

***CITY OF STATESVILLE
NORTH CAROLINA***



***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

***For Fiscal Year Ended
June 30, 2010***

***Prepared and Issued by:
City of Statesville Finance Department***

***Lisa F. Salmon
Finance Director***

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CITY OF STATESVILLE, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2010
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City of



Statesville

P. O. Box 1111 • Statesville, North Carolina 28687

October 25, 2010

The Honorable Mayor and Members of City Council
City of Statesville, North Carolina

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Statesville for the fiscal year ended June 30, 2010. The financial statements were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted governmental auditing standards by a firm of licensed certified public accountants. We believe the data is presented in a manner designed to set forth fairly the financial position and results of operations for the City of Statesville for fiscal year 2010.

This report consists of management's representations concerning the finances of the City of Statesville. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Statesville 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 Statesville's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Statesville'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 City of Statesville's financial statements have been audited by Potter & Company, P.A. of Mooresville, North Carolina, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Statesville for the fiscal year ended June 30, 2010 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 unqualified opinion that the City of Statesville's financial statements for the fiscal year ended June 30, 2010 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Letter of Transmittal

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

Profile of the City

The City of Statesville, North Carolina is located in the central portion of Iredell County (the "County") in the Midwestern part of the State approximately 45 miles north of Charlotte and approximately 40 miles west of Winston-Salem. The City of Statesville is Iredell County's second largest city and is the county seat.

The City of Statesville has a unique and interesting history in its more than 200 years of existence. On December 19, 1789, the North Carolina General Assembly created the Town of Statesville, primarily because of its central location in Iredell County and in western North Carolina. The City of Statesville was formally incorporated on January 9, 1847 as the area began to grow in number and prosperity. The City of Statesville is empowered to levy a property tax on both real and personal properties located within its municipal boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the city council. The City of Statesville currently has a land area of 24.29 square miles and a population of 27,322.

The City of Statesville has operated under the Council/Manager form of government since 1949. The mayor and eight council members are elected on a non-partisan basis with six council members elected from wards and two elected at-large. All nine elected officials serve four-year staggered terms. Policy-making and legislative authority are vested in the city council. Other major duties of the city council include adopting an annual budget, establishing the annual property tax rate, enacting local ordinances and appointing the city manager and members of various boards and commissions. In addition, the city council has the authority to call for bond referenda and enter into contracts.

The city manager serves at the pleasure of the city council and is responsible for daily municipal operations, including preparation of the annual budget and appointment of employees. The city manager supervises and coordinates the activities of the city's departments, attends city council meetings, and makes recommendations on appropriate matters of business. The city manager is responsible for implementing the policies of the city council, advises the city council on the financial condition of the city, and represents the city in business with other parties.

The City of Statesville provides a wide range of services, including police and fire protection; construction and maintenance of streets and sidewalks and other infrastructure; recreational activities and cultural events; sanitation collection; planning and community development; operation of a general aviation airport; and general administration. In addition, the City owns and operates electric, water and wastewater utilities, and a civic center. This report includes all of the City's financial activities in providing these services.

Letter of Transmittal

As required by GAAP, the City's financial statements present all of the financial activities of the primary government (City of Statesville) and its two component units, legally separate entities for which the City is financially accountable. The City Council appoints members of the Alcoholic Beverage Control Board and the Statesville Convention and Visitors Bureau. However, the City does not participate in the managerial control of operations of either organization. These organizations are included as discretely presented component units in the financial statements.

The annual budget serves as the foundation for the City of Statesville's financial planning and control. As required by North Carolina General Statutes, the departments of the City are required to submit requests for appropriations to the city manager no later than April 30 each year. The city manager uses these requests as the starting point for developing a proposed budget. The city manager presents a proposed budget to the city council for review no later than June 1. The city council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than July 1. The appropriated budget is prepared by fund, and department. Budgets are legally enacted by adoption of the governing board of an annual budget ordinance or a project ordinance. The annual budget ordinance and project ordinances may be formally amended as required by the governing board within the guidelines of the Local Government Budget and Fiscal Control Act. The city manager is authorized to reallocate departmental appropriations as he deems necessary, and he may transfer appropriations between departments of the same fund with an official report to the governing board on such transfers. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. A project ordinance is used to establish a budget for a project that extends over more than one fiscal year. Project length budget-to-actual comparisons for each governmental fund, for which a project length budget has been adopted, is also included in this report.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. These outstanding encumbrances are reported as "Reserved for Encumbrances" in the fund balance section of the Governmental Funds Balance Sheet (Exhibit 3) and will be carried forward with their budget appropriations to the subsequent year.

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 Statesville operates.

Local Economy. Statesville's local economy has not been insulated from the effects of the national economic crisis of the past two years, described by leading economists as the worst economic crisis since the Great Depression. At June 30, 2010, the unemployment rate in Iredell County was 11.7%; a 1.1 percent lower than the prior year, and significantly higher than the national rate of 9.5%, and the state rate of 10.0%. Statesville's economy has been impacted this year by an increase in business closings, cutbacks in manufacturing production, declines in consumer purchases and housing values, and an increase in bankruptcy filings. However, Statesville is home to a wide range of businesses from high-tech manufacturing to distribution and service industries, and is well-positioned to benefit from an economic recovery and return to stable economic base.

The City's economy also benefits from its exceptional transportation access with Interstates 77 and 40 connecting within its boundaries. Statesville's close proximity to Charlotte, Winston-Salem and Greensboro and their international airports attracts progressive businesses to the area's many industrial sites. Rail lines and Statesville's own growing municipal airport provide additional transportation options.

Letter of Transmittal

A variety of industrial and business parks and sites throughout the City provide focus points for economic development. The City has an effective economic development policy for recruitment of business and industry to Statesville and partners with the Greater Statesville Development Corporation to assist companies investigating new operations or expansions in the area.

Long-term Financial Planning. The Statesville City Council completed a new comprehensive land use plan in 2004 which includes an urban service area (USA). This unique planning district was created through cooperation of the Iredell County Commissioners and allows the City to develop outlying areas in an urban manner. The City has spent the last few years rewriting its planning and zoning regulations into a new type of ordinance known as a "Unified Development Ordinance." This ordinance combines the traditional zoning ordinance with subdivision regulations and will allow the City to look at how all aspects of City planning relate to one another. The new land use plan will guide Statesville's growth for the next 20 years.

In conjunction with the City's new land use plan, in 2004-2005 the City Council implemented a funding mechanism to help pay for future water and sewer infrastructure expansion with new fees, known as system development fees, which will be paid by new users of the system. These fees are expected to help defray future expansion costs of the City's water and sewer infrastructure that become necessary due to growth.

Plans are currently underway for a \$28 million expansion of the City's Third Creek Wastewater Treatment Plant. This expansion is necessary to accommodate a tremendous amount of growth that is occurring in the Third Creek basin. The City plans to fund the sewer plant expansion with a low interest loan from the State Revolving Fund, if approved.

The City continues to develop its general aviation airport in response to increased air traffic and in preparation to attract larger aircraft to the airport. Construction of a major airport runway extension project was completed in 2006-2008, in which the runway was extended to 7,000 feet and an instrument landing system was installed. City leaders believe these airport improvements will continue to create economic development opportunities for the City and Iredell County.

The City's fourth fire station is currently under construction and should be completed in early 2011. This station will house 15 new firefighters and will improve the department's response time to the area residents. The City used Recovery Zone Economic Development Bonds to finance this project. This form of financing is available through the American Reinvestment and Recovery Act of 2009 and provides a direct 45% federal interest subsidy to the City.

Cash Management Policies and Practices. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized using one of two methods. All of the City's deposits are collateralized using the pooling method. All collateral on deposits with banks using the pooling method was held by an agent of the North Carolina State Treasurer in an escrow account in the State Treasurer's name. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name.

Letter of Transmittal

The City maintains a cash and investment pool that is used by all funds, except those restricted by statute or other legal reasons. This pool is used to facilitate disbursements and investments and to maximize investment income. State statute G.S. 159-30(c) authorizes the City 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), an SEC-registered mutual fund. As of June 30, 2010, the City's cash resources were invested as follows:

Certificates of Deposit	19%
U.S. Treasuries	3%
Commercial Paper	5%
U.S. Government Agencies	40%
N.C. Capital Management Trust	<u>29%</u>
Total	96%

Risk Management. The City purchases commercial insurance coverage through a local brokerage firm. The City is fully insured for property, general liability and auto liability, and is self-funded for group health and workers' compensation. The City's personnel director is responsible for risk management. The City's personnel director is also responsible for information and management of the workers' compensation and health insurance plans. Additional information about the City's risk management can be found in the notes to the financial statements.

Pension and Other Postemployment Benefits. The City of Statesville contributes to the statewide Local Governmental Employees' Retirement System; a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. This plan provides retirement and disability benefits to plan members and beneficiaries. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate.

The City contributes to a defined contribution pension plan administered by the North Carolina Department of State Treasurer and a Board of Trustees. This plan provides retirement benefits to law enforcement officers employed by the City. Article 12E of N.C.G.S. Chapter 143 requires the City to contribute an amount each month equal to five percent of each officer's salary, and all amounts are vested immediately. The law enforcement officers and other employees of the City may make voluntary contributions to the plan.

The City of Statesville administers a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The City is required by Article 12D of G.S. Chapter 143 to provide these benefits and has chosen to fund the benefit payments on an actuarial cost method.

Letter of Transmittal

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Statesville, North Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the twentieth consecutive year that the City of Statesville has received this prestigious award.

In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report 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.

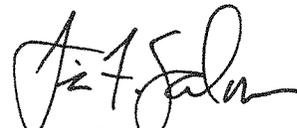
The City of Statesville also received GFOA's Distinguished Budget Presentation Award for its annual budget document dated May 4, 2009. This was the ninth consecutive year that the City of Statesville has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report could not have been accomplished without the assistance and dedication of the entire staff of the Finance Department. A special word of thanks goes to Gene Triplett, Assistant Finance Director, for his work on this report. We also appreciate the cooperation and assistance of other City departments. We would also like to express our appreciation to the Mayor and City Council for their continued support and leadership in conducting the financial activities of the City in a responsible manner.

Respectfully submitted,



Robert W. Hites, Jr.
City Manager



Lisa F. Salmon
Finance Director

CITY OF STATESVILLE, NORTH CAROLINA
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2010

LIST OF PRINCIPAL OFFICIALS

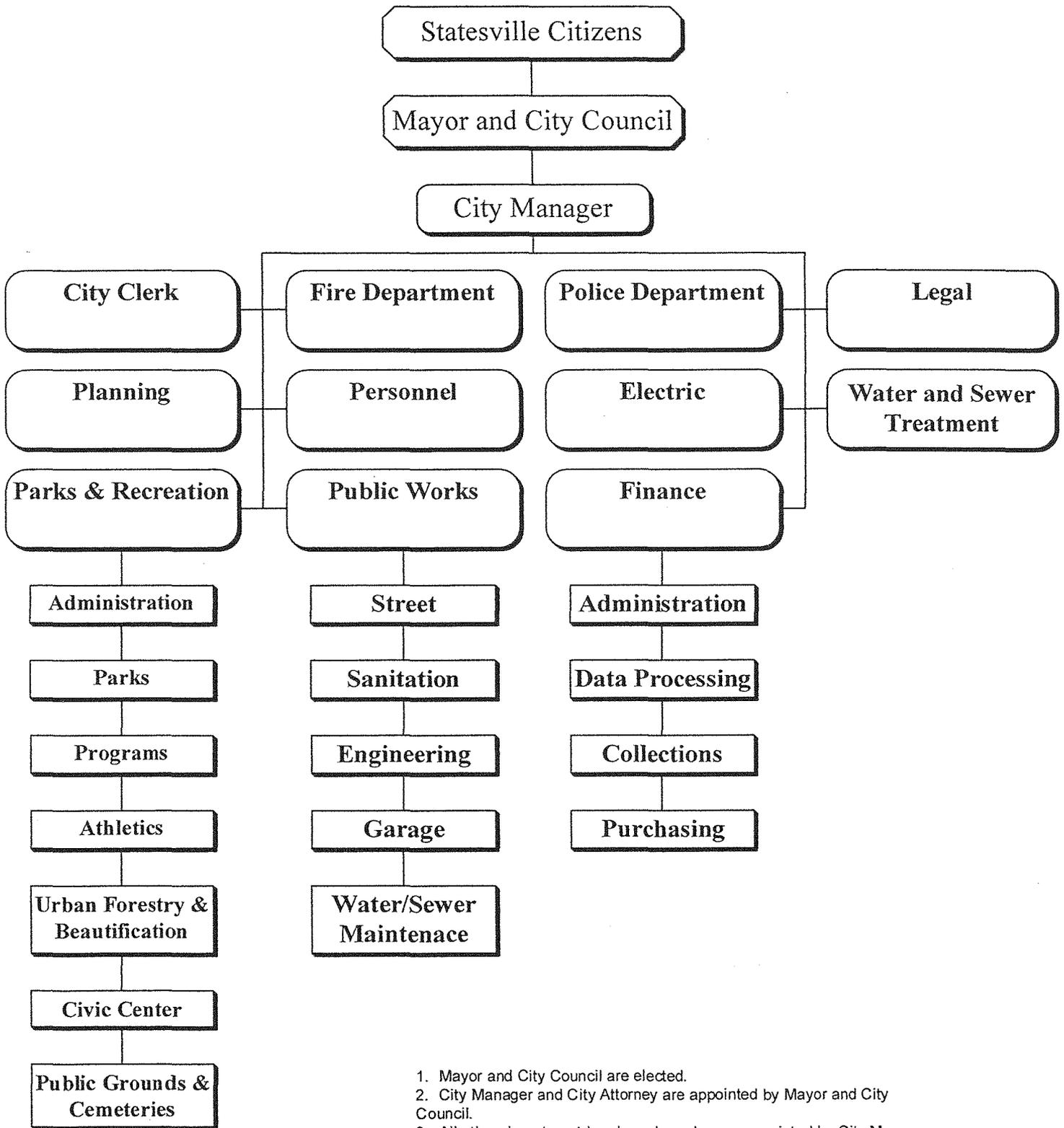
Elected Officials – City Council

Mayor.....	Constantine H. Kutteh
Mayor Pro Tem/Council Member - Ward 4.....	Michael H. Johnson
Council Member – At Large	John M. Gregory
Council Member – At Large	Cecil M. Stallard
Council Member – Ward 1	Paula M. Steele
Council Member – Ward 2	C.O. Johnson
Council Member – Ward 3	Bonita Eisele
Council Member – Ward 5	Ronald A. Matthews
Council Member – Ward 6	Flake C. Huggins, Jr.

City Appointed Officials

City Manager.....	Robert W. Hites, Jr.
City Attorney	Edmund L. Gaines
City Clerk.....	Brenda J. Fugett
Electric Utility Director	Larry M. Cranford
Finance Director	Lisa F. Salmon
Fire Chief.....	David L. Bullins
Parks and Recreation Director.....	James B. Cornelison
Assistant City Manager.....	R. Lynn Smyth
Planning Director.....	David H. Currier
Police Chief.....	Thomas A. Anderson, Jr.
Assistant City Manager.....	Larry P. Pressley
Water Resources Director	L.F. Hudson, Jr.

City of Statesville, North Carolina Organizational Chart



1. Mayor and City Council are elected.
2. City Manager and City Attorney are appointed by Mayor and City Council.
3. All other department heads and employees appointed by City Manager.

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Statesville
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to be "J.R. Enos".

President

A handwritten signature in black ink, appearing to be "Jeffrey R. Enos".

Executive Director

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FINANCIAL SECTION

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POTTER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and the City Council
City of Statesville
Statesville, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Statesville, North Carolina as of and for the year ended June 30, 2010, which collectively comprise the City of Statesville's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Statesville's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the City of Statesville ABC Board. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Statesville ABC Board, is based solely on the reports of 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 basic financial statements are free of material misstatement. The financial statements of City of Statesville ABC Board and the Statesville Convention and Visitors Bureau were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports 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 units, each major fund, and the aggregate remaining fund information of the City of Statesville, North Carolina, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2010 on our consideration of the City of Statesville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of the report is 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 of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 13, the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 64 and 65 and the Other Post Employment Benefits Schedules of Funding Progress and Employer Contributions on pages 66 and 67 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City of Statesville, North Carolina. The introductory information, combining, and individual nonmajor fund financial statements, budgetary schedules and schedules, additional financial data and the statistical tables, as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied by us in the audit of basic financial statements and, accordingly, we express no opinion on them.

Potter & Company, PA

October 25, 2010
Mooresville, North Carolina

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

As management of the City of Statesville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Statesville for the fiscal year ended June 30, 2010. 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

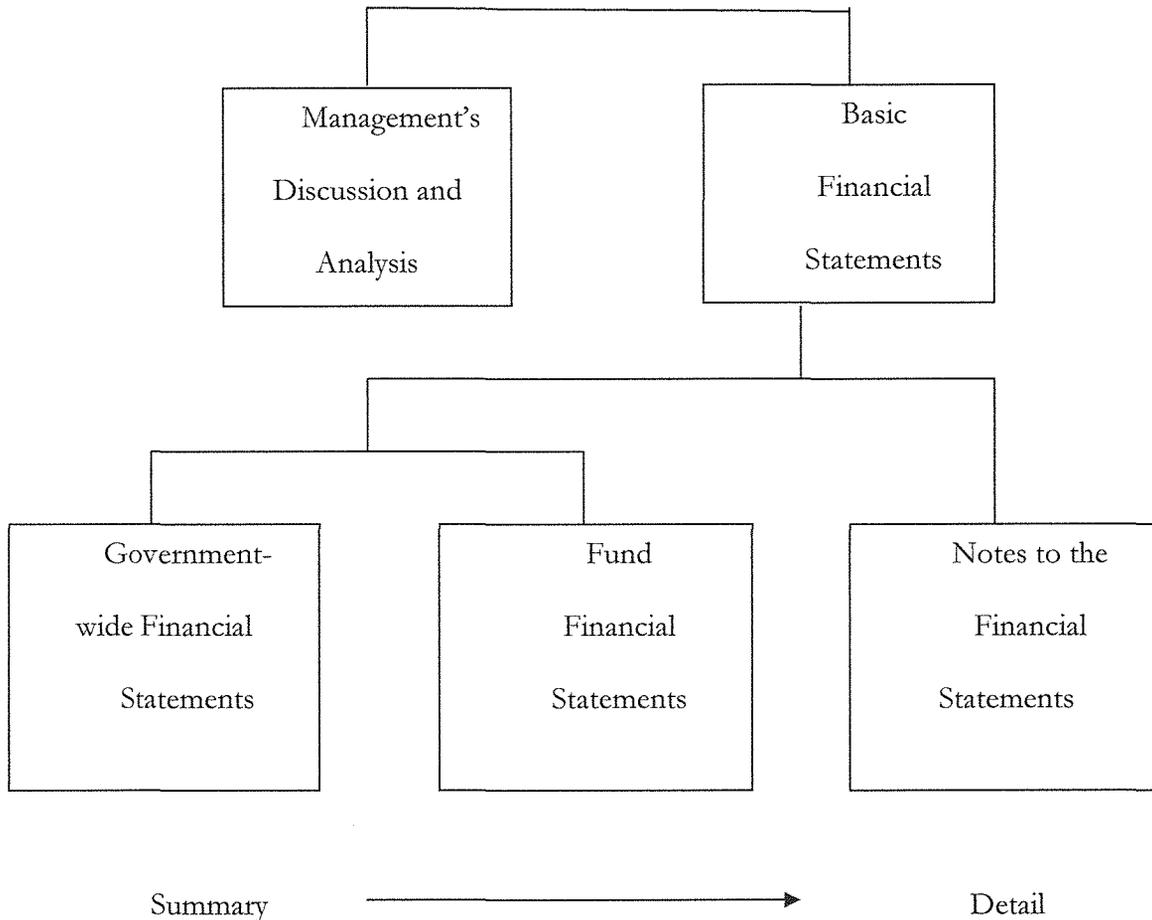
- The assets of the City of Statesville exceeded its liabilities at the close of the fiscal year by \$197,880,010 (*net assets*).
- The City's total net assets increased by \$8,694,475, primarily due to increases in the governmental activities net assets.
- As of the close of the current fiscal year, the City of Statesville's governmental funds reported combined ending fund balances of \$34,800,773, an increase of \$1,707,985 in comparison with the prior year. Approximately 69% of this total amount, or \$24,166,614 is available for spending at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$17,401,057 or 68% of total General Fund expenditures for the fiscal year.
- The City of Statesville's total debt increased by a net amount of \$290,470 (1.5%) during the current fiscal year. This increase is the result of the issuance of \$1,947,000 in new debt for fire station construction, and the City's debt service requirements.
- The City of Statesville maintained its AA bond rating from Standard & Poor's Rating service, and its A1 bond rating from Moody's Investor Service.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Statesville'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 Statesville.

Required Components of Annual Financial Reports

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) 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 3 through 8) 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**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

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 the financial statements 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 assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets 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) component units. The governmental activities include most of the City's basic services such as public safety, recreation and parks, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer and electric services offered by the City of Statesville. The final category is the component units. Although legally separate from the City, the ABC Board and the Statesville Convention and Visitors Bureau are component units of the City. The ABC Board and the Convention and Visitors Bureau are important to the City because the City exercises control over both boards by appointing their members.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) 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 Statesville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All funds of the City of Statesville 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 a detailed short-term view that helps the reader 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 Assets 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 Statesville 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 City 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

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

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. The difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds - The City of Statesville has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and electric services and for its civic center operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Statesville. The City uses internal service funds to account for two activities - employee health insurance and property and casualty liability insurance costs. Because the associated costs are predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. City of Statesville has two fiduciary funds, which are agencies funds. More information about these funds can be obtained in the notes of the financial statements.

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 and are located after Exhibit 10 in the basic financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Statesville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information is located after the notes to the financial statements.

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

City of Statesville's Net Assets
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 41,294,891	\$ 38,579,100	\$ 41,268,518	\$ 39,015,921	\$ 82,563,409	\$ 77,595,021
Capital assets	64,527,399	55,883,159	80,914,594	83,763,150	145,441,993	139,646,309
Total assets	105,822,290	94,462,259	122,183,112	122,779,071	228,005,402	217,241,330
Long-term liabilities outstanding	6,025,174	4,043,496	16,373,878	17,505,931	22,399,052	21,549,427
Other liabilities	3,069,508	2,288,714	4,656,832	4,217,654	7,726,340	6,506,368
Total liabilities	9,094,682	6,332,210	21,030,710	21,723,585	30,125,392	28,055,795
Net assets:						
Invested in capital assets, net of related debt	60,880,399	53,828,159	65,435,328	66,982,354	126,315,727	120,810,513
Restricted	5,759,907	4,913,338	-	-	5,759,907	4,913,338
Unrestricted	30,087,302	29,388,552	35,717,074	34,073,132	65,804,376	63,461,684
Total net assets	\$ 96,727,608	\$ 88,130,049	\$ 101,152,402	\$ 101,055,486	\$ 197,880,010	\$ 189,185,535

Note: Fiscal year 2009 was restated for Market to Market adjustment.

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Statesville exceeded liabilities by \$197,880,010 as of June 30, 2010. The City's net assets increased by \$8,694,475 for the fiscal year ended June 30, 2010. However, the largest portion of net assets (64%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City of Statesville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Statesville's 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 of Statesville's net assets (3.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$65,804,376 is unrestricted.

Aspects of the City's financial operations positively influenced the total unrestricted governmental net assets:

- Charges for services increased nineteen percent (19%) or \$327,000 from the prior year due primarily to the opening of a full year's operation of a new 35,000 square foot recreation center and pool.
- Capital grants and contributions increased \$7,283,000 due primarily to new grants received during the year for runway and taxiway pavement rehabilitation at the City airport.
- Consistent collections of property tax revenues and continued low debt burden.

**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

**City of Statesville Changes in Net Assets
Figure 3**

	Governmental	Governmental	Business-type	Business-type	Total	
	Activities	Activities	Activities	Activities	2010	2009
	2010	2009	2010	2009		
Revenues:						
Program revenues:						
Charges for services	\$ 2,013,411	\$ 1,686,212	\$ 48,744,349	\$ 46,469,371	\$ 50,757,760	\$ 48,155,583
Operating grants and contributions	917,021	330,505	-	-	917,021	330,505
Capital grants and contributions	8,508,250	1,224,679	-	-	8,508,250	1,224,679
General revenues:						
Property taxes	11,602,821	11,574,508	-	-	11,602,821	11,574,508
Other taxes and fees	6,321,616	6,686,106	-	-	6,321,616	6,686,106
Grants and contributions not						
restricted to specific programs	2,023,140	2,147,614	-	-	2,023,140	2,147,614
Investment earnings, unrestricted	554,901	1,213,495	593,605	1,118,299	1,148,506	2,331,794
Sales and services not allocated						
functions	175,648	101,969	-	-	175,648	101,969
Total revenues	32,116,808	24,965,088	49,337,954	47,587,670	81,454,762	72,552,758
Expenses:						
General government	3,259,010	3,390,680	-	-	3,259,010	3,390,680
Public safety	11,206,823	10,439,606	-	-	11,206,823	10,439,606
Transportation	3,409,944	3,370,012	-	-	3,409,944	3,370,012
Economic development	798,806	900,469	-	-	798,806	900,469
Environmental protection	2,077,498	2,159,733	-	-	2,077,498	2,159,733
Cultural and recreation	3,145,451	2,996,956	-	-	3,145,451	2,996,956
Interest on long-term debt	91,868	72,823	461,551	495,327	553,419	568,150
Electric	-	-	38,513,061	37,157,603	38,513,061	37,157,603
Water and Sewer	-	-	8,979,005	9,362,569	8,979,005	9,362,569
Civic Center	-	-	817,270	825,678	817,270	825,678
Total expenses	23,989,400	23,330,279	48,770,887	47,841,177	72,760,287	71,171,456
Increase (decrease) in net assets						
before transfers and special items	8,127,408	1,634,809	567,067	(253,507)	8,694,475	1,381,302
Transfers in (out)	470,151	409,899	(470,151)	(409,899)	-	-
Increase (decrease) in net assets	8,597,559	2,044,708	96,916	(663,406)	8,694,475	1,381,302
Net assets, Beginning of year	88,130,049	86,085,341	101,055,486	101,718,892	189,185,535	187,804,233
Net assets, end of year	\$ 96,727,608	\$ 88,130,049	\$ 101,152,402	\$ 101,055,486	\$ 197,880,010	\$ 189,185,535

Note: Fiscal year 2009 was restated for Market to Market adjustment.

**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

Governmental Activities - Governmental activities increased the City's net assets by \$8,597,559, thereby accounting for the majority of growth in the net assets of the City of Statesville. Key elements of this increase are as follows:

- Operating grants increased by \$586,516 or 77% for programs in public safety and recreation.
- Charges for services increased by \$327,000 or 19% due primarily to the first full year of operations of a new recreation center and pool.
- Capital grants increased by \$7,283,000 due primarily to new grants received during the year for runway and taxiway pavement rehabilitation at the City airport.

Business-Type Activities - Business-type activities increased the City of Statesville's net assets by \$96,916. Key elements of this increase are as follows:

- Charges for services increased \$2,275,000 or 4.9%. This increase is primarily due to a 5% retail electric rate increase. Increased revenues were off-set by an increase in wholesale electric costs.

Financial Analysis of the City's Funds

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

Governmental Funds - The focus of the City of Statesville'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's financing requirements. Specifically, unreserved fund balance 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 Statesville. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$17,401,057 while total fund balance reached \$24,993,503. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 68% of total General Fund expenditures, while total fund balance represents 97.6% of that same amount.

At June 30, 2010, the governmental funds of City of Statesville reported a combined fund balance of \$34,800,773; a 5% increase from last year.

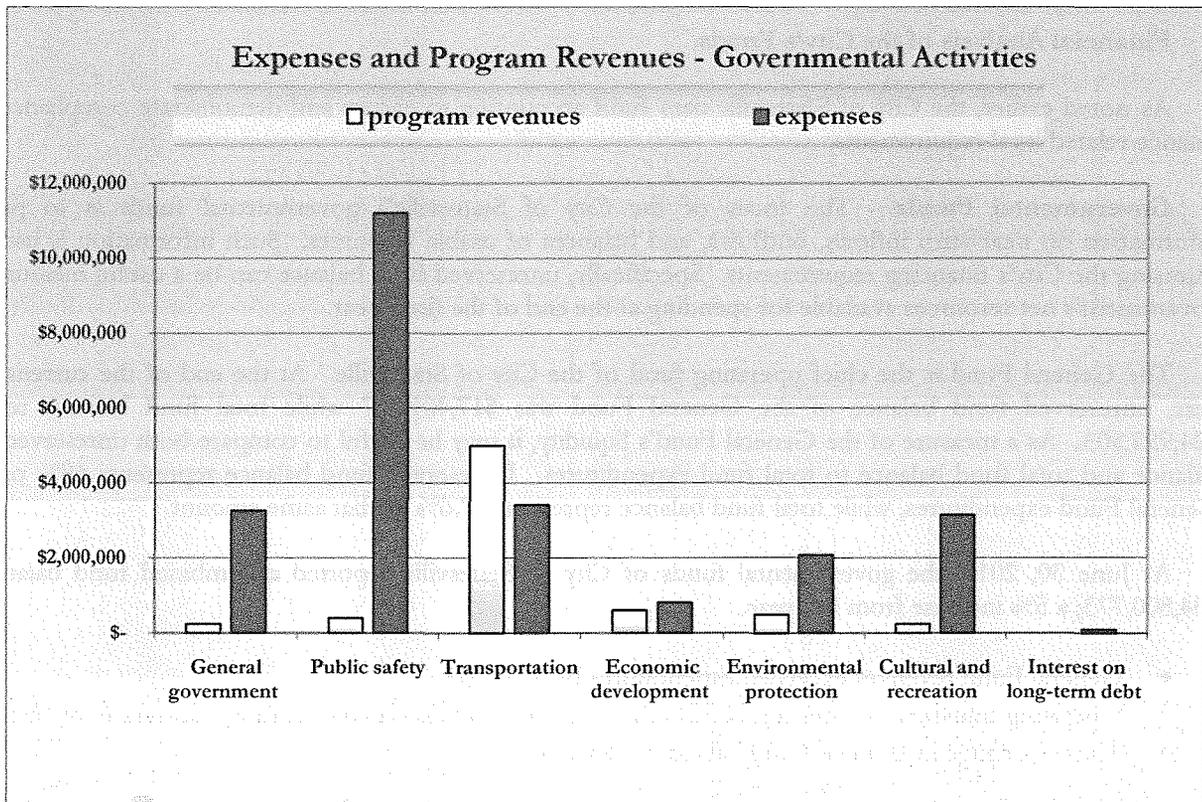
- General Fund revenues exceeded expenditures by \$138,095.
- Operating transfers to other funds from the General Fund exceeded operating transfers in by \$651,668.
- The net change in General Fund balance is (\$513,573).

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. Significant highlights of the General Fund are:

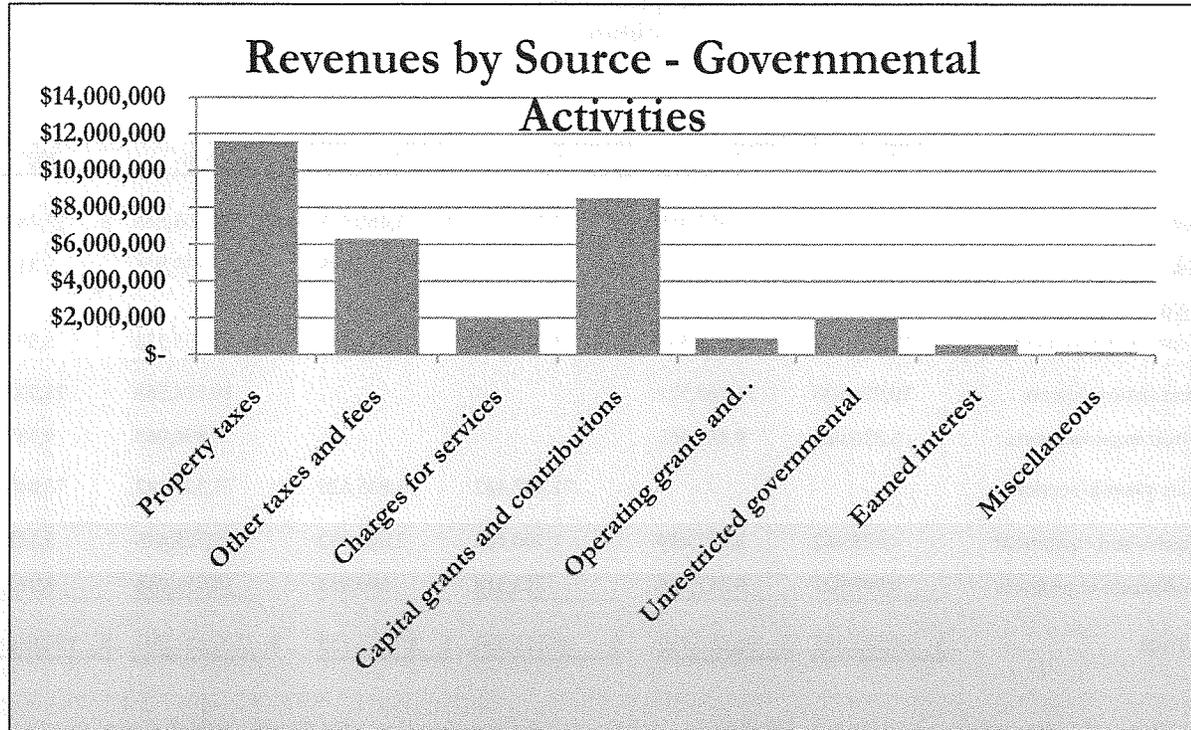
CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

- Ad valorem tax revenues of \$11,515,195 exceeded budget estimates by \$378,055 or 3%.
- Other taxes and licenses of \$5,673,218 fell below budget estimates by \$200,807 primarily due to a shortfall in sales tax revenues by \$349,000, which was offset by hold harmless and other revenues.
- Restricted intergovernmental revenues of \$1,459,364 exceeded budget estimates by \$404,000 due primarily to receipt of a bicycle grant in the amount of \$388,628.
- Sales and services exceeded budget estimates by \$413,000 due primarily to higher than anticipated revenues associated with a full year operation of a new recreation center and pool.
- Expenditures were \$5,932,000 lower than budget appropriations due primarily to incomplete capital equipment purchases or capital improvement projects at year-end as follows: 1) \$500,000 in General Government for land acquisition, 2) \$478,987 in Public Safety for a new fire pumper, 3) \$677,436 in Transportation for street paving, and \$1,967,000 in airport improvements, and 4) \$241,000 in Cultural and Recreation for greenway construction.

Below is a chart of the City's program revenues and expenses:



**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**



Proprietary Funds - The City of Statesville's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net assets of the Electric Fund are \$16,126,841, and those for the Water and Sewer Fund at the end of the fiscal year are \$19,479,228. The net assets of the Electric Fund increased by \$486,144 and decreased in the Water and Sewer Fund.

Capital Asset and Debt Administration

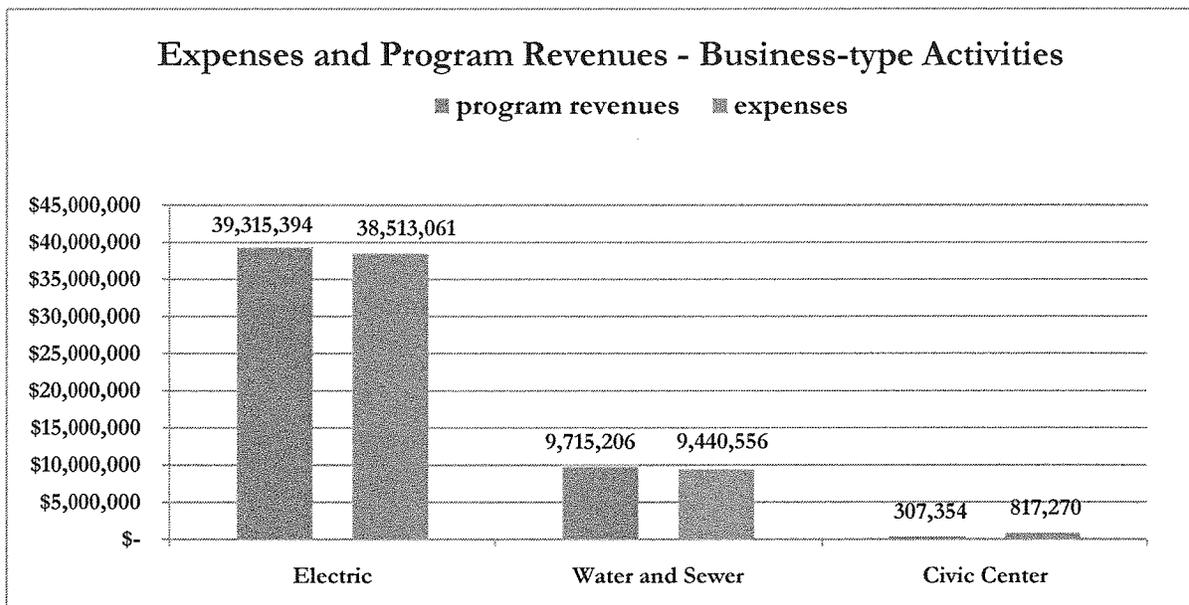
Capital Assets - The City of Statesville's investment in capital assets for its governmental and business-type activities as of June 30, 2010, totals \$145,441,993 (net of accumulated depreciation). These assets include buildings, utility systems infrastructure, land, roads, machinery and equipment, park facilities, and vehicles.

**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

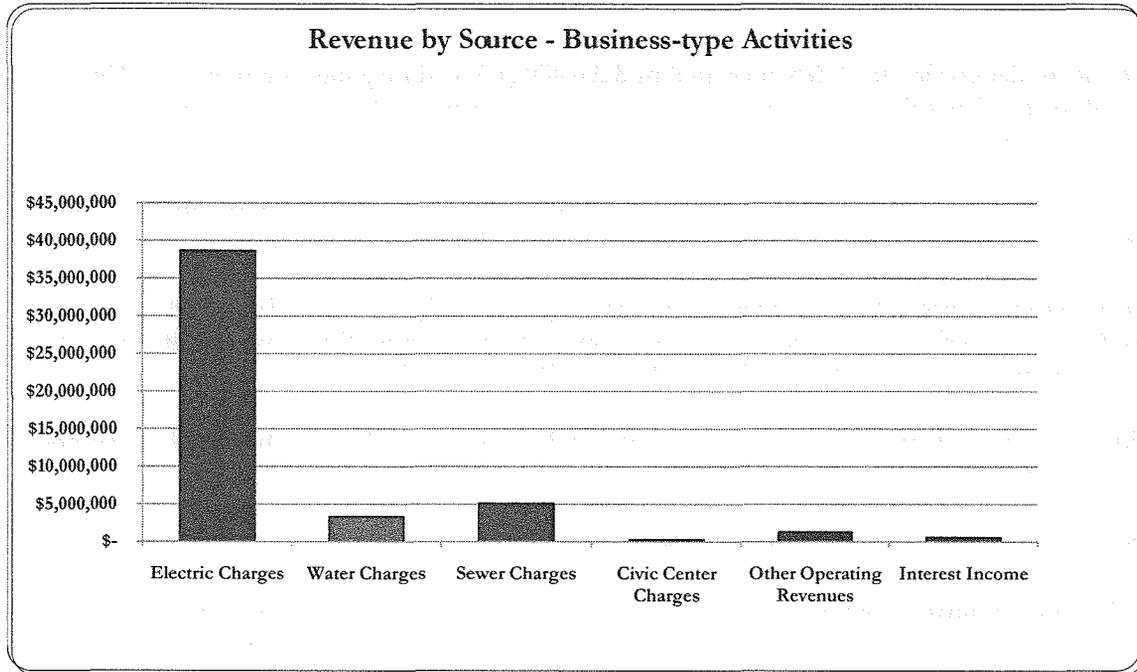
**City of Statesville's
Capital Assets
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 18,245,175	\$ 17,987,915	\$ 3,460,671	\$ 3,460,671	\$ 21,705,846	\$ 21,448,586
Fresco	-	-	335,825	335,825	335,825	335,825
Buildings and other improvements	12,438,184	5,116,301	3,317,154	3,475,219	15,755,338	8,591,520
Street improvements	10,924,588	11,902,571	-	-	10,924,588	11,902,571
Airport improvements	8,896,063	9,487,365	-	-	8,896,063	9,487,365
Utility plant in service	-	-	71,387,442	73,845,620	71,387,442	73,845,620
Vehicles and equipment	4,025,462	3,077,439	1,700,184	2,044,832	5,725,646	5,122,271
Constuction in progress	9,997,927	8,311,568	713,318	600,983	10,711,245	8,912,551
Total	\$ 64,527,399	\$ 55,883,159	\$ 80,914,594	\$ 83,763,150	\$ 145,441,993	\$ 139,646,309

The figure 4 is net of accumulated depreciation. Additional information on the City's capital assets can be found in the notes of the Basic Financial Statements on pages 41 through 44.



**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**



Long-Term Debt - As of June 30, 2010, the City of Statesville had total bonded debt outstanding of \$475,000; all of which is debt backed by the full faith and credit of the City. The remainder of the City's debt represents notes payable totaling \$18,651,266.

**City of Statesville's Outstanding Debt
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 50,000	\$ 75,000	\$ 425,000	\$ 725,000	\$ 475,000	\$ 800,000
Notes payable	<u>3,597,000</u>	<u>1,980,000</u>	<u>15,054,266</u>	<u>16,055,796</u>	<u>18,651,266</u>	<u>18,035,796</u>
	<u>\$ 3,647,000</u>	<u>\$ 2,055,000</u>	<u>\$ 15,479,266</u>	<u>\$ 16,780,796</u>	<u>\$ 19,126,266</u>	<u>\$ 18,835,796</u>

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

The City of Statesville's total debt increased by \$290,470 (1.5%) during the current period. This net increase is the result of the City's debt service requirements, and the issuance of \$1,947,000 in new debt to finance the construction of a new fire station.

The City of Statesville maintained its A1 bond rating from Moody's Investor Service and AA from Standard and Poor's Rating Service.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Statesville as of June 30, 2010 is \$240,220,000.

Additional information regarding the City of Statesville's long-term debt can be found in the notes of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

- Revenue estimates contained in the City of Statesville's 2010-2011 operating and capital budget were developed on a conservative basis.
- Consumption-based revenues were lowered in the General Fund and Enterprise Funds due to continued declines from the economic recession.
- Retail electric rates were increased effective July 1, 2010 by 5.0% in order to offset the City's cost of wholesale purchased power by 5.0 % and to offset declines in energy use.
- Water and sewer rates were increased effective July 1, 2010 by 6.0% to offset declines in usage.
- The Water & Sewer Fund is expected to operate at a loss of \$678,000.

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 Office of Finance Director, City of Statesville, P.O. Box 1111, Statesville, NC 28687-1111.

BASIC FINANCIAL STATEMENTS

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CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Convention & Visitors Bureau	Alcoholic Beverage Control Board
ASSETS					
Cash and cash equivalents	\$ 35,213,331	\$ 32,504,503	\$ 67,717,834	\$ 105,440	\$ 307,039
Receivables, net	4,147,185	6,679,037	10,826,222	-	-
Internal balances	679,391	(679,391)	-	-	-
Interest receivable	262,882	261,527	524,409	-	-
Inventories	16,789	1,773,240	1,790,029	-	425,682
Prepaid items	4,510	3,095	7,605	-	-
Net pension asset	970,803	-	970,803	-	-
Restricted Cash:					
Cash and cash equivalents	-	726,507	726,507	-	-
Capital assets:					
Land and other nondepreciable assets	28,243,102	4,173,991	32,417,093	-	-
Depreciable assets, net	36,284,297	76,740,603	113,024,900	-	1,757,445
Total assets	105,822,290	122,183,112	228,005,402	105,440	2,490,166
LIABILITIES					
Accounts payable and accrued liabilities	2,786,820	3,820,747	6,607,567	4,433	338,677
Line of credit	-	-	-	-	179,247
Accrued Interest payable	47,979	43,065	91,044	-	-
Unearned revenue	229,809	66,514	296,323	-	-
Deposits payable	4,900	726,507	731,407	-	-
Noncurrent liabilities:					
Due within a year	1,279,275	1,515,507	2,794,782	910	125,851
Due in more than a year	4,745,899	14,858,371	19,604,270	-	904,468
Total liabilities	9,094,682	21,030,710	30,125,392	5,343	1,548,243
NET ASSETS					
Invested in capital assets, net of related debt	60,880,399	65,435,328	126,315,727	-	842,445
Restricted for:					
Transportation	2,610,583	-	2,610,583	-	-
Public safety	1,695,694	-	1,695,694	-	-
Economic development	319,743	-	319,743	-	-
Recreation	1,133,887	-	1,133,887	-	-
Minimum working capital	-	-	-	-	134,543
Unrestricted	30,087,302	35,717,074	65,804,376	100,097	(35,065)
Total net assets (as restated)	\$ 96,727,608	\$ 101,152,402	\$ 197,880,010	\$ 100,097	\$ 941,923

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 3,259,010	\$ 69,423	\$ -	\$ -
Public safety	11,206,823	287,186	755,216	70,938
Transportation	3,409,944	506,981	37,569	8,048,684
Economic and physical development	798,806	70,045	110,158	-
Environmental protection	2,077,498	328,217	-	-
Cultural and recreation	3,145,451	751,559	-	388,628
Debt service:				
Interest on long-term debt	91,868	-	14,078	-
Total governmental activities	<u>23,989,400</u>	<u>2,013,411</u>	<u>917,021</u>	<u>8,508,250</u>
Business-Type Activities:				
Electric	38,513,061	39,102,390	-	-
Water and sewer	9,440,556	9,348,940	-	-
Civic Center	817,270	293,019	-	-
Total business-type activities	<u>48,770,887</u>	<u>48,744,349</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 72,760,287</u>	<u>\$ 50,757,760</u>	<u>\$ 917,021</u>	<u>\$ 8,508,250</u>
Component units:				
Convention & Visitors Bureau	\$ 100,607	\$ 6,360	\$ 126,027	\$ -
Alcoholic Beverage Control Board	4,520,420	4,530,176	-	-
Total component units	<u>\$ 4,621,027</u>	<u>\$ 4,536,536</u>	<u>\$ 126,027</u>	<u>\$ -</u>
General Revenues:				
Ad valorem taxes				
Local option sales tax				
Other taxes - gross vehicle and hold harmless				
Occupancy taxes				
Privilege licenses				
State share franchise, telecommunication, video and liquor taxes				
Interest earned on investments				
Miscellaneous revenue				
Total general revenues not including transfers				
Transfers in (out)				
Total general revenues and transfers				
Change in Net Assets				
Net assets, beginning of year				
Net assets, end of year (as restated)				

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Convention & Visitors Bureau	Alcoholic Beverage Control Board
\$ (3,189,587)	\$ -	\$ (3,189,587)	\$ -	\$ -
(10,093,483)	-	(10,093,483)	-	-
5,183,290	-	5,183,290	-	-
(618,603)	-	(618,603)	-	-
(1,749,281)	-	(1,749,281)	-	-
(2,005,264)	-	(2,005,264)	-	-
(77,790)	-	(77,790)	-	-
(12,550,718)	-	(12,550,718)	-	-
-	589,329	589,329	-	-
-	(91,616)	(91,616)	-	-
-	(524,251)	(524,251)	-	-
-	(26,538)	(26,538)	-	-
(12,550,718)	(26,538)	(12,577,256)	-	-
-	-	-	31,780	-
-	-	-	-	9,756
-	-	-	31,780	9,756
11,602,821	-	11,602,821	-	-
5,113,327	-	5,113,327	-	-
192,292	-	192,292	-	-
648,398	-	648,398	-	-
367,599	-	367,599	-	-
2,023,140	-	2,023,140	-	-
554,901	593,605	1,148,506	130	87
175,648	-	175,648	163	-
20,678,126	593,605	21,271,731	293	87
470,151	(470,151)	-	-	-
21,148,277	123,454	21,271,731	293	87
8,597,559	96,916	8,694,475	32,073	9,843
88,130,049	101,055,486	189,185,535	68,024	932,080
\$ 96,727,608	\$ 101,152,402	\$ 197,880,010	\$ 100,097	\$ 941,923

CITY OF STATESVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	Major		Non-Major	Total Governmental Funds
	General	Safety Overrun Fund	Other Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 24,093,801	\$ 1,014,702	\$ 8,936,903	\$ 34,045,406
Taxes receivable, net	706,337	-	-	706,337
Accounts receivable, net	177,439	-	287,231	464,670
Interfund receivables	51,192	-	-	51,192
Due from other governments	2,459,874	353,884	-	2,813,758
Due from other component units	3,104	-	-	3,104
Interest receivable	189,592	7,986	56,113	253,691
Inventories	16,790	-	-	16,790
Prepaid items	4,510	-	-	4,510
Total Assets	<u>\$ 27,702,639</u>	<u>\$ 1,376,572</u>	<u>\$ 9,280,247</u>	<u>\$ 38,359,458</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,625,610	\$ 335,960	\$ 370,335	\$ 2,331,905
Prepaid and unearned revenues	229,749	-	-	229,749
Deferred revenue	853,777	-	143,254	997,031
Total Liabilities	<u>2,709,136</u>	<u>335,960</u>	<u>513,589</u>	<u>3,558,685</u>
FUND BALANCES				
Reserved/restricted for:				
Prepaid items	4,510	-	-	4,510
Inventory	16,790	-	-	16,790
Encumbrances	4,188,338	377,802	2,101,951	6,668,091
Subsequent year's appropriation	652,150	-	-	652,150
By state statute	2,730,658	361,870	200,090	3,292,618
Unreserved reported in:				
General fund	17,401,057	-	-	17,401,057
Special revenue funds	-	-	4,099,157	4,099,157
Capital project funds	-	300,940	2,365,460	2,666,400
Total Fund Balances	<u>24,993,503</u>	<u>1,040,612</u>	<u>8,766,658</u>	<u>34,800,773</u>
Total Liabilities and Fund Balances	<u>\$ 27,702,639</u>	<u>\$ 1,376,572</u>	<u>\$ 9,280,247</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	64,527,399
The focus of governmental funds is on short-term financing; long-term assets are deferred in the funds.	1,082,135
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of net assets.	1,345,445
Liabilities for earned by deferred revenues in fund statements.	997,030
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Long-term debt	(3,647,000)
Compensated absences and OPEB	(2,378,174)
Net assets of governmental activities	<u>\$ 96,727,608</u>

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	Major		Non-Major	Total Governmental Funds
	General	Safety Overrun Fund	Other Governmental Funds	
REVENUES				
Ad valorem taxes	\$ 11,515,195	\$ -	\$ -	\$ 11,515,195
Other taxes and licenses	5,673,218	-	648,398	6,321,616
Unrestricted intergovernmental	2,023,140	-	-	2,023,140
Restricted intergovernmental	1,459,364	6,969,368	967,708	9,396,440
Permits and fees	526,627	-	-	526,627
Sales and services	1,389,464	-	4,463	1,393,927
Investment earnings	359,403	15,269	91,896	466,568
Miscellaneous	92,441	-	41,583	134,024
Total revenues	23,038,852	6,984,637	1,754,048	31,777,537
EXPENDITURES				
Current:				
General government	3,057,326	-	-	3,057,326
Public safety	10,080,358	-	434,506	10,514,864
Transportation	1,751,549	-	-	1,751,549
Economic and physical development	514,609	-	283,306	797,915
Environmental protection	1,934,002	-	-	1,934,002
Cultural and recreation	2,974,884	-	-	2,974,884
Capital outlay	2,169,039	7,985,340	882,794	11,037,173
Debt service:				
Principal	355,000	-	-	355,000
Interest and fiscal costs	63,990	-	-	63,990
Total expenditures	22,900,757	7,985,340	1,600,606	32,486,703
Revenues over (under) expenditures	138,095	(1,000,703)	153,442	(709,166)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	2,047,895	-	2,902,777	4,950,672
Transfers to other funds	(2,699,563)	(91,668)	(1,689,290)	(4,480,521)
Debt proceeds	-	-	1,947,000	1,947,000
Total other financing sources and uses	(651,668)	(91,668)	3,160,487	2,417,151
Net change in fund balances	(513,573)	(1,092,371)	3,313,929	1,707,985
Fund balances at beginning of year (restated)	25,507,076	2,132,983	5,452,729	33,092,788
Fund balances at end of year	<u>\$ 24,993,503</u>	<u>\$ 1,040,612</u>	<u>\$ 8,766,658</u>	<u>\$ 34,800,773</u>

CITY OF STATESVILLE, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Fund Balances to the Statement of Activities:

Total net change in fund balances-governmental funds \$ 1,707,985

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

	Capital Outlay	11,037,173	
	Depreciation	<u>(2,468,864)</u>	8,568,309

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue and accrued Interest receivable for tax revenues	87,625
Change in other deferred revenues	136,289
Federal interest subsidy	27,027
Change in net pension asset	66,871

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

(1,619,878)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(216,184)
Other postemployment benefits	(173,495)

Net income (loss) of internal service funds determined to be governmental-type.	<u>13,010</u>
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Changes in net assets of governmental activities \$ 8,597,559

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 11,137,140	\$ 11,137,140	\$ 11,515,195	\$ 378,055
Other taxes and licenses	5,803,600	5,874,025	5,673,218	(200,807)
Unrestricted intergovernmental	2,034,000	1,963,575	2,023,140	59,565
Restricted intergovernmental	864,600	1,054,936	1,459,364	404,428
Permits and fees	525,300	525,300	526,627	1,327
Sales and services	1,003,050	976,008	1,389,464	413,456
Investment earnings	450,000	450,000	359,403	(90,597)
Miscellaneous	10,000	59,826	92,441	32,615
Total revenues	<u>21,827,690</u>	<u>22,040,810</u>	<u>23,038,852</u>	<u>998,042</u>
EXPENDITURES				
Current:				
General government	3,796,929	4,371,337	3,293,723	1,077,614
Public safety	10,559,510	11,912,554	10,804,410	1,108,144
Transportation	2,185,388	4,982,895	2,159,618	2,823,277
Economic and physical development	641,000	641,000	514,609	126,391
Environmental protection	2,086,099	2,480,099	2,313,394	166,705
Cultural and recreation	3,151,639	4,025,938	3,396,013	629,925
Debt service:				
Principal	355,000	355,000	355,000	-
Interest and fiscal costs	64,000	64,000	63,990	10
Total expenditures	<u>22,839,565</u>	<u>28,832,823</u>	<u>22,900,757</u>	<u>5,932,066</u>
Revenues over (under) expenditures	<u>(1,011,875)</u>	<u>(6,792,013)</u>	<u>138,095</u>	<u>6,930,108</u>
OTHER FINANCING SOURCES (USES)				
Transfer - in	1,011,875	2,021,177	2,047,895	26,718
Transfer - (out)	-	(2,699,563)	(2,699,563)	-
Fund balance appropriated	-	7,470,399	-	(7,470,399)
Total other financing sources and (uses)	<u>1,011,875</u>	<u>6,792,013</u>	<u>(651,668)</u>	<u>(7,443,681)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(513,573)</u>	<u>\$ (513,573)</u>
Fund balances at beginning of year			<u>25,507,076</u>	
Fund balances at end of year			<u>\$ 24,993,503</u>	

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	Enterprise Funds			Total Enterprise Funds	Governmental Activities- Internal Service
	Major		Other		
	Electric Fund	Water and Sewer Fund	Civic Center Fund		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 13,243,847	\$ 18,348,282	\$ 912,374	\$ 32,504,503	\$ 1,167,925
Accounts receivable, net - billed	3,009,942	1,190,498	2,594	4,203,034	7
Accounts receivable, net-unbilled	1,994,892	481,111	-	2,476,003	-
Interest receivable	109,946	144,400	7,181	261,527	9,192
Restricted cash, deposits	726,507	-	-	726,507	-
Inventories	1,630,610	142,630	-	1,773,240	-
Prepaid assets	2,000	1,095	-	3,095	-
Total current assets	<u>20,717,744</u>	<u>20,308,016</u>	<u>922,149</u>	<u>41,947,909</u>	<u>1,177,124</u>
Noncurrent assets:					
Capital assets:					
Land	18,100	1,511,212	1,931,359	3,460,671	-
Capital assets, net of depreciation	20,041,488	52,972,665	3,726,450	76,740,603	-
Construction in progress	23,939	689,381	-	713,320	-
Total capital assets, net	<u>20,083,527</u>	<u>55,173,258</u>	<u>5,657,809</u>	<u>80,914,594</u>	<u>-</u>
Total assets	<u>40,801,271</u>	<u>75,481,274</u>	<u>6,579,958</u>	<u>122,862,503</u>	<u>1,177,124</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	3,561,241	230,315	29,191	3,820,747	511,067
Interest payable	-	43,065	-	43,065	-
Customer deposits	726,507	-	-	726,507	-
Deferred/prepaid revenues	-	-	66,514	66,514	-
Current portion of compensated absences	109,419	167,087	12,471	288,977	-
Current portion of long-term debt	-	1,226,530	-	1,226,530	-
Total current liabilities	<u>4,397,167</u>	<u>1,666,997</u>	<u>108,176</u>	<u>6,172,340</u>	<u>511,067</u>
Noncurrent liabilities:					
Compensated absences	156,752	144,638	15,964	317,354	-
Other postemployment benefits	36,984	64,176	7,614	108,774	-
Noncurrent portion of long-term debt	-	14,252,736	-	14,252,736	-
Monofill long-term post-closure costs	-	179,507	-	179,507	-
Total noncurrent liabilities	<u>193,736</u>	<u>14,641,057</u>	<u>23,578</u>	<u>14,858,371</u>	<u>-</u>
Total liabilities	<u>4,590,903</u>	<u>16,308,054</u>	<u>131,753</u>	<u>21,030,710</u>	<u>511,067</u>
NET ASSETS					
Invested in capital assets, net of related debt	20,083,527	39,693,992	5,657,809	65,435,328	-
Unrestricted	16,126,841	19,479,228	790,396	36,396,465	666,057
Total net assets	<u>\$ 36,210,368</u>	<u>\$ 59,173,220</u>	<u>\$ 6,448,205</u>	<u>101,831,793</u>	<u>\$ 666,057</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(679,391)	
Net assets of business-type activities				<u>\$ 101,152,402</u>	

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	Enterprise Funds			Total Enterprise Funds	Governmental Activities- Internal Service
	Major		Other		
	Electric Fund	Water and Sewer Fund	Civic Center Fund		
OPERATING REVENUES					
Charges for sales and services	\$ 38,700,181	\$ 8,445,809	\$ 293,019	\$ 47,439,009	\$ 3,445,922
Other operating revenues	402,209	903,131	-	1,305,340	-
Total operating revenues	39,102,390	9,348,940	293,019	48,744,349	3,445,922
OPERATING EXPENSES					
Electrical operations	4,892,486	-	-	4,892,486	-
Electrical power purchases	32,503,039	-	-	32,503,039	-
Water and sewer treatment and distributions	-	6,144,621	-	6,144,621	-
Civic Center operations	-	-	631,980	631,980	-
Health expenses and insurance claims	-	-	-	-	3,456,965
Depreciation	1,116,646	2,832,859	185,110	4,134,615	-
Total operating expenses	38,512,171	8,977,480	817,090	48,306,741	3,456,965
Operating income (loss)	590,219	371,460	(524,071)	437,608	(11,043)
NONOPERATING REVENUES (EXPENSES)					
Interest income	213,004	366,266	14,335	593,605	21,460
Interest expense	-	(461,551)	-	(461,551)	-
Total nonoperating revenues (expense)	213,004	(95,285)	14,335	132,054	21,460
Income (loss) before transfers	803,223	276,175	(509,736)	569,662	10,417
TRANSFERS IN (OUT)					
Transfers - in	-	-	429,074	429,074	-
Transfers - (out)	(317,079)	(559,239)	(22,907)	(899,225)	-
Total transfers	(317,079)	(559,239)	406,167	(470,151)	-
Change in net assets (deficit)	486,144	(283,064)	(103,569)	99,511	10,417
Net assets, beginning of year	35,724,224	59,456,284	6,551,774	101,732,282	655,640
Net assets, end of year	<u>\$ 36,210,368</u>	<u>\$ 59,173,220</u>	<u>\$ 6,448,205</u>	<u>101,831,793</u>	<u>\$ 666,057</u>
Change in net assets shown above				99,511	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(2,595)	
Change in net assets of business-type activities				<u>\$ 96,916</u>	

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	Enterprise Funds			Total Enterprise Funds	Governmental Activities- Internal Service
	Major		Other		
	Electric Fund	Water and Sewer Fund	Civic Center Fund		
Cash flows from operating activities:					
Cash received from customers	\$ 38,187,935	\$ 7,910,934	\$ 292,756	\$ 46,391,625	\$ 3,445,915
Cash paid for goods and services	(35,266,430)	(3,181,735)	(280,288)	(38,728,453)	(3,404,022)
Cash paid to employees for services	(1,624,718)	(2,793,913)	(341,220)	(4,759,851)	-
Customer deposits received	1,769,232	-	-	1,769,232	-
Customer deposits returned	(1,728,532)	-	-	(1,728,532)	-
Other operating income	402,209	903,131	-	1,305,340	-
Net cash provided (used) by operating activities	<u>1,739,696</u>	<u>2,838,417</u>	<u>(328,752)</u>	<u>4,249,361</u>	<u>41,893</u>
Cash flows from noncapital financing activities:					
Due from other governments	-	731,343	-	731,343	-
Transfers from other funds	-	-	429,074	429,074	-
Transfers to other funds	(317,079)	(559,239)	(22,907)	(899,225)	-
Net cash provided (used) by noncapital financing activities	<u>(317,079)</u>	<u>172,104</u>	<u>406,167</u>	<u>261,192</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(1,146,928)	(139,132)	-	(1,286,060)	-
Principal paid on long-term debt	-	(1,301,530)	-	(1,301,530)	-
Interest paid on long-term debt	-	(465,647)	-	(465,647)	-
Other and monofill activities	-	4,173	-	4,173	-
Net cash used by capital and related financing activities	<u>(1,146,928)</u>	<u>(1,902,136)</u>	<u>-</u>	<u>(3,049,064)</u>	<u>-</u>
Cash flows from investing activities:					
Interest on investments	<u>199,000</u>	<u>335,376</u>	<u>13,153</u>	<u>547,529</u>	<u>20,339</u>
Net increase in cash and cash equivalents	474,689	1,443,761	90,568	2,009,018	62,232
Cash and cash equivalents, July 1	<u>13,495,665</u>	<u>16,904,521</u>	<u>821,806</u>	<u>31,221,992</u>	<u>1,105,693</u>
Cash and cash equivalents, June 30	<u>\$ 13,970,354</u>	<u>\$ 18,348,282</u>	<u>\$ 912,374</u>	<u>\$ 33,231,010</u>	<u>\$ 1,167,925</u>

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	Enterprise Funds				Governmental Activities- Internal Service
	Major		Other	Total Enterprise Funds	
	Electric Fund	Water and Sewer Fund	Civic Center Fund		
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 590,219	\$ 371,460	\$ (524,071)	\$ 437,608	\$ (11,043)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,116,646	2,832,859	185,110	4,134,615	-
Changes in assets and liabilities:					
(Increase) in accounts receivable	(512,246)	(534,875)	(263)	(1,047,384)	(7)
Decrease in inventory	96,756	20,284	-	117,040	-
(Increase) in prepaids	-	(1,095)	-	(1,095)	-
Increase in accounts payable and accrued liabilities	344,996	56,577	998	402,571	52,943
Increase in customer deposits	40,700	-	-	40,700	-
Increase in accrued compensation absences	44,131	61,119	5,667	110,917	-
Increase in other postemployment benefits	18,494	32,088	3,807	54,389	-
Total adjustments	<u>1,149,477</u>	<u>2,466,957</u>	<u>195,319</u>	<u>3,811,753</u>	<u>52,936</u>
Net cash provided (used) by operating activities	<u>\$ 1,739,696</u>	<u>\$ 2,838,417</u>	<u>\$ (328,752)</u>	<u>\$ 4,249,361</u>	<u>\$ 41,893</u>

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	<u>Pension Trust Fund</u>	<u>Utility Donation Fund</u>
ASSETS		
Cash and cash equivalents	\$ 308,708	\$ 960
Donation receivable	-	333
Interest receivable	2,429	8
	<u>311,137</u>	<u>1,301</u>
LIABILITIES		
Accounts payable	-	200
Payroll payable	8,457	-
	<u>8,457</u>	<u>200</u>
NET ASSETS		
Reserved for employee's retirement and utility donations	<u>\$ 302,680</u>	<u>\$ 1,101</u>

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2010

	Pension Trust Fund	Utility Donation Fund
Additions		
Employer Contributions	\$ 111,141	\$ -
Utility Donations	-	5,327
Investment income	24,125	14
Total additions	135,266	5,341
Deductions		
Employee Benefits	176,156	-
Customer Assistance	-	5,870
Total Deductions	176,156	5,870
Change in net assets	(40,890)	(529)
Net assets, beginning of year (restated)	343,570	1,630
Net assets, end of year	\$ 302,680	\$ 1,101

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CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Statesville and its discretely presented component units 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 of Statesville is a municipal corporation that is governed by an elected mayor and an eight-member council. As required by generally accepted accounting principles, these financial statements present the City and its component units, legally separate entities for which the City is financially accountable. The discretely presented component units described below are reported in separate columns in the City's financial statements in order to emphasize that they are legally separate from the City. The discretely presented component units have a June 30 year end.

Discretely presented component units

City of Statesville Alcoholic Beverage Control Board

The City of Statesville Alcoholic Beverage Control Board (the "ABC Board") operates within the City's geographical boundaries, exists for the benefit of its residents, and is governed by a City-appointed governing board. The City does not approve the Board's budget and does not select its management. The City does not finance any of the Board's deficits, but is entitled to receive 40% of net income after deductions for required law enforcement, education, and proper working capital, plus liquor-by-the-drink net income. The Board is presented as if it were a proprietary fund. Complete financial statements for the Board may be obtained from the entity's administrative offices at the City of Statesville Alcoholic Beverage Control Board, P.O. Box 902, 311 South Center Street, Statesville, NC 28677.

Statesville Convention and Visitors Bureau

The Statesville Convention and Visitors Bureau (the "CVB") was chartered as the Statesville Tourism Development Authority by S.L. 1988-112/House Bill 1568 of the 1998 session laws of the North Carolina General Assembly, effective August 20, 1998. During the year ended June 30, 2003, the Board, by resolution and change of by-laws, changed the name of the organization to Statesville Convention and Visitors Bureau. The purpose of the Bureau is to promote travel and tourism in the City of Statesville. The Statesville City Council appoints the Bureau's nine-member board and designates its chair. The budget of the Bureau is approved by the board of the Bureau and the Statesville City Council concurs with the budget. The Bureau is presented as if it were a governmental fund. Complete financial statements for the Bureau may be obtained from the entity's administrative offices at the Statesville Convention and Visitors Bureau, 1551 East Broad Street, Statesville, NC 28687.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. 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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

B. Basis of Presentation *(cont'd)*

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 are presented as general revenues. The effects of interfund activity have been eliminated from the government-wide financial statements.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The fiduciary funds are presented separately and are excluded from the government-wide financial statements.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state and federal grants, and various other taxes and licenses. The primary expenditures are for public safety, streets and highways, sanitation, parks and recreation, and general government services.

Airport Safety Overrun Fund – This fund accounts for the City's airport capital expenditures.

The City reports the following major enterprise funds:

Electric Fund – The Electric Fund is used to account for the City's electric operations.

Water and Sewer Fund – The Water and Sewer Fund is used to account for the City's water and sewer operations.

Additionally, the City reports the following fund types:

Non-major Enterprise Fund – The Civic Center Fund is a nonmajor enterprise fund for civic activities such as weddings, musical events, meetings, and other special events.

Non-major Special Revenue Funds – Non-major funds account for revenues, activities and capital projects for specific purposes. The City currently maintains sixteen non-major funds. They are Statesville Gang Initiative Fund, Community Development Program Income Fund, Home Program Grant Project Fund, 1997-1998 Home Consortium Fund, Home Consortium/CDBG Fund, Drug Enforcement Fund, Occupancy Tax Fund, Traffic Safety Grant, General Equipment Capital Reserve Fund, Fire Station #4 Fund, Warehouse Construction Fund, City Hall Renovation Fund, Streetscape Fund, Airport Improvement Fund, and Statesville Park Fund.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

B. Basis of Presentation *(cont'd)*

Internal Service Funds – Internal Service Funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City has two Internal Service Funds: The Health Insurance Fund and the Property and Casualty Liability Insurance Fund. The Health Insurance Fund accounts for the operations of the City's health insurance plan and wellness program. The Property and Casualty Liability Insurance Fund pays all losses below the deductible for general coverage, auto liability, workers compensation, policy liability, public official's liability, municipal equipment and boiler and machinery. Each department or division contributes a defined share of premiums based upon respective exposures. Other revenue sources include collection of subrogated claims and interest earned. Insurance premiums, claims and costs are paid from the Fund.

Fiduciary Funds – Fiduciary funds include Law Enforcement Officers' Special Separation Allowance, the Pension Trust Fund that is administered by the City. The City administers a Utility Donation Fund that provides financial assistance to qualified City utility customers.

C. Measurement Focus and Basis of Accounting

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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. Nonexchange 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. 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 and of the City's internal service 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 system. Operating expenses for enterprise funds and internal service 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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

C. Measurement Focus and Basis of Accounting *(cont'd)*

North Carolina. Effective with this change in the law, Iredell County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Statesville. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Iredell County from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned 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 are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 that do not conflict GASB pronouncements in its accounting and reporting practices for its enterprise funds.

D. Budgetary Data

The City's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund, Occupancy Fund, and Enterprise Funds. All annual appropriations lapse at fiscal year end. Project ordinances are adopted for all other Special Revenue Funds, the Capital Projects Funds and the Enterprise Capital Projects Funds. The City's Health Insurance Fund and Property and Casualty Liability Insurance Fund, internal service funds, operates under a financial plan that was adopted by the City Council at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Related to expenditures, the governing board adopts all annually budgeted funds at the departmental level, except for the Capital Project Funds which are budgeted at the project level.

Expenditures may not legally exceed budgeted appropriations. However, in the related ordinance, the governing board authorizes the City Manager to approve transfers between departments of the same fund with a written notification to the governing board. Department directors may request unlimited transfers of appropriations within their department with the concurrence of the City Manager and without governing board notification. Any revisions that alter total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budgets were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

D. Budgetary Data *(cont'd)*

As required by state law, the City maintains encumbrance accounts which are considered to be "budgetary accounts". Encumbrances outstanding at year end represent the estimated amount of the expenditures ultimately to result if unperformed contracts in process at year end are completed. Encumbrances outstanding at year end do not constitute expenditures or liabilities. At June 30, 2010, the General Fund, excluding project funds, had outstanding encumbrances of \$4,188,338. These encumbrances outstanding are reported as "Reserved for encumbrances" in the fund balance section of the Balance Sheet – Governmental Funds. Encumbrances are reappropriated in the subsequent fiscal year since appropriations lapse at year end.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the City, the ABC Board, and the CVB are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City, the ABC Board, and the CVB may designate, as an official depository, any bank or savings and loan association whose principal office is located in North Carolina. Also, the City, the ABC Board, and the CVB may establish time deposit accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City, the ABC Board, and the CVB 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 banker's acceptances and the North Carolina Capital Management Trust (NCCMT).

The City's, the ABC Board's, and the CVB's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents. All CVB funds are considered to be cash and cash equivalents.

3. Restricted Cash

Restricted cash are those funds that are held as deposits for future action of a third party. Currently the City presents as restricted cash the utility deposits held by the Electric Fund.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

E. Assets, Liabilities, and Fund Equity *(cont'd)*

4. *Ad Valorem Taxes Receivable*

In accordance with State Law [G.S. 105-347 and G.S. 159-13(a)], the City levies and creates a lien for ad valorem taxes on July 1, the beginning of the fiscal year. These taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. The taxes levied are based on the assessed values as of January 1, 2009.

5. *Allowance for Doubtful Accounts*

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts.

6. *Inventory and Prepaid Items*

The inventories of the City are valued at cost, which approximates market, using the average cost method. The inventories of the City's General Fund consist of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the City's Enterprise Funds consist of material and supplies held for subsequent use. The cost is expensed with consumed rather than when purchased.

The inventories of the ABC Board consist of supplies held for resale. The cost of these inventories is recorded as an expense as the inventories are consumed or sold.

Certain payments to vendors reflect costs applicable to future accounting periods, are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. *Capital Assets*

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of one year. Minimum capitalization costs are as follows: buildings, improvements, substations, lines, and other plant and distribution systems, \$25,000; infrastructure, \$100,000; furniture, equipment and vehicles, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and sidewalk sub-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 assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure and buildings	15-67 years
Furniture, equipment & vehicles	10 years

CITY OF STATESVILLE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

E. Assets, Liabilities, and Fund Equity *(cont'd)*

Capital Assets *(cont'd)*

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
Land improvements	15 years
Buildings	30 years
Furniture & equipment	5-7 years

The Statesville Convention and Visitors Bureau had no capital assets at June 30, 2010.

8. 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 assets. Bond premiums and discounts, as well as issuance costs, 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 are reported as deferred charges and amortized over the term of the related 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.

9. Compensated Absences

The vacation policies of the City, the ABC Board, and the CVB provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds and the ABC Board and CVB, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City provides its employees with compensated time at 1.5 times their regular rate in lieu of overtime pay up to 240 hours. After the 240 hours have been reached, the employees are paid overtime at 1.5 times their regular rate. Police and Fire earned holiday pay for those hours worked on official holidays.

The City's, the ABC Board's, and CVB's sick leave policies provide for an unlimited amount of earned sick leave. Sick leave for the City vests after 20 years of service and an expense and a liability are recorded. Sick leave does not vest for the ABC Board or CVB. The ABC Board and CVB have no obligation for accumulated sick leave until it is actually taken; thus, no accrual for sick leave has been made.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

E. Assets, Liabilities, and Fund Equity *(cont'd)*

10. Net Assets/Fund Balances

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

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved for prepaid items-portion of fund balance not available for appropriation because it represents the year-end balance of prepaid items, a component of net current assets.

Reserved for inventories-portion of fund balance not available for appropriation because it represents the year-end balance of inventories, which are not expendable, available resources.

Reserved for encumbrances-portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year end.

Reserved by state statute - portion of fund balance, in addition to reserves for prepaid items, encumbrances and inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables which have not been offset by deferred revenues.

Unreserved

Designed for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2010-2011 budget ordinance.

Undesignated – portion of total fund balance available for appropriation that is uncommitted at year-end.

That portion of total fund balance available for appropriation which is uncommitted at year end.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the deposits of the City, the ABC Board, and CVB are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in these units' 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, the ABC Board, and CVB, these deposits are considered to be held by the City's, the ABC Board's and CVB'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, the ABC Board, CVB or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City, the ABC Board, and CVB under the Pooling Method, the potential exists for under-collateralization, 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, the ABC Board, and CVB do not have policies regarding custodial risk for deposits.

At June 30, 2010 the City's deposits had a carrying amount of \$16,223,960 and a bank balance of \$16,255,739. Certificate of deposits of \$13,400,000 are included in the City's carrying amount of \$16,223,960. The City maintained \$3,275 in petty cash and other funds. Of the bank balance, \$1,000,000 was covered by federal depository insurance, and \$15,223,959 was covered by collateral held under the Pooling Method.

At June 30, 2010 the ABC Board's deposits had a carrying amount of \$297,189 and a bank balance of \$337,948. Of the bank balance, \$250,000 was covered by federal depository insurance. Amounts in excess of FIDC insurance are collateralized under the Pooling Method.

At June 30, 2010, the Statesville Convention and Visitors Bureau's deposits had a carrying amount of \$15,360 and a bank balance of \$15,785 all of which was covered by federal depository insurance. The Bureau also maintained \$50 in petty cash.

2. Investments

As of June 30, 2010, the City's investment balances were as follows:

Investment Type	Fair Value	Less Than 1 Year	1-2 Years	More than 2 Years
U.S. Government Agencies	\$27,241,405	\$3,072,195	\$15,074,685	\$9,094,525
U.S. Treasury	2,015,470	N/A	2,015,470	N/A
Commercial Paper	3,491,067	3,491,067	N/A	N/A
NCCMT-Cash Portfolio	19,778,832	N/A	N/A	N/A
Total	<u>\$52,526,774</u>	<u>\$6,563,262</u>	<u>\$17,090,155</u>	<u>\$9,094,525</u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS (cont'd)

A. **Assets** *(cont'd)*

2. **Investments** *(cont'd)*

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to fair-value losses by purchases of securities with staggered maturity dates and limits all securities to a final maturity of no more than seven years.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the City has no formal policy on managing credit risk. The City's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2010. The City's investments in long-term senior debt of U.S. agencies (Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk. The City's investment policy limits the amount that the City may invest in any one issuer. More than 5% of the City's investments are in Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association securities. These investments are 11%, 8%, 13% and 9%, respectively, of the City's total investments.

At June 30, 2010, the City of Statesville ABC Board had no investments.

The Statesville Convention and Visitors Bureau had \$90,030 invested with the North Carolina Capital Management Trust's Cash Portfolio.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS

A. *Assets (cont'd)*

3. *Receivables*

Receivables at the government-wide level at June 30, 2010 were as follows:

	Accounts Receivable	Taxes and Related Accrued Interest	Due from Other Governments	Total
Governmental activities:				
General	\$ 661,014	\$ 1,110,241	\$ 2,477,055	\$ 4,248,310
Other governmental	143,253	-	497,869	641,122
Total receivables	<u>804,267</u>	<u>1,110,241</u>	<u>2,974,924</u>	<u>4,889,432</u>
Allowance for doubtful accounts	<u>(483,575)</u>	<u>(258,672)</u>	-	<u>(742,247)</u>
Total governmental activities	<u>\$ 320,692</u>	<u>\$ 851,569</u>	<u>\$ 2,974,924</u>	<u>\$ 4,147,185</u>
Business-type activities:				
Electric	\$ 5,507,515	\$ -	\$ 47,700	\$ 5,555,215
Water and sewer	1,584,959	-	540,930	2,125,889
Civic Center	275	-	2,594	2,869
Total receivables	<u>7,092,749</u>	<u>-</u>	<u>591,224</u>	<u>7,683,973</u>
Allowance for doubtful accounts	<u>(1,004,936)</u>	<u>-</u>	<u>-</u>	<u>(1,004,936)</u>
Total business-type activities:	<u>\$ 6,087,813</u>	<u>\$ -</u>	<u>\$ 591,224</u>	<u>\$ 6,679,037</u>

Amounts due from governmental agencies consist of the following:

	Other Govt	State	Total
Governmental activities:			
Sales and use tax distribution	\$ -	\$ 1,338,427	\$ 1,338,427
Utilities franchise and telecommunication tax	-	449,443	449,443
Sales tax refund	-	177,218	177,218
Grants receivable	-	880,004	880,004
Miscellaneous receivables	129,832	-	129,832
Total governmental activities	<u>\$ 129,832</u>	<u>\$ 2,845,092</u>	<u>\$ 2,974,924</u>
Business-type activities:			
Sales tax refund	\$ -	\$ 89,860	\$ 89,860
Loan and grants receivable	501,364	-	501,364
Total business-type activities:	<u>\$ 501,364</u>	<u>\$ 89,860</u>	<u>\$ 591,224</u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS (cont'd)

A. Assets (cont'd)

4. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

Governmental activities:	Restated 7/1/2009	Additions	Retirements	Transfers	06/30/10
Capital assets not being depreciated:					
Land	\$ 17,987,915	\$ -	\$ -	\$ 257,260	\$18,245,175
Construction in progress	8,387,499	9,422,326	-	(7,811,898)	9,997,927
Total capital assets not being depreciated	<u>26,375,414</u>	<u>9,422,326</u>	<u>-</u>	<u>(7,554,638)</u>	<u>28,243,102</u>
Capital assets being depreciated:					
Buildings and other improvements	10,448,595	-	-	7,554,638	18,003,233
Street improvements	25,629,707	-	-	-	25,629,707
Airport improvements	11,493,268	-	-	-	11,493,268
Equipment and vehicles	12,061,821	1,614,847	(274,759)	-	13,401,909
Total capital assets being depreciated:	<u>59,633,391</u>	<u>1,614,847</u>	<u>(274,759)</u>	<u>7,554,638</u>	<u>68,528,117</u>
Less accumulated depreciation for:					
Buildings and other improvements	5,332,294	232,755	-	-	5,565,049
Street improvements	13,727,135	977,984	-	-	14,705,119
Airport improvements	2,005,903	591,302	-	-	2,597,205
Equipment and vehicles	8,984,383	666,823	(274,759)	-	9,376,447
Total accumulated depreciation	<u>30,049,715</u>	<u>\$2,468,864</u>	<u>\$ (274,759)</u>	<u>\$ -</u>	<u>32,243,820</u>
Total capital assets being depreciated, net	<u>29,583,676</u>				<u>36,284,297</u>
Governmental activity capital assets, net	<u>\$ 55,959,090</u>				<u>\$64,527,399</u>

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

Governmental Functions:	
General government	\$ 151,160
Public safety	427,881
Transportation	1,621,049
Environmental protection	112,160
Culture and recreation	<u>156,614</u>
Total depreciation expense governmental functions	<u>\$2,468,864</u>

Beginning Construction in progress increased by \$75,931 as result of prior adjustment in fiscal year 2009.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS (cont'd)

A. Assets (cont'd)

4. Capital Assets (cont'd)

Changes in Business-type Capital Assets - A summary of changes in capital assets follows:

	7/1/2009	Additions	Retirements	Transfers	06/30/10
Electric Fund:					
Capital assets not being depreciated:					
Land	\$ 18,100	\$ -	\$ -	\$ -	\$ 18,100
Construction in progress	31,946	22,735	-	(30,743)	23,938
Total assets not being depreciated	50,046	22,735	-	(30,743)	42,038
Capital assets being depreciated:					
Plant in service	33,704,332	1,194,854	(153,092)	30,743	34,776,837
Equipment	1,625,072	8,934	-	-	1,634,006
Total capital assets being depreciated:	35,329,404	1,203,788	(153,092)	30,743	36,410,843
Less accumulated depreciation for:					
Plant in service	14,659,692	959,365	(73,495)	-	15,545,562
Equipment	666,513	157,279	-	-	823,792
Total accumulated depreciation	15,326,205	\$1,116,644	\$ (73,495)	\$ -	16,369,354
Total capital assets being depreciated, net	20,003,199				20,041,489
Total Electric Fund capital assets, net	\$ 20,053,245				\$20,083,527
Water and Sewer Fund:					
Capital assets not being depreciated:					
Land	\$ 1,511,212	\$ -	\$ -	\$ -	\$ 1,511,212
Construction in progress	569,037	120,343	-	-	689,380
Total assets not being depreciated	2,080,249	120,343	-	-	2,200,592
Capital assets being depreciated:					
Plant in service	94,567,742	-	-	-	94,567,742
Equipment	3,329,310	18,788	-	-	3,348,098
Total capital assets being depreciated:	97,897,052	18,788	-	-	97,915,840
Less accumulated depreciation for:					
Plant in service	39,766,762	2,644,813	-	-	42,411,575
Equipment	2,343,554	188,046	-	-	2,531,600
Total accumulated depreciation	42,110,316	\$2,832,859	\$ -	\$ -	44,943,175
Total capital assets being depreciated, net	55,786,736				52,972,665
Total Water and Sewer Fund capital assets, net	\$ 57,866,985				\$55,173,257

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS (cont'd)

A. Assets (cont'd)

4. Capital Assets (cont'd)

	7/1/2009	Additions	Retirements	Transfers	06/30/10
Civic Center Fund:					
Capital assets not being depreciated:					
Land	\$ 1,931,359	\$ -	\$ -	\$ -	\$ 1,931,359
Fresco	335,825	-	-	-	335,825
Total assets not being depreciated	2,267,184	-	-	-	2,267,184
Capital assets being depreciated:					
Buildings	4,447,739	-	-	-	4,447,739
Improvements	147,107	-	-	-	147,107
Equipment	270,451	-	-	-	270,451
Total capital assets being depreciated:	4,865,297	-	-	-	4,865,297
Less accumulated depreciation for:					
Buildings	1,050,160	148,258	-	-	1,198,418
Improvements	69,467	9,807	-	-	79,274
Equipment	169,934	27,045	-	-	196,979
Total accumulated depreciation	1,289,561	\$ 185,110	\$ -	\$ -	1,474,671
Total capital assets being depreciated, net	3,575,736				3,390,626
Total Civic Center Fund capital assets, net	5,842,920				5,657,810
Business-type activities capital assets, net	\$ 83,763,150				\$80,914,594

Construction Commitments:

The government has active construction projects as of June 30, 2010. At year end, the government's commitments with contractors are as follows:

C.W. Williams & Co. – new fire pumper	\$ 478,987
Maymead Materials, Inc. – street paving	677,436
Locke-Lane Construction, Inc. – greenway construction	110,218
ABB Inc. – electrical materials	107,300
Moss-Marlow building Co., Inc. – fire station construction	1,330,649
Walter Robbs Callanhan & Pierce, PA – City Hall renovation architect design	92,600
Land Designed Inc. – streetscape engineering design	276,700
LPA Group of NC, PA – airport overlay design	211,747
McGill Associates, PA – sewer treatment plant expansion design	1,741,038

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS (cont'd)

A. **Assets (cont'd)**

4. **Capital Assets (cont'd)**

Construction Commitments

The City has a long-standing agreement with Iredell County relating to extensions of water lines outside the City limits. Basic provisions provide for the sharing of costs on a 70%/30% (County/City) ratio on projects the County Commissioners and City Council agree are mutually beneficial.

Discretely Presented Component Units

Activity for the ABC Board for the year ended June 30, 2010 was as follows:

	<u>7/1/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>06/30/10</u>
Capital assets not being depreciated:					
Land	\$ 235,050	\$ -	\$ -	\$ -	\$ 235,050
Total assets not being depreciated	<u>235,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,050</u>
Capital assets being depreciated:					
Paving	17,666	-	-	-	17,666
Buildings	1,649,468	-	-	-	1,649,468
Furniture and equipment	240,838	8,443	-	-	249,281
Total capital assets being depreciated:	<u>1,907,972</u>	<u>8,443</u>	<u>-</u>	<u>-</u>	<u>1,916,415</u>
Less accumulated depreciation for:					
Paving	17,666	-	-	-	17,666
Buildings	193,351	43,651	-	-	237,002
Furniture and equipment	122,190	17,162	-	-	139,352
Total accumulated depreciation	<u>333,207</u>	<u>\$ 60,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>394,020</u>
Total ABC capital assets, net	<u>\$ 1,809,815</u>				<u>\$ 1,757,445</u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS *(cont'd)*

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2010 were as follows:

	<u>Vendors</u>	<u>Salaries & Benefits</u>	<u>Accrued IBNR</u>	<u>Total</u>
All governmental activities	<u>\$1,402,395</u>	<u>\$911,047</u>	<u>\$ 473,378</u>	<u>\$2,786,820</u>
Business-type activities:				
Electric	\$3,463,801	\$97,440	\$ ---	\$3,561,241
Water & sewer	107,786	122,529	---	230,315
Civic Center	<u>14,084</u>	<u>15,107</u>	<u>---</u>	<u>29,191</u>
Total business-type activities	<u>\$3,585,671</u>	<u>\$235,076</u>	<u>\$ ---</u>	<u>\$3,820,747</u>

2. Pension Plan Obligations

a. North Carolina Local Government Employees' Retirement System

- 1) *Plan Description.* The City of Statesville and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. The CVB does not participate in LGERS. Article 3 of G. S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

- 2) *Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement is 4.92% and for law enforcement officers is 4.86%, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement and for law enforcement officers is 5.04% and 4.86%, respectively, of annual covered payroll. The contribution requirements are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2010, 2009 and 2008 were \$798,784, \$783,170 and \$717,948, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2010, 2009 and 2008 were \$13,368, \$16,595 and \$13,625, respectively. The contributions made by the City and the ABC Board equaled the required contributions for each year.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS *(cont'd)*

B. Liabilities

Pension Plan Obligations *(cont'd)*

b. Law Enforcement Officers' Special Separation Allowance

- 1) *Plan Description.* The City of Statesville and the ABC Board administer 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. The Separation Allowance is equal to .85% 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.

All full-time law enforcement officers of the City and the ABC Board are covered by the Separation Allowance. At December 31, 2009, the Separation Allowance's membership consisted of:

	<u>City</u>	<u>ABC Board</u>
Retirees receiving benefits	13	0
Active plan members	<u>76</u>	<u>1</u>
Total	<u>89</u>	<u>1</u>

A separate report was not issued for the plan. The City uses a separate accounting fund, the Pension Trust Fund, to account for the benefits of the plan.

- 2) *Summary of Significant Accounting Policies:*

Basis of Accounting – Financial statements for the separation allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the City has made a formal commitment to provide the contributions. The ABC Board has chosen to fund the Separation Allowance on a "pay-as-you-go" basis. Benefits are recognized when due and are payable in accordance with terms of the plan. The ABC Board has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

Method Used to Value Investments – The Separation Allowance's invested funds are part of the City's pooled equity and are reported at fair value. Investments in United States government and United States government agency securities, commercial paper, and the North Carolina Capital Management are reported at fair value as determined by quoted market prices. The ABC Board had no fund set aside to pay benefits and administrative costs. These expenditures are paid as they come due.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS *(cont'd)*

B. Liabilities *(cont'd)*

2. Pension Plan Obligations *(cont'd)*

b. Law Enforcement Officers' Special Separation Allowance *(cont'd)*

Contributions – The City is required by Article 12D of G.S. 143 to provide these retirement benefits and has chosen to fund the benefit payments by making contributions based on actuarial valuations. For the current year, the City contributed \$111,141, or 3.21% of annual covered payroll. No contributions were 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. Administrative costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) the previous 7.25% investment rate of return (net of administrative expenses) has been reduced to 5% and (b) projected salary increases ranging from 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the fair value of investments. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2009 was 21 years.

The ABC Board is required by Article 12D of G.S. 143 to provide these retirement benefits and has chosen to pay benefits and administrative costs on a “pay-as-you-go” basis. For the current year, the ABC Board paid \$4,207 in benefits. No contributions were made by employees. The ABC Board’s obligation to make these payments is established and may be amended by the North Carolina General Assembly.

4) *Annual Pension Cost and Net Pension Asset* – The City’s annual pension cost and net pension asset of the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$ 105,359
Interest on net pension asset	(65,535)
Adjustment to annual required contribution	56,942
Annual pension cost	96,766
Employer contributions made for fiscal year	163,637
Increase (decrease) in net pension assets	66,871
Net pension assets, July 1, 2009	903,932
Net pension assets, June 30, 2010	\$970,803

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS *(cont'd)*

B. Liabilities *(cont'd)*

2. Pension Plan Obligations *(cont'd)*

b. Law Enforcement Officers' Special Separation Allowance *(cont'd)*

Three-Year Trend Information	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset at End of Year
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset at End of Year
June 30, 2008	\$76,336	127.41%	\$829,527
June 30, 2009	\$81,943	190.80%	\$903,932
June 30, 2010	\$96,766	169.11%	\$970,803

5) Funded Status and Funding Progress.

As of December 31 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,205,873. The covered payroll (annual payroll of active employees covered by the plan) was \$3,315,371, and the ratio of the UAAL to the covered payroll was 36.37 percent. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

1) *Plan Description.* The City and the ABC Board contributes to the Supplemental Retirement Income Plan (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 and ABC Board. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

2) *Funding Policy.* Article 12E of G. S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2010, were \$306,759, which consisted of \$173,735 from the City and \$133,024 from the law enforcement officers. The City provides a Section 401K Deferred Compensation Plan for this purpose. The ABC Board's contributions for the year ended June 30, 2010 were \$1,542.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS *(cont'd)*

B. Liabilities *(cont'd)*

2. Pension Plan Obligations *(cont'd)*

d. Firemen's and Rescue Squad Workers' Pension Fund

- 1) *Plan Description.* The State of North Carolina contributes, on behalf of the City of Statesville, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.
- 2) *Funding Policy.* Plan members are required to contribute \$10 per month to the Fund, \$5 per month of which the City elects to contribute for the member. The State, a non-employer funds the plan through appropriations. The State's on-behalf payments are recorded as revenues and expenditures in the City's financial statements. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. For the fiscal year ended June 30, 2010, the City has recognized on-behalf-of payments for pension contributions made by the state as revenue and an expenditure of \$285 for 59 fire department employees who perform firefighting duties for the City's fire department.

3. Other Postemployment Benefits (OPEB)

a. Life Insurance.

The City has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local government Employee's Retirement System (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. The City also provides additional term life insurance and any amounts over \$50,000 term life insurance limit is considered taxable. All death benefit payments are made from the Death Benefit Plan. The City and the ABC Board have no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City and the ABC Board, the City and the ABC Board does not determine the number of eligible participants. For the fiscal year ended June 30, 2010, the City made contributions to the State for death benefits of \$16,122.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS (cont'd)

B. Liabilities (cont'd)

3. Other Postemployment Benefits (OPEB) (cont'd)

The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .12% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

b. Healthcare Benefits

Plan Description. The City is required to perform an OPEB actuary every two years. This is the second year and the information presented below is from the December 31, 2008 actuary. Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of July 1, 2008, a participant must be eligible and approved to receive retirement benefits in accordance with the regulations of the North Carolina Local Governmental Employees' Retirement System (NCLGERS) and have thirty (30) years of service or attain age fifty-five (55) with twenty (20) years of service. Participating retired employees are required to pay for coverage based on the City's current funding rates for the group. Health care and prescription drug coverage are available to eligible retirees under age 65. Dental coverage is available at the retirees' expense. The retiree may continue dependent coverage (and pay the full cost of this coverage) if enrolled in dependent coverage at the time of retirement. Dependent coverage terminates upon the spouse becoming eligible for Medicare, upon the retiree becoming eligible for Medicare, or upon the retirees' death, whichever comes first.

Membership of the HCB Plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

Description	General Government	Business-type Activities	Law Enforcement
Retirees and dependents receiving benefits	6	3	7
Terminated plan members entitled to but not receiving benefits	0	0	0
Active plan members	<u>251</u>	<u>34</u>	<u>97</u>
Total	<u>257</u>	<u>37</u>	<u>104</u>

Funding Policy. The City has chosen to fund the healthcare benefits on a pay as you go basis. The current ARC rate is 1.48% of annual covered payroll. The City obtains healthcare coverage through a self insured plan administered by a third party administrator.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the parent fund of the retiree, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS *(cont'd)*

B. Liabilities *(cont'd)*

3. Other Postemployment Benefits (OPEB) *(cont)*

b. Healthcare Benefits (cont)

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year and changes in the City's net OPEB obligation for the healthcare benefits:

Employer annual required contribution	\$ 227,882
Interest on OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	227,882
Employer contributions made for fiscal year	0
Increase (decrease) in OPEB obligation	227,882
Net OPEB obligation, beginning of year	227,882
Net OPEB obligation, end of year	\$455,764

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation at End of Year
June 30, 2010-2011	\$227,882	1.48%	\$455,764

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded, there is no trust fund, and the retirees pay the entire health premium as recommended by the City's third party administrator. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$2,398,643. The covered payroll (annual payroll of active employees covered by the plan) was \$15,459,201, and the ratio of the UAAL to the covered payroll was 15.52 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS (cont'd)

B. Liabilities (cont'd)

3. Other Postemployment Benefits (OPEB) (cont)

b. Healthcare Benefits (cont)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 to 5.00 percent annually. Both rates included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2008, was 30 years.

4. Deferred / Unearned Revenues

The balance in deferred/unearned revenues at year end is comprised of the following elements:

	Deferred Revenues	Unearned Revenues
Prepaid licenses, services and fees	\$ --	\$202,393
Prepaid taxes	--	27,416
Taxes receivable (net)	706,337	--
Accounts receivable	147,440	--
Total deferred revenues	\$853,777	\$229,809

5. Risk Management

a. *General Liability, Surety Bonds, Property Insurance and Auto Liability.* 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 purchases various insurance policies, including general liability and auto liability coverage of \$2 million per occurrence, property coverage of \$102,083,85 per occurrence (after a \$10,000 deductible). The City carries commercial coverage for all other risks of loss. 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. The City's flood insurance is \$1,000,000 with a \$50,000 deductible. The Finance Director and the Collector Manager are bonded for \$250,000 and \$50,000 respectively.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS *(cont'd)*

B. Liabilities *(cont'd)*

5. Risk Management

- b. *Self-funded - Group Health.* The City is exposed to various risks of loss related to medical and illness needs of employees. The City and employees participate in a cost-share plan for group health insurance. The City established the Health Insurance Fund (Internal Service Fund) to account for its self-insurance plan. The City has contracted with the Aetna to administer the plan. The City is responsible for claims up to \$100,000 per covered employee/dependent per policy term. Claims greater than \$100,000 per covered employee/dependent per policy term, and those in excess of the aggregate stop loss of 120% of expected net claims, are insured by the private insurance carrier. All employees of the City participate in the program and make payments to the Health Insurance Fund based on actuarial estimates of the amounts needed to pay claims. The claims liability of \$353,214 reported in the fund at June 30, 2010 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The \$342,615 claims liability represents total estimated claims incurred but not reported (IBNR), as provided by the plan administrator's actuary.

	June 30	
	2010	2009
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 342,615	\$ 278,325
Add:		
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year (including IBNRs)	2,863,806	2,655,891
Less:		
Claim payments and adjustment expenses attributable to insured events of current and prior years	2,853,207	2,591,601
Total Claims Liability	\$ 353,214	\$ 342,615

- c. *Self-funded Worker's Compensation.* The City is self-funded for worker's compensation. Through this self-funded workers compensation program, the City obtains workers' compensation coverage up to the statutory limits, with no deductible. The worker's compensation program is administered by a third party administrator. The fund is reinsured through an insurance company for single occurrence losses of \$400,000 for all City employees. The claims liability of \$120,164 reported in the fund at June 30, 2010 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The \$120,164 claims liability represents total estimated claims incurred but not reported (IBNR), as provided by the plan administrator's actuary. The reduction is a result of a significant worker's compensation settlement.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS *(cont'd)*

B. Liabilities *(cont'd)*

5. Risk Management

c. Self-funded Worker's Compensation *(cont'd)*

	June 30	
	2010	2009
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 88,327	\$ 282,224
Add:		
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year (including IBNRs)	105,502	(66,845)
Less:		
Claim payments and adjustment expenses attributable to insured events of current and prior years	73,665	127,052
Total Claims Liability	\$ 120,164	\$ 88,327

6. Claims and Judgments

At June 30, 2010, the City was a defendant to various lawsuits; however, no provision has been made in the financial statements for any contingent liabilities. In the opinion of the City's management and the City attorney, the ultimate outcome of these legal matters will not have a material adverse effect on the City's financial position.

7. Long-Term Obligations

- a. *General Obligation Indebtedness.* All general obligation bonds are collateralized by the full faith, credit and taxing power of the City. General obligation bonds issued to finance the construction of facilities utilized in the operation of the electric and water and sewer systems and which are being retired by their resources are reported as long-term debt in the Enterprise Funds and interest requirements are appropriated when due.

Bonds payable at June 30, 2010 are comprised of the following individual issues:

Serviced by the General Fund:

Street serial bonds, issued April 1, 1993, payable in annual installments of \$25,000 beginning in 2000 through 2012, plus interest at 5.40%	\$ 50,000
--	-----------

Serviced by the Water and Sewer Fund:

Water and sewer serial bonds, issued April 1, 1993, payable in one installment of \$45,000 in 2011, plus interest at 4.90%	45,000
--	--------

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS (cont'd)

B. Liabilities (cont'd)

7. Long-Term Obligations (cont'd)

General Obligation Indebtedness (cont'd)

Water and sewer serial bonds, issued December 1, 1996, payable in annual installments of \$120,000 beginning in 2010 through 2012, plus interest at 4.90%. 240,000

Water and sewer serial bonds, issued December 1, 1996, payable in one installment of \$80,000 in 2013, plus interest at 5.00%. 80,000

Water bonds, issued December 1, 1996, payable in one installment of \$60,000 in 2011, plus interest at 5.00%. 60,000

425,000

Total General Obligation Bonds 475,000

a. *Notes Payable*

Serviced by the General Fund:

Original issue \$1,947,000, Recovery Zone Economic Development bonds payable to Bank of American in 10 annual installments of \$194,700 beginning in March 8, 2011 through 2020 plus interest at 5.03 percent. The City receives a subsidy of 45 percent of interest cost from the Federal Government reducing the effective interest rate to 2.77 percent. The note is secured by a Deed of Trust. 1,947,000

3.30% note payable to RBC Centura Bank in 10 annual installments of \$330,000 beginning in September 2005 through 2014, plus applicable interest. The note is secured by a Deed of Trust. 1,650,000

Total general governmental notes payable 3,597,000

Serviced by the Water and Sewer Fund:

2.60% note payable to the state of North Carolina Drinking Water State Revolving Loan Fund in 19 annual installments of \$150,000 beginning in 2004 through 2022, plus applicable interest. 1,800,000

2.87% note payable to the state of North Carolina Drinking Water State Revolving Loan Fund in 19 annual installments of \$123,403 beginning in 2004 through 2023, plus applicable interest. 1,604,236

2.66% note payable to the state of North Carolina Drinking Water State Revolving Loan Fund in 20 annual installments of \$728,127 beginning in 2007 through 2026, plus applicable interest. 11,650,030

Total North Carolina Drinking Water State Revolving 15,054,266

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS (cont'd)

B. Liabilities (cont'd)

7. Long-Term Obligations (cont'd)

<i>Total Notes Payable</i>	18,651,266
<i>Total Outstanding Debt</i>	\$19,126,266

The following table summarizes the annual requirements to amortize all long-term debt outstanding:

	General Obligation Bonds		Notes Payable		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental activities:						
2011	\$ 25,000	\$ 2,700	\$ 524,700	\$ 146,984	\$ 549,700	\$ 149,684
2012	25,000	1,350	524,700	126,390	549,700	127,740
2013	-	-	524,700	105,617	524,700	105,617
2014	-	-	524,700	84,934	524,700	84,934
2015	-	-	524,700	64,250	524,700	64,250
2016-2020	-	-	973,500	146,901	973,500	146,901
	50,000	4,050	3,597,000	675,076	3,647,000	679,126
Business-type activities:						
2011	225,000	21,205	1,001,530	402,732	1,226,530	423,937
2012	120,000	10,000	1,001,530	375,923	1,121,530	385,923
2013	80,000	4,000	1,001,530	349,113	1,081,530	353,113
2014	-	-	1,001,530	322,303	1,001,530	322,303
2015	-	-	1,001,530	295,493	1,001,530	295,493
2016-2020	-	-	5,007,648	1,075,318	5,007,648	1,075,318
2021-2026	-	-	5,038,970	439,682	5,038,970	439,682
	425,000	35,205	15,054,266	3,260,563	15,479,266	3,295,768
	\$ 475,000	\$ 39,255	\$ 18,651,266	\$ 3,935,639	\$ 19,126,266	\$ 3,974,894

At June 30, 2010, the City of Statesville's legal debt margin is \$240,219,836.

The ABC Board's annual report dated June 30, 2010 reported the following outstanding long-term debt:

The ABC Board has a note payable with a bank secured by real estate. At June 30, 2010 the outstanding balance was \$65,851. Monthly payments of principal and interest are \$728 per month. The note bears interest rate of 7.75% per annum. Maturity is June 18, 2011.

The ABC Board has a note payable with a bank secured by real estate. At June 30, 2010 the outstanding balance was \$915,000. Quarterly payments of principal and interest are \$15,000 per month. The note bears interest rate of 5.195% per annum. Maturity is June 19, 2026.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS (cont'd)

B. Liabilities (cont'd)

7. Long-Term Obligations (cont'd)

The ABC Board has a revolving line of credit with a bank secured by real estate. At June 30, 2010 the outstanding balance was \$179,247. The note requires monthly payments of interest only. The revolving line of credit bears interest rate of 3.50% per annum. The maturities are as follows:

2011	\$125,851
2012	\$ 60,000
2013	\$ 60,000
2014	\$ 60,000
Beyond	\$675,000

The ABC Board's accumulated vacation at June 30, 2010 was \$49,468. The current portion of the accumulated vacation pay is not considered material. The CVB's accumulated vacation at June 30, 2010 was \$2,727.

The following is a summary of changes in general long-term debt for the fiscal year ended June 30, 2010:

	Balances			Current		Long-term
	07/01/09	Additions	Retirements	Balances	Portion of	Portion of
				06/30/10	Balance	Balance
Governmental activities:						
General obligation debt	\$ 75,000	\$ -	\$ 25,000	\$ 50,000	\$ 25,000	25,000
Notes Payable	1,980,000	1,947,000	330,000	3,597,000	524,700	3,072,300
Compensated absences	1,815,001	837,667	621,484	2,031,184	729,575	1,301,608
OPEB Oligation	173,495	173,495	-	346,990	-	346,990
Total governmental activities:	<u>\$ 4,043,496</u>	<u>\$ 2,958,162</u>	<u>\$ 976,484</u>	<u>\$ 6,025,174</u>	<u>\$ 1,279,275</u>	<u>\$ 4,745,898</u>
Business-type activities:						
General obligation debt	\$ 725,000	\$ -	\$ 300,000	425,000	\$ 225,000	\$ 200,000
Total general obligation bonds	<u>725,000</u>	<u>-</u>	<u>300,000</u>	<u>425,000</u>	<u>225,000</u>	<u>200,000</u>
Notes payable	16,055,796	-	1,001,530	15,054,266	1,001,530	14,052,736
Compensated absences	495,414	344,435	233,519	606,330	288,977	317,353
OPEB Oligation	54,387	54,387	-	108,774	-	108,774
Monofill closure and postclosure costs	175,334	4,173	-	179,507	-	179,507
Total business-type activities:	<u>\$ 17,505,931</u>	<u>\$ 402,995</u>	<u>\$ 1,535,049</u>	<u>\$ 16,373,877</u>	<u>\$ 1,515,507</u>	<u>\$ 14,858,370</u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS *(cont'd)*

C. Interfund Balances and Activity

Transfer to/from are for payment in lieu of taxes, for administrative charges, and for capital expenditures.
 The interfund loans are for covering reimbursable grants to prevent cash deficits in the grant funds.

Transfers to/from other funds:

Transfers to/from at June 30, 2010 consist of the following:

From the General Fund Other Nonmajor Governmental Funds	
Funds for matching expenditures, debt, and capital projects	\$ 2,902,777
From Other Nonmajor Governmental Funds to the General Fund for purchase of capital items and administrative costs.	(2,902,777)
From Other Nonmajor Governmental Funds to the Civic Center Fund for distribution of occupancy tax.	(429,074)
To Civic Center Fund from Other Nonmajor Governmental Funds	429,074
To General Fund from enterprise funds.	820,675
From the Electric Fund to the General Fund for payment in lieu of taxes.	(267,579)
From the Water and Sewer Fund to the General Fund for payment in lieu of taxes.	(530,189)
From the Civic Center Fund to the General Fund for payment in lieu of taxes.	(22,907)
To Streetscape from enterprise funds.	78,550
From the Electric Fund to the Streetscape Fund for capital improvement.	(49,500)
From the Water and Sewer Fund to the Streetscape Fund for capital improvement.	(29,050)
	<u>\$ -</u>

Interfund loans June 30, 2010 consist of the following:

From General Fund to the SIGI Grant Fund	\$ 17,758
From General Fund to Fire Station #4 Fund	18,869
From General Fund to the Traffic Safety Fund	14,567
	<u>\$ 51,194</u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

II. DETAIL NOTES ON ALL FUNDS *(cont'd)*

D. Revenue, Expenditures and Expenses

1. On-Behalf-of Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2010, the City has recognized on-behalf-of payments for pension contributions made by the state as revenue and an expenditure of \$285 for 59 fire department employees who perform firefighting duties for the City's fire department. The employees elected to be members of the Firemen's and Rescue Squad Workers' Pension Fund, a cost-sharing, multiple-employer public retirement system established and administered by the state of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member (of which the City paid \$5 in the most current year), investment income, and a state appropriation.

III. JOINTLY GOVERNED ORGANIZATIONS

North Carolina Municipal Power Agency Number 1

The City is a member of the North Carolina Municipal Power Agency Number 1 (Agency). The purpose of the Agency was to issue bonds and to purchase a 75% interest in the Catawba Project Number 2 Nuclear Station Generating Plant and a 37% interest in the Support Facilities of the Station. The City of Statesville is contractually allocated, under power sales agreement, a 9.8639% interest in the Agency, with the balance being shared by nineteen other municipalities. Each municipality appoints one commissioner to the Agency's governing board.

The Agency outstanding long-term debt as of December 31, 2009 was \$2,566,260,000. The City of Statesville, in the event of payment default by other members, would be liable for a pro rata share of the increase, not to exceed 125% of the originally agreed-upon share. Therefore, the City's share would never exceed 12.3299% of the total operating expenses (including debt service) of the Agency.

The City is billed monthly for 9.8639% of the operating expenditures (including debt service) of the Agency, and is obligated to purchase all bulk power supply requirements from the Agency. All payments to the Agency by the City must be made from operating revenues of the Electric Fund, and cannot, by law, be paid by other revenues earned or taxes levied by the City. The City agrees that it will fix and collect rates at a sufficient amount to provide for the pro rata costs and other operating expenses of its Electric Fund. Except for the power sales purchase requirements, no municipality has any obligation, entitlement, or residual interest. The City's purchase of power for the fiscal year ended June 30, 2010 totaled \$32,503,039.

Centralina Council of Governments

The City, in conjunction with eight counties and 49 other municipalities established the Centralina Council of Governments (COG). The participating governments established the COG to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the COG's governing board. The City paid membership fees of \$6,676 to the COG during the fiscal year ended June 30, 2010.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

IV. JOINT VENTURE

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Fireman's Relief Fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief fund. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. The participating governments do not any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2010. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

V. RELATED ORGANIZATION

The five-member board of the City of Statesville Housing Authority is appointed by the Mayor of the City of Statesville. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Statesville is also disclosed as a related organization in the notes to the financial statements for the City of Statesville Housing Authority.

VI. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State-Assisted Programs

The City has received proceeds from several federal and state grants. Periodic audits of the 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.

Third Creek Wastewater Plant Monofill

The City has obtained an approved plan from the North Carolina Department of Environment and Natural Resources, Division of Solid Waste Management, Hazardous Waste Section (NCDENR) regarding the closing of the Third Creek/Wastewater Treatment Plant Monofill. Due to high levels of heavy metals found in the sludge of the plant during a clean-out of the facility and the resulting sludge being placed in the monofill, the NCDENR has required the City to complete a plan for closing and a thirty-year monitoring plan for the monofill.

The monofill is now closed to all sludge per a request from the NCDENR and will not reopen. Since the NCDENR has required the closing and monitoring plan, the City has calculated the cost of this action. The costs associated with closure of the monofill had been paid. The 28-year monitoring cost has a net present value (assuming a 6% interest rate) of \$191,915. The current balance as of June 30, 2010 is \$179,507 and has been accrued as a liability in the Enterprise Funds in the accompanying financial statements. The City's financial liability for the monofill monitoring plan will increase each fiscal year by the rate of inflation (Gross National Product) in accordance with current Federal Environmental Protection Agency regulation Part 265. The amount of accretion for June 30, 2010 was \$2,129. This charge has been made in accordance with FASB Statement No. 5 due to information existing which indicates that it is probable that a liability has been

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

VI. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES *(cont'd)*

incurred and the amount can be reasonably estimated. These amounts will be funded from the operating budget of the Water and Sewer Fund in the year that the related closing and monitoring costs occur. (Based on discussions with the City's legal counsel, it was determined that FASB Statement No. 5 was applicable instead of GASB Statement No. 18 because the monofill is not a landfill as defined in GASB Statement No. 18.)

VII. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were issued and has determined that no significant events have occurred that would alter the City's financial position.

VIII. PRIOR YEAR ADJUSTMENT

The City in fiscal year 2004 adjusted market to market directly to fund balance. This entry created an understatement of revenues. This resulted in a net decrease of \$3,818 to the Governmental Activities Net Assets. The adjustment for Business-Type Activities was \$12,449 and a \$19,304 adjustment for Fiduciary Funds.

Governmental Activities:

Beginning net assets, July 1, 2009	\$88,133,867
Less market to market	<u>3,818</u>
Adjusted net assets July 1, 2009	<u>\$88,130,049</u>

Business-Type Activities:

Beginning net assets, July 1, 2009	\$101,067,935
Less market to market	<u>12,449</u>
Adjusted net assets July 1, 2009	<u>\$ 101,055,486</u>

Fiduciary Funds:

Pension Trust Fund Beginning net assets, July 1, 2009	\$ 362,711
Less market to market	<u>19,141</u>
Adjusted net assets July 1, 2009	<u>\$ 343,570</u>

Utility Donation Fund Beginning net assets, July 1, 2009	\$ 1,794
Less entry made directly to net assets	<u>164</u>
Adjusted net assets July 1, 2009	<u>\$ 1,630</u>

CITY OF STATESVILLE, NORTH CAROLINA
REQUIRED SUPPLEMENTARY
FINANCIAL INFORMATION
June 30, 2010

This section contains additional information required by generally accepted accounting principles.

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
- Notes to Required Schedules for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Funding Progress for OPEB Obligation.
- Schedule of Employer Contributions for OPEB Obligation.
- Notes to Required Schedules for the OPEB Obligation.

CITY OF STATESVILLE, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Proj. Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending on Val. Date (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/1996	-	\$ 835,862	\$ 835,862	0.00%	\$ 1,710,544	48.87%
12/31/1997	789,405	919,529	130,124	85.85%	1,795,639	7.25%
12/31/1998	733,368	872,213	120,015	84.08%	1,723,772	8.05%
12/31/1999	741,287	889,395	148,108	83.35%	1,951,259	7.59%
12/31/2000	653,277	1,173,821	520,544	55.65%	2,163,793	24.06%
12/31/2001	626,033	1,023,804	397,771	61.15%	2,209,531	18.00%
12/31/2002	606,823	1,174,968	568,145	51.65%	2,404,017	23.63%
12/31/2003	576,850	1,153,481	576,631	50.01%	2,426,607	23.76%
12/31/2004	534,139	1,203,741	669,602	44.37%	2,518,442	26.59%
12/31/2005	493,268	933,315	440,047	52.85%	2,566,218	17.15%
12/31/2006	459,012	1,154,925	695,913	39.74%	2,678,402	25.98%
12/31/2007	432,358	1,173,321	740,963	36.85%	2,848,692	26.01%
12/31/2008	401,298	1,282,829	881,531	31.28%	3,100,737	28.43%
12/31/2009	333,770	1,539,643	1,205,873	21.68%	3,315,371	36.37%

CITY OF STATESVILLE, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
June 30, 2010

Year Ended June 30	Annual Required Contribution	Annual Percentage Contributed	City Actual
1998	\$ 93,127	129.53%	\$ 120,627
1999	97,009	884.72%	858,258
2000	33,477	113.29%	37,926
2001	38,564	106.67%	41,136
2002	72,744	98.91%	71,951
2003	64,152	108.87%	69,842
2004	79,105	100.52%	79,516
2005	80,096	102.49%	82,090
2006	84,411	102.30%	86,352
2007	66,054	111.99%	73,974
2008	85,272	114.06%	97,263
2009	91,369	171.12%	156,348
2010	105,359	105.49%	111,141

NOTES TO THE REQUIRED SCHEDULES

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	December 31, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.5 – 12.3%
*Includes inflation at	3.75%
Cost-of-living adjustment	N/A

**CITY OF STATESVILLE, NORTH CAROLINA
 OTHER POSTEMPLOYMENT BENEFIT OBLIGATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Proj. Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending on Val. Date (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2008	-	\$ 2,398,643	\$ 2,398,643	0.00%	\$ 15,459,201	15.52%
12/31/2009	-	2,398,643	2,398,643	0.00%	15,459,201	15.52%

**CITY OF STATESVILLE, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFIT OBLIGATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
June 30, 2010**

Year Ended June 30	Annual Required Contribution	Annual Percentage Contributed	City Actual
2008	\$ 227,882	0.00%	\$ -
2009	227,882	0.00%	\$ -

NOTES TO THE REQUIRED SCHEDULES

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. The City performs an actuary for OPEB every two years and the current year expense the same as the first year actuary. Additional information as of the latest actuarial valuation follows.

Valuation date	December 31, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	10.50% – 5.00%
Year of Ultimate trend rate	2016
*Includes inflation at	3.75%

Updated actuary required for fiscal year ending June 30, 2011.

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MAJOR GOVERNMENTAL FUND

The **General Fund** is the principal fund of the City and is used to account for all activities of the City not included in other specified funds. The **General Fund** accounts for the normal recurring activities of the City.

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CITY OF STATESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Ad valorem property taxes:			
Ad valorem taxes (city-wide)	\$ 10,974,600	\$ 11,323,344	\$ 348,744
Ad valorem taxes (special district)	97,540	100,406	2,866
Penalties and interest	65,000	91,445	26,445
Total ad valorem property taxes	<u>11,137,140</u>	<u>11,515,195</u>	<u>378,055</u>
Other taxes and licenses:			
Local sales tax	5,440,000	5,113,327	(326,673)
Hold harmless	70,425	161,511	91,086
Privilege licenses	342,000	367,599	25,599
Gross receipt tax	21,600	30,781	9,181
Total other taxes and licenses	<u>5,874,025</u>	<u>5,673,218</u>	<u>(200,807)</u>
Unrestricted intergovernmental revenues:			
Payments in lieu of taxes	10,000	32,114	22,114
Utility franchise tax	1,300,000	1,379,013	79,013
Telecommunication tax	350,000	361,266	11,266
Video programming tax	175,000	179,268	4,268
Beer and wine tax	39,575	38,565	(1,010)
ABC profit distribution	89,000	32,847	(56,153)
Tax refunds	-	67	67
Total unrestricted intergovernmental	<u>1,963,575</u>	<u>2,023,140</u>	<u>59,565</u>
Restricted intergovernmental:			
Powell Bill allocation	725,000	745,174	20,174
Solid waste tax	15,000	22,817	7,817
Firefighter Grant (SAFER)	99,600	104,612	5,012
JAG grant	188,336	179,338	(8,998)
State DOT bicycle grant (Greenway)	-	388,628	388,628
Other state and federal grants	2,000	2,000	-
On-behalf-of-payments - fire	25,000	16,796	(8,204)
Total restricted intergovernmental	<u>1,054,936</u>	<u>1,459,364</u>	<u>404,428</u>
Permits and fees:			
Recycling Revenue	2,400	10,944	8,544
Planning and zoning fees	30,600	20,069	(10,531)
Court fees	20,000	28,531	8,531
Parking violations	20,000	21,207	1,207
Civil citations	20,000	10,625	(9,375)
Nuisance abatements	5,000	35,393	30,393
Grave fees	80,000	64,656	(15,344)
Tipping fees	317,000	294,456	(22,544)
Street cut permits	300	450	150
Fire inspection fees	30,000	40,296	10,296
Total permits and fees	<u>525,300</u>	<u>526,627</u>	<u>1,327</u>

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES (Continued):			
Sales and services:			
Sale of capital assets	10,000	28,028	18,028
Statesville Housing Authority police protection	24,958	57,068	32,110
School System resource police officers	139,896	140,084	188
Recreation-General	112,500	194,600	82,100
Recreation-Fitness/Activity Center	115,000	275,323	160,323
Recreation-Pool sales	72,000	136,746	64,746
Civic Center sales	15,000	17,160	2,160
Airport rent	119,000	134,379	15,379
Iredell County-cost sharing airport	194,969	194,970	1
Fueling flow fees	110,000	140,063	30,063
Sale of cemetery lots	55,000	63,074	8,074
Miscellaneous other	7,685	7,969	284
Total sales and services	976,008	1,389,464	413,456
Investment earnings:			
Earned interest	450,000	359,403	(90,597)
Miscellaneous:			
Miscellaneous other	10,000	18,857	8,857
Donations	2,430	2,720	290
Insurance proceeds	47,396	70,864	23,468
Total miscellaneous	59,826	92,441	32,615
Total revenues	22,040,810	23,038,852	998,042
EXPENDITURES:			
General government:			
Mayor and council:			
Salaries and employee benefits		84,983	
Professional services		88,824	
Reimbursement from other funds		(103,729)	
Total Mayor and council	94,300	70,078	24,222
City manager			
Salaries and employee benefits		263,677	
Professional services		3,667	
Operating expenditures		15,823	
Reimbursement from other funds		(106,621)	
Total City manager	197,781	176,546	21,235

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
General government (continued):			
City clerk:			
Salaries and employee benefits		60,076	
Operating expenditures		65,910	
Reimbursement from other funds		(38,137)	
Total City clerk	109,807	87,849	21,958
Finance department:			
Salaries and employee benefits		1,124,775	
Professional services		61,905	
Operating expenditures		455,009	
Capital outlay		45,787	
Reimbursement from other funds		(1,000,389)	
Total Finance department	739,055	687,087	51,968
Personnel:			
Salaries and employee benefits		335,581	
Professional services		19,565	
Operating expenditures		77,579	
Reimbursement from other funds		(146,177)	
Total Personnel	310,772	286,548	24,224
Legal:			
Professional services		104,599	
Reimbursement from other funds		(25,990)	
Total Legal	97,220	78,609	18,611
Planning and zoning:			
Salaries and employee benefits		605,963	
Professional services		1,235	
Operating expenditures		156,997	
Total Planning and zoning	824,927	764,195	60,732
Main Street:			
Operating expenditures		134,068	
Capital outlay		110,644	
Total Main Street	353,854	244,712	109,142

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
General government (continued):			
Public works and engineering:			
Salaries and employee benefits		439,411	
Professional services		2,695	
Operating expenditures		48,910	
Capital outlay		22,258	
Reimbursement from other funds		(63,763)	
Total Public works and engineering	462,622	449,511	13,111
Garage:			
Salaries and employee benefits		437,855	
Operating expenditures		81,238	
Capital outlay		12,201	
Reimbursement from other funds		(246,812)	
Total Garage	307,475	284,482	22,993
Warehouse:			
Salaries and employee benefits		27,830	
Operating expenditures		54,375	
Capital outlay		45,509	
Reimbursement from other funds		(48,894)	
Total Warehouse	114,596	78,820	35,776
General expense:			
Miscellaneous	168,642	-	
Capital outlay land	500,000	-	
Professional service	5,000	-	
Total General expense	673,642	-	673,642
Special appropriations:			
Arts council	3,325	3,325	
Dogwood Festival	2,500	2,500	
Children's Home of Iredell County	3,750	3,750	
Chamber of Commerce	10,000	10,000	
Council on Aging	5,750	5,750	
Iredell County Rescue Squad	6,500	6,500	
Lifespan Vocational Workshop	25,000	25,000	
Elderly Nutrition Program	3,731	3,731	
Garfield Senior Citizens	1,000	1,000	
Golden Age Senior Citizens	1,000	1,000	
Happy Hour Senior Citizens	1,000	1,000	
Counseling Center	9,560	9,560	
Iredell Senior Center	4,600	4,600	
Fifth Street Ministry	4,000	4,000	
Iredell County Children's Museum	3,570	3,570	
Total Special appropriation	85,286	85,286	-
Total general government	4,371,337	3,293,723	1,077,614

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
Public safety:			
Police:			
Salaries and employee benefits		5,399,026	
Professional services		7,783	
Operating expenditures		861,032	
Capital outlay		626,999	
Total Police	7,198,866	6,894,840	304,026
Fire service:			
Salaries and employee benefits		3,219,399	
Operating expenditures		593,118	
Capital outlay		97,053	
Total Fire service	4,713,688	3,909,570	804,118
Total public safety	11,912,554	10,804,410	1,108,144
Transportation:			
Street department:			
Salaries and employee benefits		894,940	
Operating expenditures		748,149	
Capital outlay		306,960	
Reimbursement from other funds		(95,760)	
Total Street department	1,970,705	1,854,289	116,416
Street construction:			
Operating expenditures		39,025	
Capital outlay		101,109	
Total Street construction	853,311	140,134	713,177
Airport:			
Salaries and employee benefits		56,896	
Professional services		22,962	
Operating expenditures		85,337	
Total Airport	2,158,879	165,195	1,993,684
Total transportation	4,982,895	2,159,618	2,823,277

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
Economic and physical development:			
Operating expenditures		514,609	
Total economic and physical development	641,000	514,609	126,391
Environmental protection:			
Sanitation:			
Salaries and employee benefits		1,339,151	
Operating expenditures		594,852	
Capital outlay		379,391	
Total environmental protection	2,480,099	2,313,394	166,705
Cultural and recreation:			
Recreation:			
Salaries and employee benefits		1,814,849	
Operating expenditures		1,167,608	
Capital outlay		438,758	
Reimbursement from other funds		(25,202)	
Total cultural and recreation	4,025,938	3,396,013	629,925
Debt service:			
G.O. bond principal	25,000	25,000	
G.O. bond Interest	4,050	4,050	
Notes payable principal	330,000	330,000	
Notes payable interest	59,950	59,940	
Total debt service	419,000	418,990	10
Total expenditures	28,832,823	22,900,757	5,932,066
Revenues over (under) expenditures	(6,792,013)	138,095	6,930,108

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in:			
Internal PILOT - Electric	267,579	267,579	-
Internal PILOT - Water and Sewer	530,189	530,189	-
Internal PILOT - Civic Center	22,907	22,907	-
Reimbursement - occupancy tax	16,200	16,200	-
From Fire Station#4 Construction Fund	972,302	972,302	-
From Airport Safety Overrun Fund	-	91,668	91,668
From Drug Enforcement Fund	37,000	37,000	-
From General Capital Reserve	175,000	110,050	(64,950)
Transfers (out):			
To City Hall Renovations Fund	(250,000)	(250,000)	-
To Streetscape Fund	(150,450)	(150,450)	-
To Home Consortium Fund	(25,981)	(25,981)	-
To Traffic Safety Fund	(29,881)	(29,881)	-
To General Capital Reserve Fund	(2,243,251)	(2,243,251)	-
Fund balance appropriated	<u>7,470,399</u>	<u>-</u>	<u>(7,470,399)</u>
Total other financing sources (uses)	<u>6,792,013</u>	<u>(651,668)</u>	<u>(7,443,681)</u>
Revenues and other financing sources (under) expenditures and other uses	<u>\$ -</u>	<u>(513,573)</u>	<u>\$ (513,573)</u>
Fund balances at beginning of year		<u>25,507,076</u>	
Fund balances at end of year		<u>\$ 24,993,503</u>	

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MAJOR OTHER GOVERNMENTAL FUNDS

The City of Statesville has one other major fund that is not the General Fund. That fund is:

Airport Safety Overrun Fund - accounts for capital improvements to airport facilities.

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CITY OF STATESVILLE, NORTH CAROLINA
AIRPORT SAFETY OVERRUN FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
REVENUES:				
Restricted intergovernmental	\$ 22,767,724	\$ 13,354,913	\$ 6,969,368	\$ 20,324,281
Investment earnings	239,384	292,405	15,269	307,674
Miscellaneous	613,320	598,949	-	598,949
Total revenues	23,620,428	14,246,267	6,984,637	21,230,904
EXPENDITURES:				
Transportation:				
Capital Outlay	25,553,346	16,319,846	7,985,340	24,305,186
Parking and realignment	580,644	542,618	-	542,618
Access Road Construction	126,000	107,088	-	107,088
Operating Expenses	3,365,755	413,163	-	413,163
Total expenditures	29,625,745	17,382,715	7,985,340	25,368,055
Revenues over (under) expenditures	(6,005,317)	(3,136,448)	(1,000,703)	(4,137,151)
OTHER FINANCING SOURCES (USES):				
Long-term debt	3,300,000	3,300,000	-	3,300,000
Transfers in:				
General Fund	5,537,538	5,878,714	-	5,878,714
Fund Balance	1,077,095	-	-	-
Transfers out:				
General Fund	(3,909,316)	(3,909,283)	(91,668)	(4,000,951)
Total other financing sources (uses)	6,005,317	5,269,431	(91,668)	5,177,763
Revenues over (under) expenditures and other uses	\$ -	\$ 2,132,983	(1,092,371)	\$ 1,040,612
FUND BALANCES:				
Fund balances at beginning of year			2,132,983	
Fund balances at end of year			\$ 1,040,612	

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NONMAJOR GOVERNMENTAL FUNDS

Statesville Gang Initiative - accounts for law enforcement activities related to gang activities.

Community Development Program Income Fund - accounts for the sale of City community development property. The funds are then restricted to expenditures for community development projects.

Home Program Grant Project Fund - accounts for the Home Program grant that is restricted to home rehabilitation and down payment assistance.

1997-1998 Home Consortium Fund - accounts for participation in the Cabarrus/Iredell/Rowan Home Consortium and related grant activity. The funds are restricted to be used for the rehabilitation of private dwellings and administrative costs associated with the grant.

Home Consortium/CDBG Fund - accounts for participation in the Cabarrus/Iredell/Rowan Home Consortium and related grant activity. The funds are restricted to be used for the construction or rehabilitation of private dwellings and administrative costs associated with the grant.

Drug Enforcement Fund - accounts for monies reserved for drug enforcement expenditures.

Occupancy Tax Fund - accounts for receipts from a local hotel/motel occupancy tax that are restricted to the operation of a civic center and the promotion of travel and tourism.

Traffic Safety Grant - accounts for law enforcement activities related to traffic safety.

General Equipment Capital Reserve Fund - accounts for monies restricted to the purchase of general fixed assets.

Fire Station #4 Fund - accounts for capital construction for new fire station.

Warehouse Construction Fund - accounts for capital construction for new warehouse facility.

City Hall Renovation Fund - accounts for city hall renovations.

Streetscape Fund - accounts for the downtown infrastructure renewal.

Airport Improvement (formerly South Parallel Fund) - accounts for capital improvements to airport facilities.

Statesville Park Fund - accounts for capital construction of recreation center and pool.

CITY OF STATESVILLE, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2010

	Nonmajor Special Revenue Funds								
	Statesville Gang Initiative Grant	Community Development Program Income Fund	Home Program Project Fund	1997-1998 Home Consortium Fund	Home Consortium Fund	Drug Enforcement Fund	Occupancy Tax Fund	Traffic Safety Grant	General Equipment Capital Reserve Fund
ASSETS:									
Cash and cash equivalents	\$ -	\$ 3,568	\$ 238,687	\$ 58,203	\$ 16,787	\$ 87,878	\$ 497,949	\$ -	\$ 3,316,491
Accounts receivable, net	101,187	-	-	143,254	-	-	-	21,769	-
Interest Receivable	-	29	1,879	458	132	691	3,919	-	26,101
Total assets	\$ 101,187	\$ 3,597	\$ 240,566	\$ 201,915	\$ 16,919	\$ 88,569	\$ 501,868	\$ 21,769	\$ 3,342,592
LIABILITIES AND FUND EQUITY:									
Liabilities:									
Accounts payable	\$ 83,429	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,652	\$ -
Interfund payable	17,758	-	-	-	-	-	-	14,567	-
Retainage payable	-	-	-	-	-	-	-	-	-
Deferred revenues	-	-	-	143,254	-	-	-	-	-
Total liabilities	101,187	-	-	143,254	-	-	-	19,219	-
Fund Equity:									
Reserved for encumbrances	-	-	-	-	-	-	-	-	-
Reserved by state statute	101,187	29	1,879	458	132	691	3,919	21,769	26,101
Unreserved	(101,187)	3,568	238,687	58,203	16,787	87,878	497,949	(19,219)	3,316,491
Total fund balances	-	3,597	240,566	58,661	16,919	88,569	501,868	2,550	3,342,592
Total liabilities and fund balances (as restated)	\$ 101,187	\$ 3,597	\$ 240,566	\$ 201,915	\$ 16,919	\$ 88,569	\$ 501,868	\$ 21,769	\$ 3,342,592

Nonmajor Capital Funds

Total Nonmajor Special Revenue Funds	Fire Station #4 Fund	Warehouse Construction Fund	City Hall Renovations Fund	Streetscape Fund	Airport Improvement Fund	Statesville Park Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 4,219,563	\$ 1,806,940	\$ 101,314	\$ 117,015	\$ 338,653	\$ 1,203,455	\$ 1,149,963	\$ 4,717,340	\$ 8,936,903
266,210	2,455	-	-	-	17,586	980	21,021	287,231
33,209	-	797	921	2,665	9,471	9,050	22,904	56,113
<u>\$ 4,518,982</u>	<u>\$ 1,809,395</u>	<u>\$ 102,111</u>	<u>\$ 117,936</u>	<u>\$ 341,318</u>	<u>\$ 1,230,512</u>	<u>\$ 1,159,993</u>	<u>\$ 4,761,265</u>	<u>\$ 9,280,247</u>
\$ 88,081	\$ 170,424	\$ -	\$ 17,144	\$ 1,859	\$ -	\$ -	\$ 189,427	\$ 277,508
32,325	18,869	-	-	-	-	-	18,869	51,194
-	15,527	-	-	-	-	26,106	41,633	41,633
143,254	-	-	-	-	-	-	-	143,254
263,660	204,820	-	17,144	1,859	-	26,106	249,929	513,589
-	1,384,906	100,000	100,336	338,141	-	178,568	2,101,951	2,101,951
156,165	2,455	797	921	2,665	27,057	10,030	43,925	200,090
4,099,157	217,214	1,314	(465)	(1,347)	1,203,455	945,289	2,365,460	6,464,617
4,255,322	1,604,575	102,111	100,792	339,459	1,230,512	1,133,887	4,511,336	8,766,658
<u>\$ 4,518,982</u>	<u>\$ 1,809,395</u>	<u>\$ 102,111</u>	<u>\$ 117,936</u>	<u>\$ 341,318</u>	<u>\$ 1,230,512</u>	<u>\$ 1,159,993</u>	<u>\$ 4,761,265</u>	<u>\$ 9,280,247</u>

CITY OF STATESVILLE, NORTH CAROLINA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	Nonmajor Special Revenue Funds								
	Statesville Gang Initiative Grant	Community Development Program Income Fund	Home Program Project Fund	1997-1998 Home Consortium Fund	Home Consortium Fund	Drug Enforcement Fund	Occupancy Tax Fund	Traffic Safety Grant	General Equipment Capital Reserve Fund
REVENUES:									
Other taxes and licenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 648,398	\$ -	\$ -
Restricted intergovernmental	344,838	-	-	-	110,157	58,959	-	119,611	-
Repayment of loans	-	-	-	4,463	-	-	-	-	-
Investment earnings	-	369	3,939	898	300	1,668	6,944	-	32,040
Miscellaneous	-	-	-	-	-	-	4,014	-	37,569
Total revenues	344,838	369	3,939	5,361	110,457	60,627	659,356	119,611	69,609
EXPENDITURES:									
General government									
Capital outlay	-	-	-	-	-	-	-	-	-
Public safety									
Operating expenditures	358,502	-	-	-	-	-	-	76,004	-
Capital outlay	-	-	-	-	-	-	-	70,938	-
Transportation									
Capital outlay	-	-	-	-	-	-	-	-	-
Economic and physical development:									
Operating expenditures	-	21,141	-	-	136,138	-	126,027	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Cultural and Recreation									
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	358,502	21,141	-	-	136,138	-	126,027	146,942	-
Revenue over (under) expenditures	(13,664)	(20,772)	3,939	5,361	(25,681)	60,627	533,329	(27,331)	69,609
OTHER FINANCING SOURCES (USES):									
Transfers in:									
General Fund	-	-	-	-	25,981	-	-	29,881	2,243,251
Drug enforcement fund	13,664	-	-	-	-	-	-	-	-
Transfers out:									
General Fund	-	-	-	-	-	(50,664)	-	-	(110,050)
CDBG Income Fund	-	-	-	-	-	-	-	-	-
Streetscape Fund	-	-	-	-	-	-	-	-	-
Civic Center	-	-	-	-	-	-	(445,274)	-	-
Debt proceeds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	13,664	-	-	-	25,981	(50,664)	(445,274)	29,881	2,133,201
Revenues and other sources over (under) expenditures and other uses	-	(20,772)	3,939	5,361	300	9,963	88,055	2,550	2,202,810
Fund balances at beginning of year (as restated)	-	24,369	236,627	53,300	16,619	78,606	413,813	-	1,139,782
Fund balances at end of year	\$ -	\$ 3,597	\$ 240,566	\$ 58,661	\$ 16,919	\$ 88,569	\$ 501,868	\$ 2,550	\$ 3,342,592

Nonmajor Capital Funds								
Total Nonmajor Special Revenue Funds	Fire Station #4 Fund	Warehouse Construction Fund	City Hall Renovations Fund	Streetscape Fund	Airport Improvement Fund	Statesville Park Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 648,398	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 648,398
633,565	-	-	-	-	334,143	-	334,143	967,708
4,463	-	-	-	-	-	-	-	4,463
46,158	6,832	1,578	456	1,318	16,569	18,985	45,738	91,896
41,583	-	-	-	-	-	-	-	41,583
<u>1,374,167</u>	<u>6,832</u>	<u>1,578</u>	<u>456</u>	<u>1,318</u>	<u>350,712</u>	<u>18,985</u>	<u>379,881</u>	<u>1,754,048</u>
-	-	-	38,664	-	-	-	38,664	38,664
434,506	-	-	-	-	-	-	-	434,506
70,938	395,758	-	-	-	-	-	395,758	466,696
-	-	-	-	-	347,729	-	347,729	347,729
283,306	-	-	-	-	-	-	-	283,306
-	-	-	-	1,859	-	-	1,859	1,859
-	-	-	-	-	-	27,846	27,846	27,846
<u>788,750</u>	<u>395,758</u>	<u>-</u>	<u>38,664</u>	<u>1,859</u>	<u>347,729</u>	<u>27,846</u>	<u>809,997</u>	<u>1,600,606</u>
<u>585,417</u>	<u>(388,926)</u>	<u>1,578</u>	<u>(38,208)</u>	<u>(541)</u>	<u>2,983</u>	<u>(8,861)</u>	<u>(430,116)</u>	<u>153,442</u>
2,299,113	-	-	250,000	340,000	-	-	590,000	2,889,113
13,664	-	-	-	-	-	-	-	13,664
(160,714)	(972,302)	-	-	-	-	-	(972,302)	(1,133,016)
-	-	-	-	-	-	-	-	-
-	-	-	(111,000)	-	-	-	(111,000)	(111,000)
(445,274)	-	-	-	-	-	-	-	(445,274)
-	1,947,000	-	-	-	-	-	1,947,000	1,947,000
<u>1,706,789</u>	<u>974,698</u>	<u>-</u>	<u>139,000</u>	<u>340,000</u>	<u>-</u>	<u>-</u>	<u>1,453,698</u>	<u>3,160,487</u>
2,292,206	585,772	1,578	100,792	339,459	2,983	(8,861)	1,021,723	3,313,929
<u>1,963,116</u>	<u>1,018,803</u>	<u>100,533</u>	<u>-</u>	<u>-</u>	<u>1,227,529</u>	<u>1,142,748</u>	<u>3,489,613</u>	<u>5,452,729</u>
<u>\$ 4,255,322</u>	<u>\$ 1,604,575</u>	<u>\$ 102,111</u>	<u>\$ 100,792</u>	<u>\$ 339,459</u>	<u>\$ 1,230,512</u>	<u>\$ 1,133,887</u>	<u>\$ 4,511,336</u>	<u>\$ 8,766,658</u>

*CITY OF STATESVILLE, NORTH CAROLINA
STATESVILLE GANG INITIATIVE GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010*

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental:				
First year entitlement	\$ 372,208	\$ -	\$ 344,838	\$ 344,838
Total revenues	372,208	-	344,838	344,838
EXPENDITURES:				
Public safety:				
Law enforcement	385,872	-	358,502	358,502
Total expenditures	385,872	-	358,502	358,502
Revenues (under) expenditures	(13,664)	-	(13,664)	(13,664)
OTHER FINANCING SOURCES AND USES:				
Transfer in:				
Drug Enforcement Fund	13,664	-	13,664	13,664
Total transfers in	13,664	-	13,664	13,664
Revenues over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCES:				
Fund balances at beginning of year			-	
Fund balances at end of year			<u>\$ -</u>	

*CITY OF STATESVILLE, NORTH CAROLINA
COMMUNITY DEVELOPMENT PROGRAM INCOME FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010*

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ 324,332	\$ 328,393	\$ 369	\$ 328,762
Miscellaneous - program income	593,149	589,627	-	589,627
Total revenues	917,481	918,020	369	918,389
EXPENDITURES:				
Economic and physical development	250,965	227,135	21,141	248,276
Total expenditures	250,965	227,135	21,141	248,276
Revenues over (under) expenditures	666,516	690,885	(20,772)	670,113
OTHER FINANCING USES:				
Transfer out	(666,516)	(666,516)	-	(666,516)
Revenues over (under) expenditures and other uses	\$ -	\$ 24,369	(20,772)	\$ 3,597
FUND BALANCES:				
Fund balances at beginning of year (as restated)			24,369	
Fund balances at end of year			\$ 3,597	

CITY OF STATESVILLE, NORTH CAROLINA
HOME PROGRAM GRANT PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental:				
Home program grant	\$ 755,810	\$ 755,131	\$ -	\$ 755,131
Repayment of loans	117,933	274,754	-	274,754
Investment earnings	-	74,199	3,939	78,138
Total revenues	873,743	1,104,084	3,939	1,108,023
EXPENDITURES:				
Economic and physical development				
Home program grant activity	873,743	867,457	-	867,457
Total expenditures	873,743	867,457	-	867,457
Revenues over (under) expenditures and other uses	\$ -	\$ 236,627	3,939	\$ 240,566
FUND BALANCES:				
Fund balances at beginning of year (as restated)			236,627	
Fund balances at end of year			\$ 240,566	

CITY OF STATESVILLE, NORTH CAROLINA
1997-1998 HOME CONSORTIUM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental	\$ -	\$ 102,977	\$ -	\$ 102,977
Repayment of loans	-	45,017	4,463	49,480
Investment earnings	-	7,622	898	8,520
Miscellaneous - Program Income	102,978	-	-	-
Total revenues	102,978	155,616	5,361	160,977
EXPENDITURES:				
Economic and physical development				
Home program grant activity	127,978	127,316	-	127,316
Total expenditures	127,978	127,316	-	127,316
Revenues over (under) expenditures	(25,000)	28,300	5,361	33,661
OTHER FINANCING SOURCES:				
Transfer in	25,000	25,000	-	25,000
Revenues over (under) expenditures and other uses	\$ -	\$ 53,300	5,361	\$ 58,661
FUND BALANCES:				
Fund balances at beginning of year (as restated)			53,300	
Fund balances at end of year			\$ 58,661	

CITY OF STATESVILLE, NORTH CAROLINA
HOME CONSORTIUM/CDBG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental	\$ 1,084,079	\$ 2,083,058	\$ 110,157	\$ 2,193,215
Investment earnings	-	16,707	300	17,007
Miscellaneous	1,000,000	-	-	-
Total revenues	2,084,079	2,099,765	110,457	2,210,222
EXPENDITURES:				
Economic and physical development				
Home program grant activity	2,332,916	2,332,083	136,138	2,468,221
Total expenditures	2,332,916	2,332,083	136,138	2,468,221
Revenues (under) expenditures	(248,837)	(232,318)	(25,681)	(257,999)
OTHER FINANCING SOURCES:				
Transfer in	248,837	248,937	25,981	274,918
Revenues over (under) expenditures and other uses	\$ -	\$ 16,619	300	\$ 16,919
FUND BALANCES:				
Fund balances at beginning of year (as restated)			16,619	
Fund balances at end of year			\$ 16,919	

CITY OF STATESVILLE, NORTH CAROLINA
DRUG ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
REVENUES:				
Restricted intergovernmental:				
Adoptive forfeitures	\$ 530,818	\$ 531,478	\$ 26,980	\$ 558,458
DARE revenues	2,000	926	-	926
Controlled substance tax	225,647	210,815	31,979	242,794
Investment earnings	51,225	63,619	1,668	65,287
Total revenues	<u>809,690</u>	<u>806,838</u>	<u>60,627</u>	<u>867,465</u>
EXPENDITURES:				
Public safety:				
Drug enforcement	123,260	97,125	-	97,125
DARE expenditures	2,000	926	-	926
Total expenditures	<u>125,260</u>	<u>98,051</u>	<u>-</u>	<u>98,051</u>
Revenues over expenditures	<u>684,430</u>	<u>708,787</u>	<u>60,627</u>	<u>769,414</u>
OTHER FINANCING USES:				
Transfer out:				
General Fund	(670,766)	(630,181)	(37,000)	(667,181)
SIGI Grant	(13,664)	-	(13,664)	(13,664)
Total transfers out	<u>(684,430)</u>	<u>(630,181)</u>	<u>(50,664)</u>	<u>(680,845)</u>
Revenues over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 78,606</u>	9,963	<u>\$ 88,569</u>
FUND BALANCES:				
Fund balances at beginning of year (as restated)			<u>78,606</u>	
Fund balances at end of year			<u>\$ 88,569</u>	

CITY OF STATESVILLE, NORTH CAROLINA
OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL
Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Other taxes and licenses:			
5% hotel/motel occupancy tax	\$ 620,000	\$ 648,398	\$ 28,398
Investment earnings	-	6,944	6,944
Miscellaneous:			
Licenses, Fees, Permits	-	4,014	4,014
Total revenues	<u>620,000</u>	<u>659,356</u>	<u>39,356</u>
EXPENDITURES:			
Economic and physical development	126,028	126,027	(1)
Future Capital and Debt Service	48,698	-	(48,698)
Total expenditures	<u>174,726</u>	<u>126,027</u>	<u>(48,699)</u>
Revenues over expenditures	<u>445,274</u>	<u>533,329</u>	<u>88,055</u>
OTHER FINANCING USES:			
Transfers out:			
General Fund	(16,200)	(16,200)	-
Civic Center Fund	(429,074)	(429,074)	-
Total other financing sources (uses)	<u>(445,274)</u>	<u>(445,274)</u>	<u>-</u>
Revenues over (under) expenditures and other uses	<u>\$ -</u>	<u>88,055</u>	<u>\$ 88,055</u>
FUND BALANCES:			
Fund balances at beginning of year		<u>413,813</u>	
Fund balances at end of year		<u>\$ 501,868</u>	

CITY OF STATESVILLE, NORTH CAROLINA
TRAFFIC SAFETY GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental:				
First year entitlement	\$ 169,322	\$ -	\$ 119,611	\$ 119,611
Total revenues	169,322	-	119,611	119,611
EXPENDITURES:				
Public safety:				
Law enforcement	110,203	-	76,004	76,004
Law enforcement capital outlay	89,000	-	70,938	70,938
Total expenditures	199,203	-	146,942	146,942
Revenues over expenditures	(29,881)	-	(27,331)	(27,331)
OTHER FINANCING SOURCES AND USES:				
Transfer in:				
General Fund	29,881	-	29,881	29,881
Total transfers in	29,881	-	29,881	29,881
Revenues over (under) expenditures and other uses	\$ -	\$ -	2,550	\$ 2,550
FUND BALANCES:				
Fund balances at beginning of year			-	
Fund balances at end of year			\$ 2,550	

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL EQUIPMENT CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Sidewalk and curbs	\$ -	\$ 19,571	\$ 37,569	\$ 57,140
Investment earnings	350,000	920,769	32,040	952,809
Total revenues	350,000	940,340	69,609	1,009,949
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Fund	3,250,000	2,546,265	-	2,546,265
General Fund - debt service Fire Station#4	2,243,251	-	2,243,251	2,243,251
Fire Equipment Reserve Fund	-	153,778	-	153,778
Business Park Capital Project Fund	-	28,489	-	28,489
Transfers out:				
General Fund - debt service Fire Station#4	(2,243,251)	-	-	-
General Fund - Fire	(704,000)	(575,000)	-	(575,000)
Statesville Park Fund	(712,096)	(615,467)	-	(615,467)
General Fund - Police	(49,056)	(49,056)	-	(49,056)
General Fund - undesignated	(2,134,848)	(1,289,567)	(110,050)	(1,399,617)
Total other financing sources (uses)	(350,000)	199,442	2,133,201	2,332,643
Revenues over (under) expenditures and other uses	\$ -	\$ 1,139,782	2,202,810	\$ 3,342,592
FUND BALANCES:				
Fund balances at beginning of year			1,139,782	
Fund balances at end of year			\$ 3,342,592	

CITY OF STATESVILLE, NORTH CAROLINA
FIRE STATION #4 CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment earnings	13,834	5,588	6,832	12,420
Total revenues	13,834	5,588	6,832	12,420
EXPENDITURES:				
Public Safety:				
Professional Services	172,825	61,285	55,060	116,345
Construction Contract	1,571,134	-	238,808	238,808
Miscellaneous	21,360	15,500	5,810	21,310
Capital other	138,000	-	78,194	78,194
Debt issuance costs	23,100	-	17,886	17,886
Total expenditures	1,926,419	76,785	395,758	472,543
Revenues over (under) expenditures	(1,912,585)	(71,197)	(388,926)	(460,123)
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Fund	1,090,000	1,090,000	-	1,090,000
Proceeds long-term debt	1,947,000	-	1,947,000	1,947,000
Transfers out:				
General Fund	(972,302)	-	(972,302)	(972,302)
Contingency	(152,113)	-	-	-
Total other financing sources (uses)	1,912,585	1,090,000	974,698	2,064,698
Revenues over (under) expenditures and other uses	\$ -	\$ 1,018,803	585,772	\$ 1,604,575
FUND BALANCES:				
Fund balances at beginning of year			1,018,803	
Fund balances at end of year			\$ 1,604,575	

CITY OF STATESVILLE, NORTH CAROLINA
WAREHOUSE CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Actual			Total to Date
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ -	\$ 533	\$ 1,578	\$ 2,111
Total revenues	-	533	1,578	2,111
EXPENDITURES:				
General Government:				
Capital Outlay	350,000	-	-	-
Total expenditures	350,000	-	-	-
Revenues over (under) expenditures	(350,000)	533	1,578	2,111
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Fund	100,000	100,000	-	100,000
Electric Fund	250,000	-	-	-
Total other financing sources (uses)	350,000	100,000	-	100,000
Revenues over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 100,533</u>	1,578	<u>\$ 102,111</u>
FUND BALANCES:				
Fund balances at beginning of year			<u>100,533</u>	
Fund balances at end of year			<u>\$ 102,111</u>	

*CITY OF STATESVILLE, NORTH CAROLINA
CITY HALL RENOVATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010*

	Actual			Total to Date
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ -	\$ -	\$ 456	\$ 456
Total revenues	-	-	456	456
EXPENDITURES:				
General Government:				
Capital Outlay professional services	25,000	-	22,764	22,764
Capital Outlay contracted services	114,000	-	15,900	15,900
Total expenditures	139,000	-	38,664	38,664
Revenues over (under) expenditures	(139,000)	-	(38,208)	(38,208)
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Fund	250,000	-	250,000	250,000
Transfers out:				
Streetscape Fund	(111,000)	-	(111,000)	(111,000)
Total other financing sources (uses)	139,000	-	139,000	139,000
Revenues over (under) expenditures and other uses	\$ -	\$ -	100,792	\$ 100,792
FUND BALANCES:				
Fund balances at beginning of year			-	
Fund balances at end of year			\$ 100,792	

CITY OF STATESVILLE, NORTH CAROLINA
STREETSCAPE CAPITAL PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Actual			
	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ -	\$ -	\$ 1,318	\$ 1,318
Total revenues	-	-	1,318	1,318
EXPENDITURES:				
Economic and physical development:				
Capital Outlay professional services	340,000	-	1,859	1,859
Total expenditures	340,000	-	1,859	1,859
Revenues over (under) expenditures	(340,000)	-	(541)	(541)
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Fund	150,450	-	150,450	150,450
Electric Fund	49,500	-	49,500	49,500
Water and Sewer Fund	29,050	-	29,050	29,050
City Hall Renovation Fund	111,000	-	111,000	111,000
Total other financing sources (uses)	340,000	-	340,000	340,000
Revenues over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	339,459	<u>\$ 339,459</u>
FUND BALANCES:				
Fund balances at beginning of year			-	
Fund balances at end of year			<u>\$ 339,459</u>	

CITY OF STATESVILLE, NORTH CAROLINA
AIRPORT IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
NCDOT land	\$ 1,450,000	\$ -	\$ 316,556	\$ 316,556
Iredell County land	80,555	-	17,587	17,587
Investment earnings	-	6,529	16,569	23,098
Total revenues	<u>1,530,555</u>	<u>6,529</u>	<u>350,712</u>	<u>357,241</u>
EXPENDITURES:				
Transportation:				
Capital Outlay- land	1,144,444	-	-	-
Capital Outlay - grant land	1,611,111	4,000	347,729	351,729
Total expenditures	<u>2,755,555</u>	<u>4,000</u>	<u>347,729</u>	<u>351,729</u>
Revenues over (under) expenditures	<u>(1,225,000)</u>	<u>2,529</u>	<u>2,983</u>	<u>5,512</u>
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Fund	1,225,000	1,225,000	-	1,225,000
Total other financing sources (uses)	<u>1,225,000</u>	<u>1,225,000</u>	<u>-</u>	<u>1,225,000</u>
Revenues over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 1,227,529</u>	<u>2,983</u>	<u>\$ 1,230,512</u>
FUND BALANCES:				
Fund balances at beginning of year			<u>1,227,529</u>	
Fund balances at end of year			<u>\$ 1,230,512</u>	

CITY OF STATESVILLE, NORTH CAROLINA
STATESVILLE PARK FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Actual			Total to Date
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ -	\$ 409,629	\$ 18,985	\$ 428,614
PARTF Grant	500,000	500,000	-	500,000
Miscellaneous	46,441	46,441	-	46,441
Total revenues	546,441	956,070	18,985	975,055
EXPENDITURES:				
Cultural and recreation:				
Recreation park center	8,441,338	7,784,052	27,846	7,811,898
Soccer fields (completed)	-	1,605,515	-	1,605,515
Capital Outlay	1,971,348	-	-	-
Total expenditures	10,412,686	9,389,567	27,846	9,417,413
Revenues (under) expenditures	(9,866,245)	(8,433,497)	(8,861)	(8,442,358)
OTHER FINANCING SOURCES:				
Transfers in:				
General Fund	9,250,778	8,960,778	-	8,960,778
General Capital Reserve Fund	615,467	615,467	-	615,467
Total other financing sources (uses)	9,866,245	9,576,245	-	9,576,245
Revenues over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 1,142,748</u>	(8,861)	<u>\$ 1,133,887</u>
FUND BALANCES:				
Fund balances at beginning of year			<u>1,142,748</u>	
Fund balances at end of year			<u>\$ 1,133,887</u>	

ENTERPRISE FUNDS

MAJOR ENTERPRISE FUNDS

Electric Fund – accounts for the activities of the Electric Utilities Department.

Water and Sewer Fund – accounts for the activities of the Water and Sewer Departments.

NONMAJOR ENTERPRISE FUNDS

Civic Center Fund – accounts for the activities of the Civic Center.

ENTERPRISE PROJECT FUNDS

Delivery Station Capital Project – accounts for construction of an electric substation.

Utility Capital Reserve Fund – accounts for electric capital future needs.

Electric Rate Stabilization Fund – accounts for funds to stabilize electric rates.

Water and Sewer Capital Reserve Fund – accounts future capital needs.

Third Creek WWTP Expansion Construction – accounts for a major expansion of one of the City's waste water treatment plants.

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CITY OF STATESVILLE, NORTH CAROLINA
MAJOR ENTERPRISE FUND
CITY OF STATESVILLE ELECTRIC FUND- SCHEDULE OF
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Electric sales	\$ 38,417,845	\$ 38,700,181	\$ 282,336
Other operating revenues	306,266	320,107	13,841
Miscellaneous Revenues	25,000	82,102	57,102
Investment earnings	250,000	195,058	(54,942)
Total revenues	<u>38,999,111</u>	<u>39,297,448</u>	<u>298,337</u>
EXPENDITURES:			
Salaries and employee benefits	2,144,673	2,047,148	97,525
Electrical power purchases	33,897,100	32,503,039	1,394,061
Professional services	28,350	1,272	27,078
Capital outlay	2,588,381	744,005	1,844,376
Operating expenditures	<u>3,334,270</u>	<u>3,184,365</u>	<u>149,905</u>
Total expenditures	<u>41,992,774</u>	<u>38,479,829</u>	<u>3,512,945</u>
OTHER FINANCING SOURCES (USES):			
Transfer in - Delivery Station Construction Fund	-	860,696	860,696
Transfer (in) Rate Stabilization Fund	329,000	329,000	-
Transfer (out) General Fund -PILOT	(267,579)	(267,579)	-
Transfer (out) Streetscape Fund	(49,500)	(49,500)	-
Fund balance appropriated	<u>2,981,742</u>	<u>-</u>	<u>(2,981,742)</u>
Total other financing sources (uses)	<u>2,993,663</u>	<u>872,617</u>	<u>(2,121,046)</u>
Total revenues and other financing sources over (under) other financing uses and expenditures	<u>\$ -</u>	<u>1,690,236</u>	<u>\$ 1,690,236</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Capital outlay		744,005	
Capitalization labor, equipment, and overhead		482,518	
Loss on disposition of capital assets		(79,597)	
Change in accrued compensated absences		(44,131)	
Change in other postemployment benefits		(18,492)	
Depreciation		(1,116,644)	
Interest earnings from Project Funds		17,945	
Interfund transfers from Project Funds not income		<u>(1,189,696)</u>	
Total reconciling items		<u>(1,204,092)</u>	
Change in net assets		<u>\$ 486,144</u>	

CITY OF STATESVILLE, NORTH CAROLINA
MAJOR ENTERPRISE FUND
CITY OF STATESVILLE WATER AND SEWER FUND- SCHEDULE OF
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2010

	Budget	Actual	Favorable (Unfavorable)
OPERATING REVENUES:			
Charges for services:			
Water sales	\$ 3,255,205	\$ 3,350,822	\$ 95,617
Sewer charges	4,885,700	5,094,987	209,287
Water and Sewer System Development Fees	340,000	310,930	(29,070)
Other operating revenues	275,472	792,243	516,771
Interest on investments	215,000	197,857	(17,143)
Total operating revenues	<u>8,971,377</u>	<u>9,746,839</u>	<u>775,462</u>
EXPENDITURES:			
Sewer maintenance:			
Salaries and employee benefits	346,295	345,450	845
Professional services	1,500	1,310	190
Operating expenditures	200,684	129,699	70,985
Capital outlay	46,389	18,788	27,601
Total	<u>594,868</u>	<u>495,247</u>	<u>99,621</u>
Water maintenance:			
Salaries and employee benefits	749,708	717,212	32,496
Professional services	5,800	3,125	2,675
Operating expenditures	264,853	128,930	135,923
Capital outlay	639,628	-	639,628
Total	<u>1,659,989</u>	<u>849,267</u>	<u>810,722</u>
Water purification:			
Salaries and employee benefits	674,618	645,498	29,120
Professional services	40,000	37,217	2,783
Operating expenditures	2,275,861	1,642,480	633,381
Total	<u>2,460,290</u>	<u>2,325,195</u>	<u>665,284</u>
Waste water treatment - Third Creek:			
Salaries and employee benefits	370,608	360,915	9,693
Professional services	49,795	25,872	23,923
Operating expenditures	498,226	351,850	146,376
Total	<u>918,629</u>	<u>738,637</u>	<u>179,992</u>
Waste water treatment - Fourth Creek:			
Salaries and employee benefits	810,368	738,505	71,863
Professional services	119,217	52,933	66,284
Operating expenditures	956,739	876,245	80,494
Total	<u>1,886,324</u>	<u>1,667,683</u>	<u>218,641</u>

CITY OF STATESVILLE, NORTH CAROLINA
MAJOR ENTERPRISE FUND
CITY OF STATESVILLE WATER AND SEWER FUND- SCHEDULE OF
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Debt service:			
Principal		1,301,529	
Interest		455,648	
	<u>1,767,200</u>	<u>1,757,177</u>	<u>10,023</u>
 Total expenditures	 <u>9,287,300</u>	 <u>7,833,206</u>	 <u>1,984,283</u>
 Revenues over expenditures	 <u>(315,923)</u>	 <u>1,913,633</u>	 <u>1,597,710</u>
 OTHER FINANCING SOURCES (USES):			
Transfers in (out):			
Water and Sewer Capital Reserve	(340,000)	(310,930)	(29,070)
General Fund - PILOT	(530,189)	(530,189)	-
Streetscape	(29,050)	(29,050)	-
Contingency	-	-	-
Fund balance appropriated	<u>1,215,162</u>	<u>-</u>	<u>(1,215,162)</u>
 Total other financing sources	 <u>315,923</u>	 <u>(870,169)</u>	 <u>(554,246)</u>
 Revenues and other sources (under) expenditures at \$	 <u><u>-</u></u>	 <u>1,043,464</u>	 <u>\$ 1,043,464</u>
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Depreciation		(2,832,859)	
Capital outlay		18,788	
Monofill accretion		(4,173)	
Change in accrued compensated absences		(61,120)	
Change in other postemployment benefits		(32,088)	
Long-term debt principal retirement		1,301,530	
Accrued interest payable		4,096	
Principal loan receivable - County		(136,736)	
Intrafund transfers not expenditures		310,930	
Interest earnings from Water and Sewer Capital Reserve Fund		76,870	
Interest earnings from Third Creek WWTP expansion		<u>28,234</u>	
 Total reconciling items		 <u>(1,326,528)</u>	
 Change in net assets		 <u>\$ (283,064)</u>	

*CITY OF STATESVILLE, NORTH CAROLINA
NONMAJOR ENTERPRISE FUND
CITY OF STATESVILLE CIVIC CENTER FUND- SCHEDULE OF
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2010*

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING REVENUES:			
Charges for services:			
Fees	\$ 220,000	\$ 293,019	\$ 73,019
Interest on investments	14,000	14,335	335
Total revenues	<u>234,000</u>	<u>307,354</u>	<u>73,354</u>
EXPENDITURES:			
Salaries and employee benefits	352,077	348,442	3,635
Operating expenditures	<u>288,090</u>	<u>274,064</u>	<u>14,026</u>
Total expenditures	<u>640,167</u>	<u>622,506</u>	<u>17,661</u>
Total revenues under expenditures	<u>(406,167)</u>	<u>(315,152)</u>	<u>55,693</u>
OTHER FINANCING SOURCES (USES):			
Transfers in:			
Occupancy Tax Fund	429,074	429,074	-
Transfers out:			
General fund	<u>(22,907)</u>	<u>(22,907)</u>	<u>-</u>
Total other financing sources	<u>406,167</u>	<u>406,167</u>	<u>-</u>
Total revenues and other financing sources over other financing uses and expenditures	<u>\$ -</u>	91,015	<u>\$ 91,015</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Change in accrued compensated absences		(5,667)	
Change in other post employee benefits		(3,807)	
Depreciation		<u>(185,110)</u>	
Total reconciling items		<u>(194,584)</u>	
Change in net assets		<u>\$ (103,569)</u>	

CITY OF STATESVILLE, NORTH CAROLINA
DELIVERY STATION CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
North Carolina Municipal Power Agency	\$ 1,304,212	\$ 1,303,137	\$ -	\$ 1,303,137
Investment earnings	192,871	181,111	11,431	192,542
Miscellaneous revenues	-	1,075	-	1,075
Total revenues	1,497,083	1,485,323	11,431	1,496,754
EXPENDITURES:				
Economic and physical development:				
Capital Outlay	3,586,058	3,586,058	-	3,586,058
Total expenditures	3,586,058	3,586,058	-	3,586,058
Revenues (under) expenditures	(2,088,975)	(2,100,735)	11,431	(2,089,304)
OTHER FINANCING SOURCES:				
Transfers in:				
Electric Fund	2,950,000	2,950,000	-	2,950,000
Transfers out:				
Electric Fund	(861,025)	-	(860,696)	(860,696)
Total other financing sources (uses)	2,088,975	2,950,000	(860,696)	2,089,304
Revenues over (under) expenditures and other uses	\$ -	\$ 849,265	\$ (849,265)	\$ -

CITY OF STATESVILLE, NORTH CAROLINA
UTILITY CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ 100,000	\$ 189,959	\$ 3,458	\$ 193,417
Total revenues	100,000	189,959	3,458	193,417
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Electric Fund	900,000	281,884	-	281,884
Transfers out:				
Electric Fund	(1,000,000)	(274,300)	-	(274,300)
Total other financing sources (uses)	(100,000)	7,584	-	7,584
Revenues over (under) expenditures and other uses	\$ -	\$ 197,543	\$ 3,458	\$ 201,001

CITY OF STATESVILLE, NORTH CAROLINA
ELECTRIC RATE STABILIZATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ 120,000	\$ 750,583	\$ 3,056	\$ 753,639
Total revenues	120,000	750,583	3,056	753,639
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Electric Fund	4,000,000	2,445,677	-	2,445,677
Transfers out:				
Electric Fund	(4,120,000)	(2,821,036)	(329,000)	(3,150,036)
Total other financing sources (uses)	(120,000)	(375,359)	(329,000)	(704,359)
Revenues over (under) expenditures and other uses	\$ -	\$ 375,224	\$ (325,944)	\$ 49,280

CITY OF STATESVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ 1,009,971	\$ 2,334,005	\$ 76,870	\$ 2,410,875
Total revenues	1,009,971	2,334,005	76,870	2,410,875
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Water and Sewer Fund - water SDF	-	391,977	49,767	441,744
Water and Sewer Fund - sewer SDF	-	1,631,979	261,162	1,893,141
General Fund	500,000	500,000	-	500,000
Electric Fund	3,200,000	3,200,000	-	3,200,000
Water and Sewer Fund	4,442,450	4,743,254	-	4,743,254
Annexation Fund	167,970	167,970	-	167,970
Statesville Business Park Fund	1,231,908	1,231,909	-	1,231,909
Water Interconnect Capital Project Fund	-	238,932	-	238,932
Lookout Shoals Capital Project Fund	-	123,869	-	123,869
Transfers out:				
Reserved for Water & Sewer Capital	(7,384,788)	(7,384,788)	-	(7,384,788)
Statesville Business Park Fund	(118,576)	(60,223)	-	(60,223)
Water Interconnect Capital Project Fund	(2,238,200)	(2,238,200)	-	(2,238,200)
Water Plant Improvements Fund	(579,988)	(579,988)	-	(579,988)
Raw Water Capital Project Fund	(227,480)	(43,424)	-	(43,424)
Fourth Creek Wastewater Fund	(3,267)	(3,267)	-	(3,267)
Total other financing sources (uses)	(1,009,971)	1,920,000	310,929	2,230,929
Revenues over (under) expenditures and other uses	\$ -	\$ 4,254,005	\$ 387,799	\$ 4,641,804

*CITY OF STATESVILLE, NORTH CAROLINA
 THIRD CREEK WWTP EXPANSION CONSTRUCTION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 From Inception and for the Year Ended June 30, 2010*

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ 75,500	\$ 72,840	\$ 28,234	\$ 101,074
Total revenues	75,500	72,840	28,234	101,074
EXPENDITURES:				
Economic and physical development: Capital Outlay	2,449,500	569,038	120,342	689,380
Total expenditures	2,449,500	569,038	120,342	689,380
Revenues (under) expenditures	(2,374,000)	(496,198)	(92,108)	(588,306)
OTHER FINANCING SOURCES:				
Transfers in: Water and Sewer Operating Fund	2,374,000	2,374,000	-	2,374,000
Total other financing sources (uses)	2,374,000	2,374,000	-	2,374,000
Revenues over (under) expenditures and other uses	\$ -	\$ 1,877,802	\$ (92,108)	\$ 1,785,694

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INTERNAL SERVICE FUNDS

The Internal Service Funds account for the financing of goods and services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost reimbursement basis. The City has the following Internal Service Funds:

Health Insurance Fund – accounts for the operations of the City's health insurance plan and wellness program.

Property and Casualty Liability Insurance Fund – accounts for the City's premiums and retained loss portion of its property and casualty liability, municipal equipment, worker's compensation, and boiler and machinery.

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*CITY OF STATESVILLE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2010*

	Health Insurance Fund	Property and Casualty Liability Insurance Fund	Totals
ASSETS:			
Cash and cash equivalents	\$ 453,444	\$ 714,481	\$ 1,167,925
Accounts receivables, net	7	-	7
Interest receivable	3,569	5,623	9,192
	<u>457,020</u>	<u>720,104</u>	<u>1,177,124</u>
LIABILITIES:			
Accounts payable and accrue liabilities	17,823	19,866	37,689
Accrued IBNR	353,214	120,164	473,378
	<u>371,037</u>	<u>140,030</u>	<u>511,067</u>
NET ASSETS:	<u>\$ 85,983</u>	<u>\$ 580,074</u>	<u>\$ 666,057</u>

CITY OF STATESVILLE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
Year Ended June 30, 2010

	Health Insurance Fund	Property and Casualty Liability Insurance Fund	Totals
Operating revenues:			
Employer's Contributions	\$ 1,986,044	\$ -	\$ 1,986,044
Employee's Contributions	715,104	-	715,104
Insurance premiums charged to departments	-	744,774	744,774
Total operating revenues	<u>2,701,148</u>	<u>744,774</u>	<u>3,445,922</u>
Operating expenses:			
Claims - health, dental and worker's compensation	2,623,227	105,501	2,728,728
Administration	234,894	-	234,894
Stop loss insurance and insurance premiums	-	408,095	408,095
Wellness and other claim expenses	5,687	79,561	85,248
Total operating expenses	<u>2,863,808</u>	<u>593,157</u>	<u>3,456,965</u>
Total operating income (loss)	(162,660)	151,617	(11,043)
Nonoperating revenues:			
Investment income	8,298	13,162	21,460
Change in net assets	(154,362)	164,779	10,417
Net assets, beginning of year	<u>240,345</u>	<u>415,295</u>	<u>655,640</u>
Net assets, end of year	<u>\$ 85,983</u>	<u>\$ 580,074</u>	<u>\$ 666,057</u>

*CITY OF STATESVILLE, NORTH CAROLINA
HEALTH INSURANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL
Year Ended June 30, 2010*

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Operating revenues:			
Contributions from employer	\$ 2,090,340	\$ 1,986,044	\$ (104,296)
Contributions from employees and COBRA	726,000	714,683	(11,317)
Other operating revenues	-	420	420
Total operating revenues	<u>2,816,340</u>	<u>2,701,147</u>	<u>(115,193)</u>
Non operating revenues:			
Investment earnings	22,000	8,298	(13,702)
Total nonoperating revenues	<u>22,000</u>	<u>8,298</u>	<u>(13,702)</u>
Total revenues	<u>2,838,340</u>	<u>2,709,445</u>	<u>(128,895)</u>
EXPENDITURES:			
Operating expenditures:			
Health claims, administration and stop loss	2,894,573	2,726,267	(168,306)
Dental claims	121,255	121,254	(1)
Wellness and other expenses	7,500	5,687	(1,813)
Total expenditures	<u>3,023,328</u>	<u>2,853,208</u>	<u>(170,120)</u>
Revenues over (under) expenditures	<u>(184,988)</u>	<u>(143,763)</u>	<u>41,225</u>
OTHER FINANCING SOURCES:			
Fund balance appropriated	184,988	-	(184,988)
Total other sources	<u>184,988</u>	<u>-</u>	<u>(184,988)</u>
Revenues and other sources under expenditures	<u>\$ -</u>	<u>(143,763)</u>	<u>\$ (143,763)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Increase in incurred claims but not reported (IBNR)		<u>10,599</u>	
Change in net assets		<u>\$ (154,362)</u>	

CITY OF STATESVILLE, NORTH CAROLINA
PROPERTY AND CASUALTY LIABILITY INSURANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL
Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Operating revenues:			
Insurance premiums charged to departments	\$ 744,774	\$ 744,774	\$ -
Total operating revenues	744,774	744,774	-
Non operating revenues:			
Investment earnings	19,400	13,162	(6,238)
Total nonoperating revenues	19,400	13,162	(6,238)
Total revenues	764,174	757,936	(6,238)
EXPENDITURES:			
Operating expenditures:			
Insurance premiums	415,000	408,095	(6,905)
Property loss claims	117,000	79,560	(37,440)
Worker's compensation claims	232,174	73,665	(158,509)
Total expenditures	764,174	561,320	(202,854)
Revenues over (under) expenditures	\$ -	196,616	\$ 196,616
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Increase in incurred claims but not reported (IBNR)		31,837	
Change in net assets		\$ 164,779	

CITY OF STATESVILLE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2010

	Health Insurance Fund	Property and Casualty Liability Insurance Fund	Totals
Cash flows from operating activities:			
Cash received from employer and employees	\$ 2,701,141	\$ 744,774	\$ 3,445,915
Cash paid for claims and insurance	(2,849,951)	(554,071)	(3,404,022)
Net cash provided (used) by operating activities	(148,810)	190,703	41,893
Cash flows from investing activities operating activities:			
Interest on investments	9,059	11,280	20,339
Net increase (decrease) in cash and cash equivalents	(139,751)	201,983	62,232
Cash and cash equivalents:			
Beginning of year, July 1	593,195	512,498	1,105,693
End of year, June 30	\$ 453,444	\$ 714,481	\$ 1,167,925
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating Income (loss)	\$ (162,660)	\$ 151,617	\$ (11,043)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Changes in assets and liabilities:			
(Increase) in accounts receivable	(7)	-	(7)
Increase in accounts payable and accrued liabilities	13,857	39,086	52,943
Net cash (used) by operating activities	\$ (148,810)	\$ 190,703	\$ 41,893

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ADDITIONAL FINANCIAL DATA

This section contains additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable – General Fund – City-Wide
- Schedule of Ad Valorem Taxes Receivable – General Fund – Downtown Statesville Special Tax District
- Analysis of Current Tax Levy – General Fund – City-Wide
- Analysis of Current Tax Levy – General Fund – Downtown Statesville Special Tax District

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CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
GENERAL FUND - CITY-WIDE
Year Ended June 30, 2010

Fiscal Year	Uncollected Balance July 1, 2009	Additions	Collections and Credits	Uncollected Balance June 30, 2010
2009 - 2010	\$ -	\$ 11,514,546	\$ 11,103,359	\$ 411,187
2008 - 2009	366,615	11	229,846	136,780
2007 - 2008	109,728	-	29,939	79,789
2006 - 2007	74,887	-	13,992	60,895
2005 - 2006	66,833	-	9,090	57,743
2004 - 2005	45,241	-	2,981	42,260
2003 - 2004	61,745	-	6,545	55,200
2002 - 2003	43,362	-	4,575	38,787
2001 - 2002	42,661	-	1,286	41,375
2000 - 2001	37,475	-	3,835	33,640
1999 - 2000	30,710	-	30,710	-
	<u>\$ 879,257</u>	<u>\$ 11,514,557</u>	<u>\$ 11,436,158</u>	957,656
				Less allowance for uncollectible accounts - city-wide
				<u>256,701</u>
				Ad valorem taxes receivable, net
				<u>\$ 700,955</u>
				RECONCILIATION WITH REVENUES:
				Ad valorem taxes - city-wide revenues
				\$ 11,414,789
				Reconciling items:
				Interest collected
				(73,271)
				Downtown penalty
				(119)
				Releases
				64,118
				Statute of limitations
				<u>30,641</u>
				Total collections and credits
				<u>\$ 11,436,158</u>

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE-
GENERAL FUND - DOWNTOWN STATESVILLE SPECIAL TAX DISTRICT
Year Ended June 30, 2010

Fiscal Year	Uncollected Balance July 1, 2009	Additions	Collections and Credits	Uncollected Balance June 30, 2010
2009 - 2010	\$ -	\$ 101,220	\$ 98,500	\$ 2,720
2008 - 2009	3,208	-	2,227	981
2007 - 2008	1,080	-	236	844
2006 - 2007	489	-	93	396
2005 - 2006	482	-	70	412
2004 - 2005	420	-	62	358
2003 - 2004	460	-	-	460
2002 - 2003	534	-	77	457
2001 - 2002	337	-	-	337
2000 - 2001	388	-	-	388
1999 - 2000	279	-	279	-
	<u>\$ 7,677</u>	<u>\$ 101,220</u>	<u>\$ 101,544</u>	7,353
				Less allowance for uncollectible accounts - Downtown
				<u>1,971</u>
				Ad valorem taxes receivable, net
				<u>\$ 5,382</u>
				RECONCILIATION WITH REVENUES:
				Ad valorem taxes - Downtown revenues
				\$ 100,406
				Reconciling items:
				Downtown penalty
				119
				Releases
				740
				Statute of limitations
				<u>279</u>
				Total collections and credits
				<u>\$ 101,544</u>

CITY OF STATESVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND - CITY-WIDE LEVY
Year Ended June 30, 2010

	City-wide		Total Levy		
	Property Valuation	Rate per \$100	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
ORIGINAL LEVY:					
Property taxed at current year's rate	\$ 3,014,504,582	0.3800	\$ 11,455,117	\$ 10,867,702	\$ 587,415
Penalties	-		75,273	75,273	-
TOTAL ORIGINAL LEVY	3,014,504,582		11,530,390	10,942,975	587,415
DISCOVERIES:					
Current year rate and taxes	13,899,548	0.3800	52,817	47,069	5,748
Penalties	-		6,611	6,611	-
TOTAL DISCOVERIES	13,899,548		59,428	53,680	5,748
RELEASES:					
Current year rate	(19,718,684)	0.3800	(74,931)	(65,640)	(9,291)
Penalties	-		(341)	(341)	-
TOTAL RELEASES	(19,718,684)		(75,272)	(65,981)	(9,291)
Net assessed valuation	<u>\$ 3,008,685,445</u>				
Net Levy			11,514,546	10,930,674	583,872
Uncollected taxes , June 30			411,187	327,191	83,996
Current year's taxes collected			<u>\$ 11,103,359</u>	<u>\$ 10,603,483</u>	<u>\$ 499,876</u>
Current levy collection percentage rate			<u>96.43%</u>	<u>97.01%</u>	<u>85.61%</u>

CITY OF STATESVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND - DOWNTOWN STATESVILLE SPECIAL TAX DISTRICT
Year Ended June 30, 2010

	City-downtown			Total Levy	
	Property Valuation	Rate per \$100	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
ORIGINAL LEVY:					
Property taxed at current year's rate	\$ 100,461,997	0.1000	\$ 100,462	\$ 96,757	\$ 3,705
Penalties	-		730	730	-
TOTAL ORIGINAL LEVY	100,461,997		101,192	97,487	3,705
DISCOVERIES:					
Current year rate and taxes	639,000	0.1000	639	639	-
Penalties	-		129	129	-
TOTAL DISCOVERIES	639,000		768	768	-
RELEASES:					
Current year rate	(740,000)	0.1000	(740)	(665)	(75)
Penalties	-		-	-	-
TOTAL RELEASES	(740,000)		(740)	(665)	(75)
Net assessed valuation	<u>\$ 100,360,997</u>				
Net Levy			<u>101,220</u>	<u>97,590</u>	<u>3,630</u>
Uncollected taxes , June 30			<u>2,720</u>	<u>2,584</u>	<u>136</u>
Current year's taxes collected			<u>\$ 98,500</u>	<u>\$ 95,006</u>	<u>\$ 3,494</u>
Current levy collection percentage rate			<u>97.31%</u>	<u>97.35%</u>	<u>96.25%</u>

STATISTICAL SECTION

This part of the City of Statesville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the governments overall financial health.

Contents	Page
Financial Trends	129
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	139
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. The City's other major local revenue sources are its utility revenues of which the Electric Utilities revenues are the largest (see Table 22).	
Debt Capacity	147
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	151
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	153
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

CITY OF STATESVILLE, NORTH CAROLINA
NET ASSETS BY CATEGORY (UNAUDITED)
FOR THE LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2000-01	2001-02	2002-03	2003-04
Governmental activities				
Invested in capital asset, net of related debt	\$ -	\$ -	\$ 16,348,041	\$ 26,681,477
Restricted for:				
Transportation			140,648	403,676
Public Safety	-	-	150,700	73,569
Economic development	-	-	440,339	543,886
Recreation				
Unrestricted	-	-	25,033,038	26,509,071
Total governmental activities net assets	-	-	42,112,766	54,211,679
Business-type activities				
Invested in capital asset, net of related debt	-	-	59,272,496	59,318,242
Unrestricted	-	-	32,106,832	32,296,998
Total business-type activities net assets	-	-	91,379,328	91,615,240
Primary government				
Invested in capital asset, net of related debt	-	-	75,620,537	85,999,719
Restricted for:				
Transportation			140,648	403,676
Public Safety	-	-	150,700	73,569
Economic development	-	-	440,339	543,886
Recreation				
Unrestricted	-	-	57,139,870	58,806,069
Total primary government net assets	\$ -	\$ -	\$ 133,492,094	\$ 145,826,919

Notes:

- (1) Trend data is only available for the last six fiscal years due to the implementation of GASB 34.
- (2) Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulation of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

Table 1

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
\$	30,608,013	\$ 36,058,271	\$ 44,949,061	\$ 48,001,180	\$ 53,828,159	\$ 60,880,399
	2,486,305	1,181,165	1,883,567	2,135,787	3,360,512	2,610,583
	158,156	181,156	874,768	216,563	78,736	1,695,694
	534,596	615,050	734,392	402,664	331,342	319,743
			7,487,250	4,005,386	1,142,748	1,133,887
	28,513,882	29,538,254	27,095,084	31,399,891	29,392,370	30,087,302
	62,300,952	67,573,896	83,024,122	86,161,471	88,133,867	96,727,608
	60,404,087	60,561,045	64,506,624	83,614,851	66,982,354	65,435,328
	32,438,588	33,438,825	34,850,320	18,104,041	34,085,581	35,717,074
	92,842,675	93,999,870	99,356,944	101,718,892	101,067,935	101,152,402
	91,012,100	96,619,316	109,455,685	131,616,031	120,810,513	126,315,727
	2,486,305	1,181,165	1,883,567	2,135,787	3,360,512	2,610,583
	158,156	181,156	874,768	216,563	78,736	1,695,694
	534,596	615,050	734,392	402,664	331,342	319,743
			7,487,250	4,005,386	1,142,748	1,133,887
	60,952,470	62,977,079	61,945,404	49,503,932	35,717,074	65,804,376
\$	155,143,627	\$ 161,573,766	\$ 182,381,066	\$ 187,880,363	\$ 161,440,925	\$ 197,880,010

CITY OF STATESVILLE, NORTH CAROLINA
CHANGES IN NET ASSETS (UNAUDITED)
FOR THE LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2000-01	2001-02	2002-03	2003-04
Expenses by Functions/Programs				
Governmental Activities:				
General government	\$ -	\$ -	\$ 3,316,412	\$ 3,737,206
Public safety	-	-	7,808,491	8,358,890
Transportation	-	-	1,508,750	1,648,117
Economic and physical development	-	-	313,282	1,057,610
Environmental protection	-	-	1,736,838	1,811,174
Cultural and recreation	-	-	1,783,585	2,006,659
Interest on long-term debt	-	-	13,275	11,925
Subtotal governmental activities	-	-	16,480,633	18,631,581
Business-Type Activities:				
Electric	-	-	31,674,001	32,703,237
Water and sewer	-	-	7,686,088	7,682,948
Civic Center	-	-	630,930	727,237
Subtotal business-type activities	-	-	39,991,019	41,113,422
Total primary government expenses	\$ -	\$ -	\$ 56,471,652	\$ 59,745,003
Program Revenues by Functions				
Governmental Activities:				
Charges for Services:				
General government	\$ -	\$ -	\$ 644,709	\$ 1,204,405
Public safety	-	-	118,008	180,858
Transportation	-	-	46,758	39,360
Economic and physical development	-	-	-	-
Environmental protection	-	-	282,488	308,816
Cultural and recreation	-	-	120,170	159,748
Operating grants and contributions	-	-	1,510,906	1,854,916
Capital grants and contributions	-	-	679,396	2,697,606
Total governmental activities program activities	-	-	3,402,435	6,445,709
Business-Type Activities:				
Charges for Services:				
Electric	-	-	32,672,918	34,190,549
Water and sewer	-	-	6,603,389	6,840,188
Civic Center	-	-	202,367	199,421
Operating grants and contributions	-	-	361,307	206,068
Capital grants and contributions	-	-	99,130	-
Total business-type activities	-	-	39,939,111	41,436,226
Total primary government program revenues	\$ -	\$ -	\$ 43,341,546	\$ 47,881,935

2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
\$ 3,618,939	\$ 3,666,728	\$ 5,025,649	\$ 4,570,260	\$ 3,390,680	\$ 3,259,010
8,433,166	8,954,959	9,507,613	9,912,303	10,439,606	11,206,823
1,591,127	1,784,873	3,429,782	2,552,709	3,370,012	3,409,944
294,644	422,002	1,027,971	687,943	900,469	798,806
1,826,871	1,937,472	1,957,790	2,043,845	2,159,733	2,077,498
1,984,978	2,034,064	2,357,781	2,860,402	2,996,956	3,145,451
97,328	108,644	97,303	85,272	72,823	91,868
17,847,053	18,908,742	23,403,889	22,712,734	23,330,279	23,989,400
33,213,561	34,325,012	34,781,756	36,808,447	37,157,603	38,513,061
7,973,812	8,758,206	8,699,578	8,539,967	9,857,896	9,440,556
797,484	795,543	789,198	743,029	825,678	817,270
41,984,857	43,878,761	44,270,532	46,091,443	47,841,177	48,770,887
\$ 59,831,910	\$ 62,787,503	\$ 67,674,421	\$ 68,804,177	\$ 71,171,456	\$ 72,760,287
\$ 540,882	\$ 240,129	\$ 240,129	\$ 211,811	\$ 129,936	\$ 69,423
328,221	381,205	323,180	238,714	265,811	287,186
50,907	390,138	477,950	470,080	469,067	506,981
-	-	-	-	-	70,045
489,502	309,051	477,523	311,923	309,651	328,217
193,034	175,506	236,072	342,981	511,747	751,559
1,427,048	1,396,861	653,592	291,176	330,505	917,021
4,072,479	1,938,558	4,513,373	1,493,538	1,224,679	8,508,250
7,102,073	4,831,448	6,921,819	3,360,223	3,241,396	11,438,682
33,597,354	34,434,669	35,581,680	37,804,704	36,661,251	39,102,390
8,426,736	9,416,655	9,896,796	9,882,339	9,508,110	9,348,940
218,748	225,489	276,547	284,148	300,010	293,019
247,713	-	-	-	-	-
-	-	700,000	-	-	-
42,490,551	44,076,813	46,455,023	47,971,191	46,469,371	48,744,349
\$ 49,592,624	\$ 48,908,261	\$ 53,376,842	\$ 51,331,414	\$ 49,710,767	\$ 60,183,031

CITY OF STATESVILLE, NORTH CAROLINA
CHANGES IN NET ASSETS (UNAUDITED) -CONTINUED
FOR THE LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2000-01	2001-02	2002-03	2003-04
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes				
Ad valorem taxes	\$ -	\$ -	\$ 8,528,747	\$ 8,991,418
Local sales tax option	-	-	4,979,270	6,535,212
Other taxes	-	-	326,473	244,741
Unrestricted intergovernmental revenues			1,537,695	1,857,199
Interest earned on investments	-	-	600,712	299,895
Miscellaneous	-	-	139,151	145,382
Gain (loss) on sale of capital assets	-	-	-	(113,679)
Transfers in (out)	-	-	(26,791)	187,643
Total governmental activities	-	-	16,085,257	18,147,811
Business-Type Activities:				
Interest earned on investments	-	-	707,313	323,542
Miscellaneous	-	-	65,682	23,095
Gain (loss) on sale of capital assets	-	-	-	(245,886)
Transfer in (out)	-	-	26,791	(187,643)
Total business-type activities	-	-	799,786	(86,892)
Total primary government	-	-	16,885,043	18,060,919
Changes in Net Assets				
Governmental activities	-	-	3,007,059	5,961,939
Business-type activities	-	-	747,878	235,912
Total primary government	\$ -	\$ -	\$ 3,754,937	\$ 6,197,851

2004-05	2005-06	2006-07	2007-08	2008-09	200-10
\$ 9,450,204	\$ 9,297,047	\$ 9,493,505	\$ 10,872,577	\$ 11,574,508	\$ 11,602,821
5,790,147	5,846,223	6,310,405	6,416,272	5,628,740	5,113,327
1,304,528	1,319,265	1,216,733	1,128,731	1,057,366	1,208,289
1,564,550	1,544,840	1,930,374	2,096,956	2,147,614	2,023,140
686,748	998,645	1,779,224	1,592,528	1,217,313	554,901
1,348	275,829	224,245	83,313	101,969	175,648
-	(53,947)	24,823	-	-	-
36,728	122,336	185,084	299,483	409,899	470,151
18,834,253	19,350,238	21,164,393	22,489,860	22,137,409	21,148,277
707,955	1,081,479	1,776,861	1,461,297	1,130,748	593,605
50,514	-	868,462	(679,614)	-	-
-	-	(199,208)	-	-	-
(36,728)	(122,336)	(185,084)	(299,483)	(409,899)	(470,151)
721,741	959,143	2,261,031	482,200	720,849	123,454
19,555,994	20,309,381	23,425,424	22,972,060	22,858,258	21,271,731
8,089,273	5,272,944	4,682,323	3,137,349	2,048,526	8,597,559
1,227,435	1,157,195	4,445,522	2,361,948	(650,957)	96,916
\$ 9,316,708	\$ 6,430,139	\$ 9,127,845	\$ 5,499,297	\$ 1,397,569	\$ 8,694,475

CITY OF STATESVILLE, NORTH CAROLINA
FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
FOR THE LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2000-01	2001-02	2002-03	2003-04
General Fund				
Reserved for:				
Prepaid items	\$ 445	\$ 912	\$ 430	\$ 3,470
Reserved for inventories	2,780	20,117	26,755	22,502
Reserved for encumbrances	1,495,506	1,585,844	2,836,675	4,270,506
Subsequent year's appropriation	-	-	-	-
Reserved by state statute	1,787,233	1,437,517	1,673,097	1,955,468
Unrestricted	<u>17,535,214</u>	<u>16,676,710</u>	<u>17,330,201</u>	<u>15,305,731</u>
Subtotal governmental activities	<u>20,821,178</u>	<u>19,721,100</u>	<u>21,867,158</u>	<u>21,557,677</u>
All Other Governmental Funds				
Reserved for:				
Reserved for encumbrances	6,376	-	-	2,646,521
Reserved by state statute	-	157,188	154,253	1,352,914
Unrestricted, reported in:				
Special revenue funds	3,055,020	3,060,837	3,169,866	3,133,615
Capital project funds (deficit)	146,560	(166,969)	33,940	(3,397,186)
Debt service funds	-	-	-	-
Subtotal other governmental activities	<u>3,207,956</u>	<u>3,051,056</u>	<u>3,358,059</u>	<u>3,735,864</u>
Total governmental fund balance	<u>\$ 24,029,134</u>	<u>\$ 22,772,156</u>	<u>\$ 25,225,217</u>	<u>\$ 25,293,541</u>
General Fund unrestricted fund balance as a percent of expenditures (including transfer out)	106.41%	102.65%	106.54%	74.15%

Notes:

- (1) Civic Center Construction closed
Revised Fund Balance 2001-02 \$ 209,570
\$ 22,981,726
- (2) Prior year adjustment for sales tax and telecommunication tax \$ 433,566
Revised Fund Balance 2002-03 \$ 25,658,783

Table 3

2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
\$ 2,212	\$ 2,019	\$ 827	\$ 15,096	\$ 6,940	\$ 4,510
26,252	27,224	26,732	27,406	27,689	16,790
2,714,631	1,547,264	2,944,359	5,109,820	5,733,866	4,188,338
-	-	2,890,000	2,100,000	-	652,150
3,348,484	2,343,075	2,392,401	2,554,149	2,349,570	2,730,658
19,115,573	22,192,320	15,142,878	15,205,365	17,389,011	17,401,057
<u>25,207,152</u>	<u>26,111,902</u>	<u>23,397,197</u>	<u>25,011,836</u>	<u>25,507,076</u>	<u>24,993,503</u>
2,235,425	1,079,484	7,688,381	5,700	1,070,032	377,802
2,604,028	1,256,886	212,246	511,713	363,922	361,870
3,106,554	2,383,200	2,122,202	2,010,816	1,948,930	-
(3,426,211)	(1,027,252)	1,470,188	5,645,881	4,203,385	-
-	-	-	-	-	300,940
<u>4,519,796</u>	<u>3,692,318</u>	<u>11,493,017</u>	<u>8,174,110</u>	<u>7,586,269</u>	<u>1,040,612</u>
<u>\$ 29,726,948</u>	<u>\$ 29,804,220</u>	<u>\$ 34,890,214</u>	<u>\$ 33,185,946</u>	<u>\$ 33,093,345</u>	<u>\$ 26,034,115</u>
99.10%	103.39%	52.97%	65.99%	63.26%	59.40%

CITY OF STATESVILLE, NORTH CAROLINA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
FOR THE LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2000-01	2001-02	2002-03	2003-04
Revenues (by source):				
Ad valorem taxes	\$ 8,379,838	\$ 8,184,657	\$ 8,484,257	\$ 8,892,592
Sales Tax	3,716,193	3,660,163	4,141,501	5,126,617
Other taxes and licenses	748,715	715,568	837,769	1,408,595
Unrestricted intergovernmental	3,361,609	1,915,705	1,820,608	2,101,940
Restricted intergovernmental	1,369,828	1,436,771	1,650,933	3,828,105
Permits and fees	-	-	493,034	538,369
Sales and services	1,227,738	1,097,910	601,656	497,170
Investment earnings	1,778,636	994,953	557,687	281,904
Miscellaneous	230,827	159,939	559,258	640,223
Total revenues	20,813,384	18,165,666	19,146,703	23,315,515
Expenditures (by function):				
General government	2,292,042	2,452,801	3,105,459	3,486,649
Public safety	6,470,947	6,784,513	7,100,469	7,558,932
Transportation	1,283,567	1,192,897	1,943,054	1,489,700
Economic and physical development	299,234	389,264	313,282	1,057,610
Environmental protection	1,394,026	1,420,446	1,530,415	1,561,863
Cultural and recreation	2,193,495	1,967,570	1,648,845	1,854,940
Capital outlay	2,909,797	4,800,785	1,196,397	6,821,556
Debt service:				
Principal	25,000	25,000	25,000	25,000
Interest on long-term debt	16,200	14,850	13,500	12,150
Total expenditures	16,884,308	19,048,126	16,876,421	23,868,400
Excess of revenues over (under) expenditures	3,929,076	(882,460)	2,270,282	(552,885)
Other Financing Sources (Uses)				
Transfers in	1,698,725	2,792,138	1,218,023	4,798,985
Transfers out	(1,698,725)	(3,174,053)	(1,244,814)	(4,611,342)
Transfer from component unit	-	7,400	-	-
Proceeds from sale of capital assets	(24,036)	-	-	-
Proceeds from long-term debt	-	-	-	-
Total other financing sources (uses)	(24,036)	(374,515)	(26,791)	187,643
Net change in fund balance	\$ 3,905,040	\$ (1,256,975)	\$ 2,243,491	\$ (365,242)
Debt service as a percentage of noncapital expenditures	0.29%	0.28%	0.25%	0.22%

Prior to July 1, 2002 Permits and fees classified with Sales and service.

Table 4

2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
\$ 9,541,219	\$ 9,229,195	\$ 9,534,403	\$ 10,962,849	\$ 11,487,668	\$ 11,515,195
5,500,018	5,846,223	6,310,405	6,416,272	5,628,740	5,113,327
1,323,297	1,204,561	1,151,378	1,128,730	1,072,667	1,208,289
1,819,575	1,814,360	1,986,661	2,096,957	2,147,614	2,023,140
5,221,262	3,125,282	5,165,415	1,780,407	1,555,184	9,396,440
745,322	750,002	670,787	622,716	544,248	526,627
537,692	840,747	1,066,972	1,007,280	1,347,115	1,393,927
645,044	943,604	1,682,542	1,489,005	1,090,462	466,568
540,580	167,876	127,491	114,952	101,971	134,024
<u>25,874,009</u>	<u>23,921,850</u>	<u>27,696,054</u>	<u>25,619,168</u>	<u>24,975,669</u>	<u>31,777,537</u>
3,423,610	3,465,145	4,783,022	4,425,289	3,113,999	3,057,326
7,844,550	8,385,296	8,825,199	9,401,987	9,860,172	10,514,864
1,486,356	1,694,167	1,673,689	1,011,510	2,158,865	1,751,549
294,644	408,044	1,038,429	687,942	900,468	797,915
1,672,009	1,769,566	1,793,815	1,918,679	1,946,932	1,934,002
1,892,447	1,878,769	2,116,144	2,680,000	5,795,858	2,974,884
8,074,210	5,897,977	2,109,107	7,053,833	1,194,515	11,037,173
89,504	355,000	355,000	355,000	355,000	355,000
-	112,950	100,710	88,679	76,230	63,990
<u>24,777,330</u>	<u>23,966,914</u>	<u>22,795,115</u>	<u>27,622,919</u>	<u>25,402,039</u>	<u>32,486,703</u>
1,096,679	(45,064)	4,900,939	(2,003,751)	(426,370)	(709,166)
2,216,690	2,645,939	11,172,263	1,245,064	3,446,361	4,950,672
(2,179,962)	(2,523,603)	(10,987,208)	(945,581)	(3,036,462)	(4,480,521)
-	-	-	-	-	-
-	-	-	-	-	-
3,300,000	-	-	-	-	1,947,000
<u>3,336,728</u>	<u>122,336</u>	<u>185,055</u>	<u>299,483</u>	<u>409,899</u>	<u>2,417,151</u>
<u>\$ 4,433,407</u>	<u>\$ 77,272</u>	<u>\$ 5,085,994</u>	<u>\$ (1,704,268)</u>	<u>\$ (16,471)</u>	<u>\$ 1,707,985</u>
0.54%	2.59%	2.20%	2.16%	1.78%	1.95%

Table 5

CITY OF STATESVILLE, NORTH CAROLINA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
FOR THE LAST TEN YEARS ⁽¹⁾
(accrual basis of accounting)

Fiscal Year Ended June 30	Property Tax	Sales Tax	Privilege License Tax	Occupancy Tax	Total
2001	\$ -	\$ -	\$ -	\$ -	\$ -
2002	-	-	-	-	-
2003	8,528,747	4,141,501	165,431	646,088	13,481,767
2004	8,991,418	5,126,617	359,532	657,856	15,135,423
2005	9,450,204	5,790,147	373,492	649,818	16,263,661
2006	9,297,047	5,846,223	377,283	618,589	16,139,142
2007	9,603,330	6,310,405	381,277	679,213	16,974,225
2008	10,872,577	6,416,272	367,858	729,640	18,386,347
2009	11,574,508	5,628,740	393,722	627,122	18,224,092
2010	11,602,821	5,113,327	367,599	648,398	17,732,145

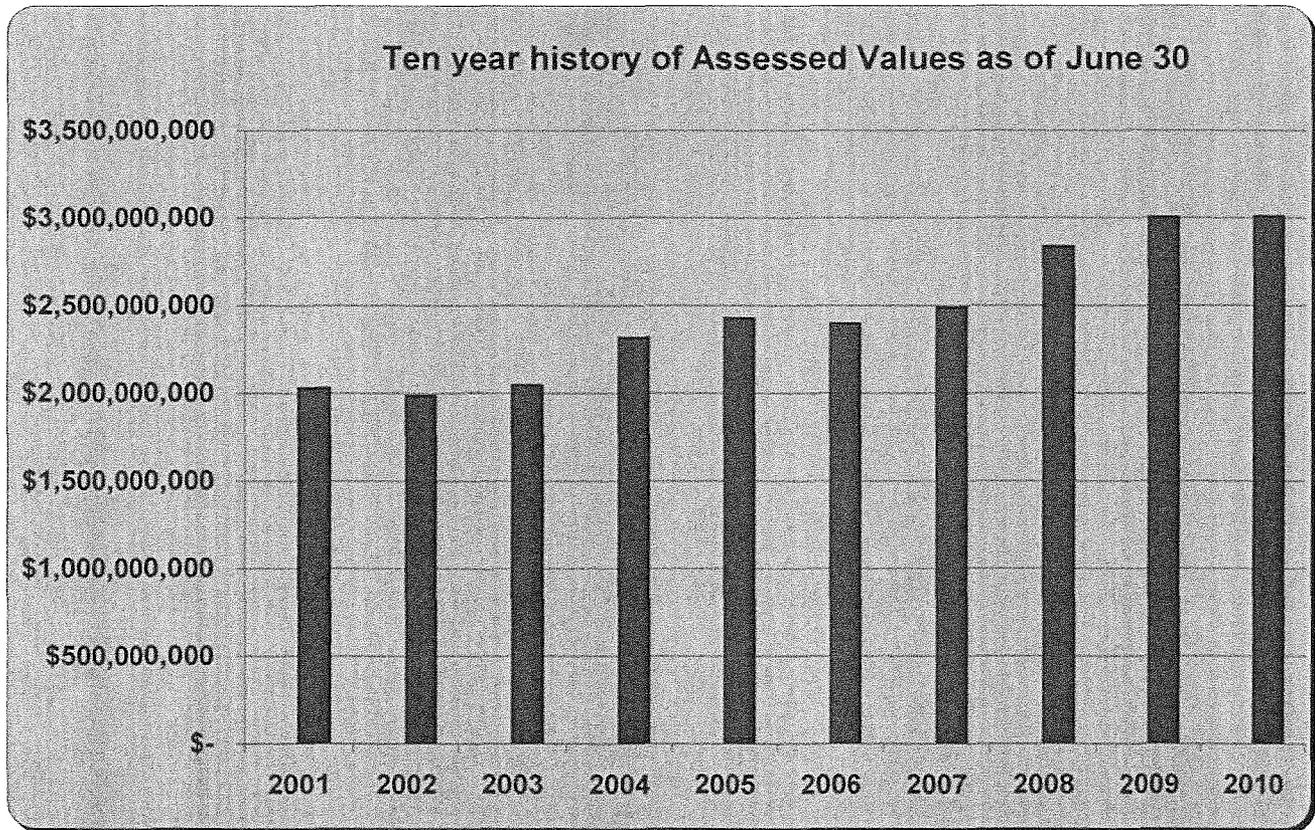
CITY OF STATESVILLE, NORTH CAROLINA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
FOR THE LAST TEN YEARS
(modified accrual basis of accounting)

Fiscal Year Ended June 30	Property Tax	Sales Tax	Privilege License Tax	Occupancy Tax	Total
2001	\$ 8,379,838	\$ 3,716,193	\$ 61,733	\$ 686,982	\$ 12,844,746
2002	8,184,657	3,660,163	72,767	642,801	12,560,388
2003	8,484,257	4,141,501	165,431	646,088	13,437,277
2004	8,892,592	5,126,617	359,532	657,586	15,036,327
2005	9,541,219	5,500,018	373,492	633,046	16,047,775
2006	9,229,195	5,846,223	377,283	618,589	16,840,680
2007	9,534,403	6,310,405	381,277	679,213	16,905,298
2008	10,962,849	6,416,272	367,858	729,640	18,476,619
2009	11,487,668	5,628,740	393,722	627,122	18,137,252
2010	11,515,195	5,113,327	367,599	648,398	17,644,519

**CITY OF STATESVILLE, NORTH CAROLINA
 ASSESSED VALUE OF TAXABLE PROPERTY (UNAUDITED)
 FOR THE LAST TEN YEARS ⁽¹⁾**

Fiscal Year Ended June 30	Tax Year Ended December 31	Real Property	Personal Property	Public Service Companies	Total Assessed Value
2001	2000	\$ 1,250,451,860	\$ 747,615,671	\$ 31,826,482	\$ 2,029,894,013
2002	2001	1,310,283,589	643,341,762	31,938,339	1,985,563,690
2003	2002	1,390,820,339	615,665,144	40,548,114	2,047,033,597
2004	2003	1,571,257,656	704,962,665	40,679,505	2,316,899,826
2005	2004	1,609,450,141	779,516,927	38,749,366	2,427,716,434
2006	2005	1,653,896,167	703,483,219	38,923,969	2,396,303,355
2007	2006	1,734,842,543	715,624,404	37,638,962	2,488,105,909
2008	2007	2,032,493,274	767,214,046	38,508,312	2,838,215,632
2009	2008	2,074,554,266	891,189,760	38,461,549	3,004,205,575
2010	2009	2,099,286,384	867,458,395	41,940,666	3,008,685,445

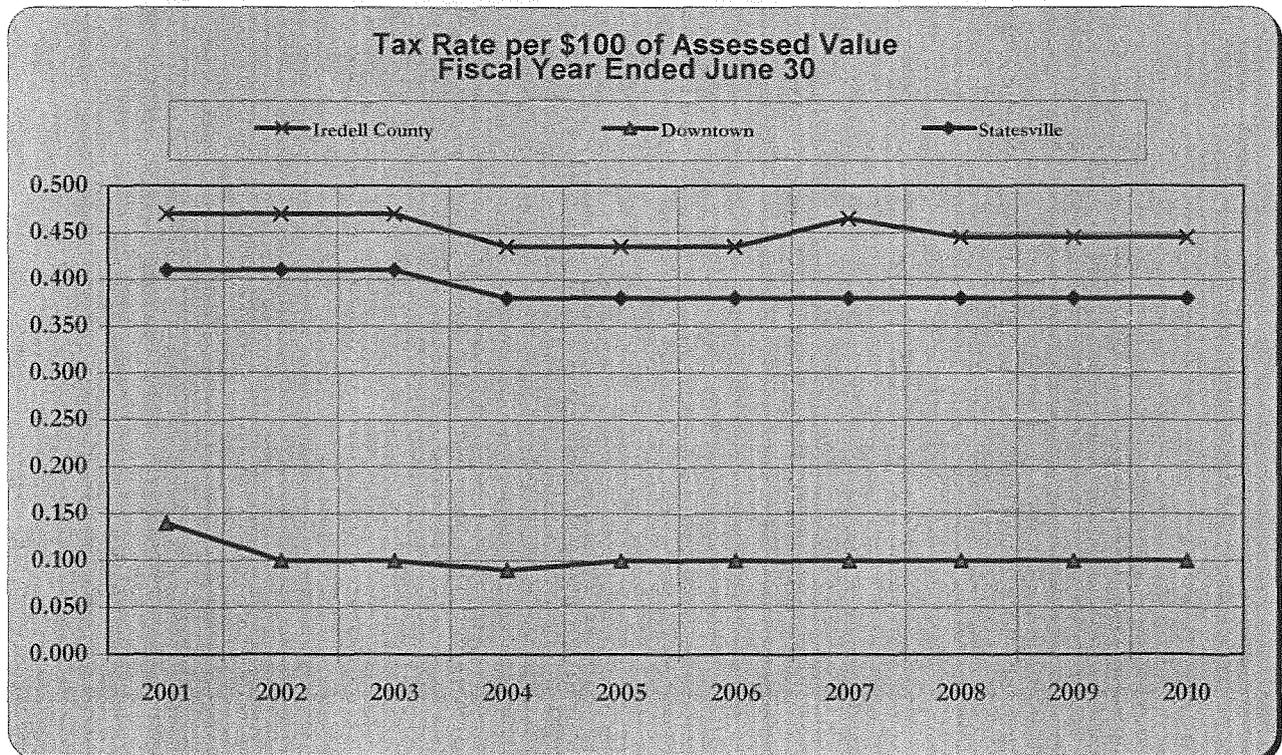
⁽¹⁾ Assessed valuations are established by the Board of County Commissioners at 100 percent of estimated market value. A revaluation of real property is required by the North Carolina General Statutes at least every eight years. The last revaluation was completed in tax year 2007, levied for fiscal year June 30, 2008.



**CITY OF STATESVILLE, NORTH CAROLINA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$100 of Assessed Value)
Last Ten Fiscal Years**

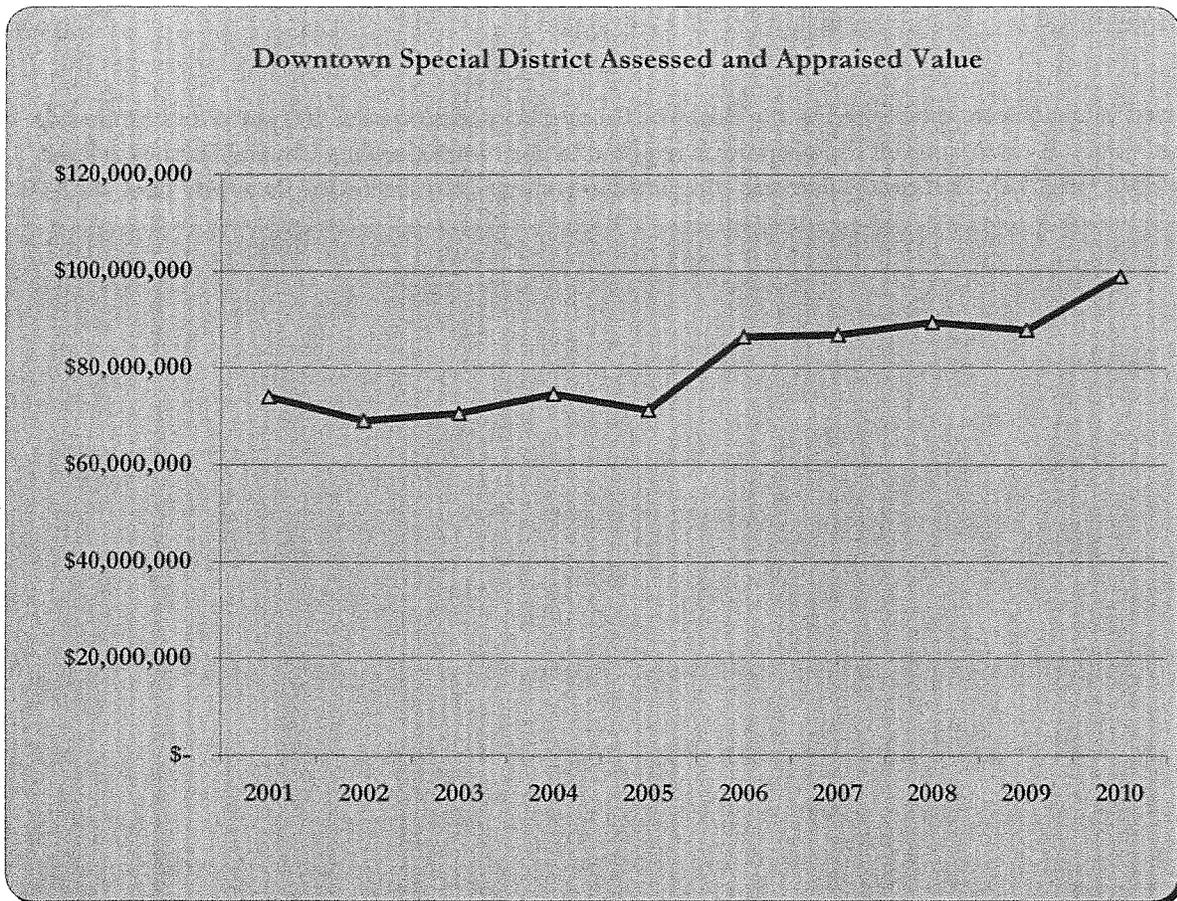
Fiscal Year Ended June 30	City of Statesville	Downtown Statesville Special Tax District	Iredell County	Total
2001	0.41	0.14	0.47	1.02
2002	0.41	0.10	0.47	0.98
2003	0.41	0.10	0.47	0.98
2004	0.38	0.09	0.44	0.905
2005	0.38	0.10	0.435	0.915
2006	0.38	0.10	0.435	0.915
2007 ⁽¹⁾	0.38	0.10	0.465	0.945
2008	0.38	0.10	0.445	0.925
2009	0.38	0.10	0.445	0.925
2010	0.38	0.10	0.445	0.925

⁽¹⁾ Assessed valuations are established by the Board of County Commissioners at 100 percent of estimated market value. A revaluation of real property is required by the North Carolina General Statutes at least every eight years. The last revaluation was completed in tax year 2007, levied for fiscal year June 30, 2008.



**CITY OF STATESVILLE, NORTH CAROLINA
 ASSESSED AND APPRAISED VALUE OF TAXABLE PROPERTY
 GENERAL FUND - DOWNTOWN STATESVILLE SPECIAL TAX DISTRICT
 Last Ten Fiscal Years**

Fiscal Year Ended June 30	Assessed Value	Appraised Value	Ratio of Total Assessed Value to Total Appraised Value
2001	\$ 70,702,919	\$ 70,702,919	100%
2002	74,640,620	74,640,620	100%
2003	71,306,590	71,306,590	100%
2004	86,462,840	86,462,840	100%
2005	86,876,298	86,876,298	100%
2006	89,420,820	89,420,820	100%
2007	87,813,703	87,813,703	100%
2008	98,942,000	98,942,000	100%
2009	100,043,730	100,043,730	100%
2010	100,360,997	100,360,997	100%



CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS - CITY WIDE (UNAUDITED)
June 30, 2010 and June 30, 2001

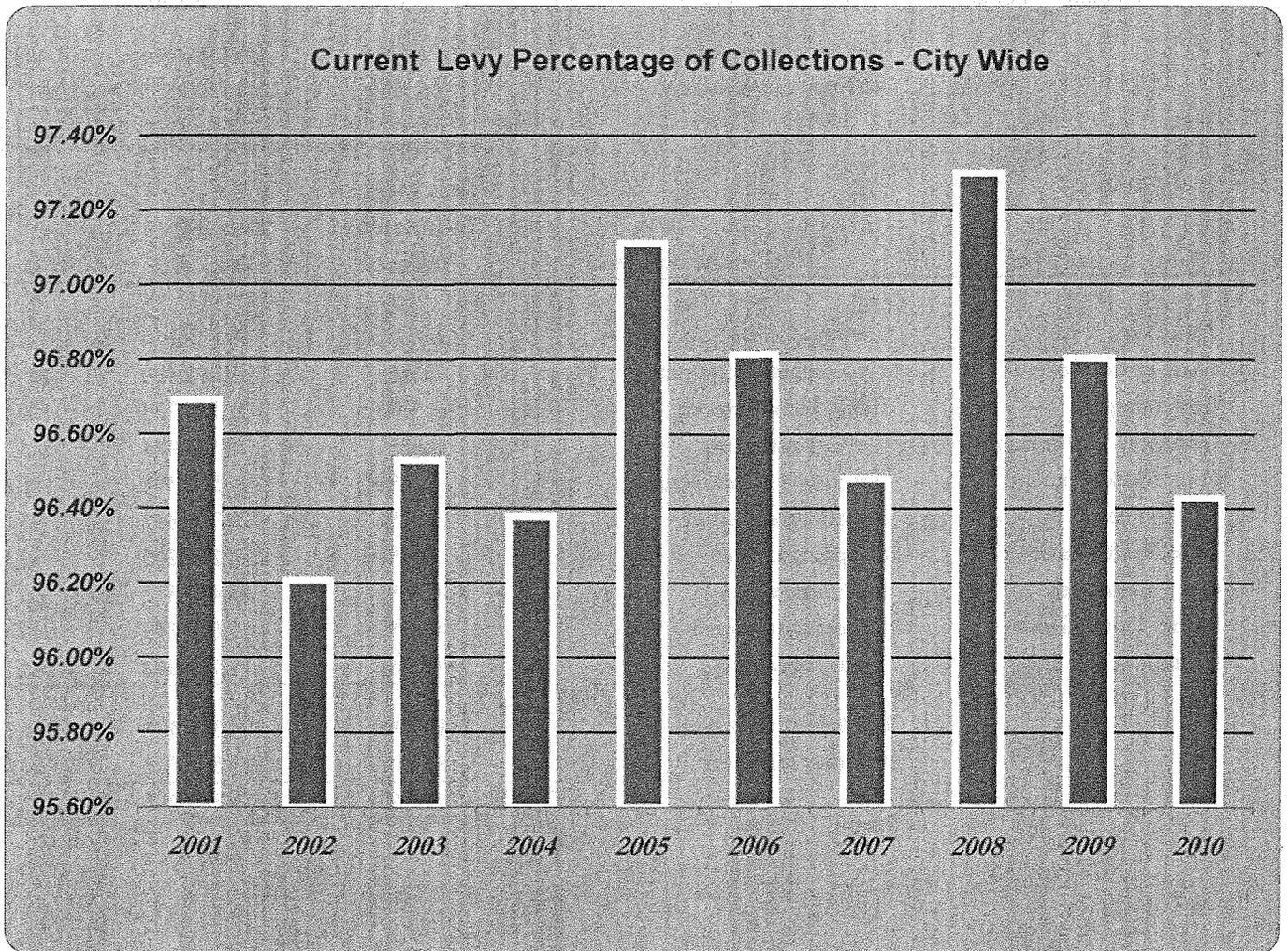
In accordance with GASB No. 44, the following tables present information for the City's principal property taxpayers as of June 30, 2010 and June 30, 2001 for City wide only.

6/30/2010		Percentage of	Assessed	
Taxpayer	Type of Business	Total Assessed	Valuation	Tax Levy
		Valuation	Valuation	
Lowe's	Home Improvement Retailer	4.23%	\$ 127,304,056	\$ 483,755
Asmo NC, Inc.	Electric Motor Mfg.	2.45%	73,666,712	279,934
Newell Rubbermaid	Home & Office Products, Tool Mfg.	1.24%	37,301,580	141,746
Statesville HMA, Inc.	Health Care Facility	1.04%	31,436,632	119,459
GS Statesville Green Land	Real Estate	0.93%	28,086,011	106,727
Centro NP Holdings	Real Estate	0.76%	22,731,710	86,380
L R Wooten	Warehouse Building and Leasing	0.63%	18,821,820	71,523
Doosan International USA	Portable Air Compressor Mfg.	0.61%	18,462,366	70,157
Champion Air Inc.	Private Corporate Flight Company	0.60%	18,095,817	68,764
JPS Composite Materials Corp.	Glass & Synthetic Substrate Mfg.	0.60%	18,084,802	68,722
	Ten largest taxpayers	13.10%	393,991,506	1,497,167
	All other taxpayers	86.90%	2,614,693,939	10,017,379
	Total:	100.00%	\$ 3,008,685,445	\$ 11,514,546

6/30/2001		Percentage of	Assessed	
Taxpayer	Type of Business	Total Assessed	Valuation	Tax Levy
		Valuation	Valuation	
Asmo NC, Inc.	Electric Motor Mfg.	3.94%	\$ 79,919,264	\$ 327,669
Dana-Spicer Co.	Off-Highway Equipment	2.96%	59,989,180	245,956
Commscope	Cable Manufacturer	1.55%	31,526,734	129,260
Goodyear Tire & Rubber	Tire Manufacturer	1.38%	28,111,454	115,257
Hunt Manufacturing	Art Supply Manufacturer	1.31%	26,503,381	108,664
J. C. Penney	Distribution Center	1.12%	22,762,842	93,328
Excel Realty Trust of NC	Shopping Center	1.00%	20,235,200	82,964
C & J Associates	Real Estate	0.66%	13,472,577	55,238
Shaner Hotel Group	Hotel Management	0.59%	12,068,130	49,479
Champion Air, Inc.	Transportation	0.58%	11,762,542	48,226
	Ten largest taxpayers	15.09%	306,351,304	1,256,040
	All other taxpayers	84.91%	1,723,542,709	7,086,050
	Total:	100.00%	\$ 2,029,894,013	\$ 8,342,090

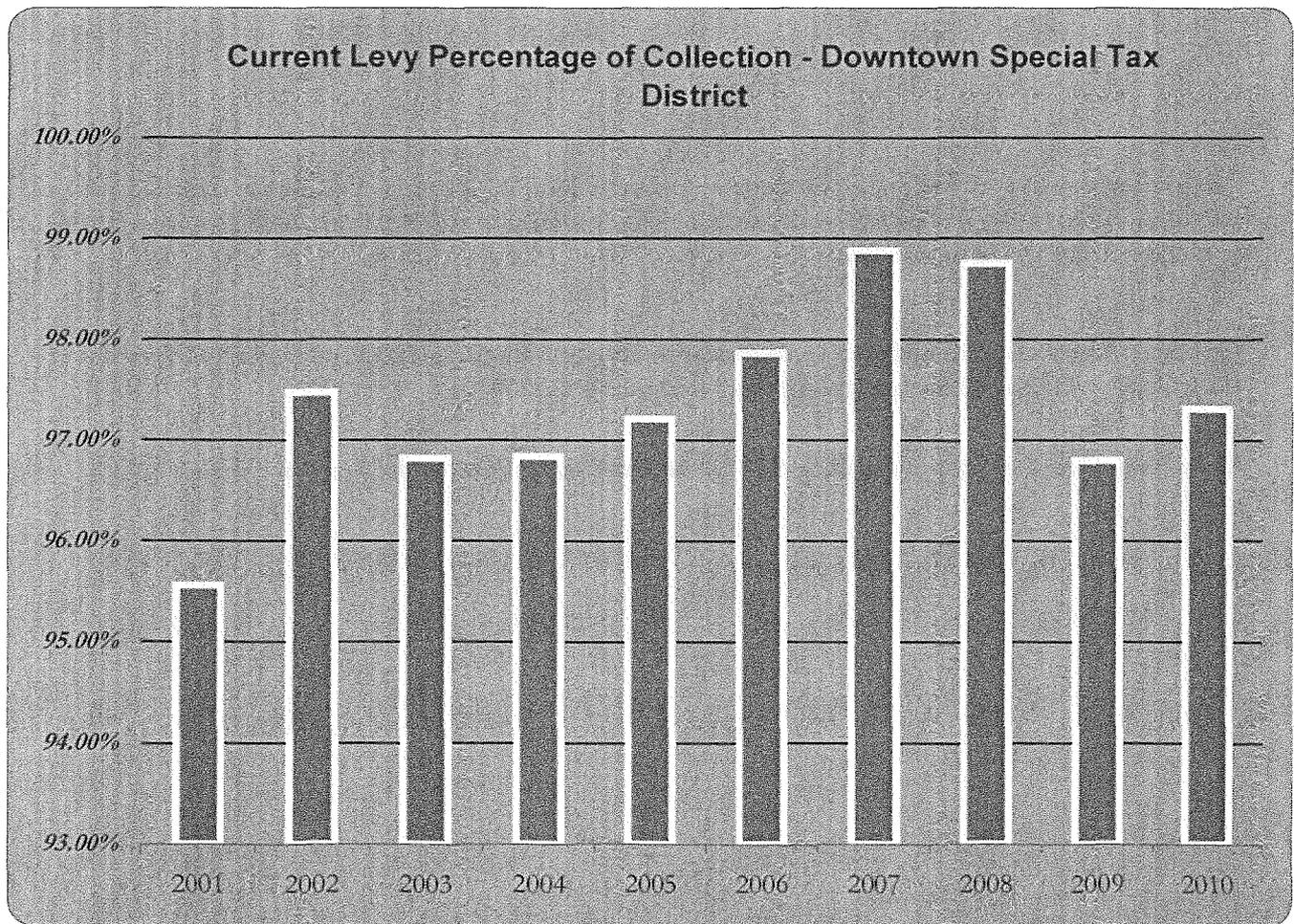
**CITY OF STATESVILLE, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
GENERAL FUND - CITY-WIDE
Last Ten Years**

Fiscal Year Ended June 30	Tax Year Ended December 31	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2001	2000	8,342,090	8,066,051	96.69%	175,858	8,241,909	98.80%	585,607	7.02%
2002	2001	8,147,344	7,838,458	96.21%	244,091	8,082,549	99.20%	650,402	7.98%
2003	2002	8,406,716	8,114,985	96.53%	269,488	8,384,473	99.74%	672,645	8.00%
2004	2003	8,873,733	8,552,386	96.38%	236,774	8,789,160	99.05%	757,218	8.53%
2005	2004	9,398,731	9,127,207	97.11%	268,015	9,395,222	99.96%	734,111	7.81%
2006	2005	9,127,298	8,836,465	96.81%	251,845	9,088,310	99.57%	756,783	8.29%
2007	2006	9,487,143	9,153,219	96.48%	241,287	9,394,506	99.02%	823,226	8.68%
2008	2007	10,785,271	10,494,055	97.30%	291,216	10,806,082	100.19%	776,542	7.20%
2009	2008	11,463,138	11,096,523	96.80%	264,061	11,360,584	99.11%	879,257	7.67%
2010	2009	11,514,546	11,103,359	96.43%	332,799	11,436,158	99.32%	957,656	8.32%



**CITY OF STATESVILLE, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
GENERAL FUND - DOWNTOWN STATESVILLE SPECIAL TAX DISTRICT
Last Ten Years**

Fiscal Year Ended June 30	Tax Year Ended December 31	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2001	2000	99,013	94,619	95.56%	2,799	97,418	98.39%	8,104	8.18%
2002	2001	74,697	72,810	97.47%	3,401	76,211	102.03%	6,590	8.82%
2003	2002	71,348	69,079	96.82%	2,465	71,544	100.27%	6,394	8.96%
2004	2003	78,102	75,634	96.84%	718	76,352	97.76%	8,144	10.43%
2005	2004	86,605	84,191	97.21%	3,079	87,270	100.77%	7,164	8.27%
2006	2005	89,421	87,512	97.87%	1,909	89,421	100.00%	7,164	8.01%
2007	2006	87,999	87,014	98.88%	985	87,999	100.00%	6,255	7.11%
2008	2007	98,940	97,707	98.75%	1,233	99,039	100.10%	5,855	5.92%
2009	2008	100,287	97,079	96.80%	1,386	98,465	98.18%	7,677	7.66%
2010	2009	101,220	98,500	97.31%	3,044	101,544	100.32%	7,353	7.26%



CITY OF STATESVILLE, NORTH CAROLINA
RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year Ended June 30,	Governmental Activities		Business-type Activities		Total Primary Government	Percent of Personal ⁽²⁾ Income	Per Capita
	General Obligation Bonds	Notes Payable	General Obligation Bonds	Notes Payable			
2001	\$ 275,000	\$ -	\$ 5,820,000	\$ 3,000,000	\$ 9,095,000	0.29%	\$ 390.01
2002	250,000	-	5,145,000	5,424,651	10,819,651	0.25%	461.06
2003	225,000	-	4,340,000	10,062,358	14,627,358	0.19%	602.15
2004	200,000	-	3,555,000	12,204,300	15,959,300	0.18%	648.17
2005	175,000	3,300,000	2,790,000	18,501,538	24,766,538	0.12%	994.20
2006	150,000	2,970,000	2,045,000	19,623,937	24,788,937	0.11%	976.06
2007	125,000	2,640,000	1,325,000	17,518,352	21,608,352	0.12%	828.10
2008	100,000	2,310,000	1,025,000	17,011,175	20,446,175	0.13%	765.66
2009	75,000	1,980,000	725,000	16,055,796	18,835,796 ⁽¹⁾	0.14%	696.62
2010	50,000	3,597,000	425,000	15,054,266	19,126,266 ⁽¹⁾	0.14%	700.03

Notes:

¹ Information on the City of Statesville alone is not available. The data presented are for Iredell County and were obtained from the Bureau of Economic Analysis. Information for fiscal year 2008 was not available at the published date of the annual report.

² From the North Carolina Office of Management and Budget. Fiscal year 2009 are projections from the North Carolina Office of Management and Budget as of July 1, 2009.

³ Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF STATESVILLE, NORTH CAROLINA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNDAUDITED)
FOR THE LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year Ended June 30,	Governmental	Business-type	Less: Amounts Available in Debt Service Fund	Total	⁽¹⁾ Percent of Assessed ⁽²⁾ Value	Per Capita
	Activities General Obligation Bonds	Activities General Obligation Bonds		General ⁽¹⁾ Obligation Bonds		
2001	\$ 275,000	\$ 5,820,000	\$ -	\$6,095,000	0.30%	\$261.36
2002	250,000	5,145,000	-	5,395,000	0.27%	229.90
2003	225,000	4,340,000	-	4,565,000	0.22%	187.92
2004	200,000	3,555,000	-	3,755,000	0.16%	152.51
2005	175,000	2,790,000	-	2,965,000	0.12%	119.02
2006	150,000	2,045,000	-	2,195,000	0.09%	86.43
2007	125,000	1,325,000	-	1,450,000	0.06%	55.57
2008	100,000	1,025,000	-	1,125,000	0.04%	42.13
2009	75,000	725,000	-	800,000	0.03%	29.58
2010	50,000	425,000	-	475,000	0.02%	17.39

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ See schedule of Assessed Value and Estimated Actual Value of Taxable Property Table 7.

² From the North Carolina Office of Management and Budget. Fiscal year 2010 are projections from the North Carolina Office of Management and Budget as of July 1, 2010.

CITY OF STATESVILLE, NORTH CAROLINA
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Debt Limit	\$ 162,392	\$ 158,845	\$ 163,763	\$ 185,352	\$ 194,217	\$ 195,000	\$ 200,010	\$ 227,057	\$ 240,336	\$ 240,695
Total net debt applicable to limit	5,395	4,565	3,755	3,755	2,940	2,195	1,450	1,125	800	475
Legal debt margin	\$ 156,997	\$ 154,280	\$ 160,008	\$ 181,597	\$ 191,277	\$ 192,805	\$ 198,560	\$ 225,932	\$ 239,536	\$ 240,220
Total net debt applicable to the limit as a percentage of debt limit	4.40%	3.32%	2.87%	2.29%	2.03%	1.51%	1.13%	0.72%	0.50%	0.20%

Legal Debt Margin Calculation for Fiscal Year 2010

Total assessed value	\$ 3,028,404
Less current year abatements	<u>(19,719)</u>
Assessed value of taxable property	3,008,685
Debt limit - eight percent (8%) of assessed value	<u>240,695</u>
Amount of debt applicable to debt limit:	
Total bonded debt	475
Legal debt margin	<u>\$ 240,220</u>

CITY OF STATESVILLE, NORTH CAROLINA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT (UNAUDITED)
June 30, 2010

Jurisdiction	Principal	Allocated Amount	Total
Direct debt:			
City of Statesville	(1) \$ 19,126,266	100%	\$ 19,126,266
Overlapping debt:			
Iredell County	(1) <u>264,524,112</u>	17%	<u>45,001,481</u>
	<u>\$ 283,650,378</u>		<u>\$ 64,127,747</u>

(1) Long-term includes general obligation bonds, commercial loans, lease purchase, and certificates of participation. Compensated absences, other post employee benefits and monofill are not included.

**CITY OF STATESVILLE, NORTH CAROLINA
DEMOGRAPHIC AND ECONOMIC STATISTICS
FOR THE LAST TEN YEARS**

Fiscal Year Ended June 30,	Population Estimate ⁽¹⁾	Per Capita Personal Income ⁽²⁾	Unemployment Rate ⁽³⁾	Median Age ⁽⁴⁾	School Enrollment ⁽⁵⁾
2001	23,320	\$26,822	4.8%	37.00	17,127
2002	23,467	26,802	6.6%	36.00	17,723
2003	24,065	27,528	6.2%	37.00	18,440
2004	24,622	28,832	5.0%	35.00	18,922
2005	24,911	29,676	4.8%	37.00	19,291
2006	25,397	28,038	4.4%	37.20	20,201
2007	26,094	26,399	4.8%	37.26	20,792
2008	26,704	26,818	5.8%	38.00	21,236
2009	27,039	25,743	12.8%	38.00	21,168
2010	27,322	26,641	11.7%	39.00	21,146

Sources:

- ⁽¹⁾ 2001 is the official 2000 U.S. census. 2010 is projections of the North Carolina Office of Management and Budget as of July 1, 2010.
- ⁽²⁾ Information on the City of Statesville alone is not available. The data presented are for Iredell County and were obtained from the Bureau of Economic Analysis.
- ⁽³⁾ Information was obtained from the North Carolina Employment Security Commission as of June 30, 2010. Unemployment rate is for Iredell County, none available for the City of Statesville.
- ⁽⁴⁾ Information on the City of Statesville alone is not available. The data presented is for Iredell County and was obtained from the North Carolina Department of Commerce 2010 Demographics.
- ⁽⁵⁾ Information on the City of Statesville alone is not available. The data presented are for Iredell County and were obtained from the Iredell County Finance Department for years 1997 to 1998 based on enrollment. Beginning with fiscal year 1999 student enrollment data is the from the North Carolina Department of Public Instruction's Average Daily Maintenance (ADM).

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL EMPLOYERS
JUNE 30, 2010 AND JUNE 30, 2001

<u>6/30/2010</u>			<u>6/30/2001</u>		
<u>Company or Organization</u> ⁽¹⁾	<u>Jobs</u> ⁽¹⁾	<u>Percent of</u> <u>Total County</u> <u>Employment</u>	<u>Company or</u> <u>Organization</u> ⁽³⁾	<u>Jobs</u> ⁽³⁾	<u>Percent of</u> <u>Total County</u> <u>Employment</u>
Iredell Statesville Schools	3,169	4.38%	N/A	N/A	N/A
Iredell Memorial Hospital	1,650	2.28%	N/A	N/A	N/A
Lowe's Regional Distribution	992	1.37%	N/A	N/A	N/A
JC Penney Distribution	932	1.29%	N/A	N/A	N/A
Iredell County Government	883	1.22%	N/A	N/A	N/A
Piedmont Healthcare	740	1.02%	N/A	N/A	N/A
Statesville Auto Auction	700	0.97%	N/A	N/A	N/A
Davis Regional Medical Center	542	0.75%	N/A	N/A	N/A
Mitchell Community College	500	0.69%	N/A	N/A	N/A
Kewaunee Scientific	490	0.68%	N/A	N/A	N/A
All other	<u>60,818</u>	<u>84.06%</u>	N/A	<u>N/A</u>	<u>N/A</u>
Total employed	<u>72,353</u> ⁽²⁾	<u>98.70%</u>	Total employed	<u>-</u>	<u>0.00%</u>

Sources:

- (1) Statesville Chamber of Commerce and Greater Statesville Development Corporation information for individual organizations.
- (2) Total Iredell County employed from the North Carolina Department of Commerce as of June 30, 2008. Total unemployed as of June 30, 2008 was 10,517.
- (3) The City was not able to obtain individual employers by name and number of employees for fiscal year 2000. The only information available was by general categories. The average employment for 2000 according to the Employment Security Office was 64,136.

CITY OF STATESVILLE, NORTH CAROLINA
CITY EMPLOYEES BY FUNCTION/PROGRAM (UNAUDITED)
FOR THE LAST TEN FISCAL YEARS

Function/Program	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Governmental Activities:										
General Government:										
Mayor and Council	9	9	9	9	9	9	9	9	9	9
City Manager	2	3	3	3	3	3	3	3	3	3
City Clerk	1	1	-	1	1	1	1	1	1	1
Finance Administration	5	6	6	6	6	6	6	6	6	6
Collections	4	4	4	4	4	4	4	4	5	5
Data Processing	8	8	8	8	8	9	9	9	9	9
Purchasing	3	3	3	3	3	3	3	3	3	3
Personnel	3	4	4	4	4	4	4	4	4	4
Community Development	3	-	-	-	-	-	-	-	-	-
Planning	7	9	9	8	8	8	8	10	10	10
Public Works	6	6	6	6	6	6	6	6	6	6
Garage	8	8	8	8	9	9	9	9	9	9
Warehouse	1	1	1	1	1	1	1	1	1	1
Subtotal general government	<u>60</u>	<u>62</u>	<u>61</u>	<u>61</u>	<u>62</u>	<u>63</u>	<u>63</u>	<u>65</u>	<u>66</u>	<u>66</u>
Public Safety										
Police	87	87	87	87	89	89	90	94	98	99
Fire	55	55	55	55	55	55	55	55	71	59
Subtotal Public Safety	<u>142</u>	<u>142</u>	<u>142</u>	<u>142</u>	<u>144</u>	<u>144</u>	<u>145</u>	<u>149</u>	<u>169</u>	<u>158</u>
Transportation										
Street Department	21	21	21	21	21	21	21	21	21	21
Airport	-	-	-	-	-	-	-	1	1	1
Subtotal Transportation	<u>21</u>	<u>22</u>	<u>22</u>	<u>22</u>						
Environmental protection										
Sanitation	28	28	28	28	28	28	28	28	31	31
Subtotal environmental protection	<u>28</u>	<u>31</u>	<u>31</u>							
Recreation										
Recreation Administration	3	3	3	3	3	3	3	3	3	3
Athletics	2	2	2	2	2	2	2	2	2	2
Programs	6	6	6	6	6	6	6	6	7	3
Fitness & Activity Center	-	-	-	-	-	-	-	-	-	4
Parks	6	8	9	9	9	7	7	7	7	7
Urban Forestry	4	7	7	4	4	4	4	4	4	4
Public Grounds/Cemeteries	6	6	6	6	6	8	8	8	8	8
Subtotal Recreation	<u>27</u>	<u>32</u>	<u>33</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>31</u>	<u>31</u>
Total Governmental	<u>278</u>	<u>285</u>	<u>285</u>	<u>282</u>	<u>285</u>	<u>286</u>	<u>287</u>	<u>294</u>	<u>319</u>	<u>308</u>
Business-type activities										
Electric	25	26	26	30	28	28	29	31	34	34
Water Maintenance	14	14	14	14	14	14	14	16	16	16
Sewer Maintenance	7	7	7	7	7	7	7	7	7	7
Water Plant	12	12	12	12	12	12	12	12	12	12
Sewer Treatment Plants	24	24	24	24	24	24	24	24	24	24
Civic Center	6	6	6	7	7	7	7	7	7	7
Subtotal Business-type	<u>88</u>	<u>89</u>	<u>89</u>	<u>94</u>	<u>92</u>	<u>92</u>	<u>93</u>	<u>97</u>	<u>100</u>	<u>100</u>
Total primary government	<u>366</u>	<u>374</u>	<u>374</u>	<u>376</u>	<u>377</u>	<u>378</u>	<u>380</u>	<u>391</u>	<u>419</u>	<u>408</u>

Source: City of Statesville's adopted operating budget. During 2008-2009, the Fire department was authorized an additional three fire fighters.

CITY OF STATESVILLE, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION/PROGRAM (UNAUDITED)
FOR THE LAST TEN FISCAL YEARS ⁽¹⁾

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Function/Program										
General Government Activities:										
General government:										
Personnel										
No. of new hires-full time				31	53	48	40	50	43	33
No. of new hires-part-time				83	65	74	90	80	70	97
Turnover rate				8.20%	13.20%	10.30%	10.00%	9.00%	8.50%	6.00%
Public Safety:										
Police										
UCR Part 1 Violent Crime							322	278	222	274
UCR Part 1 Cleared							N/A	45	45	37
Vehicle Crashes Investigated							1,991	1,986	1,818	1,932
Number of incoming calls			109,114	106,545	110,013	109,569	116,349	104,514	109,351	
Fire										
Fire emergency responses			1,231	1,283	1,463	1,419	1,450	1,709	1,644	
City-wide fire loss	\$ 653,200	\$ 750,115	\$ 807,595	\$ 1,040,425	\$ 1,849,593	\$ 1,132,213	\$ 942,350			
Number of fire inspections	1,641	1,641	1,711	1,754	850	792	816			
Investigations	14	14	18	23	15	17	34			
Transportation:										
Street Department										
Miles of street resurfacing			2.85	2.53	3	3	3	2.85	6.11	
Environmental protection:										
Sanitation										
Number of collection points			8,800	8,800	9,500	9,700	9,700	9,900	9,700	
Cost per ton collected			79	79	54	54	61	52	53	
Cemeteries										
Number of burials			325	325	325	247	230	230	325	
Recreation:										
No. of students K-5			85	56	45	45	55	57	69	
No. of sponsored teams			40	39	39	22	23	28	43	
Business-type activities:										
Electric:										
⁽²⁾ Kwh purchased in thousand			498,265	485,610	491,914	498,218	495,330	458,127	451,518	
⁽²⁾ Cost per kwh			0.0573	0.0588	0.0591	0.0594	0.0638	0.0687	0.0720	
⁽³⁾ Kwh sold in thousand			456,783	481,136	476,697	472,258	486,850	456,235	431,589	
⁽³⁾ Sold per kwh			0.0697	0.0702	0.0719	0.0736	0.0733	0.0773	0.0844	
Avg duration of interruption minutes			129.32	128.21	108.55	55.88	47.9	55.88	53.22	
Water:										
⁽⁴⁾ Water MGD treated			3.20	3.20	3.50	3.60	3.80	3.25	3.20	
Sewer:										
⁽⁴⁾ 3rd Creek treated- MGD			1.37	1.37	1.54	1.54	1.30	1.31	1.58	
⁽⁴⁾ 4th Creek treated - MGD			2.82	2.82	2.88	2.88	2.97	3.17	3.23	
Civic Center:										
Paid Bookings			350	400	400	423	557	607	572	
⁽¹⁾ Source: Various City departments.										
⁽²⁾ Traffic arrest, DWI and other, are included in traffic violations.										
⁽³⁾ Kwh is kilowatts per hour.										
⁽⁴⁾ MGD is Millions of gallons per day.										

CITY OF STATESVILLE, NORTH CAROLINA
CAPITAL ASSETS STATISTICS BY FUNCTION (UNAUDITED)
FOR THE LAST TEN FISCAL YEARS ⁽¹⁾

Function/Program	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
General Government Activities;										
General government:										
City hall					1	1	1	1	1	1
City office building					1	1	1	1	1	1
Garage					1	1	1	1	1	1
Warehouse					1	1	1	1	1	1
Public Safety:										
Police										
Number of stations					4	4	4	4	4	2
Fire										
Number of fire stations					3	3	3	3	3	3
Transportation:										
Street miles			139.65		134.12	134.12	134.12	134.12	134.12	141.6
Airport - acres					388.78	388.78	388.78	388.78	388.78	390.41
Airport - terminals					1	1	1	1	1	1
Environmental protection:										
Sanitation - packers										
Cemeteries					9	9	9	9	8	9
Number of cemeteries					2	2	2	2	2	2
Cemeteries - acreage					52	52	52	52	60	60
Recreation:										
Parks - acreage					250	250	250	250	350	350
Number of Parks					20	20	20	20	13	13
Greenways/trails-miles					4.5	5	5	5	6	6
Soccer fields					7	7	7	7	7	7
Recreation Center & Pool					-	-	-	-	-	1
Business-type activities:										
Electric:										
Miles of distribution lines					217	217	217	217	235	235
Number of delivery stations					5	5	5	5	5	5
Number of substations					5	5	5	5	5	5
Water:										
Miles of distribution lines					200	202	202	202	272	272
Water treatment plants					1	1	1	1	1	1
⁽²⁾ Water plant capacity-MGD					15	15	15	15	15	15
Sewer:										
Miles of collection lines					240	244	244	244	274	274
Sewer treatment plants					2	2	2	2	2	2
⁽²⁾ 3rd Creek plant capacity-MGD					4	4	4	4	4	4
⁽²⁾ 4th Creek plant capacity-MGD					6	6	6	6	6	6
Civic Center:										
Civic Center					1	1	1	1	1	1

Notes:

- ⁽¹⁾ Source: City of Statesville capital asset records.
- ⁽²⁾ Four Cemeteries are maintained, two are closed.
- ⁽³⁾ MGD is Millions of gallons per day

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL ELECTRIC CUSTOMERS
June 30, 2010 and June 30, 2001

Electric Customer	Type of Business	Dollar Amount of Annual Electric Charges	Percentage of Total Electric Charges for Services
June 30, 2010			
City of Statesville	Municipal Corporation	\$ 1,320,254	3.4%
Commscope	Cable Manufacturer	1,296,409	3.3%
Kewaunee Scientific	Scientific Equipment	828,793	2.1%
International Paper	Wood/Veneers	803,198	2.1%
Iredell Memorial Hospital	Health Care Facility	791,217	2.0%
Hunt Manufacturing	Art Supply	607,510	1.6%
Accuma Corporation	Plastics/Batteries	597,704	1.5%
Statesville Housing Authority	Housing Authority	527,184	1.4%
J C Penney Logistics	Distribution Center	430,910	1.1%
J C Steele & Sons	Brick Making Machinery	417,061	1.1%
	Ten largest electric users	7,620,240	19.7%
	All other electric users	31,079,941	80.3%
International Paper	Paper Products		
	Total electric charges	<u>\$ 38,700,181</u>	<u>100.0%</u>
June 30, 2001			
Commscope	Cable Manufacturer	\$ 1,194,952	3.3%
Hunt Manufacturing	Art Supply	1,166,050	3.2%
City of Statesville	Municipal Corporation	1,108,004	3.0%
Accuma Corporation	Plastics/Batteries	680,911	1.9%
International Paper	Wood/Veneers	642,667	1.7%
Kewaunee Scientific	Scientific Equipment	618,569	1.7%
Mocaro Industries/Finishing	Knit Fabrics	603,519	1.6%
Iredell Memorial Hospital	Health Care Facility	537,315	1.5%
Toter Inc.	Waste Containers	416,456	1.1%
Statesville Housing Authority	Housing Authority	320,618	0.9%
	Ten largest electric users	7,289,061	19.8%
	All other electric users	29,471,124	80.2%
	Total electric charges	<u>\$ 36,760,185</u>	<u>100.0%</u>

Source: City of Statesville's utility billing records.

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL WATER CUSTOMERS
June 30, 2010 and June 30, 2001

Water Customer	Type of Business	Dollar Amount of Annual Water Charges	Percentage of Total Water Charges for Services
June 30, 2010			
Statesville Housing Authority	Housing Authority	\$ 102,265	3.5%
Mocaró Industries/Finishing	Knit Fabrics	76,746	2.7%
West Iredell Water Corp.	Utility	97,397	3.4%
City of Statesville	Municipal Corporation	66,645	2.3%
Iredell Memorial Hospital	Health Care Facility	44,857	1.5%
Iredell Water Corporation	Utility	41,842	1.4%
Clark-Schwebel Fiber	Textile Manufacturer	31,313	1.1%
Mariner Post Acute	Health Care Facility	29,216	1.0%
Rental Uniform Svc. Inc.	Apparel Rental	27,662	1.0%
International Paper	Wood/Veneers	23,910	0.8%
	Ten largest water users	541,853	18.7%
	All other water users	2,353,593	81.3%
	Total water charges	<u>\$ 2,895,446</u>	<u>100.0%</u>
June 30, 2001			
City of Statesville	Municipal Corporation	\$ 342,001	11.8%
Mocaró Industries/Finishing	Knit Fabrics	294,601	10.2%
West Iredell Water Corp.	Utility	241,919	8.3%
Iredell Water Corp.	Utility	88,618	3.1%
Town of Troutman	Municipal Corporation	78,529	2.7%
Statesville Housing Authority	Municipal Corporation	63,832	2.2%
Iredell Memorial Hospital	Health Care Facility	49,214	1.7%
International Paper	Wood/Veneers	31,215	1.1%
Rental Uniform Services, Inc.	Art Supply	25,691	0.9%
Blue Ridge Textile	Rotary Screen Print	20,665	0.7%
	Ten largest water users	1,236,285	42.7%
	All other water users	1,662,161	57.3%
	Total water charges	<u>\$ 2,898,446</u>	<u>100.0%</u>

Source: City of Statesville's utility billing records.

CITY OF STATESVILLE, NORTH CAROLINA
 PRINCIPAL SEWER CUSTOMERS
 June 30, 2010 and June 30, 2001

Sewer Customer	Type of Business	Dollar Amount of Annual Sewer Charges	Percentage of Total Sewer Charges for Services
June 30, 2010			
Mocar Industries/Finishing	Knit Fabrics	\$ 262,325	7.0%
Town of Troutman	Utility	228,915	6.1%
Statesville Housing Authority	Housing Authority	166,693	4.4%
Millard Refrigerated Service	Services	88,416	2.4%
Iredell Memorial Hospital	Health Care Facility	73,656	2.0%
Clark-Schwebel Fiber	Fiberglass	51,509	1.4%
Iredell-Statesville School Adm	School System	54,311	1.4%
Mariner Post Acute	Health Care Facility	47,940	1.3%
Rental Uniform	Apparel Rental	45,278	1.2%
Fourth Creek Housing	Apartments	41,248	1.1%
	Ten largest sewer users	1,060,291	28.3%
	All other sewer users	2,688,267	71.7%
	Total sewer charges	<u>\$ 3,748,558</u>	<u>100.0%</u>
June 30, 2001			
Mocar Industries/Finishing	Knit Fabrics	\$ 480,248	12.8%
Statesville Housing Authority	Housing Authority	103,275	2.8%
Iredell Memorial Hospital	Health Care Facility	74,990	2.0%
Rental Uniform	Apparel Rental	42,158	1.1%
Clark-Schwebel Fiber	Fiberglass	39,920	1.1%
Davis Hospital	Health Care Facility	34,122	0.9%
Blue Ridge Textile	Rotary Screen Print	33,916	0.9%
Master Cleaning	Dry Cleaning	24,589	0.7%
Watercrest Estates	Residential Housing	24,511	0.7%
Iredell-Statesville Schools	Public School System	21,423	0.6%
	Ten largest sewer users	879,152	23.5%
	All other sewer users	2,869,406	76.5%
	Total sewer charges	<u>\$ 3,748,558</u>	<u>100.0%</u>

Source: City of Statesville's utility billing records.

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COMPLIANCE SECTION

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POTTER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

**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***

The Honorable Mayor, City Council and
the City Manager
Statesville, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of the City of Statesville, North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the City of Statesville's basic financial statements and have issued our report thereon dated October 25, 2010. We did not audit the financial statements of the City of Statesville ABC Board. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the City of Statesville 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. The financial statements of the City of Statesville's ABC Board and the Statesville Convention and Visitors Bureau were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Statesville's internal control over financial reporting as a basis for designing our auditing procedures 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 Statesville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

**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***

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Statesville's financial statements are free of material misstatement, we performed tests on its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, members of the City Council and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

Potter & Company, PA

October 25, 2010
 Mooresville, North Carolina



POTTER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

The Honorable Mayor, City Council and
the City Manager
Statesville, North Carolina

Compliance

We have audited the compliance of City of Statesville, North Carolina with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2010. City of Statesville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Statesville's management. Our responsibility is to express an opinion on City of Statesville's compliance based on our audit.

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, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 City of Statesville'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. Our audit does not provide a legal determination on City of Statesville's compliance with those requirements.

In our opinion, City of Statesville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of City of Statesville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Statesville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, and others within the organization, members of County Commissioners, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Potter & Company, P.A.

October 25, 2010
Mooresville, North Carolina



POTTER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

The Honorable Mayor, City Council and
the City Manager
Statesville, North Carolina

Compliance

We have audited the compliance of the City of Statesville, North Carolina with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major state programs for the year ended June 30, 2010. The City of Statesville's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state program is the responsibility of the City of Statesville's management. Our responsibility is to express an opinion on the City of Statesville's compliance based on our audit.

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; applicable sections of OMB Circular A-133 in the *Audit Manual for Governmental Auditors in North Carolina* and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 Statesville'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. Our audit does not provide a legal determination on the City of Statesville's compliance with those requirements.

In our opinion, the City of Statesville complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the City of Statesville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the City of Statesville's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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's internal control over compliance.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of management, and others within the organization, members of City Council, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Potter & Company, PA

October 25, 2010
Mooresville, North Carolina

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(s) identified that are not considered to be material weaknesses. _____ Yes X None reported

Noncompliance material to financial statements noted. _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant Deficiency(ies) identified that are not considered to be material weaknesses. _____ yes X none reported

Noncompliance material to federal awards. _____ yes X no

Type of auditors' report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133. _____ yes X no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Programs or Cluster</u>
20.106	Airport Improvement Project
16.804	Edward Byrne Memorial Justice Assistance Grant
20.205-4	Bicycle and Pedestrian Transportation Enhancement Programs: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-TU)

Dollar threshold used to distinguish between Type A and Type B Programs. \$300,000

Auditee qualified as low-risk auditee? X yes _____ no

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2010

Schedule 33
(2 of 2)

Section I. Summary of Auditors' Results - (cont'd)

State Awards

Internal control over major State Programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(s) identified that are not considered to be material weaknesses. _____ Yes X No None reported

Noncompliance material to State awards. _____ Yes X No

Type of auditors' report issued on compliance for major State programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act. _____ Yes X No

Identification of major State programs:

Program Name

Powell Bill
Bicycle and Pedestrian Transportation Enhancement Programs: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-TU)
Statesville/Iredell Gang Initiative (SIGI)

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Awards Findings and Questioned Costs

None reported.

*CITY OF STATESVILLE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Fiscal Year Ended June 30, 2010*

Schedule 34

There were no prior year findings.

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

Schedule 35

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant/WBS Number	Federal (Direct and Pass- Through) Expenditures	State Expenditures
<i>Federal Grants:</i>				
<u>U.S. Department of Housing and Urban Development</u>				
Passed through Cabarrus/Iredell/Rowan:				
Home Investment Trust	14.239	M-01-DC370	\$ 110,157	
<u>U.S. Department of Transportation</u>				
Passed through N.C. Department of Transportation:				
Division of Aviation:				
Airport Improvement Program	20.106	36237.46.8.1	533,860	
Airport Improvement Program	20.106	36237.46.8.2	86,892	
Airport Improvement Program	20.106	36237.46.9.2	6,348,615	
Airport Improvement Program	20.106	36237.46.10.2	316,556	
Governor's Highway Safety Program--Traffic Safety 2010	20.609	K4-10-04-12	119,611	
Bicycle and Pedestrian Transportation Enhancement Programs: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)	20.205-4	E-4722 Phase 2	311,002	77,726
<u>U.S. Department of Justice</u>				
Bulletproof Vest Partnership Program	16.607	1121-0235	5,584	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0179	35,730	
ARRA--Edward Byrne Memorial Justice Assistance Grant Program	16.804	2009-SB-B9-2878	138,023	
<u>U. S. Department of Homeland Security</u>				
Fire Department Safer Grant	97.083	EMW-2008-FF-00096	104,612	
<i>State Grants:</i>				
<u>N.C. Department of Transportation</u>				
Powell Bill	DOT-4	32,570		745,174
<u>N.C. Department of Crime Control and Public Safety</u>				
Portable ID System		049-1-09-R01-RJ-030		2,000
Division of Governor's Crime Commission:				
Statesville/Iredell Gang Initiative (SIGI)		049-1-08-001-SG-224		344,838
Total federal grants			<u>\$ 8,110,642</u>	
Total state grants				<u>\$ 1,169,738</u>

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

Schedule 35

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City of Statesville, North Carolina and is presented on the modified accrual basis of accounting.

Note 2. General

The accompanying schedule of expenditures of federal and state awards presents the activity of all federal and state assistance programs of the City of Statesville, North Carolina. The City of Statesville reporting entity is defined in Note 1.A. of the City's financial statements. All federal and state assistance received directly from federal and state agencies, as well as federal assistance passed through other governmental agencies, is included on the schedule.

Note 3. Basis of Accounting

The accompanying schedule of expenditures of federal and state awards is presented using the basis of accounting which are described in Notes 1.B and 1.C of the City's financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 4. Other

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Single State Audit Implementation Act.

