439,408
End of year - June 30	\$ 4,519,523	\$ 6,257,762	\$ 11,825,441	\$ 7,522,998	\$ 2,750,100	\$ 32,875,824

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, 2021

	Major Enterprise Funds				Nonmajor Funds	Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund		
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 1,390,924	\$ 1,407,406	\$ 7,290,241	\$ 5,579,869	\$ (534,883)	\$ 15,133,557
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Amortization	17,324	5,487	14,100	4,651	-	41,562
Depreciation	1,114,523	1,340,214	717,692	672,192	312,812	4,157,433
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	204,349	146,242	470,518	(108,658)	7,539	719,990
(Increase) decrease in inventories	16,031	(4,897)	(11,651)	2,675	(334)	1,824
(Increase) decrease in prepaids	8,092	7,026	(38,351)	(22,790)	(2,388)	(48,411)
Increase (decrease) in accounts payable and accrued liabilities	(468,069)	(850,242)	97,663	489,593	22,755	(708,300)
Increase (decrease) in unearned revenues	-	-	25,792	6,761	-	32,553
Increase (decrease) in customer deposits	-	-	(19,028)	-	900	(18,128)
Increase (decrease) in compensated absences	810	1,426	3,753	7,419	1,424	14,832
(Increase) decrease in deferred outflows of resources for pensions	(40,173)	(48,207)	(34,560)	(45,786)	(16,070)	(184,796)
Increase (decrease) in net pension liability	105,402	126,483	105,402	105,402	42,161	484,850
Increase (decrease) in deferred inflows of resources for pensions	(1,247)	(1,149)	426	(2,049)	(383)	(4,402)
(Increase) decrease in deferred outflows of resources for OPEB	(92,573)	(111,086)	(92,572)	(92,572)	(37,028)	(425,831)
Increase (decrease) in deferred inflows of resources for OPEB	(18,319)	(21,983)	(18,319)	(18,319)	(7,327)	(84,267)
Increase (decrease) in other post-employment benefits	128,287	153,944	128,287	128,287	51,314	590,119
Net cash provided (used) by operating activities	<u>\$ 2,365,361</u>	<u>\$ 2,150,664</u>	<u>\$ 8,639,393</u>	<u>\$ 6,706,675</u>	<u>\$ (159,508)</u>	<u>\$ 19,702,585</u>
Non-Cash Investing, Capital, and Financing Activities:						
Refund of interest expense	<u>\$ 43,023</u>	<u>\$ 17,587</u>	<u>\$ -</u>	<u>\$ 4,992</u>	<u>\$ -</u>	<u>\$ 65,602</u>

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

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021

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.

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

The City reports the following nonmajor governmental funds:

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

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

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

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021

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, 2021

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 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, 2021

State law [G.S. 159-30 (c)] authorizes the City and its component unit to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT"). The City's and the ABC Board's investments are reported at fair value. 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

Donations for redevelopment, revitalization, and beautification of downtown Shelby and for perpetual care of the municipal cemetery are restricted by donors. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. The unexpended debt proceeds of the General Fund's long-term debt issued are classified as restricted assets because their use is completely restricted for the purpose of which the debt was originally issued.

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

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Restricted Cash

Governmental Activities:

General Fund:

Streets	\$ 321,226
Unspent debt proceeds	575,622

Raper Roark Trust Fund:

Downtown redevelopment	694,096
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Cemetery Fund:

Perpetual care of cemetery	800,957
Total governmental activities	<u>\$ 2,391,901</u>

Business-Type Activities:

Electric Fund:

Customer deposits	\$ 575,034
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Housing Assistance Fund:

Customer deposits	42,259
Total business-type activities	<u>\$ 617,293</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, 2020. 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.

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.

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

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:

Asset Class	Estimated Useful Lives
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:

Asset Class	Estimated Useful Lives
Building	20 years
Office and store equipment	4 to 10 years
Land improvements	10-20 years
Vehicles	4 years

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has several items that meet this criteria in the current year – a deferred charge on refunding, pension deferrals, and OPEB deferrals. In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet this criteria – property taxes receivable, 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, 2021.

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

Net Position/Fund Balances

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

	General Fund	Nonmajor Governmental Funds
<i>Inventories</i> - portion of fund balance that is not an available resource, because it represents the year-end balance of ending inventories, which are not spendable resources.	\$ 157,534	\$ -
<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.	416,540	26,457
<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.	-	1,495,053
Total	<u>\$ 574,074</u>	<u>\$ 1,521,510</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

	<u>General Fund</u>	<u>Major Capital Projects Fund</u>	<u>Nonmajor SRF/CPF Funds</u>	<u>Permanent Fund</u>
<i>Restricted for Stabilization by State Statute</i> - portion of fund balance that is restricted by state statute [G.S. 159-8(a)].	\$ 4,307,083	\$ 10	\$ 148,440	\$ 11,284
<i>Restricted for Public Safety</i> - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.	-	-	177,608	-
<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.	321,226	-	-	-
<i>Restricted for Capital Purchases</i> - portion of fund balance (unspent debt proceeds) that is restricted by revenue source for vehicle and equipment purchases.	<u>575,622</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,203,931</u>	<u>\$ 10</u>	<u>\$ 326,048</u>	<u>\$ 11,284</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Restricted fund balance differs on Exhibit A from Exhibit C for unspent debt proceeds in the governmental funds of \$575,622.

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.

	Major Capital Projects Fund	Nonmajor Governmental Funds
<i>Committed for Capital Projects</i> - portion of fund balance that is committed for future capital activities.	<u>\$ 742,531</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.

	Major Capital Projects Fund	Nonmajor Governmental Funds
<i>Assigned for Economic Development</i> - portion of fund balance that is assigned for economic development.	<u>\$ -</u>	<u>\$ 2,594,369</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, 2021

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

Total fund balance - General Fund (Exhibit C)	\$ 12,202,765
Less:	
Non-spendable	(574,074)
Stabilization by state statute	<u>(4,307,083)</u>
Available for appropriation	<u>\$ 7,321,608</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 credit risks for deposits but relies on the State Treasurer to enforce standards of minimum

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, the City's deposits had a carrying amount of \$14,565,363 and a bank balance of \$12,286,010. Of the City's bank balance, \$1,498,287 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 \$487,141 and a bank balance of \$475,394. Of the ABC Board's bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The City had petty cash of \$4,925 at June 30, 2021, and the ABC Board had petty cash of \$7,680.

Investments

At June 30, 2021, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2021</u>	<u>Less Than Six Months</u>
US Government Agencies	Fair Value - Level 2	\$ 1,004,417	\$ 1,004,417
NCCMT - Govt Portfolio	Fair Value - Level 1	30,866,661	30,866,661
Total		<u>\$ 31,871,078</u>	<u>\$ 31,871,078</u>

All investments are measured using the market approach; using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

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

Credit Risk. The City has no formal policy regarding credit risk but has internal management procedures that limit the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investments in US agencies (Federal Home Loan Bank) are rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. The City's investment in the North Carolina Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's and AAA-mf by Moody's Investors Service as of June 30, 2021. 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, 2021

Concentration of Credit Risk. The City will diversify its investments by security type and institution. With the exception of US treasuries securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type and no more than 33% with a single financial institution. Less than 5% of the City's investments are in US government agencies.

Receivables – Allowances for Doubtful Accounts

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

	Governmental Activities	Business-Type Activities	Total
Taxes receivable	\$ 191,000	\$ -	\$ 191,000
Accounts receivable	138,216	2,366,243	2,504,459
Total	<u>\$ 329,216</u>	<u>\$ 2,366,243</u>	<u>\$ 2,695,459</u>

Due from other governments consists of the following at June 30, 2021:

	Governmental Activities	Business-Type Activities	Total
General Fund sales tax refund	\$ 483,415	\$ -	\$ 483,415
General Fund local option sales tax	1,499,692	-	1,499,692
General Fund utility franchise tax	448,361	-	448,361
General Fund NCVTS and grants	212,381	-	212,381
General Fund other	58,081	-	58,081
Nonmajor grants	139,459	-	139,459
Water Fund sales tax	-	1,395	1,395
Sewer Fund sales tax	-	2,243	2,243
Nonmajor fund sales tax	-	5,092	5,092
Nonmajor fund other	-	13,143	13,143
Total	<u>\$ 2,841,389</u>	<u>\$ 21,873</u>	<u>\$ 2,863,262</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2021 was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 11,364,144	\$ 180,090	\$ -	\$ 1,271,605	\$ 12,815,839
Construction in progress	24,611,473	5,934,267	-	(14,880,401)	15,665,339
Total non-depreciable capital assets	<u>35,975,617</u>	<u>6,114,357</u>	<u>-</u>	<u>(13,608,796)</u>	<u>28,481,178</u>
Depreciable Capital Assets:					
Buildings	17,753,144	-	-	-	17,753,144
Other improvements	14,312,263	-	-	13,608,796	27,921,059
Machinery and equipment	9,623,860	574,177	(12,209)	-	10,185,828
Vehicles	11,267,616	81,494	(396,520)	(84,105)	10,868,485
Infrastructure	11,484,875	-	-	-	11,484,875
Total depreciable capital assets	<u>64,441,758</u>	<u>655,671</u>	<u>(408,729)</u>	<u>13,524,691</u>	<u>78,213,391</u>
Less Accumulated Depreciation:					
Buildings	8,502,270	410,049	-	-	8,912,319
Other improvements	4,071,053	392,497	-	-	4,463,550
Machinery and equipment	8,210,018	408,236	(12,209)	-	8,606,045
Vehicles	9,169,488	466,546	(396,520)	(84,105)	9,155,409
Infrastructure	4,994,660	151,470	-	-	5,146,130
Total accumulated depreciation	<u>34,947,489</u>	<u>\$ 1,828,798</u>	<u>\$ (408,729)</u>	<u>\$ (84,105)</u>	<u>36,283,453</u>
Total depreciable capital assets, net	<u>29,494,269</u>				<u>41,929,938</u>
Governmental activities capital assets, net	<u>\$ 65,469,886</u>				<u>\$ 70,411,116</u>

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

Governmental Activities:	
General government	\$ 335,348
Public safety	490,888
Transportation	478,293
Environmental protection	213,534
Cultural and recreational	310,735
Total depreciation expense - governmental activities	<u>\$ 1,828,798</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Capital asset activity for business-type activities for the year ended June 30, 2021 was as follows:

	Beginning Balances	Additions	Deletions	Transfers	Ending Balances
Water Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 184,599	\$ -	\$ -	\$ -	\$ 184,599
Construction in progress	28,410,506	478,405	-	-	28,888,911
Total non-depreciable capital assets	28,595,105	478,405	-	-	29,073,510
Depreciable Capital Assets:					
Buildings and system	13,689,649	6,894	-	-	13,696,543
Water extensions	33,034,468	8,888	-	-	33,043,356
Machinery and equipment	1,619,228	5,794	-	-	1,625,022
Vehicles	452,074	26,008	-	(18,737)	459,345
Total depreciable capital assets	48,795,419	47,584	-	(18,737)	48,824,266
Less Accumulated Depreciation:					
Buildings and system	8,235,500	215,660	-	-	8,451,160
Water extensions	10,124,568	804,929	-	-	10,929,497
Machinery and equipment	1,321,536	69,583	-	-	1,391,119
Vehicles	382,841	24,351	-	(18,737)	388,455
Total accumulated depreciation	20,064,445	\$ 1,114,523	\$ -	\$ (18,737)	21,160,231
Total depreciable capital assets, net	28,730,974				27,664,035
Water Fund capital assets, net	\$ 57,326,079				\$ 56,737,545

	Beginning Balances	Additions	Deletions	Transfers	Ending Balances
Sewer Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 58,402	\$ -	\$ -	\$ -	\$ 58,402
Construction in progress	29,834,297	4,360,377	-	(6,952,614)	27,242,060
Total non-depreciable capital assets	29,892,699	4,360,377	-	(6,952,614)	27,300,462
Depreciable Capital Assets:					
Buildings and system	17,064,273	-	-	-	17,064,273
Sewer extensions	44,552,670	136,829	-	6,952,614	51,642,113
Machinery and equipment	2,095,564	26,381	-	-	2,121,945
Vehicles	892,462	53,369	-	(25,043)	920,788
Total depreciable capital assets	64,604,969	216,579	-	6,927,571	71,749,119
Less Accumulated Depreciation:					
Buildings and system	8,532,574	303,042	-	-	8,835,616
Sewer extensions	12,131,938	987,034	-	-	13,118,972
Machinery and equipment	2,049,956	28,137	-	-	2,078,093
Vehicles	839,255	22,001	-	(25,043)	836,213
Total accumulated depreciation	23,553,723	\$ 1,340,214	\$ -	\$ (25,043)	24,868,894
Total depreciable capital assets, net	41,051,246				46,880,225
Sewer Fund capital assets, net	\$ 70,943,945				\$ 74,180,687

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Beginning Balances	Additions	Deletions	Transfers	Ending Balances
Electric Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 75,683	\$ -	\$ -	\$ -	\$ 75,683
Construction in progress	532,578	20,618	-	(3,285)	549,911
Total non-depreciable capital assets	<u>608,261</u>	<u>20,618</u>	<u>-</u>	<u>(3,285)</u>	<u>625,594</u>
Depreciable Capital Assets:					
Buildings and system	4,438,147	188,809	-	-	4,626,956
Electric extensions	26,983,108	166,543	-	3,285	27,152,936
Machinery and equipment	1,146,837	-	-	-	1,146,837
Vehicles	1,418,584	-	(41,898)	-	1,376,686
Total depreciable capital assets	<u>33,986,676</u>	<u>355,352</u>	<u>(41,898)</u>	<u>3,285</u>	<u>34,303,415</u>
Less Accumulated Depreciation:					
Buildings and system	2,312,361	68,600	-	-	2,380,961
Electric extensions	9,947,035	586,108	-	-	10,533,143
Machinery and equipment	1,102,558	21,063	-	-	1,123,621
Vehicles	1,240,727	41,921	(41,898)	-	1,240,750
Total accumulated depreciation	<u>14,602,681</u>	<u>\$ 717,692</u>	<u>\$ (41,898)</u>	<u>\$ -</u>	<u>15,278,475</u>
Total depreciable capital assets, net	<u>19,383,995</u>				<u>19,024,940</u>
Electric Fund capital assets, net	<u>\$ 19,992,256</u>				<u>\$ 19,650,534</u>
Gas Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 366,839	\$ -	\$ -	\$ -	\$ 366,839
Construction in progress	3,136,540	37,213	-	(1,697,774)	1,475,979
Total non-depreciable capital assets	<u>3,503,379</u>	<u>37,213</u>	<u>-</u>	<u>(1,697,774)</u>	<u>1,842,818</u>
Depreciable Capital Assets:					
Buildings and system	3,075,561	-	-	-	3,075,561
Gas extensions	26,986,492	467,654	-	1,697,774	29,151,920
Machinery and equipment	1,215,042	50,845	-	-	1,265,887
Vehicles	873,855	25,939	(14,877)	106,476	991,393
Total depreciable capital assets	<u>32,150,950</u>	<u>544,438</u>	<u>(14,877)</u>	<u>1,804,250</u>	<u>34,484,761</u>
Less Accumulated Depreciation:					
Buildings and system	556,346	54,610	-	-	610,956
Sewer extensions	12,966,907	563,284	-	-	13,530,191
Machinery and equipment	1,215,042	17,864	-	-	1,232,906
Vehicles	703,119	36,434	(14,877)	106,476	831,152
Total accumulated depreciation	<u>15,441,414</u>	<u>\$ 672,192</u>	<u>\$ (14,877)</u>	<u>\$ 106,476</u>	<u>16,205,205</u>
Total depreciable capital assets, net	<u>16,709,536</u>				<u>18,279,556</u>
Gas Fund capital assets, net	<u>\$ 20,212,915</u>				<u>\$ 20,122,374</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balances</u>
Stormwater Fund:					
Depreciable Capital Assets:					
Machinery and equipment	\$ 467,769	\$ 54,424	\$ -	\$ -	\$ 522,193
Vehicles	53,859	-	-	21,409	75,268
Total depreciable capital assets	<u>521,628</u>	<u>54,424</u>	<u>-</u>	<u>21,409</u>	<u>597,461</u>
Less Accumulated Depreciation:					
Machinery and equipment	302,368	73,583	-	-	375,951
Vehicles	54,907	-	-	21,409	76,316
Total accumulated depreciation	<u>357,275</u>	<u>\$ 73,583</u>	<u>\$ -</u>	<u>\$ 21,409</u>	<u>452,267</u>
Total depreciable capital assets, net	<u>164,353</u>				<u>145,194</u>
Stormwater Fund capital assets, net	<u>\$ 164,353</u>				<u>\$ 145,194</u>
 Housing Assistance Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 278,173	\$ -	\$ -	\$ -	\$ 278,173
Construction in progress	4,851	-	(4,851)	-	-
Total non-depreciable capital assets	<u>283,024</u>	<u>-</u>	<u>(4,851)</u>	<u>-</u>	<u>278,173</u>
Depreciable Capital Assets:					
Buildings and system	9,412,800	-	-	-	9,412,800
Other improvements	1,662,841	65,429	-	-	1,728,270
Machinery and equipment	170,212	-	-	-	170,212
Vehicles	217,438	-	-	-	217,438
Total depreciable capital assets	<u>11,463,291</u>	<u>65,429</u>	<u>-</u>	<u>-</u>	<u>11,528,720</u>
Less Accumulated Depreciation:					
Buildings and system	5,508,147	184,407	-	-	5,692,554
Other improvements	713,862	42,710	-	-	756,572
Machinery and equipment	170,212	-	-	-	170,212
Vehicles	152,611	12,112	-	-	164,723
Total accumulated depreciation	<u>6,544,832</u>	<u>\$ 239,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,784,061</u>
Total depreciable capital assets, net	<u>4,918,459</u>				<u>4,744,659</u>
Housing Assistance Fund capital assets, net	<u>\$ 5,201,483</u>				<u>\$ 5,022,832</u>
Total business-type capital assets	<u>\$173,841,031</u>				<u>\$175,859,166</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Construction Commitments

The City has active construction projects as of June 30, 2021. At year-end, the City's commitments with contractors are as follows:

Project	Project Authorizations	Remaining Commitment
Governmental:		
NS rail trail corridor	\$ 6,213,500	\$ 555,460
Job ready shell building #3	6,024,100	243,598
Uptown streetscape/ped improvements	4,890,975	19,991
Airport T-hangar project	4,329,998	7,748
Airport T-hangar #4 project	1,493,100	122,301
CDBG coronavirus pass-thru grant	945,000	129,000
Airport layout plan	250,000	28,298
Total	<u>24,146,673</u>	<u>1,106,396</u>
Business-Type:		
<i>Water Fund:</i>		
Water treatment plant upgrade	<u>16,953,850</u>	<u>173,180</u>
<i>Sewer Fund:</i>		
Compost facility improvements	20,234,148	372,476
First Broad WWTP Influent project	7,000,000	19,660
Brushy Creek sewer outfall	<u>500,000</u>	<u>10,961</u>
Total	<u>27,734,148</u>	<u>403,097</u>
<i>Electric Fund:</i>		
WTP electric line-engineering	421,200	15,888
Substation 8 Additional Circuit	<u>414,000</u>	<u>51,029</u>
Total	<u>835,200</u>	<u>66,917</u>
<i>Gas Fund:</i>		
Hwy 74 Bypass section "C" gas line relocation	831,564	13,588
Hwy 74 Bypass section "D" & "E" gas line relocation	175,000	82,057
Ames Copper gas improvements	<u>722,458</u>	<u>687,815</u>
Total	<u>1,729,022</u>	<u>783,460</u>
Total	<u>\$ 71,398,893</u>	<u>\$ 2,533,050</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Capital asset activity for the ABC Board for the year ended June 30, 2021 was as follows:

<u>Component Unit</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
Non-Depreciable Capital Assets:				
Land	\$ 182,567	\$ -	\$ -	\$ 182,567
Depreciable Capital Assets:				
Buildings	707,946	-	-	707,946
Office and store equipment	253,006	-	-	253,006
Land improvements	1,950	-	-	1,950
Vehicle	28,375	-	-	28,375
Total depreciable capital assets	991,277	-	-	991,277
Less Accumulated Depreciation:				
Buildings	634,686	4,704	-	639,390
Office and store equipment	147,830	14,352	-	162,182
Land improvements	400	96	-	496
Vehicle	1,867	2,862	-	4,729
Total accumulated depreciation	784,783	22,014	-	806,797
Total ABC depreciable capital assets, net	206,494	(22,014)	-	184,480
ABC capital assets, net	<u>\$ 389,061</u>	<u>\$ (22,014)</u>	<u>\$ -</u>	<u>\$ 367,047</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, 2021 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts payable	\$ 456,447	\$ 689,554
Accrued gas and electric purchases	-	1,858,192
Accrued payroll liabilities	643,097	191,004
Total accounts payable and accrued liabilities	<u>\$ 1,099,544</u>	<u>\$ 2,738,750</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Long-Term Obligations

All financing arrangements that have an outstanding balance at June 30, 2021 are summarized as follows:

Financing Agreements	Interest Rate	Date Debt Matures	Amount of Original Debt	Balance Outstanding at June 30, 2021					
				Governmental Activities	Business-Type Activities				
					Water Fund	Sewer Fund	Electric Fund	Gas Fund	Stormwater Fund
Cleveland County	1.68%	2022	\$ 183,526	\$ -	\$ -	\$ 18,352	\$ -	\$ -	\$ -
2014 DENR	0.00%	2034	726,000	-	-	471,901	-	-	-
2015 DENR	0.00%	2029	3,130,438	-	-	2,191,307	-	-	-
2015DENR	0.00%	2029	9,396,658	-	-	7,047,494	-	-	-
2017 Purchase of equipment	1.89%	2022	1,130,000	149,418	18,030	28,314	15,842	9,229	30,552
Hannah Park	2.83%	2032	7,700,000	5,646,667	-	-	-	-	-
2018 Purchase of equipment	2.39%	2024	1,440,000	521,816	-	5,610	49,716	12,414	7,282
2019 DENR	1.53%	2039	16,349,774	-	15,528,381	-	-	-	-
2020 DENR	0.00%	2040	19,145,415	-	-	19,145,415	-	-	-
2019 Purchase of equipment	2.95%	2025	479,700	295,440	153,958	3,988	25,259	21,578	11,096
2020 Purchase of equipment	1.42%	2025	1,103,671	760,366	9,641	47,262	-	69,946	-
2020 Rail Trail	2.00%	2029	5,500,000	4,950,000	-	-	-	-	-
2021 Purchase of equipment	1.68%	2025	1,330,143	622,143	70,000	30,000	435,000	118,000	55,000
Cleveland County	2.19%	2030	2,975,000	2,677,500	-	-	-	-	-
Cleveland County	3.25%	2033	11,064,000	-	3,284,290	4,478,559	-	930,297	-
Total			<u>\$ 81,654,325</u>	<u>\$ 15,623,350</u>	<u>\$ 19,064,300</u>	<u>\$ 33,468,202</u>	<u>\$ 525,817</u>	<u>\$ 1,161,464</u>	<u>\$ 103,930</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Governmental Activities Long-Term Debt

The future minimum payments of the governmental activities long-term notes payable as of June 30, 2021 are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2022	\$ 2,173,895	\$ 363,208	\$ 2,537,103
2023	2,038,508	315,116	2,353,624
2024	1,781,718	270,230	2,051,948
2025	1,671,625	230,707	1,902,332
2026	1,487,604	194,118	1,681,722
2027-2031	5,956,667	474,175	6,430,842
2032	513,333	14,527	527,860
Total	<u>\$ 15,623,350</u>	<u>\$ 1,862,081</u>	<u>\$ 17,485,431</u>

The City's outstanding notes from direct placements related to governmental activities is \$15,623,350.

\$12,945,850 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 note payable to Cleveland County of \$2,677,500 is secured with property. The interlocal agreement specifies that the County and the City will 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 requires the City to made one half of each debt service payment that comes due prior to the property being sold. One payment was required during the fiscal year ended June 30, 2021. Once the property is sold, the County and City will split the proceeds of sale at 50 percent. The City's share of the installment contract will be satisfied with proceeds of the sale. Any excess proceeds will be 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, 2021

Business-Type Activities Long-Term Debt

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

Year Ending June 30	Water Fund		
	Principal	Interest	Total
2022	\$ 1,203,922	\$ 221,770	\$ 1,425,692
2023	1,187,553	210,730	1,398,283
2024	1,189,261	199,966	1,389,227
2025	1,136,459	189,152	1,325,611
2026	1,134,251	179,893	1,314,144
2027-2031	5,599,818	762,895	6,362,713
2032-2036	4,405,543	590,821	4,996,364
2037-2040	3,207,493	465,410	3,672,903
Total	<u>\$ 19,064,300</u>	<u>\$ 2,820,637</u>	<u>\$ 21,884,937</u>

Year Ending June 30	Sewer Fund		
	Principal	Interest	Total
2022	\$ 2,130,009	\$ 138,322	\$ 2,268,331
2023	2,083,714	124,482	2,208,196
2024	2,081,177	111,768	2,192,945
2025	2,079,242	99,095	2,178,337
2026	2,067,732	86,498	2,154,230
2027-2031	10,308,345	246,960	10,555,305
2032-2036	8,450,621	12,350	8,462,971
2037-2041	4,267,362	-	4,267,362
Total	<u>\$ 33,468,202</u>	<u>\$ 819,475</u>	<u>\$ 34,287,677</u>

Year Ending June 30	Electric Fund		
	Principal	Interest	Total
2022	\$ 133,741	\$ 6,957	\$ 140,698
2023	119,707	4,868	124,575
2024	95,717	3,130	98,847
2025	88,000	1,925	89,925
2026	88,652	899	89,551
Total	<u>\$ 525,817</u>	<u>\$ 17,779</u>	<u>\$ 543,596</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Year Ending June 30	Gas Fund		
	Principal	Interest	Total
2022	\$ 147,361	\$ 31,801	\$ 179,162
2023	139,041	28,160	167,201
2024	133,518	24,692	158,210
2025	125,475	21,325	146,800
2026	108,623	18,216	126,839
2027-2031	422,855	51,348	474,203
2032	84,591	2,568	87,159
Total	<u>\$ 1,161,464</u>	<u>\$ 178,110</u>	<u>\$ 1,339,574</u>

Year Ending June 30	Stormwater Fund		
	Principal	Interest	Total
2022	\$ 48,523	\$ 1,646	\$ 50,169
2023	18,287	785	19,072
2024	14,828	476	15,304
2025	11,141	244	11,385
2026	11,151	114	11,265
Total	<u>\$ 103,930</u>	<u>\$ 3,265</u>	<u>\$ 107,195</u>

The City's outstanding notes from direct borrowings and direct placements related to business-type activities is \$54,323,713.

\$1,227,717 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 \$8,711,498 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.

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Direct borrowing notes of \$44,384,498 are secured with collateral of water plant and sewer plant upgrades. The NCDENR notes contains a provision failure to adopt on or before completion of project, place into effect and agree to maintain the principal sum is paid, a schedule of fees that will adequately provide for proper operation, maintenance and administration of the project and for repayment of all principal of and interest on loans. In the event of default, monies owed to the City by the State of North Carolina may be used to satisfy the debt requirement.

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

The outstanding balances on these bonds at June 30, 2021 are as follows:

	Interest Rates	Date Series Matures	Amount of Original Issue	Balance Outstanding June 30, 2021
Combined Enterprise System, Series 2010	6.20%	2025	\$ 8,346,400	\$ 2,733,823
Combined Enterprise System, Series 2013A	2.78%	2029	9,645,000	5,525,000
Combined Enterprise System, Series 2013C	2.69%	2028	3,185,000	1,625,000
Combined Enterprise System, Series 2015	2.50%	2031	2,460,000	1,664,069
Combined Enterprise System, Series 2016	1.95%	2032	3,020,000	2,206,377
Total				<u>\$ 13,754,269</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30	Water Fund		
	Principal	Interest	Total
2022	\$ 1,030,509	\$ 251,347	\$ 1,281,856
2023	1,063,708	209,997	1,273,705
2024	1,095,697	167,167	1,262,864
2025	1,130,673	122,868	1,253,541
2026	671,852	84,584	756,436
2027-2031	2,855,381	175,870	3,031,251
2032	115,527	1,126	116,653
Total	<u>\$ 7,963,347</u>	<u>\$ 1,012,959</u>	<u>\$ 8,976,306</u>

Year Ending June 30	Sewer Fund		
	Principal	Interest	Total
2022	\$ 420,281	\$ 96,934	\$ 517,215
2023	433,783	79,361	513,144
2024	446,913	61,172	508,085
2025	460,998	42,366	503,364
2026	276,990	26,010	303,000
2027-2029	672,866	31,930	704,796
Total	<u>\$ 2,711,831</u>	<u>\$ 337,773</u>	<u>\$ 3,049,604</u>

Year Ending June 30	Electric Fund		
	Principal	Interest	Total
2022	\$ 212,000	\$ 52,099	\$ 264,099
2023	218,784	46,206	264,990
2024	223,872	40,124	263,996
2025	230,656	33,900	264,556
2026	237,440	27,488	264,928
2027-2029	751,328	42,198	793,526
Total	<u>\$ 1,874,080</u>	<u>\$ 242,015</u>	<u>\$ 2,116,095</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Year Ending June 30	Gas Fund		
	Principal	Interest	Total
2022	\$ 168,891	\$ 39,602	\$ 208,493
2023	174,289	33,237	207,526
2024	179,204	26,653	205,857
2025	184,765	19,862	204,627
2026	134,160	13,722	147,882
2027-2029	363,702	18,676	382,378
Total	<u>\$ 1,205,011</u>	<u>\$ 151,752</u>	<u>\$ 1,356,763</u>

The City has pledged future water, sewer, electric, and gas customer revenues, net of specified operating expenses, to repay \$26,656,400 revenue bonds series 2010, 2013, 2015, and 2016. Proceeds from the bonds provided financing for various capital improvements. The bonds are payable solely from water, sewer, electric, and gas customer net revenues and are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 9 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$15,498,768. Principal and interest paid for the current year and total customer net revenues were \$2,282,717 and \$19,554,623, respectively.

The City has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 704 of the Bond Order, authorizing the issuance of Revenue Bonds, Series 1995 since its adoption in 1995. Section 704(a) of the Bond Order requires the debt service coverage ratio to be no less than 125%. The debt service coverage ratio calculation for the year ended June 30, 2021 was as follows:

Operating revenues	\$ 57,206,325
Operating expenses*	<u>37,651,702</u>
Net income available for debt service	<u>\$ 19,554,623</u>
Debt service, principal, and interest paid (Revenue bond only)	<u>\$ 2,282,717</u>
Debt service coverage ratio	<u>856.64%</u>

*Per rate covenants, this does not include depreciation and amortization expense of \$3,886,183.

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Changes in Long-Term Liabilities. Long-term liability activity for the fiscal year ended June 30, 2021 was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental Activities:					
Direct placement installment debt	\$ 14,220,538	\$ 3,597,143	\$ (2,194,331)	\$ 15,623,350	\$ 2,173,895
Total pension liability - LEO	2,767,698	1,226,895	-	3,994,593	-
Compensated absences	1,147,282	1,773,700	(1,761,063)	1,159,919	696,000
Net pension liability - LGERS	4,779,813	1,623,195	-	6,403,008	-
Total OPEB liability	<u>12,381,046</u>	<u>1,975,619</u>	<u>-</u>	<u>14,356,665</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 35,296,377</u>	<u>\$ 10,196,552</u>	<u>\$ (3,955,394)</u>	<u>\$ 41,537,535</u>	<u>\$ 2,869,895</u>

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Water Fund:					
Revenue bonds	\$ 8,961,498	\$ -	\$ (998,151)	\$ 7,963,347	\$ 1,030,509
Direct placement & direct borrowing installment debt	19,055,940	1,210,303	(1,201,943)	19,064,300	1,203,922
Compensated absences	78,017	52,398	(51,588)	78,827	47,300
Net pension liability - LGERS	321,899	105,402	-	427,301	-
Total OPEB liability	<u>885,105</u>	<u>128,287</u>	<u>-</u>	<u>1,013,392</u>	<u>-</u>
Water Fund long-term liabilities	<u>\$ 29,302,459</u>	<u>\$ 1,496,390</u>	<u>\$ (2,251,682)</u>	<u>\$ 28,547,167</u>	<u>\$ 2,281,731</u>

Sewer Fund:					
Revenue bonds	\$ 3,118,884	\$ -	\$ (407,053)	\$ 2,711,831	\$ 420,281
Direct placement & direct borrowing installment debt	26,584,307	8,020,143	(1,136,248)	33,468,202	2,130,009
Compensated absences	58,960	111,084	(109,658)	60,386	60,386
Net pension liability - LGERS	348,491	126,483	-	474,974	-
Total OPEB liability	<u>960,773</u>	<u>153,944</u>	<u>-</u>	<u>1,114,717</u>	<u>-</u>
Sewer Fund long-term liabilities	<u>\$ 31,071,415</u>	<u>\$ 8,411,654</u>	<u>\$ (1,652,959)</u>	<u>\$ 37,830,110</u>	<u>\$ 2,610,676</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Within One Year</u>
Electric Fund:					
Revenue bonds	\$ 2,079,296	\$ -	\$ (205,216)	\$ 1,874,080	\$ 212,000
Direct placement installment debt	182,000	435,000	(91,183)	525,817	133,741
Compensated absences	39,335	78,676	(74,923)	43,088	43,088
Net pension liability - LGERS	256,369	105,402	-	361,771	-
Total OPEB liability	809,559	128,287	-	937,846	-
Electric Fund long-term liabilities	<u>\$ 3,366,559</u>	<u>\$ 747,365</u>	<u>\$ (371,322)</u>	<u>\$ 3,742,602</u>	<u>\$ 388,829</u>
Gas Fund:					
Revenue bonds	\$ 1,368,582	\$ -	\$ (163,571)	\$ 1,205,011	\$ 168,891
Direct placement installment debt	1,180,854	118,000	(137,390)	1,161,464	147,361
Compensated absences	57,412	119,088	(111,669)	64,831	64,831
Net pension liability - LGERS	347,538	105,402	-	452,940	-
Total OPEB liability	868,688	128,287	-	996,975	-
Gas Fund long-term liabilities	<u>\$ 3,823,074</u>	<u>\$ 470,777</u>	<u>\$ (412,630)</u>	<u>\$ 3,881,221</u>	<u>\$ 381,083</u>
Housing Assistance Fund:					
Compensated absences	\$ 33,501	\$ 51,809	\$ (51,759)	\$ 33,551	\$ 33,551
Net pension liability - LGERS	130,337	42,161	-	172,498	-
Total OPEB liability	<u>347,395</u>	<u>51,314</u>	<u>-</u>	<u>398,709</u>	<u>-</u>
Housing Assistance long-term liabilities	<u>\$ 511,233</u>	<u>\$ 145,284</u>	<u>\$ (51,759)</u>	<u>\$ 604,758</u>	<u>\$ 33,551</u>
Stormwater Fund:					
Direct placement installment debt	\$ 93,401	\$ 55,000	\$ (44,471)	\$ 103,930	\$ 48,523
Compensated absences	<u>10,532</u>	<u>20,903</u>	<u>(19,529)</u>	<u>11,906</u>	<u>11,906</u>
Stormwater Fund long-term liabilities	<u>\$ 103,933</u>	<u>\$ 75,903</u>	<u>\$ (64,000)</u>	<u>\$ 115,836</u>	<u>\$ 60,429</u>
Total Business-Type Activities:					
Revenue bonds	\$ 15,528,260	\$ -	\$ (1,773,991)	\$ 13,754,269	\$ 1,831,681
Direct placement & direct borrowing installment debt	47,096,502	9,838,446	(2,611,235)	54,323,713	3,663,556
Compensated absences	277,757	433,958	(419,126)	292,589	261,062
Net pension liability - LGERS	1,404,634	484,850	-	1,889,484	-
Total OPEB liability	<u>3,871,520</u>	<u>590,119</u>	<u>-</u>	<u>4,461,639</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 68,178,673</u>	<u>\$ 11,347,373</u>	<u>\$ (4,804,352)</u>	<u>\$ 74,721,694</u>	<u>\$ 5,756,299</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Compensated absences are typically liquidated in the General Fund.

At June 30, 2021, the City has a legal debt margin of approximately \$119,000,000.

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 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.

Benefits Provided

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

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021 was 10.84% of compensation for law enforcement officers and 10.21% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Shelby were \$1,570,798 for the year ended June 30, 2021. The ABC Board's contributions to LGERS for the year ended June 30, 2021 were \$36,936.

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, 2021, the City reported a liability of \$8,292,492 for its proportionate share of the net pension liability and the ABC Board reported \$120,782. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020, (measurement date) the City's proportion was 0.23206%, which was an increase of 0.00560% from its proportion measured as of June 30, 2019.

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

For the year ended June 30, 2021, the City recognized pension expense of \$2,856,243. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,047,196	\$ -
Changes of assumptions	617,124	-
Net difference between projected and actual earnings on pension plan investments	1,166,946	-
Changes in proportion and differences between City contributions and proportionate share of contributions	44,290	30,864
City contributions subsequent to the measurement date	1,570,798	-
Total	<u>\$ 4,446,354</u>	<u>\$ 30,864</u>

\$1,570,798 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, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2022	\$ 799,481
2023	1,061,601
2024	638,254
2025	345,356
2026	-
Thereafter	-
Total	<u>\$ 2,844,692</u>

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2019 valuation, with the exception of the discount rate, were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple-year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis.

These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

Asset Class	Long-Term	
	Target	Expected Real
	Allocation	Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	<u>\$ 16,824,563</u>	<u>\$ 8,292,492</u>	<u>\$ 1,201,741</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.

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	12
Active members	<u>70</u>
Total	<u>82</u>

Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meet the following criteria, which are outlined in GASB Statements 73.

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2019.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an experience study completed by the actuary for the Local Government Employees' Retirement System for the five-year period ended December 31, 2019.

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

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

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

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operation budget. There were no contributions made by the employees. The City's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$154,773 as benefits came due.

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

At June 30, 2021, the City reported a total pension liability of \$3,994,593. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was rolled forward to December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$447,376.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 271,970	\$ 14,754
Changes of assumptions and other inputs	874,783	54,027
City benefit payments and administrative expenses subsequent to the measurement date	85,185	-
Total	<u>\$ 1,231,938</u>	<u>\$ 68,781</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

\$85,185 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, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2022	\$ 248,128
2023	254,060
2024	240,697
2025	235,467
2026	99,620
Thereafter	-
Total	<u>\$ 1,077,972</u>

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate. The following presents the City's total pension liability calculated using the discount rate of 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	<u>\$ 4,311,783</u>	<u>\$ 3,994,593</u>	<u>\$ 3,703,497</u>

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

	2021
Beginning balance	\$ 2,767,698
Service cost	111,544
Interest on the total pension liability	87,704
Differences between expected and actual experience in the measurement of the total pension liability	231,007
Changes of assumptions or other inputs	951,413
Benefit payments	<u>(154,773)</u>
Ending balance of the total pension liability	<u>\$ 3,994,593</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate share of net pension liability	0.23206%	n/a	-
Pension liability	\$ 8,292,492	\$ 3,994,593	\$ 12,287,085
Pension expense	2,856,243	447,376	3,303,619

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Pensions - difference between expected and actual experience	\$ 1,047,196	\$ 271,970	\$ 1,319,166
Net difference between projected and actual investment earnings	1,166,946	-	1,166,946
Changes of assumptions	617,124	874,783	1,491,907
Pensions - change in proportion and differences between employer contributions and proportionate share of contributions	44,290	-	44,290
Benefit payments and administration costs subsequent to the measurement date	<u>1,570,798</u>	<u>85,185</u>	<u>1,655,983</u>
Total	<u>\$ 4,446,354</u>	<u>\$ 1,231,938</u>	<u>\$ 5,678,292</u>

<u>Deferred Inflows of Resources</u>			
Pensions - difference between expected and actual experience	\$ -	\$ 14,754	\$ 14,754
Changes of assumptions	-	54,027	54,027
Pensions - change in proportion and differences between employer contributions and proportionate share of contributions	<u>30,864</u>	<u>-</u>	<u>30,864</u>
Total	<u>\$ 30,864</u>	<u>\$ 68,781</u>	<u>\$ 99,645</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan.

The City contributed \$757,592 for the reporting year. No amounts were forfeited.

Other Post-Employment Benefits – Healthcare Benefits

Plan Description. Under the terms of a City resolution, the City administers a single-employer, defined benefit Healthcare Benefits Plan (the HCB Plan). The City Board has the authority to establish and amend the benefit terms and financing requirements. This plan provides post-employment healthcare benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees’ Retirement System (System) and have at least 22 years of creditable service with the City. The City pays the full cost of coverage for these benefits through private insurers. Also, the City’s retirees can purchase coverage for their dependents at the City’s group rates. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The City Council may amend the benefit provisions. A separate report was not issued for the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Membership of the Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefit payments	58
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	317
	<u>375</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Total OPEB Liability

The City's total OPEB liability of \$18,818,304 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 to 7.75 percent, including wage inflation
Discount rate	2.21 percent
Healthcare Cost Trends:	
Pre-Medicare	7.00 percent for 2019 decreasing to an ultimate rate of 4.50% by 2026

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2020	<u>\$ 16,252,566</u>
Changes for the year:	
Service cost	690,967
Interest	578,432
Differences between expected and actual experience	32,807
Changes of assumptions or other inputs	2,104,564
Benefit payments	<u>(841,032)</u>
Net changes	<u>2,565,738</u>
Balance at June 30, 2021	<u><u>\$ 18,818,304</u></u>

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

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS Board.

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	<u>\$ 20,665,165</u>	<u>\$ 18,818,304</u>	<u>\$ 17,161,083</u>

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

	1% Decrease	Current	1% Increase
Total OPEB liability	<u>\$ 16,586,801</u>	<u>\$ 18,818,304</u>	<u>\$ 21,500,015</u>

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$1,207,835. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 91,019	\$ 1,199,432
Changes of assumptions and other inputs	2,112,070	768,960
City benefit payments and administrative expenses subsequent to the measurement date	<u>895,357</u>	<u>-</u>
Total	<u>\$ 3,098,446</u>	<u>\$ 1,968,392</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

\$895,357 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, 2022. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending	Amount
June 30	
2022	\$ (61,567)
2023	(61,567)
2024	(61,567)
2025	(47,114)
2026	56,986
Thereafter	<u>409,526</u>
Total	<u>\$ 234,697</u>

Other Employment Benefit

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

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Deferred Outflows and Inflows of Resources

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

Source	Deferred Outflows	Deferred Inflows
Contributions to pension plan in current fiscal year:		
LGERS	\$ 1,570,798	\$ -
LEOSSA	85,185	-
Benefit payments/administration costs paid subsequent to the measurement date (OPEB)	895,357	-
Differences between expected and actual experience:		
LGERS	1,047,196	-
LEOSSA	271,970	14,754
OPEB	91,019	1,199,432
Changes in assumptions:		
LGERS	617,124	-
LEOSSA	874,783	54,027
OPEB	2,112,070	768,960
Net difference between projected and actual:		
LGERS	1,166,946	-
Changes in proportion and differences between employer contributions and proportionate share:		
LGERS	44,290	30,864
Deferred charge on refunding	332,503	-
Taxes receivable (General Fund)	-	428,825
Taxes receivable (nonmajor funds)	-	1,719
Total	<u>\$ 9,109,241</u>	<u>\$ 2,498,581</u>

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in three self-funded, risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop/loss insurance is purchased by the Board of Trustees to protect against large medical

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop/loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

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

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

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

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

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

Claims, Judgments, and Contingent Liabilities

At June 30, 2021, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

Summary Disclosure of Significant Contingencies

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

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the City, COVID-19 is expected to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

3. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2021 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	\$ 326,723
General Fund	Water Fund	6,464
General Fund	Sewer Fund	7,445
General Fund	Electric Fund	10,920
General Fund	Gas Fund	8,401
General Fund	Housing Assistance Fund	1,362
Electric Fund	Water Fund	463,250
Electric Fund	Sewer Fund	1,236,750
Gas Fund	Sewer Fund	880,000
Total		<u>\$ 2,941,315</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, 2021 was \$880,000. 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, 2021 for the Water and Sewer Funds were \$463,250 and \$1,236,750, respectively. The \$361,315 interfund receivables between the General fund and Capital Projects, Water, Sewer, Electric, Gas, and Housing Assistance Funds are due to timing differences and are due and payable in less than a year.

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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
	Gas Fund	2,400,000	investment
Economic Development			
Project Fund	General Fund	362,000	Capital purposes - grant match
	Econ. Dev. Commision	384,000	
Nonmajor Special			
Revenue Fund	General Fund	403,073	Economic development
	Water Fund	5,000	purposes - grant match
	Sewer Fund	5,000	
	Electric Fund	414,231	
	Gas Fund	714,231	
Nonmajor Capital			
Project Fund	General Fund	325,500	Capital purposes - grant match
	Stormwater Fund	30,900	
Water Fund	Econ. Dev. Commision	407,250	Economic development incentive
Sewer Fund	Econ. Dev. Commision	555,360	Economic development incentive
Gas Fund	Econ. Dev. Commision	116,340	Economic development incentive
Total		<u>\$ 7,022,885</u>	

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

4. Net Investment in Capital Assets

Net investment in capital assets is comprised of the following:

Governmental Activities:

Capital assets, net of accumulated depreciation	\$ 70,411,116
Outstanding balance on related debt	(15,623,350)
Unspent debt proceeds	<u>575,622</u>
Total governmental activities	<u>\$ 55,363,388</u>

Business-Type Activities:

Water Fund:

Capital assets, net of accumulated depreciation	\$ 56,737,545
Outstanding balance on related debt	(27,027,647)
Deferred charge on refunding	<u>138,594</u>
Total Water	<u>29,848,492</u>

Sewer Fund:

Capital assets, net of accumulated depreciation	74,180,687
Outstanding balance on related debt	(36,180,033)
Deferred charge on refunding	<u>43,897</u>
Total Sewer	<u>38,044,551</u>

Electric Fund:

Capital assets, net of accumulated depreciation	19,650,534
Outstanding balance on related debt	(2,399,897)
Deferred charge on refunding	<u>112,807</u>
Total Electric	<u>17,363,444</u>

Gas Fund:

Capital assets, net of accumulated depreciation	20,122,374
Outstanding balance on related debt	(2,366,475)
Deferred charge on refunding	<u>37,205</u>
Total Gas	<u>17,793,104</u>

Stormwater Fund:

Capital assets, net of accumulated depreciation	145,194
Outstanding balance on related debt	<u>(103,930)</u>
Total Stormwater	<u>41,264</u>

Housing Assistance Fund:

Capital assets, net of accumulated depreciation	<u>5,022,832</u>
Total business-type activities	<u>\$ 108,113,687</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021 were \$13,985,205.

The City is a member of the Foothills Regional Commission (formerly the Isothermal Planning and Development Commission), one of 18 regional Councils of Government in North Carolina. Four counties and 29 municipalities comprise the Commission. Participating governments established the Commission to coordinate various funding from federal and state agencies and to provide assistance for specific projects. Each participating unit of government appoints one member to the Commission’s governing board. The City paid membership fees of approximately \$15,936 to the Commission during the year ended June 30, 2021.

6. Subsequent Events

In August 2021, the City sold the Shell Building #3 for \$6,975,000. The City and County entered into an interlocal agreement to share 50 percent each in the cost to construct and net proceeds from the sale of the building. The construction was financed by a combination of a \$2,975,000 installment loan from the County and County matching funds for its share of the costs. At June 30, 2021, the City owed \$2,677,500 to the County, which was repaid with the County’s 50 percent share of the proceeds. The book value of the building included in construction in progress at June 30, 2021 was \$5,776,387.

As part of pandemic relief provided by the federal government, the City of Shelby was awarded \$6,382,235 from the American Rescue Plan (ARP.) The City received the first installment of \$3,191,118 subsequent to year end, with the remaining \$3,191,117 expected to be received within the next 12 months.

7. Restatement

During the year ended June 30, 2021, the City determined that a transaction to purchase land under an installment purchase agreement was excluded from the City’s governmental activities capital assets and long-term debt. The \$5,500,000 purchase of land for the Rail Trail project in December 2019 was made from an attorney’s escrow account and therefore no cash transactions were reflected in the City’s books. The error was discovered and corrected when the first debt service installment came due. The balance of governmental activities land and installment purchases as of June 30, 2020 have been restated by \$5,500,000 in the government-wide financial statements. In addition, the prior year activity and project-to-date proceeds from long-term debt and land acquisition accounts in the Economic Development Project Fund have also been restated. There was no effect on current year activity, net position, or fund balances as a result of this restatement.





REQUIRED SUPPLEMENTARY INFORMATION

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

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

	Total OPEB Liability			
	2021	2020	2019	2018
Beginning balance	\$ 16,252,566	\$ 16,973,586	\$ 16,938,421	\$ 17,227,773
Service cost	690,967	749,635	777,437	844,592
Interest on TOL and cash flows	578,432	643,340	587,434	507,111
Differences between expected and actual experience	32,807	(1,569,626)	83,254	21,481
Changes of assumptions or other inputs	2,104,564	334,602	(530,312)	(896,404)
Benefit payments	(841,032)	(878,971)	(882,648)	(766,132)
Ending balance of the total pension liability	<u>\$ 18,818,304</u>	<u>\$ 16,252,566</u>	<u>\$ 16,973,586</u>	<u>\$ 16,938,421</u>
Covered payroll	\$ 13,711,420	\$ 13,711,420	\$ 12,728,673	\$ 12,728,673
Total OPEB liability as a percentage of covered payroll	137.25%	118.53%	133.35%	133.07%

Notes to Required Schedule:

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

Fiscal Year	Rate
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.

CITY OF SHELBY, NORTH CAROLINA

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

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

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

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

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

CITY OF SHELBY, NORTH CAROLINA

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

	Local Government Employees' Retirement System			
	2017	2016	2015	2014
Shelby's proportion of the net pension liability (asset) (%)	0.21857%	0.21316%	0.21615%	0.25200%
Shelby's proportion of the net pension liability (asset) (\$)	\$ 4,638,788	\$ 956,648	\$ (1,274,737)	\$ 2,714,525
Shelby's covered payroll	\$ 12,458,381	\$ 11,891,524	\$ 11,775,999	\$ 11,242,846
Shelby's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	37.23%	8.04%	(10.82%)	24.14%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

CITY OF SHELBY, NORTH CAROLINA**CITY OF SHELBY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS**

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

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

CITY OF SHELBY, NORTH CAROLINA**CITY OF SHELBY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS**

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

CITY OF SHELBY, NORTH CAROLINA

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

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

Notes to the Schedule:

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

Changes in Assumptions

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

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

Fiscal Year	Rate
2021	1.93%
2020	3.26%
2019	3.64%
2018	3.16%
2017	3.86%

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

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

CITY OF SHELBY, NORTH CAROLINA

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

	Law Enforcement Officers' Special Separation Allowance				
	2021	2020	2019	2018	2017
Total pension liability	\$ 3,994,593	\$ 2,767,698	\$ 2,502,779	\$ 2,533,732	\$ 2,277,534
Covered payroll	3,850,369	3,688,116	3,459,140	3,568,670	3,526,429
Total pension liability as a percentage of covered-employee payroll*	103.75%	75.04%	72.35%	71.00%	64.58%

Notes to the Schedule:

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

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

* Valuation payroll





GENERAL FUND

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



CITY OF SHELBY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

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

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 12,488,292	\$ 13,035,051	\$ 546,759	\$ 12,309,160
Prior years	100,000	223,021	123,021	115,111
Tax discounts	(30,000)	(37,176)	(7,176)	(34,176)
Interest and penalties	15,000	54,019	39,019	28,561
Total	12,573,292	13,274,915	701,623	12,418,656
Other Taxes and Licenses:				
Local option sales tax	3,962,000	5,588,203	1,626,203	4,585,161
Privilege licenses	6,000	931	(5,069)	1,476
Total	3,968,000	5,589,134	1,621,134	4,586,637
Unrestricted Intergovernmental Revenues:				
Payment in lieu of taxes	9,000	15,586	6,586	15,331
Utility franchise tax	2,000,000	1,945,397	(54,603)	1,918,022
Beer and wine tax	89,000	84,238	(4,762)	86,897
ABC revenue	140,000	183,473	43,473	223,047
Total	2,238,000	2,228,694	(9,306)	2,243,297
Restricted Intergovernmental Revenues:				
Powell Bill allocation	499,800	554,228	54,428	586,096
Coronavirus relief grant	-	533,602	533,602	-
Federal and state grants	174,500	201,247	26,747	255,917
ABC law enforcement revenue	15,000	17,984	2,984	38,854
Rental vehicle gross receivable tax	37,000	46,958	9,958	43,020
Total	726,300	1,354,019	627,719	923,887
Permits and Fees:				
Building permits/inspection fees	75,000	222,415	147,415	157,134
Other permits	93,750	165,269	71,519	133,140
Filing fees	-	200	200	320
Total	168,750	387,884	219,134	290,594
Sales and Services:				
Court costs and fees	7,000	5,371	(1,629)	8,996
Golf cart rentals	55,050	67,272	12,222	51,191
Recreation revenue	306,100	229,618	(76,482)	214,224
Garbage disposal fees	1,284,000	1,291,206	7,206	1,294,596
Recycling fees	-	-	-	98,110
Utility late fees	135,000	186,643	51,643	120,000
Airport fuel sales	225,000	214,490	(10,510)	203,063
Other rent	75,000	171,550	96,550	116,732
Total	2,087,150	2,166,150	79,000	2,106,912

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, 2021

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

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Investment Earnings	115,000	15,794	(99,206)	139,941
Miscellaneous:				
Student resource officer	221,500	301,118	79,618	221,500
Public nuisance	20,000	24,721	4,721	157,111
Other	79,000	23,799	(55,201)	211,792
Total	320,500	349,638	29,138	590,403
Total revenues	22,196,992	25,366,228	3,169,236	23,300,327
Expenditures:				
General Government:				
Mayor and council	84,496	68,063	16,433	92,014
Administration and general	669,424	625,688	43,736	352,357
Finance	578,477	574,457	4,020	616,796
Purchasing	71,549	66,625	4,924	110,883
Legal	12,200	12,200	-	12,200
Human resources	209,553	182,734	26,819	165,018
City hall	117,317	117,291	26	97,966
Building and zoning	385,300	249,090	136,210	355,758
Community development	540,900	508,283	32,617	584,918
Special appropriations	1,280,653	989,419	291,234	956,891
Total	3,949,869	3,393,850	556,019	3,344,801
Public Safety:				
Police department	7,867,650	7,702,990	164,660	7,671,187
Fire department	4,700,870	4,364,137	336,733	4,999,829
Total	12,568,520	12,067,127	501,393	12,671,016
Transportation:				
Streets and highways	1,526,355	1,385,466	140,889	1,229,083
Street maintenance and repairs - Powell Bill	139,200	100,184	39,016	158,847
Street construction and improvement - Powell Bill	797,200	386,694	410,506	446,629
Garage	494,785	479,708	15,077	480,926
Airport	475,865	401,962	73,903	374,709
Total	3,433,405	2,754,014	679,391	2,690,194
Environmental Protection:				
Sanitation	1,963,787	1,947,110	16,677	1,718,035
Recycling	-	-	-	192,786
Total	1,963,787	1,947,110	16,677	1,910,821

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, 2021

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

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Cultural and Recreational:				
Parks and recreation	3,088,237	2,725,823	362,414	3,028,915
Debt Service:				
Principal retirement	2,208,500	2,194,331	14,169	1,471,629
Interest	403,219	402,666	553	192,106
Total	2,611,719	2,596,997	14,722	1,663,735
Total expenditures	27,615,537	25,484,921	2,130,616	25,309,482
Revenues over (under) expenditures	(5,418,545)	(118,693)	5,299,852	(2,009,155)
Other Financing Sources (Uses):				
Transfers from other funds	3,300,000	3,300,000	-	3,300,000
Transfers (to) other funds	(1,090,573)	(1,090,573)	-	(376,861)
Long-term debt issued	622,143	622,143	-	945,871
Proceeds from the sale of capital assets	20,000	28,304	8,304	1,218
Appropriated fund balance	2,566,975	-	(2,566,975)	-
Total other financing sources (uses)	5,418,545	2,859,874	(2,558,671)	3,870,228
Net change in fund balance	\$ -	2,741,181	\$ 2,741,181	1,861,073
Fund Balance:				
Beginning of year - July 1		9,461,584		7,600,511
End of year - June 30		\$ 12,202,765		\$ 9,461,584





MAJOR GOVERNMENTAL FUND

Capital Project Funds

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



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, 2021

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
County, local grants	\$ 630,210	\$ 1,940,105	\$ 1,018,881	\$ 2,958,986
Restricted intergovernmental	4,273,000	113,330	200,000	313,330
Investment earnings (loss)	-	2,655	(26)	2,629
Total revenues	<u>4,903,210</u>	<u>2,056,090</u>	<u>1,218,855</u>	<u>3,274,945</u>
Expenditures:				
Project #WSBPR - Washburn Switch				
Business Park Roadway	438,210	203,758	-	203,758
Project #SHL3 - Job ready shell building #3	6,024,100	1,732,863	4,043,524	5,776,387
Project #SHL4 - Job ready shell building #4	354,000	-	-	-
Project #RLTRL - NS Rail Trail Corridor	6,213,500	5,720,796	86,640	5,807,436
Total expenditures	<u>13,029,810</u>	<u>7,657,417</u>	<u>4,130,164</u>	<u>11,787,581</u>
Revenues over (under) expenditures	<u>(8,126,600)</u>	<u>(5,601,327)</u>	<u>(2,911,309)</u>	<u>(8,512,636)</u>
Other Financing Sources (Uses):				
Long-term debt issued	7,364,100	5,500,000	2,975,000	8,475,000
Transfers from other funds	762,500	34,177	746,000	780,177
Total other financing sources (uses)	<u>8,126,600</u>	<u>5,534,177</u>	<u>3,721,000</u>	<u>9,255,177</u>
Net change in fund balance (deficit)	<u>\$ -</u>	<u>\$ (67,150)</u>	<u>\$ 809,691</u>	<u>\$ 742,541</u>





NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENTS AND SCHEDULES

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

Special Revenue Funds

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

Capital Project Funds

- **Capital Projects Fund** – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by proprietary funds) that benefit various functions of government within the City.
- **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, 2021**

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Nonmajor Permanent Funds	Total
Assets:				
Cash and cash equivalents	\$ 2,822,491	\$ 199,475	\$ -	\$ 3,021,966
Receivables, net:				
Taxes	1,719	-	-	1,719
Accounts	2,933	291	11,284	14,508
Interest	621	-	-	621
Loans	5,136	-	-	5,136
Due from other governments	27,440	112,019	-	139,459
Prepays	26,457	-	-	26,457
Cash and cash equivalents - restricted	-	-	1,495,053	1,495,053
Total assets	<u>\$ 2,886,797</u>	<u>\$ 311,785</u>	<u>\$ 1,506,337</u>	<u>\$ 4,704,919</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 50,514	\$ 64,646	\$ -	\$ 115,160
Due to other funds	-	326,723	-	326,723
Total liabilities	<u>50,514</u>	<u>391,369</u>	<u>-</u>	<u>441,883</u>
Deferred Inflows of Resources:				
Taxes receivable	<u>1,719</u>	<u>-</u>	<u>-</u>	<u>1,719</u>
Fund Balances:				
Non-spendable:				
Perpetual	-	-	1,495,053	1,495,053
Prepays	26,457	-	-	26,457
Restricted:				
Stabilization by state statute	36,130	112,310	11,284	159,724
Public safety	177,608	-	-	177,608
Committed:				
Capital projects	-	199,475	-	199,475
Assigned:				
Economic development	2,594,369	-	-	2,594,369
Unassigned	-	(391,369)	-	(391,369)
Total fund balances	<u>2,834,564</u>	<u>(79,584)</u>	<u>1,506,337</u>	<u>4,261,317</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,886,797</u>	<u>\$ 311,785</u>	<u>\$ 1,506,337</u>	<u>\$ 4,704,919</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, 2021

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Nonmajor Permanent Funds	Total
Revenues:				
Ad valorem taxes	\$ 122,291	\$ -	\$ -	\$ 122,291
Restricted intergovernmental	307,603	187,656	-	495,259
Investment earnings (loss)	(786)	(717)	10,380	8,877
Miscellaneous	1,700	-	-	1,700
Donations	-	-	168,595	168,595
Total revenues	<u>430,808</u>	<u>186,939</u>	<u>178,975</u>	<u>796,722</u>
Expenditures:				
General government	-	-	1,519	1,519
Public safety	53,355	-	-	53,355
Transportation	-	296,794	-	296,794
Housing and redevelopment	832,885	1,513,307	-	2,346,192
Total expenditures	<u>886,240</u>	<u>1,810,101</u>	<u>1,519</u>	<u>2,697,860</u>
Revenues over (under) expenditures	<u>(455,432)</u>	<u>(1,623,162)</u>	<u>177,456</u>	<u>(1,901,138)</u>
Other Financing Sources (Uses):				
Transfers from other funds	1,541,535	356,400	-	1,897,935
Transfers (to) other funds	<u>(1,462,950)</u>	<u>-</u>	<u>-</u>	<u>(1,462,950)</u>
Total other financing sources (uses)	<u>78,585</u>	<u>356,400</u>	<u>-</u>	<u>434,985</u>
Net change in fund balances	(376,847)	(1,266,762)	177,456	(1,466,153)
Fund Balances:				
Beginning of year - July 1	<u>3,211,411</u>	<u>1,187,178</u>	<u>1,328,881</u>	<u>5,727,470</u>
End of year - June 30	<u>\$ 2,834,564</u>	<u>\$ (79,584)</u>	<u>\$ 1,506,337</u>	<u>\$ 4,261,317</u>

CITY OF SHELBY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2021

	Emergency Telephone System Fund	Economic Development Commission Fund	Total Nonmajor Special Revenue Funds
Assets:			
Cash and cash equivalents	\$ 177,688	\$ 2,644,803	\$ 2,822,491
Receivables, net:			
Taxes	-	1,719	1,719
Accounts	2,933	-	2,933
Interest	-	621	621
Loans	-	5,136	5,136
Prepaid items	26,457	-	26,457
Due from other governments	-	27,440	27,440
Total assets	<u>\$ 207,078</u>	<u>\$ 2,679,719</u>	<u>\$ 2,886,797</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ 80</u>	<u>\$ 50,434</u>	<u>\$ 50,514</u>
Deferred Inflows of Resources:			
Taxes receivable	<u>-</u>	<u>1,719</u>	<u>1,719</u>
Fund Balances:			
Non-spendable:			
Prepays	26,457	-	26,457
Restricted:			
Stabilization by state statute	2,933	33,197	36,130
Public safety	177,608	-	177,608
Assigned:			
Economic development	-	2,594,369	2,594,369
Total fund balances	<u>206,998</u>	<u>2,627,566</u>	<u>2,834,564</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 207,078</u>	<u>\$ 2,679,719</u>	<u>\$ 2,886,797</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, 2021**

	Emergency Telephone System Fund	Economic Development Commission Fund	Total Nonmajor Special Revenue Funds
Revenues:			
Ad valorem taxes	\$ -	\$ 122,291	\$ 122,291
Restricted intergovernmental	35,194	272,409	307,603
Investment earnings (loss)	-	(786)	(786)
Miscellaneous income	-	1,700	1,700
Total revenues	<u>35,194</u>	<u>395,614</u>	<u>430,808</u>
Expenditures:			
Public safety	53,355	-	53,355
Housing and redevelopment	-	832,885	832,885
Total expenditures	<u>53,355</u>	<u>832,885</u>	<u>886,240</u>
Revenues over (under) expenditures	<u>(18,161)</u>	<u>(437,271)</u>	<u>(455,432)</u>
Other Financing Sources (Uses):			
Transfers from other funds	-	1,541,535	1,541,535
Transfers (to) other funds	-	(1,462,950)	(1,462,950)
Total other financing sources (uses)	<u>-</u>	<u>78,585</u>	<u>78,585</u>
Net change in fund balances	(18,161)	(358,686)	(376,847)
Fund Balances:			
Beginning of year - July 1	<u>225,159</u>	<u>2,986,252</u>	<u>3,211,411</u>
End of year - June 30	<u>\$ 206,998</u>	<u>\$ 2,627,566</u>	<u>\$ 2,834,564</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental	\$ 107,000	\$ 35,194	\$ (71,806)
Expenditures:			
Public safety:			
Software	20,000	192	19,808
Furniture	500	-	500
Travel and training	3,000	429	2,571
Hardware	7,000	880	6,120
Phone system	76,500	51,854	24,646
Total expenditures	<u>107,000</u>	<u>53,355</u>	<u>53,645</u>
Net change in fund balance	\$ <u>-</u>	(18,161)	\$ <u>(18,161)</u>
Fund Balance:			
Beginning of year - July 1		<u>225,159</u>	
End of year - June 30		<u>\$ 206,998</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad valorem taxes	\$ 114,950	\$ 122,291	\$ 7,341
Restricted intergovernmental	181,000	272,409	91,409
Investment earnings (loss)	5,500	(786)	(6,286)
Miscellaneous income	<u>52,000</u>	<u>8,800</u>	<u>(43,200)</u>
Total revenues	<u>353,450</u>	<u>402,714</u>	<u>49,264</u>
Expenditures:			
Housing and redevelopment	<u>1,010,835</u>	<u>832,885</u>	<u>177,950</u>
Revenues over (under) expenditures	<u>(657,385)</u>	<u>(430,171)</u>	<u>227,214</u>
Other Financing Sources (Uses):			
Transfers from other funds	1,541,535	1,541,535	-
Transfers (to) other funds	(1,462,950)	(1,462,950)	-
Appropriated fund balance	<u>578,800</u>	<u>-</u>	<u>(578,800)</u>
Total other financing sources (uses)	<u>657,385</u>	<u>78,585</u>	<u>(578,800)</u>
Net change in fund balance	<u>\$ -</u>	<u>(351,586)</u>	<u>\$ (351,586)</u>
Reconciliation of Budgetary Basis with Modified Accrual Basis:			
Payment received on notes receivable		<u>(7,100)</u>	
Net change in fund balance, modified accrual basis		(358,686)	
Fund Balance:			
Beginning of year - July 1		<u>2,986,252</u>	
End of year - June 30		<u>\$ 2,627,566</u>	

CITY OF SHELBY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2021

	Capital Projects Fund	Economic Development Reserve Fund	Total Nonmajor Capital Project Funds
Assets:			
Cash and cash equivalents	\$ -	\$ 199,475	\$ 199,475
Receivables, net	291	-	291
Due from other governments	112,019	-	112,019
	<u>112,310</u>	<u>-</u>	<u>112,019</u>
Total assets	\$ 112,310	\$ 199,475	\$ 311,785
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 64,646	\$ -	\$ 64,646
Due to other funds	326,723	-	326,723
Total liabilities	<u>391,369</u>	<u>-</u>	<u>391,369</u>
Fund Balances:			
Restricted:			
Stabilization by state statute	112,310	-	112,310
Committed	-	199,475	199,475
Unassigned	(391,369)	-	(391,369)
Total fund balances	<u>(279,059)</u>	<u>199,475</u>	<u>(79,584)</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ 112,310	\$ 199,475	\$ 311,785

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, 2021

	Capital Projects Fund	Economic Development Reserve Fund	Total Nonmajor Capital Project Funds
Revenues:			
Restricted intergovernmental	\$ 187,656	\$ -	\$ 187,656
Investment earnings (loss)	(717)	-	(717)
Total revenues	<u>186,939</u>	<u>-</u>	<u>186,939</u>
Expenditures:			
Transportation	296,794	-	296,794
Redevelopment	<u>1,513,307</u>	<u>-</u>	<u>1,513,307</u>
Total expenditures	<u>1,810,101</u>	<u>-</u>	<u>1,810,101</u>
Revenues over (under) expenditures	(1,623,162)	-	(1,623,162)
Other Financing Sources (Uses):			
Transfers from other funds	<u>356,400</u>	<u>-</u>	<u>356,400</u>
Net change in fund balances	(1,266,762)	-	(1,266,762)
Fund Balances:			
Beginning of year - July 1	<u>987,703</u>	<u>199,475</u>	<u>1,187,178</u>
End of year - June 30	<u>\$ (279,059)</u>	<u>\$ 199,475</u>	<u>\$ (79,584)</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, 2021

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Proj #THDTR - Carolina Thread Trail	\$ 333,200	\$ 318,148	\$ -	\$ 318,148
Proj #APLEA - Airport Land Easement Acquisition	1,081,575	1,069,364	(3,593)	1,065,771
Proj #APTHP - Airport T Hanger	3,757,386	4,241,721	(23,810)	4,217,911
Proj #HPMRC - Hanna Property Multi-Purpose Recreation Complex	48,000	112,250	-	112,250
Proj #USPIP - Uptown Streetscape/Ped Improvements	668,538	-	-	-
Proj #ALP20 - Airport Layout Plan Update 2020	237,500	-	210,603	210,603
Proj #APTH4 - Airport T Hanger #4	130,000	-	4,456	4,456
Proj #CDBG - Community Dev Block Grant-Corona Virus	900,000	-	-	-
Investment earnings (loss)	-	-	(717)	(717)
Total revenues	<u>7,156,199</u>	<u>5,741,483</u>	<u>186,939</u>	<u>5,928,422</u>
Expenditures:				
Proj #THDTR - Carolina Thread Trail	645,450	438,263	80,700	518,963
Proj #APLEA - Airport Land Easement Acquisition	1,138,500	1,125,648	-	1,125,648
Proj #APTHP - Airport T Hanger	4,329,998	4,339,956	875	4,340,831
Proj #HPMRC - Hanna Property Multi-Purpose Recreation Complex	8,268,800	8,206,870	16,355	8,223,225
Proj #USPIP - Uptown Streetscape/Ped Improvements	4,890,975	3,367,345	1,426,607	4,793,952
Proj #EGP15 - East Gateway Enhancement Project	436,500	412,743	-	412,743
Proj #ALP20 - Airport Layout Plan Update 2020	250,000	-	221,687	221,687
Proj #APTH4 - Airport T Hanger #4	130,000	-	4,456	4,456
Proj #CDBG - Community Dev Block Grant-Corona Virus	945,000	-	6,000	6,000
Proj #GOB22 - FY22 General Obligation Bonds	80,000	-	-	-
Proj #TAMPU - Transportation Asset Management Plan Update	76,400	-	53,421	53,421
Total expenditures	<u>21,191,623</u>	<u>17,890,825</u>	<u>1,810,101</u>	<u>19,700,926</u>
Revenues over (under) expenditures	<u>(14,035,424)</u>	<u>(12,149,342)</u>	<u>(1,623,162)</u>	<u>(13,772,504)</u>
Other Financing Sources (Uses):				
Transfers from other funds	6,335,424	5,437,045	356,400	5,793,445
Long-term debt issued	7,700,000	7,700,000	-	7,700,000
Total other financing sources (uses)	<u>14,035,424</u>	<u>13,137,045</u>	<u>356,400</u>	<u>13,493,445</u>
Net change in fund balance (deficit)	<u>\$ -</u>	<u>\$ 987,703</u>	<u>\$ (1,266,762)</u>	<u>\$ (279,059)</u>

CITY OF SHELBY, NORTH CAROLINA

ECONOMIC DEVELOPMENT RESERVE - NONMAJOR CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

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

CITY OF SHELBY, NORTH CAROLINA

NONMAJOR PERMANENT FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2021

	Raper Roark Trust Fund	Cemetery Fund	Total Permanent Funds
Assets:			
Accounts receivable, net	\$ 11,284	\$ -	\$ 11,284
Cash and cash equivalents - restricted	<u>694,096</u>	<u>800,957</u>	<u>1,495,053</u>
Total assets	<u>\$ 705,380</u>	<u>\$ 800,957</u>	<u>\$ 1,506,337</u>
Fund Balances:			
Non-spendable:			
Perpetual	\$ 694,096	\$ 800,957	\$ 1,495,053
Restricted for stabilization by state statute	<u>11,284</u>	<u>-</u>	<u>11,284</u>
Total fund balances	<u><u>\$ 705,380</u></u>	<u><u>\$ 800,957</u></u>	<u><u>\$ 1,506,337</u></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, 2021

	Raper Roark Trust Fund	Cemetery Fund	Total Permanent Funds
Revenues:			
Investment earnings	\$ 10,380	\$ -	\$ 10,380
Donations	<u>75,510</u>	<u>93,085</u>	<u>168,595</u>
Total revenues	<u>85,890</u>	<u>93,085</u>	<u>178,975</u>
Expenditures:			
General government	<u>1,519</u>	<u>-</u>	<u>1,519</u>
Net change in fund balances	84,371	93,085	177,456
Fund Balances:			
Beginning of year - July 1	<u>621,009</u>	<u>707,872</u>	<u>1,328,881</u>
End of year - June 30	<u>\$ 705,380</u>	<u>\$ 800,957</u>	<u>\$ 1,506,337</u>



PROPRIETARY FUNDS ENTERPRISE FUNDS

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

Major Enterprise Funds

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

Nonmajor Enterprise Fund

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



CITY OF SHELBY, NORTH CAROLINA

ENTERPRISE FUND - WATER FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Water charges	\$ 5,350,000	\$ 5,288,337	\$ (61,663)
Water taps	40,000	76,693	36,693
Water cutoffs	4,000	4,920	920
Other	78,000	111,493	33,493
Total operating revenues	<u>5,472,000</u>	<u>5,481,443</u>	<u>9,443</u>
Non-operating revenues:			
Grant - refund of interest expense	50,000	43,023	(6,977)
Investment earnings	1,000	47	(953)
Total non-operating revenues	<u>51,000</u>	<u>43,070</u>	<u>(7,930)</u>
Total revenues	<u>5,523,000</u>	<u>5,524,513</u>	<u>1,513</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Administration	776,463	750,099	26,364
Operations	779,449	622,238	157,211
Maintenance and repairs	213,980	89,289	124,691
Treatment plant	1,757,786	1,386,120	371,666
Capital outlay	228,000	47,584	180,416
Total costs of sales and services	<u>3,755,678</u>	<u>2,895,330</u>	<u>860,348</u>
Debt service:			
Principal retirement	2,228,570	2,200,094	28,476
Interest	545,680	572,720	(27,040)
Total debt service	<u>2,774,250</u>	<u>2,772,814</u>	<u>1,436</u>
Total operating expenditures	<u>6,529,928</u>	<u>5,668,144</u>	<u>861,784</u>
Revenue over (under) expenditures	<u>(1,006,928)</u>	<u>(143,631)</u>	<u>863,297</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfers from other funds	407,250	407,250	-
Transfers (to) other funds	(5,000)	(5,000)	-
Long-term debt issued	70,000	70,000	-
Appropriated fund balance	534,678	-	(534,678)
Total other financing sources (uses)	<u>1,006,928</u>	<u>472,250</u>	<u>(534,678)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>328,619</u>	<u>\$ 328,619</u>

Reconciliation of Modified Accrual Basis with Accrual Basis:

Reconciling items:

Debt principal	2,200,094
Long-term debt issued	(70,000)
Capital outlay	47,584
Change in accrued interest	11,698
Change in compensated absences	(810)
Change in other post-employment benefits	(128,287)
Change in deferred outflows of resources - OPEB	92,573
Change in deferred inflows of resources - OPEB	18,319
Change in net pension liability	(105,402)
Change in deferred outflows of resources - pension	40,173
Change in deferred inflows of resources - pension	1,247
Payment on notes receivable	(28,739)
Depreciation	(1,114,523)
Amortization	(17,324)
Water Capital Projects Fund activity	<u>(838)</u>
Total reconciling items	<u>945,765</u>
Change in net position	<u>\$ 1,274,384</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, 2021

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Capital Grants:				
Project #834 - Farmville Road Water Project	\$ 8,250,000	\$ 8,405,001	\$ -	\$ 8,405,001
Investment earnings (loss)	-	-	(838)	(838)
Total revenues	<u>8,250,000</u>	<u>8,405,001</u>	<u>(838)</u>	<u>8,404,163</u>
Expenditures:				
Project #834 - Farmville Road Water Project	12,480,000	11,901,813	3,542	11,905,355
Project #836 - Water Treatment Plant Upgrade	17,282,407	16,508,691	474,863	16,983,554
Project #837 - Metcalf & Fallston Relocate	176,176	-	-	-
Project #839 - Marion Hwy 150	258,456	-	-	-
Project #840 - Joe's Lake Road	47,553	-	-	-
Total expenditures	<u>30,244,592</u>	<u>28,410,504</u>	<u>478,405</u>	<u>28,888,909</u>
Revenues over (under) expenditures	<u>(21,994,592)</u>	<u>(20,005,503)</u>	<u>(479,243)</u>	<u>(20,484,746)</u>
Other Financing Sources (Uses):				
Intrafund transfers	1,386,742	2,381,998	-	2,381,998
Long-term debt issued	20,607,850	19,389,471	1,140,303	20,529,774
Total other financing sources (uses)	<u>21,994,592</u>	<u>21,771,469</u>	<u>1,140,303</u>	<u>22,911,772</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,765,966</u>	<u>\$ 661,060</u>	<u>\$ 2,427,026</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 5,375,000	\$ 5,931,211	\$ 556,211
Other fees	39,729	80,675	40,946
Other operating revenues	52,000	124,903	72,903
Total operating revenue	<u>5,466,729</u>	<u>6,136,789</u>	<u>670,060</u>
Non-operating revenues:			
Grant - refund of interest expense	22,000	17,587	(4,413)
Investment earnings	1,000	25	(975)
Total non-operating revenues	<u>23,000</u>	<u>17,612</u>	<u>(5,388)</u>
Total revenues	<u>5,489,729</u>	<u>6,154,401</u>	<u>664,672</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Administration	703,229	678,830	24,399
Line operation	723,625	650,127	73,498
Maintenance and repairs	412,748	260,538	152,210
Treatment plant	1,906,811	1,694,759	212,052
Capital outlay	514,820	216,579	298,241
Total costs of sales and services	<u>4,261,233</u>	<u>3,500,833</u>	<u>760,400</u>
Debt service:			
Principal retirement	1,631,155	1,543,301	87,854
Interest	266,205	347,989	(81,784)
Total debt service	<u>1,897,360</u>	<u>1,891,290</u>	<u>6,070</u>
Total operating expenditures	<u>6,158,593</u>	<u>5,392,123</u>	<u>766,470</u>
Revenues over (under) expenditures	<u>(668,864)</u>	<u>762,278</u>	<u>1,431,142</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Intrafund transfers	555,360	555,360	-
Transfers (to) other funds	(5,000)	(5,000)	-
Long-term debt issued	30,000	30,000	-
Appropriated fund balance	88,504	-	(88,504)
Total other financing sources (uses)	<u>668,864</u>	<u>580,360</u>	<u>(88,504)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>1,342,638</u>	<u>\$ 1,342,638</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Long-term debt issued		(30,000)	
Debt principal		1,543,301	
Capital outlay		216,579	
Change in accrued interest		5,188	
Change in compensated absences		(1,426)	
Change in other post-employment benefits		(153,944)	
Change in deferred outflows of resources - OPEB		111,086	
Change in deferred inflows of resources - OPEB		21,983	
Change in net pension liability		(126,483)	
Change in deferred outflows of resources - pension		48,207	
Change in deferred inflows of resources - pension		1,149	
Depreciation		(1,340,214)	
Amortization		(5,487)	
Sewer Capital Projects Fund activity		<u>(854)</u>	
Total reconciling items		<u>289,085</u>	
Change in net position		<u>\$ 1,631,723</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, 2021

	Project Authorization	Actual		
		Prior Years	Current Year	Total
Revenues:				
Project #868 - Brushy Creek sewer outfall	\$ 250,000	\$ 250,000	\$ -	\$ 250,000
Project #871 - Westside sewer improvements	5,500,000	5,500,000	-	5,500,000
Investment earnings (loss)	-	-	(854)	(854)
Total revenues	<u>5,750,000</u>	<u>5,750,000</u>	<u>(854)</u>	<u>5,749,146</u>
Expenditures:				
Project #868 - Brushy Creek sewer outfall	500,000	414,210	7,114	421,324
Project #869 - Compost facility improvements	20,234,148	15,326,840	4,353,263	19,680,103
Project #871 - Westside sewer improvements	8,700,000	7,140,633	-	7,140,633
Project #873 - Fallston Road sewer relocation	358,556	-	-	-
Project #876 - Marion/Hwy 150	13,010	-	-	-
Project #877 - Joe's Lake Road	42,500	-	-	-
Total expenditures	<u>29,848,214</u>	<u>22,881,683</u>	<u>4,360,377</u>	<u>27,242,060</u>
Revenues over (under) expenditures	<u>(24,098,214)</u>	<u>(17,131,683)</u>	<u>(4,361,231)</u>	<u>(21,492,914)</u>
Other Financing Sources (Uses):				
Transfers from other funds	305,510	305,510	-	305,510
Intrafund transfers to (from) other funds	755,304	570,282	-	570,282
Long-term debt issued	23,037,400	14,355,272	7,990,143	22,345,415
Total other financing sources (uses)	<u>24,098,214</u>	<u>15,231,064</u>	<u>7,990,143</u>	<u>23,221,207</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,900,619)</u>	<u>\$ 3,628,912</u>	<u>\$ 1,728,293</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 21,844,433	\$ 21,814,728	\$ (29,705)
Other fees	-	1,569	1,569
Other operating revenues	219,955	4,077,222	3,857,267
Total operating revenue	<u>22,064,388</u>	<u>25,893,519</u>	<u>3,829,131</u>
Non-Operating Revenues:			
Investment earnings	<u>9,000</u>	<u>139</u>	<u>(8,861)</u>
Total revenues	<u>22,073,388</u>	<u>25,893,658</u>	<u>3,820,270</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Administration	1,270,743	1,152,930	117,813
Line operation	18,239,700	16,626,140	1,613,560
Capital outlay	1,795,622	355,352	1,440,270
Total costs of sales and services	<u>21,306,065</u>	<u>18,134,422</u>	<u>3,171,643</u>
Debt service:			
Principal repayment	293,000	296,399	(3,399)
Interest and fees	62,000	61,733	267
Total debt service	<u>355,000</u>	<u>358,132</u>	<u>(3,132)</u>
Total expenditures	<u>21,661,065</u>	<u>18,492,554</u>	<u>3,168,511</u>
Revenues over (under) expenditures	<u>412,323</u>	<u>7,401,104</u>	<u>6,988,781</u>
Other Financing Sources (Uses):			
Transfers to other funds	(1,314,231)	(1,314,231)	-
Long-term debt issued	465,000	435,000	(30,000)
Appropriated fund balance	436,908	-	(436,908)
Total other financing sources (uses)	<u>(412,323)</u>	<u>(879,231)</u>	<u>(466,908)</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	6,521,873	\$ 6,521,873
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Debt principal		296,399	
Long-term debt issued		(435,000)	
Capital outlay		355,352	
Change in accrued interest		(1,018)	
Change in compensated absences		(3,753)	
Change in other post-employment benefits		(128,287)	
Change in deferred outflows of resources - OPEB		92,572	
Change in deferred inflows of resources - OPEB		18,319	
Change in net pension liability		(105,402)	
Change in deferred outflows of resources - pension		34,560	
Change in deferred inflows of resources - pension		(426)	
Depreciation		(717,692)	
Amortization		(14,100)	
Electric Capital Projects Fund activity		136,887	
Total reconciling items		(471,589)	
Change in net position		\$ 6,050,284	

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, 2021

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Project #871 - Joe's Lake Road Electric Relocation	\$ -	\$ -	\$ 87,992	\$ 87,992
Project #873 - Marion/Peach/Cherryville Project	-	-	47,969	47,969
Investment earnings	-	-	926	926
Total revenues	-	-	136,887	136,887
Expenditures:				
Project #870 - Substation 11 Additional Circuit	180,000	96,659	-	96,659
Project #871 - Joe's Lake Road Electric Relocation	134,294	65,404	-	65,404
Project #872 - Scada System Upgrade Project	96,000	82,003	-	82,003
Project #873 - Marion/Peach/Cherryville Project	75,315	41,191	-	41,191
Project #874 - Electric Circuit 104	122,585	76,040	-	76,040
Project #875 - WTP Electric Line Construction	421,200	321,859	10,847	332,706
Project #876 - Substation 8 Additional Circuit	414,000	8,200	9,771	17,971
Total expenditures	1,443,394	691,356	20,618	711,974
Revenues over (under) expenditures	(1,443,394)	(691,356)	116,269	(575,087)
Other Financing Sources (Uses):				
Transfers from other funds	1,443,394	1,905,930	-	1,905,930
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,214,574	\$ 116,269	\$ 1,330,843

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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 17,150,000	\$ 19,086,496	\$ 1,936,496
Other fees	30,000	59,761	29,761
Other operating revenues	76,000	577,056	501,056
Total operating revenue	<u>17,256,000</u>	<u>19,723,313</u>	<u>2,467,313</u>
Non-operating revenues:			
Grant - refund of interest expense	3,600	4,992	1,392
Investment earnings	<u>10,000</u>	<u>1,237</u>	<u>(8,763)</u>
Total non-operating revenues	<u>13,600</u>	<u>6,229</u>	<u>(7,371)</u>
Total revenues	<u>17,269,600</u>	<u>19,729,542</u>	<u>2,459,942</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Administration	1,508,217	1,319,984	188,233
Line operation	12,500,574	12,064,235	436,339
Capital outlay	<u>871,500</u>	<u>544,438</u>	<u>327,062</u>
Total costs of sales and services	<u>14,880,291</u>	<u>13,928,657</u>	<u>951,634</u>
Debt service:			
Principal repayment	301,560	300,961	599
Interest and fees	<u>81,780</u>	<u>79,757</u>	<u>2,023</u>
Total debt service	<u>383,340</u>	<u>380,718</u>	<u>2,622</u>
Total expenditures	<u>15,263,631</u>	<u>14,309,375</u>	<u>954,256</u>
Revenues over (under) expenditures	<u>2,005,969</u>	<u>5,420,167</u>	<u>3,414,198</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfers from other funds	116,340	116,340	-
Transfers to other funds	(3,114,231)	(3,114,231)	-
Intrafund transfers	(722,458)	(722,458)	-
Long-term debt issued	118,000	118,000	-
Appropriated fund balance	<u>1,596,380</u>	<u>-</u>	<u>(1,596,380)</u>
Total other financing sources (uses)	<u>(2,005,969)</u>	<u>(3,602,349)</u>	<u>(1,596,380)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>1,817,818</u>	<u>\$ 1,817,818</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Debt principal		300,961	
Long-term debt issued		(118,000)	
Capital outlay		544,438	
Change in accrued interest		1,099	
Change in compensated absences		(7,419)	
Change in other post-employment benefits		(128,287)	
Change in deferred outflows of resources - OPEB		92,572	
Change in deferred inflows of resources - OPEB		18,319	
Change in net pension liability		(105,402)	
Change in deferred outflows of resources - pension		45,786	
Change in deferred inflows of resources - pension		2,049	
Depreciation		(672,192)	
Amortization		(4,651)	
Gas Capital Project Fund revenues		(100)	
Gas Capital Project Fund intrafund transfer		<u>722,458</u>	
Total reconciling items		<u>691,631</u>	
Change in net position		<u>\$ 2,509,449</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, 2021

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Project #883 - Farmville Road Gas Line Loop	\$ 500,000	\$ 500,000	\$ -	\$ 500,000
Investment earnings (loss)	-	-	(100)	(100)
Total revenues	500,000	500,000	(100)	499,900
Expenditures:				
Project #882 - Highway 74 bypass section "C" gas line relocation	831,564	889,429	-	889,429
Project #883 - Farmville Road Gas Line Loop	2,508,500	2,462,607	-	2,462,607
Project #885 - Highway 74 bypass sections "D" and "E" gas line relocation	175,000	92,944	-	92,944
Project #886 - Marion/Peach/Cherryville gas line relocation	483,024	456,393	-	456,393
Project #887 - Ames Copper gas improvements	722,458	-	37,213	37,213
Total expenditures	4,720,546	3,901,373	37,213	3,938,586
Revenues over (under) expenditures	(4,220,546)	(3,401,373)	(37,313)	(3,438,686)
Other Financing Sources (Uses):				
Intrafund transfers	3,100,546	1,958,202	722,458	2,680,660
Long-term debt issued	1,120,000	1,184,000	-	1,184,000
Total other financing sources (uses)	4,220,546	3,142,202	722,458	3,864,660
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (259,171)	\$ 685,145	\$ 425,974

CITY OF SHELBY, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2021

	Stormwater Fund	Housing Assistance Fund	Total Nonmajor Funds
Assets:			
Current assets:			
Cash and cash equivalents	\$ 692,379	\$ 2,015,462	\$ 2,707,841
Accounts receivable, net	110,338	586,511	696,849
Due from other governments	5,092	13,143	18,235
Inventories	7,274	-	7,274
Prepaid items	9,173	6,536	15,709
Total current assets	<u>824,256</u>	<u>2,621,652</u>	<u>3,445,908</u>
Non-current assets:			
Restricted cash and cash equivalents	-	42,259	42,259
Capital assets, non-depreciable	-	278,173	278,173
Capital assets, net	145,194	4,744,659	4,889,853
Total non-current assets	<u>145,194</u>	<u>5,065,091</u>	<u>5,210,285</u>
Total assets	<u>969,450</u>	<u>7,686,743</u>	<u>8,656,193</u>
Deferred Outflows of Resources:			
OPEB deferrals	-	61,969	61,969
Pension deferrals	-	92,470	92,470
Total deferred outflows of resources	<u>-</u>	<u>154,439</u>	<u>154,439</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	41,372	22,022	63,394
Due to other funds	-	1,362	1,362
Compensated absences payable	11,906	33,551	45,457
Current portion of long-term debt	48,523	-	48,523
Liabilities payable from restricted assets:			
Customer deposits	-	42,259	42,259
Total current liabilities	<u>101,801</u>	<u>99,194</u>	<u>200,995</u>
Non-current liabilities:			
Other long-term debt	55,407	-	55,407
Net pension liability	-	172,498	172,498
Other post-employment benefits	-	398,709	398,709
Total non-current liabilities	<u>55,407</u>	<u>571,207</u>	<u>626,614</u>
Total liabilities	<u>157,208</u>	<u>670,401</u>	<u>827,609</u>
Deferred Inflows of Resources:			
OPEB deferrals	-	39,368	39,368
Pension deferrals	-	606	606
Total deferred inflows of resources	<u>-</u>	<u>39,974</u>	<u>39,974</u>
Net Position:			
Net investment in capital assets	41,264	5,022,832	5,064,096
Unrestricted	<u>770,978</u>	<u>2,107,975</u>	<u>2,878,953</u>
Total net position	<u>\$ 812,242</u>	<u>\$ 7,130,807</u>	<u>\$ 7,943,049</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, 2021

	Stormwater Fund	Housing Assistance Fund	Total Nonmajor Funds
Operating Revenues:			
Charges for services	\$ 882,698	\$ 665,912	\$ 1,548,610
Other fees	37,111	-	37,111
Other operating revenues	-	3,457	3,457
Total operating revenues	<u>919,809</u>	<u>669,369</u>	<u>1,589,178</u>
Operating Expenses:			
Administration	739,933	377,080	1,117,013
Operations and maintenance	-	694,236	694,236
Depreciation and amortization	<u>73,583</u>	<u>239,229</u>	<u>312,812</u>
Total operating expenses	<u>813,516</u>	<u>1,310,545</u>	<u>2,124,061</u>
Operating income (loss)	<u>106,293</u>	<u>(641,176)</u>	<u>(534,883)</u>
Non-Operating Revenues (Expenses):			
Operating grants	-	581,318	581,318
Investment earnings	1	3,794	3,795
Interest expense and fiscal charges	<u>(1,981)</u>	<u>-</u>	<u>(1,981)</u>
Total non-operating revenues (expenses)	<u>(1,980)</u>	<u>585,112</u>	<u>583,132</u>
Income (loss) before capital contributions and transfers	104,313	(56,064)	48,249
Capital contributions	-	65,429	65,429
Transfers to other funds	<u>(30,900)</u>	<u>-</u>	<u>(30,900)</u>
Change in net position	73,413	9,365	82,778
Net Position:			
Beginning year - July 1	<u>738,829</u>	<u>7,121,442</u>	<u>7,860,271</u>
End of year - June 30	<u>\$ 812,242</u>	<u>\$ 7,130,807</u>	<u>\$ 7,943,049</u>

CITY OF SHELBY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	Stormwater Fund	Housing Assistance Fund	Total Nonmajor Funds
Cash Flows from Operating Activities:			
Cash received from customers	\$ 932,845	\$ 664,772	\$ 1,597,617
Cash paid for goods and services	(713,634)	(699,128)	(1,412,762)
Cash paid to employees	-	(344,363)	(344,363)
Net cash provided (used) by operating activities	<u>219,211</u>	<u>(378,719)</u>	<u>(159,508)</u>
Cash Flows from Non-Capital Financing Activities:			
Proceeds from operating grants	-	581,318	581,318
Increase (decrease) in due from other funds	(4,246)	13,725	9,479
Transfers from (to) other funds	<u>(30,900)</u>	<u>-</u>	<u>(30,900)</u>
Net cash provided (used) by non-capital financing activities	<u>(35,146)</u>	<u>595,043</u>	<u>559,897</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(54,424)	(65,429)	(119,853)
Capital contributions - grants	-	65,429	65,429
Proceeds from issuance of long-term debt	55,000	-	55,000
Principal paid on long-term debt	(44,471)	-	(44,471)
Interest paid on long-term debt	<u>(1,981)</u>	<u>-</u>	<u>(1,981)</u>
Net cash provided (used) by capital and related financing activities	<u>(45,876)</u>	<u>-</u>	<u>(45,876)</u>
Cash Flows from Investing Activities:			
Interest received from investments	<u>1</u>	<u>3,794</u>	<u>3,795</u>
Net increase (decrease) in cash and cash equivalents	138,190	220,118	358,308
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>554,189</u>	<u>1,837,603</u>	<u>2,391,792</u>
End of year - June 30	<u><u>\$ 692,379</u></u>	<u><u>\$ 2,057,721</u></u>	<u><u>\$ 2,750,100</u></u>

CITY OF SHELBY, NORTH CAROLINA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Stormwater Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Nonmajor Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 106,293	\$ (641,176)	\$ (534,883)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	73,583	239,229	312,812
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	13,036	(5,497)	7,539
(Increase) decrease in inventories	(334)	-	(334)
(Increase) decrease in prepaids	(1,230)	(1,158)	(2,388)
Increase (decrease) in accounts payable and accrued liabilities	26,489	(3,734)	22,755
Increase (decrease) in customer deposits	-	900	900
Increase (decrease) in compensated absences	1,374	50	1,424
(Increase) decrease in deferred outflows of resources for pension	-	(16,070)	(16,070)
Increase (decrease) in net pension liability	-	42,161	42,161
Increase (decrease) in deferred inflows of resources for pensions	-	(383)	(383)
(Increase) decrease in deferred outflows of resources -OPEB	-	(37,028)	(37,028)
Increase (decrease) in deferred inflows of resources - OPEB	-	(7,327)	(7,327)
Increase (decrease) in other post-employment benefits	-	51,314	51,314
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	<u>\$ 219,211</u>	<u>\$ (378,719)</u>	<u>\$ (159,508)</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 812,720	\$ 882,698	\$ 69,978
Other fees	500	37,111	36,611
Total operating revenues	813,220	919,809	106,589
Non-operating revenues:			
Investment earnings	-	1	1
Total revenues	813,220	919,810	106,590
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Administration	848,562	738,559	110,003
Capital outlay	55,000	54,424	576
Total costs of sales and services	903,562	792,983	110,579
Debt service:			
Principal repayment	47,000	44,471	2,529
Interest and fees	2,000	1,981	19
Total debt service	49,000	46,452	2,548
Total expenditures	952,562	839,435	113,127
Revenues over (under) expenditures	(139,342)	80,375	219,717
Other Financing Sources (Uses):			
Transfers to other funds	(30,900)	(30,900)	-
Long-term debt issued	55,000	55,000	-
Appropriated fund balance	115,242	-	(115,242)
Total other financing sources (uses)	139,342	24,100	(115,242)

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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	104,475	\$ 104,475

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

Debt principal	44,471
Long-term debt issued	(55,000)
Capital outlay	54,424
(Increase) decrease in compensated absences	(1,374)
Depreciation and amortization	<u>(73,583)</u>
Total reconciling items	<u>(31,062)</u>
Change in net position	<u>\$ 73,413</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 649,000	\$ 665,912	\$ 16,912
Other operating revenues	3,000	3,457	457
Total operating revenues	<u>652,000</u>	<u>669,369</u>	<u>17,369</u>
Non-operating revenues:			
Operating and capital grants	1,340,280	646,747	(693,533)
Investment earnings	<u>6,000</u>	<u>3,794</u>	<u>(2,206)</u>
Total non-operating revenues	<u>1,346,280</u>	<u>650,541</u>	<u>(695,739)</u>
Total revenues	<u>1,998,280</u>	<u>1,319,910</u>	<u>(678,370)</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Administration	407,175	377,030	30,145
Operating and maintenance	902,557	661,569	240,988
Capital outlay	<u>902,580</u>	<u>65,429</u>	<u>837,151</u>
Total costs of sales and services	<u>2,212,312</u>	<u>1,104,028</u>	<u>1,108,284</u>
Total expenditures	<u>2,212,312</u>	<u>1,104,028</u>	<u>1,108,284</u>
Revenues over (under) expenditures	(214,032)	215,882	429,914
Other Financing Sources (Uses):			
Appropriated fund balance	<u>214,032</u>	<u>-</u>	<u>(214,032)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>215,882</u>	<u>\$ 215,882</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Capital outlay		65,429	
Change in compensated absences		(50)	
Change in deferred outflows of resources - OPEB		37,028	
Change in deferred inflows of resources - OPEB		7,327	
Change in other post-employment benefits		(51,314)	
Change in net pension liability		(42,161)	
Change in deferred outflows of resources - pension		16,070	
Change in deferred inflows of resources - pension		383	
Depreciation		<u>(239,229)</u>	
Total reconciling items		<u>(206,517)</u>	
Change in net position		<u>\$ 9,365</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, 2021

Fiscal Year	Uncollected Balance July 1, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 13,363,657	\$ 13,160,371	\$ 203,286
2019-2020	368,022	-	171,273	196,749
2018-2019	102,305	-	27,358	74,947
2017-2018	42,645	-	15,747	26,898
2016-2017	31,353	-	10,819	20,534
2015-2016	21,425	-	2,033	19,392
2014-2015	19,630	-	1,554	18,076
2013-2014	26,864	-	1,444	25,420
2012-2013	23,385	-	759	22,626
2011-2012	14,531	-	915	13,616
2010-2011	15,312	-	15,312	-
Total	<u>\$ 665,472</u>	<u>\$ 13,363,657</u>	<u>\$ 13,407,585</u>	\$ 621,544
Less: allowance for uncollectible ad valorem taxes receivable				<u>(191,000)</u>
Ad valorem taxes receivable, net				<u>\$ 430,544</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 13,274,915
Ad valorem taxes - Special Revenue Fund				122,291
Interest and penalties collected				(54,019)
Discounts allowed				37,176
Miscellaneous adjustments				11,910
Arrears written off for tax year 2010-2011 per statute of limitations				<u>15,312</u>
Total collections and credits				<u>\$ 13,407,585</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, 2021

	Total			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 2,415,241,914	\$ 0.5225	\$ 12,619,639	\$ 11,755,313	\$ 864,326
Municipal service district taxed at current year's rate	49,636,893	0.7725	383,445	358,479	24,966
Total original levy	<u>2,464,878,807</u>		<u>13,003,084</u>	<u>12,113,792</u>	<u>889,292</u>
Discoveries:					
Property taxed at current year's rate	68,879,809	0.5225	359,897	359,897	-
Municipal service district taxed at current year's rate	236,246	0.7725	1,825	1,825	-
Total discoveries	<u>69,116,055</u>		<u>361,722</u>	<u>361,722</u>	<u>-</u>
Releases:					
Property taxed at current year's rate	219,904	0.5225	1,149	1,149	-
Total property valuation	<u>\$ 2,533,774,957</u>				
Net Levy			13,363,657	12,474,365	889,292
Uncollected taxes at June 30, 2021			<u>203,286</u>	<u>203,286</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 13,160,371</u>	<u>\$ 12,271,079</u>	<u>\$ 889,292</u>
Current Levy Collection Percentage			<u>98.48%</u>	<u>98.37%</u>	<u>100.00%</u>
Prior Year Levy Collection Percentage			<u>97.12%</u>	<u>96.93%</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, 2021

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 2,415,241,914	\$ 0.5225	\$ 12,619,639	\$ 11,755,313	\$ 864,326
Discoveries:					
Property taxed at current year's rate	68,879,809	0.5225	359,897	359,897	-
Releases:					
Property taxed at current year's rate	<u>219,904</u>	0.5225	<u>1,149</u>	<u>1,149</u>	<u>-</u>
Total property valuation	<u>\$ 2,483,901,818</u>				
Net Levy			12,978,387	12,114,061	864,326
Uncollected taxes at June 30, 2021			<u>201,172</u>	<u>201,172</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 12,777,215</u>	<u>\$ 11,912,889</u>	<u>\$ 864,326</u>
Current Levy Collection Percentage			<u>98.45%</u>	<u>98.34%</u>	<u>100.00%</u>
Prior Year Levy Collection Percentage			<u>97.09%</u>	<u>96.90%</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, 2021

	Municipal Service District			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 49,636,893	\$ 0.7725	\$ 383,445	\$ 358,479	\$ 24,966
Discoveries:					
Property taxed at current year's rate	<u>236,246</u>	0.7725	<u>1,825</u>	<u>1,825</u>	<u>-</u>
Total property valuation	<u>\$ 49,873,139</u>				
Net Levy			385,270	360,304	24,966
Uncollected taxes at June 30, 2021			<u>2,114</u>	<u>2,114</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 383,156</u>	<u>\$ 358,190</u>	<u>\$ 24,966</u>
Current Levy Collection Percentage			<u>99.45%</u>	<u>99.41%</u>	<u>100.00%</u>
Prior Year Levy Collection Percentage			<u>98.13%</u>	<u>98.05%</u>	<u>100.00%</u>

CITY OF SHELBY, NORTH CAROLINA

FINANCIAL DATA SCHEDULE - BALANCE SHEET
JUNE 30, 2021

Line Item #	Account Description	Low Rent 14.850	CFP 14.872	Total
	Assets:			
	Current assets:			
	Cash:			
111	Cash - unrestricted	\$ 2,015,463	\$ -	\$ 2,015,463
114	Cash - tenant security deposits	42,259	-	42,259
100	Total cash	2,057,722	-	2,057,722
	Accounts and notes receivables:			
124	Accounts receivable - other governments	586,511	-	586,511
126	Accounts receivable - tenant - dwelling rents	13,143	-	13,143
120	Total receivables, net allowances for uncollectibles	599,654	-	599,654
142	Prepaid expenses and other assets	6,536	-	6,536
150	Total current assets	2,663,912	-	2,663,912
	Non-current assets:			
	Fixed assets:			
161	Land	278,173	-	278,173
162	Buildings	11,075,640	65,429	11,141,069
163	Furniture, equipment, and machinery - dwellings	387,650	-	387,650
166	Accumulated depreciation	(6,784,060)	-	(6,784,060)
160	Total fixed assets, net of accumulated depreciation	4,957,403	65,429	5,022,832
180	Total non-current assets	4,957,403	65,429	5,022,832
190	Total assets	7,621,315	65,429	7,686,744
	Deferred Outflows of Resources:			
200	Pension and OPEB deferrals	154,439	-	154,439
290	Total assets and deferred outflows of resources	\$ 7,775,754	\$ 65,429	\$ 7,841,183
	Liabilities, Deferred Inflows of Resources, and Net Position:			
	Liabilities:			
	Current liabilities:			
312	Accounts payable < 90 days	\$ 6,498	\$ -	\$ 6,498
321	Accrued wages/payroll taxes payable	16,886	-	16,886
322	Accrued compensated absences	33,551	-	33,551
341	Tenant security deposits	42,259	-	42,259
310	Total current liabilities	99,194	-	99,194
	Non-current liabilities:			
	Other post-employment benefit & pension liabilities	571,207	-	571,207
300	Total liabilities	670,401	-	670,401
	Deferred Inflows of Resources:			
400	Pension deferrals	39,974	-	39,974
	Net Position:			
508.1	Net investment in capital assets	4,957,403	65,429	5,022,832
512.1	Unrestricted net position	2,107,976	-	2,107,976
513	Total net position	7,065,379	65,429	7,130,808
600	Total liabilities, deferred inflows of resources, and net position	\$ 7,775,754	\$ 65,429	\$ 7,841,183

CITY OF SHELBY, NORTH CAROLINA

FINANCIAL DATA SCHEDULE - REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

Line Item #	Account Description	Low Rent 14.850	CFP 14.872	Total
Revenue:				
703	Net tenant rental revenue	\$ 665,774	\$ -	\$ 665,774
704	Tenant revenue - other	138	-	138
705	Total tenant revenue	<u>665,912</u>	<u>-</u>	<u>665,912</u>
706	HUD PHA operating grants	581,318	-	581,318
706.1	HUD PHA capital grants	-	65,429	65,429
711	Investment income - unrestricted	3,794	-	3,794
715	Other revenues	<u>3,457</u>	<u>-</u>	<u>3,457</u>
700	Total revenues	<u>1,254,481</u>	<u>65,429</u>	<u>1,319,910</u>
Expenses:				
Administrative:				
911	Administrative salaries	295,809	-	295,809
912	Audit services	7,485	-	7,485
915	Employee benefit contributions - administrative	133,305	-	133,305
Tenant services:				
924	Tenant services - other	2,274	-	2,274
Utilities:				
931	Water	131,627	-	131,627
932	Electricity	126,361	-	126,361
933	Gas	115,192	-	115,192
942	Ordinary maintenance and operation - materials and other	71,450	-	71,450
943	Ordinary maintenance and operation - contract costs	50,552	-	50,552
General expenses:				
961	Insurance premiums	61,273	-	61,273
962	Other general expenses	16,066	-	16,066
962.1	Compensated absences	33,551	-	33,551
963	Payments in lieu of taxes	18,943	-	18,943
964	Bad debt - tenant rents	<u>5,542</u>	<u>-</u>	<u>5,542</u>
969	Total operating expenses	<u>1,069,430</u>	<u>-</u>	<u>1,069,430</u>
970	Excess operating revenue over operating expenses	<u>185,051</u>	<u>65,429</u>	<u>250,480</u>
971	Extraordinary maintenance	1,885	-	1,885
974	Depreciation expense	<u>239,229</u>	<u>-</u>	<u>239,229</u>
900	Total expenses	<u>1,310,544</u>	<u>-</u>	<u>1,310,544</u>
1000	Excess (deficiency) of revenue over expenses	<u>\$ (56,063)</u>	<u>\$ 65,429</u>	<u>\$ 9,366</u>
MEMO Account Information:				
1103	Beginning equity	\$ 6,798,231	\$ 323,211	\$ 7,121,442
1104	Prior period adjustments, equity transfers and corrections of errors	323,211	(323,211)	-
1120	Unit months available	2,064	-	2,064
1121	Number of unit months leased	2,061	-	2,061



CITY OF SHELBY, NORTH CAROLINA

STATEMENT OF PROGRAM COSTS - COMPLETED
FOR THE YEAR ENDED JUNE 30, 2021

Program Name	AL#	Funds Approved	Funds Advanced		
			Ending Balance	Prior Audit	Current Year
Capital Fund Program (CFP):					
NC19P034501-19	14.872	\$ 435,140	\$ 19,858	\$ -	\$ 19,858
Capital Fund Program (CFP):					
NC19P034501-18	14.872	\$ 417,439	\$ 354,169	\$ 308,598	\$ 45,571

CITY OF SHELBY, NORTH CAROLINA

STATEMENT OF PROGRAM COSTS - COMPLETED
FOR THE YEAR ENDED JUNE 30, 2021

Program Name	Funds Expended			Excess (Deficiency)	
	Ending Balance	Prior Audit	Current Year	Funds Approved	Funds Advanced
Capital Fund Program (CFP):					
NC19P034501-19	\$ 19,858	\$ -	\$ 19,858	\$ 415,282	\$ -
Capital Fund Program (CFP):					
NC19P034501-18	\$ 354,169	\$ 308,598	\$ 45,571	\$ 63,270	\$ -





STATISTICAL SECTION

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

Financial Trends (Page 126-133)

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 134-143)

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

Debt Capacity (Page 144-151)

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 152-154)

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 155-158)

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

Unless otherwise noted, the information shown on the attached schedules was derived from the comprehensive annual financial reports for the relevant year.

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

	Fiscal Year Ended June 30				
	2012	2013	2014	2015	2016
Governmental Activities					
Net investment in capital assets	\$ 30,598	\$ 31,063	\$ 33,394	\$ 34,486	\$ 37,344
Restricted	4,687	5,882	5,077	5,448	5,566
Unrestricted	1,360	2,207	1,015	916	82
Total governmental activities net position	<u>\$ 36,645</u>	<u>\$ 39,152</u>	<u>\$ 39,486</u>	<u>\$ 40,850</u>	<u>\$ 42,992</u>
Business-Type Activities					
Net investment in capital assets	\$ 63,276	\$ 65,346	\$ 68,475	\$ 72,259	\$ 75,472
Unrestricted	22,427	23,260	25,549	21,387	20,638
Total business-type activities net position	<u>\$ 85,703</u>	<u>\$ 88,606</u>	<u>\$ 94,024</u>	<u>\$ 93,646</u>	<u>\$ 96,110</u>
Primary Government					
Net investment in capital assets	\$ 93,874	\$ 96,409	\$ 101,869	\$ 106,745	\$ 112,816
Restricted	4,687	5,882	5,077	5,448	5,566
Unrestricted	23,787	25,467	26,564	22,303	20,638
Total primary government net position	<u>\$ 122,348</u>	<u>\$ 127,758</u>	<u>\$ 133,510</u>	<u>\$ 134,496</u>	<u>\$ 139,020</u>

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

	Fiscal Year Ended June 30				
	2017	2018	2019	2020	2021
Governmental Activities					
Net investment in capital assets	\$ 36,664	\$ 38,492	\$ 47,196	\$ 52,963	\$ 55,363
Restricted	4,325	5,426	5,564	6,350	6,461
Unrestricted	(231)	(9,528)	(9,548)	(11,406)	(9,942)
Total governmental activities net position	<u>\$ 40,758</u>	<u>\$ 34,390</u>	<u>\$ 43,212</u>	<u>\$ 47,907</u>	<u>\$ 51,882</u>
Business-Type Activities					
Net investment in capital assets	\$ 80,074	\$ 91,821	\$ 108,941	\$ 111,590	\$ 108,114
Unrestricted	19,004	12,384	12,581	18,080	33,105
Total business-type activities net position	<u>\$ 99,078</u>	<u>\$ 104,205</u>	<u>\$ 121,522</u>	<u>\$ 129,670</u>	<u>\$ 141,219</u>
Primary Government					
Net investment in capital assets	\$ 116,738	\$ 130,313	\$ 156,137	\$ 164,553	\$ 163,477
Restricted	4,325	5,426	5,564	6,350	6,461
Unrestricted	18,773	2,856	3,033	6,674	23,163
Total primary government net position	<u>\$ 139,836</u>	<u>\$ 138,595</u>	<u>\$ 164,734</u>	<u>\$ 177,577</u>	<u>\$ 193,101</u>

City of Shelby, North Carolina
Changes in Net Position by Component
Last Ten Fiscal Years

Page 1 of 6

(accrual basis of accounting - in thousands of dollars)

	Fiscal Year Ended June 30				
	2012	2013	2014	2015	2016
Expenses					
Governmental activities:					
General government	\$ 2,344	\$ 1,492	\$ 2,584	\$ 2,605	\$ 2,335
Public safety	10,054	9,402	10,101	10,075	10,467
Transportation	2,638	3,960	3,193	3,101	3,349
Environmental protection	1,876	1,570	1,700	1,640	1,502
Cultural and recreational	2,151	2,106	2,354	2,295	2,471
Housing and redevelopment	321	222	1,133	997	2,891
Interest on long-term debt	68	79	41	12	57
Total governmental activities expenses	<u>19,452</u>	<u>18,831</u>	<u>21,106</u>	<u>20,725</u>	<u>23,072</u>
Business-type activities:					
Water	3,761	3,851	3,932	3,896	4,097
Sewer	3,716	3,936	4,441	4,257	4,359
Electric	18,519	19,168	19,892	21,974	20,608
Gas	8,408	10,294	14,512	14,717	10,827
Stormwater	-	-	-	294	726
Housing assistance	1,138	1,195	1,207	1,221	1,256
Total business-type activities expenses	<u>35,542</u>	<u>38,444</u>	<u>43,984</u>	<u>46,359</u>	<u>41,873</u>
Total primary governmental expenses	<u>\$ 54,994</u>	<u>\$ 57,275</u>	<u>\$ 65,090</u>	<u>\$ 67,084</u>	<u>\$ 64,945</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 441	\$ 406	\$ 377	\$ 402	\$ 3,371
Public safety	21	27	11	14	23
Transportation	377	329	346	289	268
Environmental protection	994	1,154	1,230	1,184	1,142
Cultural and recreational	294	327	356	302	272
Housing and redevelopment	141	139	133	-	-
Operating grants and contributions:					
General government	144	1,075	85	67	55
Public safety	1,048	1,050	1,014	1,143	1,167
Transportation	20	20	20	20	15
Cultural and recreational	-	-	30	-	-
Housing and redevelopment	-	-	205	318	683
Capital grants and contributions:					
Public safety	6	32	27	-	-
Transportation	785	435	176	360	437
Cultural and recreational	-	-	-	-	-
Housing and redevelopment	-	-	1,527	494	229
Total governmental activities program revenues	<u>4,271</u>	<u>4,994</u>	<u>5,537</u>	<u>4,593</u>	<u>7,662</u>

City of Shelby, North Carolina
Changes in Net Position by Component
Last Ten Fiscal Years

Page 2 of 6

(accrual basis of accounting - in thousands of dollars)

	Fiscal Year Ended June 30				
	2017	2018	2019	2020	2021
Expenses					
Governmental activities:					
General government	\$ 3,041	\$ 3,151	\$ 2,717	\$ 3,492	\$ 3,682
Public safety	11,631	11,246	13,143	13,790	13,632
Transportation	2,891	3,040	5,977	3,225	3,258
Environmental protection	1,707	2,084	1,955	2,054	1,884
Cultural and recreational	2,590	2,534	13	(1,505)	3,003
Housing and redevelopment	1,151	1,804	1,199	6,027	839
Interest on long-term debt	96	252	240	195	448
Total governmental activities expenses	<u>23,107</u>	<u>24,111</u>	<u>25,244</u>	<u>27,278</u>	<u>26,746</u>
Business-type activities:					
Water	4,334	4,357	4,399	4,673	4,623
Sewer	4,448	4,724	5,506	5,084	5,072
Electric	21,272	20,922	19,499	19,335	18,666
Gas	11,543	12,921	13,535	12,642	14,222
Stormwater	833	938	737	617	815
Housing assistance	1,470	1,321	1,335	1,407	1,311
Total business-type activities expenses	<u>43,900</u>	<u>45,183</u>	<u>45,011</u>	<u>43,758</u>	<u>44,709</u>
Total primary governmental expenses	<u>\$ 67,007</u>	<u>\$ 69,294</u>	<u>\$ 70,255</u>	<u>\$ 71,036</u>	<u>\$ 71,455</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 572	\$ 556	\$ 446	\$ 769	\$ 417
Public safety	23	36	29	48	435
Transportation	228	281	257	302	479
Environmental protection	1,351	1,351	1,673	1,513	1,291
Cultural and recreational	295	297	291	265	333
Housing and redevelopment	-	-	154	3	2
Operating grants and contributions:					
General government	83	340	45	81	193
Public safety	1,192	1,197	1,280	1,285	1,467
Transportation	15	-	-	72	-
Cultural and recreational	-	-	-	-	-
Housing and redevelopment	417	222	711	247	272
Capital grants and contributions:					
Public safety	-	921	-	-	-
Transportation	328	445	4,184	2,550	218
Cultural and recreational	1	304	316	24	-
Housing and redevelopment	48	352	149	1,646	1,219
Total governmental activities program revenues	<u>4,553</u>	<u>6,302</u>	<u>9,535</u>	<u>8,805</u>	<u>6,326</u>

City of Shelby, North Carolina
Changes in Net Position by Component
Last Ten Fiscal Years

Page 3 of 6

(accrual basis of accounting - in thousands of dollars)

	Fiscal Year Ended June 30				
	2012	2013	2014	2015	2016
Business-type activities:					
Charges for services					
Water	3,859	4,260	4,630	4,849	4,722
Sewer	4,388	4,926	5,088	5,082	5,230
Electric	18,924	20,259	21,468	22,286	21,981
Gas	9,555	13,142	18,547	17,591	14,164
Stormwater	-	-	-	796	736
Housing assistance	570	582	586	593	623
Operating grants and contributions					
Water	111	122	91	85	79
Sewer	46	43	37	35	32
Gas	13	12	11	10	9
Housing assistance	258	243	424	462	455
Capital grants and contributions					
Water	114	-	465	-	-
Sewer	833	95	624	-	-
Electric	1,779	34	-	-	-
Gas	-	-	261	-	-
Housing assistance	399	295	226	166	260
Total business-type activities program revenues	<u>40,849</u>	<u>44,013</u>	<u>52,458</u>	<u>51,955</u>	<u>48,291</u>
Total primary governmental program revenues	<u>\$ 45,120</u>	<u>\$ 49,007</u>	<u>\$ 57,995</u>	<u>\$ 56,548</u>	<u>\$ 55,953</u>
Net (expense)/revenue					
Governmental activities	\$ (15,181)	\$ (13,837)	\$ (15,569)	\$ (16,132)	\$ (15,410)
Business-type activities	<u>5,307</u>	<u>5,569</u>	<u>8,474</u>	<u>5,595</u>	<u>6,417</u>
Total primary governmental net expenses (revenues)	<u>\$ (9,874)</u>	<u>\$ (8,268)</u>	<u>\$ (7,095)</u>	<u>\$ (10,537)</u>	<u>\$ (8,993)</u>

General Revenues and Other Changes in
Net Position

Governmental activities:					
Taxes					
Property taxes, levied for general purpose	\$ 7,719	\$ 7,732	\$ 8,017	\$ 8,316	\$ 8,263
Sales tax	2,866	2,862	2,809	2,980	3,061
Franchise tax	1,560	1,572	1,586	1,835	2,008
Other taxes	109	12	90	97	99
Miscellaneous	-	1,721	-	-	-
Unrestricted investment earnings	212	(115)	186	143	114
Transfers	<u>2,434</u>	<u>2,560</u>	<u>3,215</u>	<u>5,584</u>	<u>4,005</u>
Total governmental activities	<u>14,900</u>	<u>16,344</u>	<u>15,903</u>	<u>18,954</u>	<u>17,550</u>

City of Shelby, North Carolina
Changes in Net Position by Component
Last Ten Fiscal Years

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(accrual basis of accounting - in thousands of dollars)

	Fiscal Year Ended June 30				
	2017	2018	2019	2020	2021
Business-type activities:					
Charges for services					
Water	5,151	4,712	5,133	5,431	5,453
Sewer	5,604	5,447	6,099	5,843	6,137
Electric	22,641	23,250	23,840	24,938	25,894
Gas	14,955	17,252	18,180	16,138	19,723
Stormwater	810	789	848	906	920
Housing assistance	633	973	655	669	669
Operating grants and contributions					
Water	72	65	58	51	43
Sewer	30	27	24	21	18
Gas	8	8	7	6	5
Housing assistance	450	466	435	622	581
Capital grants and contributions					
Water	6	1,128	6,706	571	-
Sewer	-	3,477	6,166	(80)	-
Electric	-	-	-	-	136
Gas	-	175	324	-	-
Housing assistance	77	252	255	323	65
Total business-type activities program revenues	<u>50,437</u>	<u>58,021</u>	<u>68,730</u>	<u>55,439</u>	<u>59,644</u>
Total primary governmental program revenues	<u>\$ 54,990</u>	<u>\$ 64,323</u>	<u>\$ 78,265</u>	<u>\$ 64,244</u>	<u>\$ 65,970</u>
Net (expense)/revenue					
Governmental activities	\$ (18,554)	\$ (17,809)	\$ (15,709)	\$ (18,473)	\$ (20,420)
Business-type activities	<u>6,537</u>	<u>12,838</u>	<u>23,719</u>	<u>11,681</u>	<u>14,935</u>
Total primary governmental net expenses (revenues)	<u>\$ (12,017)</u>	<u>\$ (4,971)</u>	<u>\$ 8,010</u>	<u>\$ (6,792)</u>	<u>\$ (5,485)</u>

General Revenues and Other Changes in
Net Position

Governmental activities:

Taxes					
Property taxes, levied for general purpose	\$ 9,016	\$ 10,366	\$ 10,905	\$ 12,736	\$ 13,346
Sales tax	3,501	3,972	4,542	4,587	5,589
Franchise tax	1,930	1,975	2,024	1,918	1,945
Other taxes	104	103	101	102	100
Miscellaneous	-	-	-	-	-
Unrestricted investment earnings	(4)	249	334	196	25
Transfers	-	-	-	-	3,390
Total governmental activities	<u>14,547</u>	<u>16,665</u>	<u>17,906</u>	<u>19,539</u>	<u>24,395</u>

City of Shelby, North Carolina
Changes in Net Position by Component
Last Ten Fiscal Years

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(accrual basis of accounting - in thousands of dollars)

	Fiscal Year Ended June 30				
	2012	2013	2014	2015	2016
Business-type activities					
Unrestricted investment earnings	123	(106)	159	27	52
Miscellaneous	-	-	-	-	-
Transfers	(2,434)	(2,560)	(3,215)	(5,584)	(4,005)
Total business-type activities	(2,311)	(2,666)	(3,056)	(5,557)	3,953
Total primary government	\$ 12,589	\$ 13,678	\$ 12,847	\$ 13,397	\$ 21,503
Change in Net Position					
Governmental activities	\$ (281)	\$ 2,508	\$ 334	\$ 2,824	\$ 2,141
Business-type activities	2,996	2,903	5,418	38	2,465
Total primary government	\$ 2,715	\$ 5,411	\$ 5,752	\$ 2,862	\$ 4,606

Notes:

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

City of Shelby, North Carolina
Changes in Net Position by Component
Last Ten Fiscal Years

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(accrual basis of accounting - in thousands of dollars)

	Fiscal Year Ended June 30				
	2017	2018	2019	2020	2021
Business-type activities					
Unrestricted investment earnings	(11)	132	222	97	4
Miscellaneous	-	(1,083)	-	-	-
Transfers	-	-	-	-	(3,390)
Total business-type activities	(11)	(951)	222	97	(3,386)
Total primary government	<u>\$ 14,536</u>	<u>\$ 15,714</u>	<u>\$ 18,128</u>	<u>\$ 19,636</u>	<u>\$ 21,009</u>
Change in Net Position					
Governmental activities	\$ (32)	\$ 2,709	\$ 8,822	\$ 4,695	\$ 3,975
Business-type activities	<u>2,551</u>	<u>8,032</u>	<u>17,317</u>	<u>8,148</u>	<u>11,549</u>
Total primary government	<u>\$ 2,519</u>	<u>\$ 10,741</u>	<u>\$ 26,139</u>	<u>\$ 12,843</u>	<u>\$ 15,524</u>

Notes:

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

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

	Fiscal Year Ended June 30				
	2012	2013	2014	2015	2016
General Fund					
Non-spendable	\$ 437	\$ 436	\$ 422	\$ 372	\$ 434
Restricted	3,955	4,101	4,163	3,813	3,991
Assigned	64	465	334	472	351
Unassigned	<u>3,246</u>	<u>3,020</u>	<u>3,005</u>	<u>4,267</u>	<u>2,859</u>
Total General Fund	<u>\$ 7,702</u>	<u>\$ 8,022</u>	<u>\$ 7,924</u>	<u>\$ 8,924</u>	<u>\$ 7,636</u>
All other governmental funds					
Non-spendable					
Special Revenue Fund	\$ -	\$ -	\$ -	\$ 59	\$ 61
Permanent funds	584	639	712	764	818
Restricted					
Special Revenue Fund	745	424	185	191	221
Capital Projects Fund	122	254	17	669	525
Permanent funds	-	-	-	11	11
Committed					
Capital Projects Fund	-	-	460	804	199
Assigned					
Special Revenue Fund	-	1,582	435	416	2,013
Capital Projects Fund	-	309	-	-	-
Unassigned					
Special Revenue Fund	-	-	-	-	-
Capital Projects Fund	<u>(272)</u>	<u>-</u>	<u>-</u>	<u>(513)</u>	<u>(666)</u>
Total all other governmental funds	<u>\$ 1,179</u>	<u>\$ 3,208</u>	<u>\$ 1,809</u>	<u>\$ 2,401</u>	<u>\$ 3,182</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)

	Fiscal Year Ended June 30				
	2017	2018	2019	2020	2021
General Fund					
Non-spendable	\$ 452	\$ 475	\$ 477	\$ 491	\$ 574
Restricted	3,179	3,385	3,622	3,770	5,204
Assigned	730	343	604	662	-
Unassigned	<u>3,697</u>	<u>5,028</u>	<u>2,897</u>	<u>4,539</u>	<u>6,425</u>
Total General Fund	<u>\$ 8,058</u>	<u>\$ 9,231</u>	<u>\$ 7,600</u>	<u>\$ 9,462</u>	<u>\$ 12,203</u>
All other governmental funds					
Non-spendable					
Special Revenue Fund	\$ 12	\$ 30	\$ 32	\$ 30	\$ 27
Permanent funds	879	1,191	1,244	1,318	1,495
Restricted					
Special Revenue Fund	239	289	659	1,206	214
Capital Projects Fund	* 7,853	3,503	3,124	1,759	112
Permanent funds	15	11	11	11	11
Committed					
Capital Projects Fund	445	200	216	199	199
Assigned					
Special Revenue Fund	1,730	1,923	2,723	1,975	2,594
Capital Projects Fund	-	-	-	-	-
Unassigned					
Special Revenue Fund	-	-	-	(67)	-
Capital Projects Fund	-	(622)	(633)	(771)	(391)
Total all other governmental funds	<u>\$ 3,320</u>	<u>\$ 6,525</u>	<u>\$ 7,376</u>	<u>\$ 5,660</u>	<u>\$ 4,261</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)

	Fiscal Year Ended June 30				
	2012	2013	2014	2015	2016
Revenues					
Ad valorem taxes	\$ 7,731	\$ 7,721	\$ 8,020	\$ 8,298	\$ 8,326
Other taxes and licenses	2,866	2,863	2,808	2,980	3,061
Unrestricted intergovernmental revenues	1,733	1,761	1,741	2,007	2,221
Restricted intergovernmental revenues	2,006	2,390	2,746	1,933	2,259
Permits and fees	174	149	207	232	327
Sales and services	1,694	1,822	1,968	1,783	1,698
Investment earnings	212	(115)	186	143	114
Donations	58	62	74	61	53
Miscellaneous	260	400	455	500	362
Total revenues	<u>16,734</u>	<u>17,053</u>	<u>18,205</u>	<u>17,936</u>	<u>18,422</u>
Expenditures					
General government	2,141	2,077	2,282	1,639	1,825
Public safety	9,497	9,092	9,164	9,613	9,978
Transportation	3,205	3,771	2,502	2,977	2,853
Environmental protection	1,925	1,635	1,593	1,537	1,502
Cultural and recreational	1,979	1,944	2,062	1,999	1,876
Housing and redevelopment	321	222	1,134	1,529	3,456
Capital outlay	-	-	3,822	3,254	4,128
Debt service					
Principal	713	822	923	959	934
Interest and other charges	68	79	25	13	58
Total expenditures	<u>19,849</u>	<u>19,642</u>	<u>23,507</u>	<u>23,520</u>	<u>26,611</u>
Excess of revenues					
over (under) expenditures	<u>(3,115)</u>	<u>(2,589)</u>	<u>(5,302)</u>	<u>(5,302)</u>	<u>(8,189)</u>
Other financing sources (uses)					
Transfers from other funds	3,367	4,375	3,727	6,983	4,303
Transfers to other funds	(933)	(1,815)	(512)	(1,399)	(299)
Installment debt issued	812	658	560	1,515	828
Proceeds from sale of assets	21	1,721	29	11	2,849
Total other financing sources (uses)	<u>3,267</u>	<u>4,939</u>	<u>3,804</u>	<u>7,110</u>	<u>4,682</u>
Net change in fund balance	<u>\$ 152</u>	<u>\$ 2,350</u>	<u>\$ (1,498)</u>	<u>\$ 1,526</u>	<u>\$ (507)</u>
Debt services as a percentage of					
non-capital expenditures	<u>3.93%</u>	<u>4.59%</u>	<u>4.82%</u>	<u>4.80%</u>	<u>4.41%</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)

	Fiscal Year Ended June 30				
	2017	2018	2019	2020	2021
Revenues					
Ad valorem taxes	\$ 9,015	\$ 10,351	\$ 10,848	\$ 12,537	\$ 13,397
Other taxes and licenses	3,501	3,972	4,542	4,587	5,589
Unrestricted intergovernmental revenues	2,149	2,265	2,271	2,243	2,229
Restricted intergovernmental revenues	1,737	3,272	4,748	7,134	3,068
Permits and fees	347	267	220	290	388
Sales and services	1,893	1,943	2,243	2,107	2,166
Investment earnings	(4)	213	334	196	25
Donations	61	306	45	81	169
Miscellaneous	357	327	509	593	351
Total revenues	<u>19,056</u>	<u>22,916</u>	<u>25,760</u>	<u>29,768</u>	<u>27,382</u>
Expenditures					
General government	2,020	1,279	2,629	2,973	3,130
Public safety	10,430	10,576	12,047	12,378	12,110
Transportation	2,991	2,505	5,471	2,676	2,686
Environmental protection	1,485	1,596	1,676	1,715	1,562
Cultural and recreational	1,656	2,011	(309)	(1,842)	2,619
Housing and redevelopment	1,334	1,804	1,199	6,027	839
Capital outlay	2,077	10,034	9,411	8,610	6,770
Debt service					
Principal	973	1,493	1,605	1,471	2,194
Interest and other charges	66	242	248	192	403
Total expenditures	<u>23,033</u>	<u>31,540</u>	<u>33,977</u>	<u>34,200</u>	<u>32,313</u>
Excess of revenues					
over (under) expenditures	<u>(3,977)</u>	<u>(8,624)</u>	<u>(8,217)</u>	<u>(4,432)</u>	<u>(4,931)</u>
Other financing sources (uses)					
Transfers from other funds	5,377	4,902	9,854	5,109	5,944
Transfers to other funds	(1,402)	(1,047)	(3,229)	(1,479)	(2,553)
Installment debt issued	8,371	1,259	480	946	3,597
Proceeds from sale of assets	44	35	333	1	28
Total other financing sources (uses)	<u>12,390</u>	<u>5,149</u>	<u>7,438</u>	<u>4,577</u>	<u>7,016</u>
Net change in fund balance	<u>\$ 8,413</u>	<u>\$ (3,475)</u>	<u>\$ (779)</u>	<u>\$ 145</u>	<u>\$ 2,085</u>
Debt services as a percentage of					
non-capital expenditures	<u>4.96%</u>	<u>8.07%</u>	<u>7.54%</u>	<u>6.50%</u>	<u>10.17%</u>

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

Page 1 of 2

Year Ended June 30	Ad Valorem	Sales	Intangibles	Utility Franchise	Beer and Wine
2012	\$ 7,730,801	\$ 2,865,854	\$ -	\$ 1,559,642	\$ 89,706
2013	7,692,762	2,862,052	-	1,571,869	84,396
2014	7,991,528	2,789,957	-	1,586,083	88,147
2015	8,242,626	2,972,202	-	1,834,935	96,241
2016	8,307,608	3,053,826	-	2,008,127	88,688
2017	9,000,184	3,494,500	-	1,929,904	90,926
2018	10,344,689	3,964,274	-	1,974,948	86,972
2019	10,835,295	4,535,002	-	2,023,730	86,244
2020	12,541,679	4,585,162	-	1,918,023	86,107
2021	13,380,193	5,588,203	-	1,945,397	83,894

* Includes General and Special Revenue Funds.

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

Page 2 of 2

<u>Year Ended June 30</u>	<u>Inventory</u>	<u>Food Stamp</u>	<u>Licenses and CATV Franchise</u>	<u>Total</u>
2012	\$ -	\$ -	\$ -	\$ 12,246,003
2013	-	-	-	12,211,079
2014	-	-	-	12,457,729
2015	-	-	-	13,148,019
2016	-	-	-	13,460,265
2017	-	-	-	14,517,531
2018	-	-	-	16,372,901
2019	-	-	-	17,482,289
2020	-	-	-	19,132,991
2021	-	-	-	20,999,708

* 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)

Year Ended June 30	Real Property	Personal Property	Public Service Companies	Total Assessed Value*	Total Direct Tax Rate
2012	\$ 1,353,708	\$ 350,630	\$ 36,011	\$ 1,740,349	\$ 0.435
2013	1,366,296	356,518	36,057	1,758,871	0.435
2014	1,378,377	402,035	40,898	1,821,310	0.435
2015	1,339,357	394,320	42,347	1,776,024	0.435
2016	1,381,884	357,761	45,619	1,785,264	0.435
2017**	1,457,683	540,022	48,773	2,046,478	0.4972
2018	1,716,983	529,666	51,626	2,298,275	0.4972
2019	1,734,153	534,963	52,142	2,321,258	0.5225
2020	1,527,272	760,370	52,820	2,340,462	0.5225
2021	1,689,180	732,907	59,353	2,481,440	0.5225

Source: Cleveland County Tax Collector's Office

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

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

Notes: Includes Municipal Service District

City of Shelby, North Carolina
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
 (rate per \$100 of assessed value)

Year Ended June 30	City of Shelby (#)	Uptown Shelby Municipal Service District	Cleveland County	County School District
2012	0.435	0.220	0.570	0.150
2013	0.435	0.220	0.570	0.150
2014	0.435	0.220	0.570	0.150
2015	0.435	0.220	0.570	0.150
2016	0.435	0.220	0.570	0.150
2017	0.4972	0.250	0.570	0.150
2018	0.4972	0.250	0.570	0.150
2019	0.5225	0.250	0.570	0.150
2020	0.5225	0.250	0.570	0.150
2021	0.5225	0.250	0.570	0.150

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

Taxpayer	2021			2012		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Clearwater Paper Corporation	\$ 524,740	1	21.52%			
Nippon Electric Glass (Formerly PPG)	120,830	2	4.95%	\$ 93,400	1	5.64%
Wal-Mart Stores	93,339	3	3.83%	75,454	2	4.56%
KSM Castings NC Inc.	61,953	4	2.54%			
Greenheck Fan Corp & Real Estate Holdings	30,349	5	1.24%	-		
Curtis Wright Controls, Inc.	28,836	6	1.18%	14,646	3	0.00%
Kendrion Shelby Inc.	22,467	7	0.92%			
Duke Energy Carolina	20,268	8	0.83%	12,277	5	0.74%
Cleveland Yutaka Corporation	19,636	9	0.81%			
ZF Transmissions Gray Court	13,399	10	0.55%			
Shelby Mall LLC				13,606	4	0.82%
Lowe's Home Centers, Inc.				12,000	6	0.72%
Ultra Machine & Fabrication				9,329	7	0.56%
Bell South Telephone Company				8,137	8	0.49%
Carlisle at Delta Park LLC				7,134	9	0.43%
Shelby Loan & Mortgage				5,906	10	0.36%
Totals	<u>\$ 935,817</u>		<u>38.37%</u>	<u>\$ 251,889</u>		<u>14.33%</u>
Total Taxable Assessed Value	<u>\$ 2,438,650</u>			<u>\$ 1,656,112</u>		

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

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

Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Current Outstanding Balance	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2012	\$ 7,688	\$ 7,460	97.03%	\$ 14	\$ 215	\$ 7,661	99.67%
2013	7,759	7,486	96.48%	23	195	7,681	99.02%
2014	7,670	7,437	96.96%	25	22	7,459	97.24%
2015	7,543	7,385	97.91%	18	39	7,424	97.84%
2016	7,756	7,604	98.04%	19	125	7,729	98.04%
2017	8,356	8,204	98.18%	21	112	8,315	99.52%
2018	9,666	9,523	98.53%	27	94	9,617	99.49%
2019	10,170	9,967	98.01%	75	107	10,074	99.06%
2020	11,994	11,622	96.90%	197	163	11,785	98.26%
2021	12,474	12,271	98.37%	203	-	12,271	98.37%

Ratios of Outstanding Debt by Type

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

Year Ended June 30	Governmental Activities	Business-Type Activities				Total Primary Government
	Installment Purchase Obligations	General Obligation Bonds	Revenue Bonds	State Revolving Loans	Installment Purchase Obligations	
2012	\$ 3,283	\$ -	\$ 25,449	\$ 2,341	\$ 1,406	\$ 32,479
2013	3,119	-	25,921	-	1,301	30,341
2014	2,756	-	23,224	-	2,022	28,002
2015	3,312	-	20,462	-	11,165	34,939
2016	3,207	-	20,046	-	14,302	37,555
2017	10,605	-	20,545	-	13,723	44,873
2018	10,371	-	18,928	-	23,891	53,190
2019	9,246	-	17,256	-	25,542	52,044
2020	8,721	-	15,528	-	47,097	71,346
2021	15,623	-	13,754	-	54,324	83,701

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 June 30	(1) (County)			(County)	
	Personal Income (amounts expressed in thousands)	Percentage of Personal Income	Per Capita Personal Income	Per Capita	
2012	\$ 3,202,220	1.01%	\$ 20,003	\$ 1,608	
2013	3,268,534	0.93%	21,036	1,502	
2014	3,618,414	0.77%	N/A	1,378	
2015	3,829,655	0.91%	20,504	1,697	
2016	3,739,455	1.00%	20,003	1,852	
2017	3,892,854	1.15%	20,585	2,235	
2018	3,838,028	1.39%	20,789	2,657	
2019	3,531,415	1.47%	21,664	2,597	
2020	3,677,383	1.94%	20,585	3,557	
2021	N/A	N/A	22,123	4,180	

N/A - information not available.

(1) Cleveland County

City of Shelby, North Carolina

Ratios of General Bonded Debt Outstanding

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

Year Ended June 30	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2012	\$ -	0.00%	N/A
2013	-	0.00%	N/A
2014	-	0.00%	N/A
2015	-	0.00%	N/A
2016	-	0.00%	N/A
2017	-	0.00%	N/A
2018	-	0.00%	N/A
2019	-	0.00%	N/A
2019	-	0.00%	N/A
2020	-	0.00%	N/A
2021	-	0.00%	N/A

City of Shelby, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2021

	<u>Net General Obligation Bonded Debt</u>	<u>Percentage Applicable To City**</u>	<u>City of Shelby Share of Debt</u>
Direct debt - City of Shelby*			
General Obligation Bonded Debt	\$ -	0.00%	\$ -
2017 Purchase of Equipment	149,418	100.00%	149,418
2018 Purchase of Equipment	521,816	100.00%	521,816
2019 Purchase of Equipment	295,440	100.00%	295,440
2020 Purchase of Equipment	760,366	100.00%	760,366
2021 Purchase of Equipment	622,143	100.00%	622,143
Hanna Park Capital Project	5,646,667	100.00%	5,646,667
Rail Trail Capital Project	4,950,000	100.00%	4,950,000
Shell Building #3	2,677,500	100.00%	2,677,500
Overlapping Governmental debt - Cleveland County*	<u>51,311,111</u>	25.46%	<u>13,063,809</u>
Total direct and overlapping debt	<u>\$ 66,934,461</u>		<u>\$ 28,687,159</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)

Year Ended June 30	Debt Limits 8% of Assessed Value	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2012	\$ 132,489	\$ 1,947	\$ 130,542	1.47%
2013	140,710	4,436	136,274	3.15%
2014	145,705	4,778	117,703	4.06%
2015	145,123	33,939	111,184	30.53%
2016	149,831	37,445	112,386	33.32%
2017	143,174	44,874	98,301	45.65%
2018	164,978	53,191	111,787	47.58%
2019	165,834	52,044	113,790	45.74%
2020	194,149	71,345	122,804	58.10%
2021	202,702	83,701	119,001	70.34%

City of Shelby, North Carolina
Computation of Legal Debt Margin
June 30, 2021

				(Thousands of dollars)
Assessed value of taxable property				<u>\$ 2,533,775</u>
Debt limit - eight percent (8%) of assessed value				\$ 202,702
Gross debt				
Revenue bonds	\$	13,754		
Other financing agreements/notes payable		69,947	\$	83,701
Total amount of debt applicable to debt limitation				<u>83,701</u>
Legal debt margin				<u>\$ 119,001</u>

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

Year Ended June 30	Gross Revenues*	Operating Expenses**	Net Revenue Available For Debt Service	Debt Service Requirements***			Coverage
				Principal	Interest	Total	
2012	\$ 36,726,720	\$ 30,290,507	\$ 6,436,213	\$ 1,850,024	\$ 1,263,076	\$ 3,113,100	207%
2013	43,169,216	34,043,599	9,125,617	2,198,610	868,377	3,066,987	298%
2014	50,319,644	39,613,948	10,705,696	2,021,676	56,389	2,078,065	515%
2015	51,197,509	41,830,970	9,366,539	2,761,394	908,417	3,669,811	255%
2016	47,457,107	37,476,271	9,980,836	3,490,674	856,321	4,346,995	230%
2017	48,351,028	37,529,836	10,821,192	2,520,169	760,365	3,280,534	330%
2018	50,661,722	38,473,490	12,188,232	1,617,647	701,826	2,319,473	525%
2019	53,252,633	38,163,877	15,088,756	1,672,016	639,724	2,311,740	653%
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%

* Total operating revenues

** Total operating expenses exclusive of depreciation

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

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

Year Ended June 30	(1) Population	(2) Per Capita Income	(2) Median Age	(3) School Enrollment	(4) Unemployment Rate	(5) Personal Income
2012	20,202	\$ 20,003	40.5	15,374	10.9%	\$ 3,202,220
2013	20,270	21,036	40.8	15,259	10.5%	3,268,534
2014	20,325	N/A	41.4	16,420	7.40%	3,618,414
2015	20,586	20,504	41.7	14,916	6.90%	3,829,655
2016	20,283	20,003	40.3	14,822	6.50%	3,739,455
2017	(July 2016) 20,080	20,585	40.1	14,548	5.60%	3,892,854
2018	20,018	20,789	40.2	14,452	4.30%	3,838,028
2019	20,038	21,664	41.7	14,216	4.50%	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

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

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

Employer	Industry	2021		2017	
		Rank	Employment Range	Rank	Employment Range
Cleveland County School District	Education	1	1000+	1	1000+
Wal-Mart Distribution Center	Retail distribution	2	1000+	3	1000+
Atrium Health (Formerly Cleveland Regional)	Health services	3	1000+	2	1000+
Cleveland County Government	Public administration	4	500-999	4	500-999
Clearwater Paper	Manufacturing	5	500-999		
Gardner-Webb University	Education	6	500-999	5	500-999
Ingles Markets	Trade/Transportation/Utilities	7	500-999	6	500-999
Hanesbrands, Inc.	Retail distribution	8	500-999		
NEG (Formerly PPG Fiber Glass Products)	Industrial supplies	9	250-499	9	250-499
Greenheck Fan Corporation	Manufacturing	10	250-499		
ABB (Formerly Baldor Electric Company)	Manufacturing			7	500-999
Cleveland Community College	Education			8	500-999
City of Shelby	Public administration			10	250-499
Eaton Corporation	Manufacturing				
Curtiss-Wright Flight Systems, Inc.	Transportation equipment				
White Oak Manor, Inc.	Education and health services				

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

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				
	2012	2013	2014	2015	2016
General government	39.0	40.0	35.0	35.0	34.0
Public safety					
Police	86.0	86.0	97.0	97.0	95.0
Fire	58.0	57.0	58.0	58.0	56.0
Transportation	17.0	22.0	21.0	21.0	24.0
Environmental protection	19.0	16.0	17.0	17.0	16.0
Cultural and recreational	22.0	32.0	30.0	30.0	32.0
Housing and redevelopment	9.0	9.0	9.0	9.0	9.0
Business-type activities					
Water	19.0	17.0	18.0	16.0	16.5
Sewer	21.0	19.0	21.0	21.0	23.0
Electric	14.0	12.0	12.0	12.0	14.0
Gas	18.0	17.0	18.0	18.0	19.0
Stormwater	-	-	-	2.0	2.0
Housing	7.0	7.0	7.0	7.0	7.5
Total	<u>329.0</u>	<u>334.0</u>	<u>343.0</u>	<u>343.0</u>	<u>348.0</u>

Source: City of Shelby's Finance Department

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

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

Function	Fiscal Year Ended June 30				
	2017*	2018	2019	2020	2021
General government	34.0	34.0	34.0	34.0	37.0
Public safety					
Police	88.0	88.0	88.0	88.0	88.0
Fire	53.0	54.0	54.0	54.0	54.0
Transportation	23.0	22.0	22.0	23.0	22.0
Environmental protection	16.0	16.0	16.0	16.0	16.0
Cultural and recreational	22.0	22.0	26.0	26.0	26.0
Housing and redevelopment	9.0	9.0	9.0	9.0	9.0
Business-type activities					
Water	16.0	18.0	18.0	18.0	20.0
Sewer	24.0	22.0	22.0	22.0	22.0
Electric	15.0	15.0	15.0	16.0	16.0
Gas	19.0	19.0	19.0	19.0	19.0
Stormwater	2.0	3.0	3.0	3.0	3.0
Housing	7.0	7.0	7.0	7.0	8.0
Total	<u>328.0</u>	<u>329.0</u>	<u>333.0</u>	<u>335.0</u>	<u>340.0</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

	Fiscal Year Ended June 30				
	2012	2013	2014	2015	2016
Function					
Public safety					
Police:					
Number of calls for service	39,068	35,877	35,877	36,173	36,186
Uniform Crime Report Part I crimes reported	1,025	887	761	861	771
Uniform Crime Report Part II crimes reported	554	475	453	525	517
Fire					
Number of responses	1,945	1,984	1,935	2,112	2,250
Number of inspections	1,530	1,365	1,185	1,258	1,355
Transportation					
Miles of street repaved	1.61	1.83	2.38	2.57	4.13
Environmental protection					
Tons of solid waste collected	6,930	6,354	4,884	6,632	7,045
Tons of recycling collected	-	728	710	955	996
Tons of yard waste collected	-	-	-	-	-
Cultural and recreational					
Number of youth sport program participants	3,130	3,385	3,881	4,009	4,114
Number of adult sport program participants	1,026	1,141	1,230	1,351	1,762
Number of golf rounds played	10,491	9,761	8,704	7,529	6,506
Housing and redevelopment					
Building inspections:					
Number of permits issued	1,261	1,167	1,007	1,138	1,066
Number of inspections	5,437	3,634	3,395	3,935	4,384
Business-type activities					
Water system					
Customers at June 30	9,691	9,746	9,739	9,874	9,927
Average of daily consumption **	3.87	4.73	5.57	5.84	5.67
Peak daily consumption **	7.64	7.65	8.15	8.45	8.45
Sewer system					
Customers at June 30	7,952	8,031	8,016	8,136	8,201
Average of daily treatment **	2.41	2.95	3.57	3.07	3.47
Peak daily treatment **	5.86	12.86	10.59	10.25	11.77
Electric system					
Customers at June 30	7,414	7,504	7,505	7,605	7,671
Natural gas system					
Customers at June 30	9,615	9,582	9,588	9,643	9,617

** 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				
	2017	2018	2019	2020	2021
Public safety					
Police:					
Number of calls for service	46,592	39,097	43,360	35,777	38,387
Uniform Crime Report Part I crimes reported	816	708	846	492	897
Uniform Crime Report Part II crimes reported	483	519	649	888	1,367
Fire					
Number of responses	2,285	2,199	2,496	2,214	1,694
Number of inspections	1,423	1,103	1,489	771	1,650
Transportation					
Miles of street repaved	2.01	3.22	2.64	4.23	2.76
Environmental protection					
Tons of solid waste collected	6,960	7,174	7,481	7,481	9,245
Tons of recycling collected	959	1,050	1,064	391	-
Tons of yard waste collected	5,635	7,665	5331	5,645	5,808
Cultural and recreational					
Number of youth sport program participants	4,188	4,390	4,178	1,583	1,583
Number of adult sport program participants	1,966	2,268	2,230	1,080	1,080
Number of golf rounds played	6,583	6,138	5,481	8,793	12,412
Housing and redevelopment					
Building inspections:					
Number of permits issued	1,202	1,428	1,114	1,022	1,073
Number of inspections	4,187	4,256	2,896	2,955	3,200
Business-type activities					
Water system					
Customers at June 30	9,996	10,036	10,031	10,112	10,148
Average of daily consumption **	6.07	6.22	6.23	6.35	5.14
Peak daily consumption **	9.33	8.95	8.60	9.01	8.45
Sewer system					
Customers at June 30	8,264	8,319	9,343	8,411	8,418
Average of daily treatment **	3.04	3.22	3.84	3.70	3.66
Peak daily treatment **	8.52	9.51	10.66	6.35	14.99
Electric system					
Customers at June 30	7,729	7,750	7,716	7,790	7,794
Natural gas system					
Customers at June 30	9,624	9,647	9,652	9,735	9,785

** Numbers in millions of gallons

Source: Various City Departments

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

Function	Fiscal Year Ended June 30				
	2012	2013	2014	2015	2016
Public safety					
Police					
Number of stations	1	1	1	1	2
Number of patrol units	47	47	50	50	50
Fire					
Number of stations	3	3	3	3	3
Transportation					
Number of airports	1	1	1	1	1
Miles of paved roads	123	123	124	124	124
Miles of unpaved roads	0	0	0	0	0
Miles of sidewalks	28	28	28	29	30
Cultural and recreation					
Number of parks	12	12	12	12	12
Acres of parks land ***	169	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	218	221	222	223	221
Number of fire hydrants	1,241	1,358	1,376	1,389	1,394
Sewer system					
Number of treatment plants	1	1	1	1	1
Plant capacity *	6	6	6	6	6
Miles of sanitary sewers	195	190	190	191	191
Miles of force main					
Miles of storm sewers	-	10	10	25	26
Electric system					
Number of sub-stations	4	4	4	4	4
System capacity **	65	65	65	65	65
Miles of primary lines	141	146	147	148	148
Miles of secondary lines	163	210	211	211	211
Natural gas system					
Miles of gas mains	479	482	504	501	501

* 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				
	2017	2018	2019	2020	2021
Public safety					
Police					
Number of stations	2	2	1	1	1
Number of patrol units	50	50	50	50	56
Fire					
Number of stations	3	3	3	3	3
Transportation					
Number of airports	1	1	1	1	1
Miles of paved roads	124	124	125	125	125
Miles of unpaved roads	0	0	0	0	0
Miles of sidewalks	30	30	30	30	31
Cultural and recreation					
Number of parks	12	12	12	12	12
Acres of parks land ***	340	340	340	340	340
Swimming pools	1	1	1	1	1
Gymnasiums	2	2	2	2	2
Golf course (nine holes)	1	1	1	1	1
Business-type activities					
Water system					
Number of treatment plants	1	1	1	1	1
Plant capacity *	12	12	12	12	12
Miles of water mains	221	221	228	227	227
Number of fire hydrants	1,412	1,416	1,440	1,447	1,447
Sewer system					
Number of treatment plants	1	1	1	1	1
Plant capacity *	6	6	6	6	6
Miles of sanitary sewers	191	191	194	194	194
Miles of force main		25	26	26	26
Miles of storm sewers	26	26	29	122	29
Electric system					
Number of sub-stations	4	4	4	4	4
System capacity **	65	65	65	65	65
Miles of primary lines	149	152	150	150	150
Miles of secondary lines	211	211	210	213	214
Natural gas system					
Miles of gas mains	502	502	506	508	508

* In millions of gallons

** In mega-watts

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

Source: Various City Departments





COMPLIANCE SECTION

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

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance; and the State Single Audit Implementation Act

Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance; and the State Single Audit Implementation Act

Schedule of Findings, Responses, and Questioned Costs

Corrective Action Plan

Schedule of Prior Year Audit Findings

Schedule of Expenditures of Federal and State Awards



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

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Shelby, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 15, 2021. Our report includes a reference to other auditors who audited the financial statements of the City of Shelby ABC Board, as described in our report on the City of Shelby's financial statements. The financial statements of the City of Shelby ABC Board were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the City of Shelby ABC Board.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2021-001, that we consider to be a material weakness.

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*.

City of Shelby's Response to Finding

The City of Shelby's response to the finding identified in our audit is described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 15, 2021

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

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

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance; and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Shelby, North Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Shelby's major federal programs for the year ended June 30, 2021. The City of Shelby's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Shelby's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Shelby's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Shelby complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 15, 2021

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Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance; and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Shelby, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Shelby's major state programs for the year ended June 30, 2021. The City of Shelby's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Shelby's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Shelby's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the City of Shelby complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 15, 2021

CITY OF SHELBY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

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? Yes
- Significant deficiency identified? None reported

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>Program Name</u>	<u>AL#</u>
Drinking Water State Revolving Fund Cluster	66.468
Public and Indian Housing	14.850
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

CITY OF SHELBY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

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

State Awards

Internal control over major state programs:

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

No

Identification of major state programs:

Program Name

Powell Bill

CITY OF SHELBY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

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

Material Weakness

Finding 2021-001: Prior Period Adjustment

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: During the year ended June 30, 2021, it was discovered that the purchase of land and related installment obligation was inadvertently omitted from the City's financial records. Therefore, the balances of governmental capital assets and long-term debt were understated by \$5,500,000 as of June 30, 2020.

Effect: For the statements affected, the prior year financial statements were misstated. There was no effect on governmental net position.

Cause: The underlying transaction occurred through an attorney's escrow account and did not result in any cash in or out of the City's bank accounts, which caused it to be overlooked until a debt service payment was due. The required debt service payment was made on time.

Recommendation: There should be a procedure in place to identify and record all installment purchases at the time of the agreement. All installment purchase obligations require finance officer approval, so recording of the debt and related assets should be initiated contemporaneous with the obligation.

Name of Contact Person: Beth Beam, Finance Director

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the findings and will implement adequate internal controls to ensure that future installment purchases are recorded in the financial records when they occur. Please refer to the Corrective Action Plan following this section.

CITY OF SHELBY, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

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

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2021**

Material Weakness

Finding 2021-001: Prior Period Adjustment

Name of Contact Person: Beth Beam, Finance Director

Corrective Action: FY20 was a time of transition of staff in the position of the Director of Finance. The City of Shelby has implemented the procedure to ensure all Installment Purchase loans flow through the Director of Finance and are recorded within a month of the loan closing. Enhanced communication between the Director of Finance and the Accounting Manager in charge of capital assets will ensure all purchases made by Installment Loans are recorded timely and properly.

Proposed Completion Date: The City will implement the above procedure immediately

CITY OF SHELBY, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

None reported.

CITY OF SHELBY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Pass-Through to Subrecipients
Federal Grants:					
<u>U.S. Dept. of Housing and Urban Development</u>					
Direct Program:					
Low Rent Housing Program:					
Public and Indian Housing	14.850	NC034-00000111D	\$ 581,318	\$ -	\$ -
Public Housing Capital Fund (CFP)--2018	14.872	NC19P034501-18	45,571	-	-
Public Housing Capital Fund (CFP)--2019	14.872	NC19P034501-19	19,858	-	-
Total U.S. Dept. of Housing and Urban Development			646,747	-	-
<u>U.S. Dept. of Justice</u>					
Passed Through the N.C. Department of Public Safety:					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-DJ-BX-0052	20,085	-	-
Passed-through U.S. Department of Defense:					
Bulletproof Vest Partnership Program	16.607	2021	5,248	-	-
Total U.S. Dept. of Justice			25,333	-	-
U.S. Department of Treasury:					
Passed through the Office of State Budget and Management:					
NC Pandemic Recovery Office:					
Passed through Cleveland County:					
COVID-19 - Coronavirus Relief Fund	21.019	36945	533,602	-	-
<u>U.S. Environmental Protection Agency</u>					
Passed Through the N.C. Department of Environmental Quality:					
Clean Water State Revolving Fund Cluster					
Capitalization Grants for Clean Water State Revolving Funds - Compost Facility	66.458	E-SRF-T-15-0411	4,353,263	-	-
Total Clean Water State Revolving Fund Cluster			4,353,263	-	-
Drinking Water State Revolving Fund Cluster					
Capitalization Grants for Drinking Water State Revolving Funds	66.468	H-LRX-F-18-1925	474,863	-	-
Total Drinking Water State Revolving Fund Cluster			474,863	-	-
Total U.S. Environmental Protection Agency			4,828,126	-	-
<u>U.S. Dept. of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
Airport Improvement Program and COVID 19 Airports Programs	20.106	36237.16.15.1	788	-	-
Airport Improvement Program and COVID 19 Airports Programs	20.106	36237.NPE.20	4,456	-	-
COVID-19-Airport CARES Fund-Airport Improvement Program and COVID 19 Airports Programs	20.106	36237.16.16.1	30,000	-	-
Total U.S. Dept. of Transportation			35,244	-	-
Total assistance - federal programs			6,069,052	-	-
State Grants:					
<u>N.C. Department of Transportation:</u>					
Powell Bill	N/A	32570	-	543,975	-
State Aid to Airports Program	N/A	36244.23.14.1	-	199,518	-
Total N.C. Department of Transportation			-	743,493	-
Total assistance - state programs			-	743,493	-
Total assistance			\$ 6,069,052	\$ 743,493	\$ -

CITY OF SHELBY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2021Notes 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, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the City of Shelby, it is not intended to, and does not, present the financial position, changes in net position or cash flows of the City of Shelby.

2. Summary of Significant Accounting Principle

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

3. Loans Outstanding

The City of Shelby had the following loan balances outstanding at June 30, 2021 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2021 consists of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Clean Water State Revolving Funds	66.458	E-SRF-T-15-0411	\$ 19,145,415
Capitalization Grants for Drinking Water State Revolving Funds	66.468	H-LRX-F-18-1925	15,528,381

4. Indirect Cost Rate

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