

*CITY OF STATESVILLE
NORTH CAROLINA*



*COMPREHENSIVE ANNUAL
FINANCIAL REPORT*

*For Fiscal Year Ended
June 30, 2012*

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

*Lisa F. Salmon
Finance Director*

CITY OF STATESVILLE, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012
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INTRODUCTION SECTION



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October 25, 2012

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, 2012. 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 2012.

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, 2012 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, 2012 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 24.07 square miles and a population of 24,633.

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. Outstanding encumbrances are not broken out separately on the face of the balance sheet but are included within the calculation of "Stabilization by State Statute" reported 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 four years, described by leading economists as the worst economic crisis since the Great Depression. At June 30, 2012, the unemployment rate in Iredell County was 10.1%; 1.5 percent lower than the prior year, but significantly higher than the national rate of 8.2%, and the state rate of 9.4%. Statesville's economy has had some economic improvement in the past year with fewer business closings, and cutbacks in manufacturing production, and an increase in consumer purchases by 8% from the prior year. 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.

In 2009, the City developed a five to ten-year land use master plan for its downtown and the NC Highway 115 corridor. The purpose of the master plan was to maintain and enhance the aesthetic appeal, access and impact of the historic downtown core and facilitate the redevelopment of the NC Highway 115 corridor. In 2010, the City began construction on the first phase of the master plan with a \$5.5 million downtown streetscape project which includes improvements to the roadway, streetscape, and infrastructure designed to enhance the economic vitality as well as the visitor experience of downtown. This project continued in 2012, and future phases are under consideration.

In 2010, the City also began construction on a major renovation and historic restoration of City Hall, which is located in the downtown core. This \$2 million project was financed with the downtown streetscape project using Recovery Zone Economic Development Bonds. This form of financing was available through the American Reinvestment and Recovery Act of 2009 and provides a direct 45% federal interest subsidy to the City. This project was completed in 2012.

Plans are currently underway for a \$23 million expansion of the City's Third Creek Wastewater Treatment Plant. This expansion is necessary to accommodate potential growth 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 is also planning a \$4.8 million capital improvement at its Fourth Creek Waste Water Treatment Plant. The City will finance the project through the State at zero percent interest.

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. An \$11.6 million project is almost complete for the rehabilitation and strengthening of the runway, taxiways and apron. City leaders believe these airport improvements will continue to create economic development opportunities for the City and Iredell County.

Long-term Financial Planning. The City follows the statutory provisions of the Local Government Budget and Fiscal Control Act in developing its annual budget. The City maintains an unassigned fund balance in the General Fund above the minimum level required by the North Carolina Local Government Commission of eight (8) percent; historically the City's unassigned fund balance in the General Fund is well above the average of cities in the same population group and above the statewide average for all municipalities. This level of fund balance aids in maintaining adequate cash flows, generates interest income, provides for the use of a pay-as-you-go capital policy, eliminates the need for short-term borrowing, and maintains investment grade bond ratings.

Letter of Transmittal

The City maintains a capital reserve fund to accumulate resources for major capital outlays. The City's capital improvement program (CIP) is a six-year plan for capital equipment and improvements. Each year, the City Council adopts a CIP to identify and prioritize the capital needs of the City during the upcoming fiscal year, plus five (5) planning years. The City avoids borrowing for capital outlays by maintaining a pay-as-you-go policy and multi-year planning enables the City to use the pay-as-you-go approach in providing for capital outlay needs.

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.

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, 2012, the City's cash resources were invested as follows:

Certificates of Deposit	14%
U.S. Treasuries	6%
Commercial Paper	21%
U.S. Government Agencies	34%
N.C. Capital Management Trust	<u>25%</u>
Total	100%

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 Human Resources Director is responsible for risk management. The City's Human Resources 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

Letter of Transmittal

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.

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, 2011. This was the twenty-second 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.

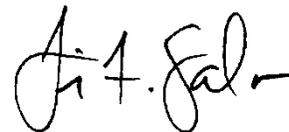
The City of Statesville also received GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year beginning July 1, 2011. This was the eleventh consecutive year that the City of Statesville has received this prestigious award. In order to qualify for the Distinguished 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,



Larry P. Pressley
Interim City Manager



Lisa F. Salmon
Finance Director

CITY OF STATESVILLE, NORTH CAROLINA
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2012

LIST OF PRINCIPAL OFFICIALS

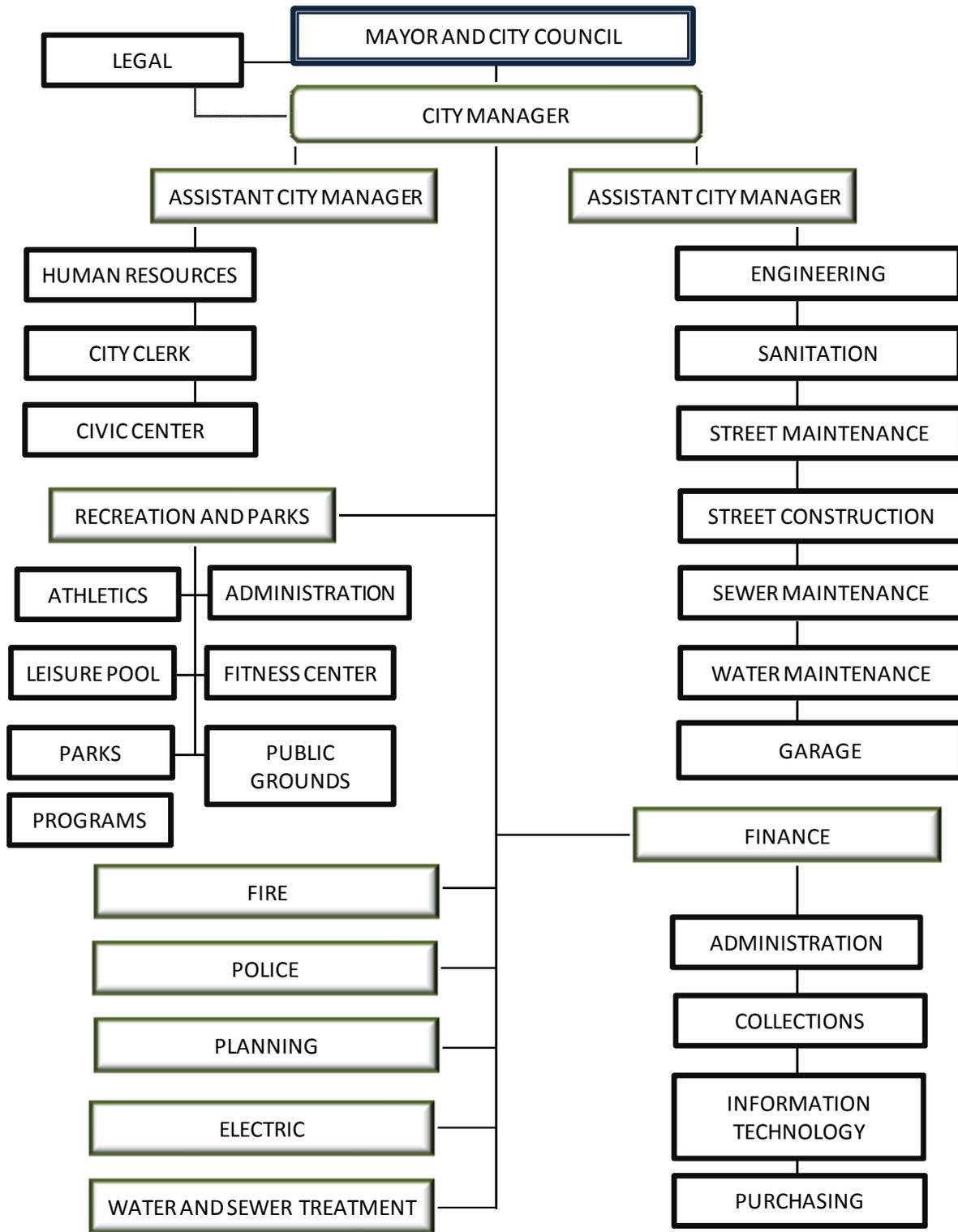
Elected Officials – City Council

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	Roy C. West, Jr.
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

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

City of Statesville, North Carolina
Organizational Chart



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, 2011

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.



Linda C. Janison

President

Jeffrey R. Enser

Executive Director

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FINANCIAL SECTION



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POTTER & COMPANY
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, 2012, 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 another auditor 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 another auditor.

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 auditor, the financial statements referred to above present fairly, in all material respects, the 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, 2012, 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 25, 2012 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.

Accounting Principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on pages 3 through 14 and 66 and 69, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditor have applied certain limited procedures to the required supplementary information in accordance with auditing standards general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 combining and individual fund statements, budgetary schedules and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying schedule of expenditures of federal and State awards is presented as for purposes of additional analysis 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, and is also not a required part of the basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules and the 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and State awards are stated in all material respects in relation to the basic financial statements as a whole.

Potter & Company, PA

October 25, 2012
Mooresville, North Carolina

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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, 2012. 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

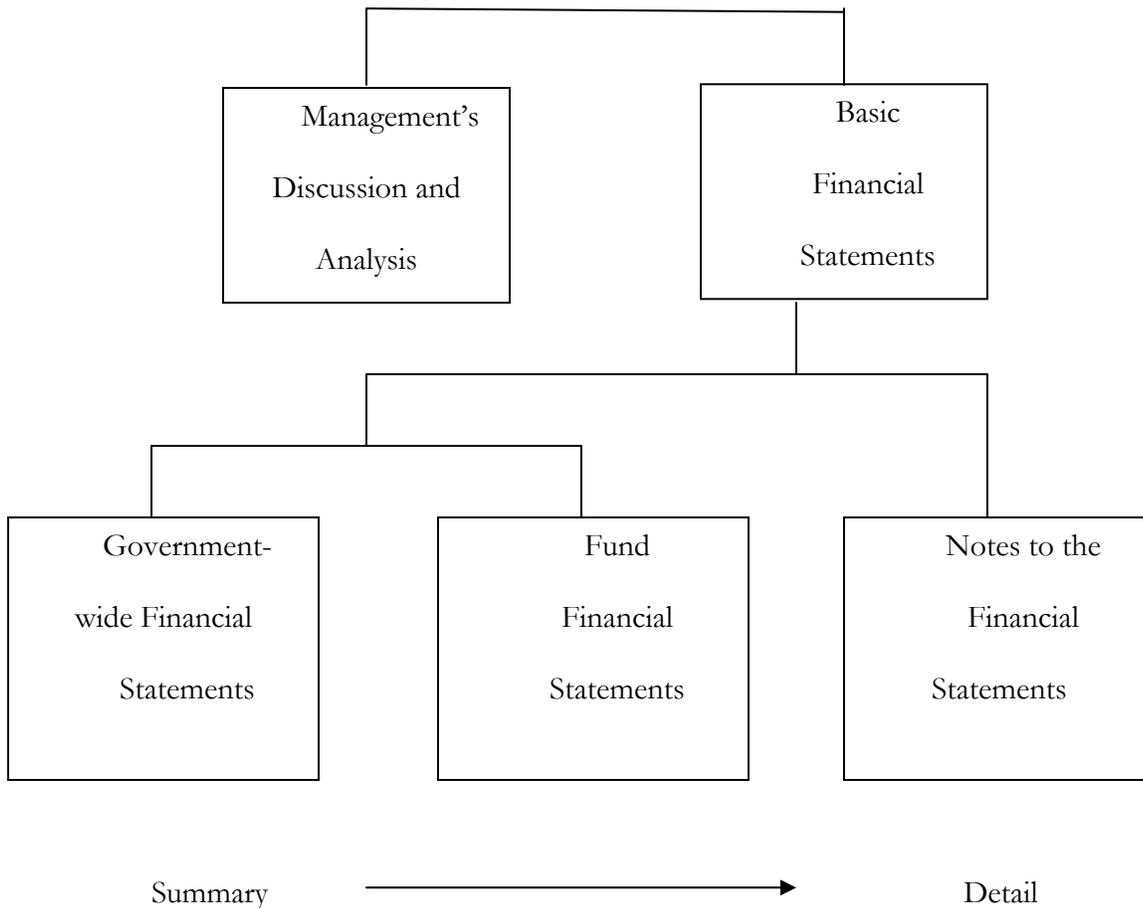
- The assets of the City of Statesville exceeded its liabilities at the close of the fiscal year by \$199,762,868 (*net assets*).
- The City's total net assets decreased by \$1,327,385, primarily due to decreases in the governmental activities net assets.
- As of the close of the current fiscal year, the City of Statesville's governmental funds reported combined ending fund balances of \$33,648,429, a decrease of \$6,403,987 in comparison with the prior year. Approximately 57% of this total amount, or \$19,403,631 is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$19,403,631 or 76.15% of total General Fund expenditures and transfers out for the fiscal year.
- The City of Statesville's total debt decreased by a net amount of \$2,371,229 (9.7%) during the current fiscal year. The decrease is the result of 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
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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

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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, 2012**

**City of Statesville's Net Assets
Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 39,556,369	\$ 46,249,376	\$ 40,978,658	\$ 40,245,856	\$ 80,535,027	\$ 86,495,232
Capital assets	<u>73,763,182</u>	<u>70,005,756</u>	<u>78,346,563</u>	<u>79,831,381</u>	<u>152,109,745</u>	<u>149,837,137</u>
Total assets	<u>\$ 113,319,551</u>	<u>\$ 116,255,132</u>	<u>\$ 119,325,221</u>	<u>\$ 120,077,237</u>	<u>\$ 232,644,772</u>	<u>\$ 236,332,369</u>
Long-term liabilities outstanding	\$ 9,771,886	\$ 10,778,891	\$ 12,870,578	\$ 13,842,388	\$ 22,642,464	\$ 24,621,279
Other liabilities	<u>4,113,695</u>	<u>4,613,402</u>	<u>6,125,745</u>	<u>6,007,435</u>	<u>10,239,440</u>	<u>10,620,837</u>
Total liabilities	<u>13,885,581</u>	<u>15,392,293</u>	<u>18,996,323</u>	<u>19,849,823</u>	<u>32,881,904</u>	<u>35,242,116</u>
Net assets:						
Invested in capital assets, net of related debt	66,160,070	59,908,456	65,215,357	65,578,645	131,375,427	125,487,101
Restricted	13,945,539	19,856,436	-	-	13,945,539	19,856,436
Unrestricted	<u>19,328,361</u>	<u>21,097,947</u>	<u>35,113,541</u>	<u>34,648,769</u>	<u>54,441,902</u>	<u>55,746,716</u>
Total net assets	<u>\$ 99,433,970</u>	<u>\$ 100,862,839</u>	<u>\$ 100,328,898</u>	<u>\$ 100,227,414</u>	<u>\$ 199,762,868</u>	<u>\$ 201,090,253</u>

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 \$199,762,868 as of June 30, 2012. The City's net assets decreased by \$1,327,385 for the fiscal year ended June 30, 2012. However, the largest portion of net assets (66%) 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 and restricted assets. 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 (6.98%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$54,441,902 is unrestricted.

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

- Consistent collections of property tax revenues by maintaining a tax collection percentage of 96.20%.
- Continued low cost of debt due to the City's high bond rating.
- Ad valorem tax revenues decreased 3.77% from the prior year to \$11,316,717 due to a decline in assessed values after the 2011 revaluation.
- Sales taxes decreased 6.36% (\$346,931) due primarily to a population decline identified in the 2010 census.
- Capital grants and contributions decreased \$1,426,921 due primarily to expenditures of the prior year grants received for runway and taxiway pavement rehabilitation at the City airport.

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

City of Statesville Changes in Net Assets
Figure 3

	Governmental	Governmental	Business-type	Business-type	Total	
	Activities	Activities	Activities	Activities	2012	2010
	2012	2011	2012	2011		
Revenues:						
Program revenues:						
Charges for services	\$ 2,020,060	\$ 2,022,765	\$ 50,561,385	\$ 51,398,286	\$ 52,581,445	\$ 53,421,051
Operating grants and contributions	501,593	865,836	560,534	-	1,062,127	865,836
Capital grants and contributions	1,493,194	3,116,406	-	-	1,493,194	3,116,406
General revenues:						
Property taxes	11,316,717	11,760,600	-	-	11,316,717	11,760,600
Other taxes and fees	6,426,511	6,726,245	-	-	6,426,511	6,726,245
Grants and contributions not						
restricted to specific programs	2,116,304	2,139,048	-	-	2,116,304	2,139,048
Investment earnings, unrestricted	263,126	105,840	256,414	244,771	519,540	350,611
Sales and services not allocated functions	195,157	268,874	448,497	-	643,654	268,874
Total revenues	24,332,662	27,005,614	51,826,830	51,643,057	76,159,492	78,648,671
Expenses:						
General government	3,274,004	3,346,041	-	-	3,274,004	3,346,041
Public safety	11,994,709	11,408,145	-	-	11,994,709	11,408,145
Transportation	3,468,402	3,412,045	-	-	3,468,402	3,412,045
Economic development	965,655	806,305	-	-	965,655	806,305
Environmental protection	2,130,549	2,085,049	-	-	2,130,549	2,085,049
Cultural and recreation	3,417,745	3,367,653	-	-	3,417,745	3,367,653
Interest on long-term debt	352,859	275,735	382,516	420,149	735,375	695,884
Electric	-	-	41,532,781	40,589,432	41,532,781	40,589,432
Water and Sewer	-	-	9,119,532	8,865,957	9,119,532	8,865,957
Civic Center	-	-	848,125	861,917	848,125	861,917
Total expenses	25,603,923	24,700,973	51,882,954	50,737,455	77,486,877	75,438,428
Increase (decrease) in net assets before transfers and special items	(1,271,261)	2,304,641	(56,124)	905,602	(1,327,385)	3,210,243
Transfers in (out)	(157,608)	1,830,590	157,608	(1,830,590)	-	-
Increase (decrease) in net assets	(1,428,869)	4,135,231	101,484	(924,988)	(1,327,385)	3,210,243
Net assets, Beginning of year	100,862,839	96,727,608	100,227,414	101,152,402	201,090,253	197,880,010
Net assets, end of year	<u>\$ 99,433,970</u>	<u>\$ 100,862,839</u>	<u>\$ 100,328,898</u>	<u>\$ 100,227,414</u>	<u>\$ 199,762,868</u>	<u>\$ 201,090,253</u>

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Governmental Activities - Governmental activities decreased the City's net assets by \$1,428,269, thereby accounting for the majority of decrease in the net assets of the City of Statesville. Key elements of this decrease are as follows:

- Property taxes decreased \$443,883 or 3.77% from the prior year.
- Sales tax decreased \$346,931 or 6.36%.
- Capital grants decreased by \$1,623,212 from the prior year.
- Total expenses exceeded total revenues by \$1,428,269.

Business-Type Activities - Business-type activities increased the City of Statesville's net assets by \$101,484. Key elements of this increase are as follows:

- Charges for services decreased \$836,901 or 1.63%. This decrease is net of a 4.9% retail electric rate increase and decreasing consumption in Electric and Water and Sewer Funds.

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, unassigned 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, unassigned fund balance of the General Fund was \$19,403,631 while total fund balance was \$23,087,206; a decrease of \$896,095 from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 76.15% of total General Fund expenditures and transfers out, while total fund balance represents 90.6% of that same amount.

At June 30, 2012, the governmental funds of City of Statesville reported a combined fund balance of \$33,648,429; a 16% decrease from last year.

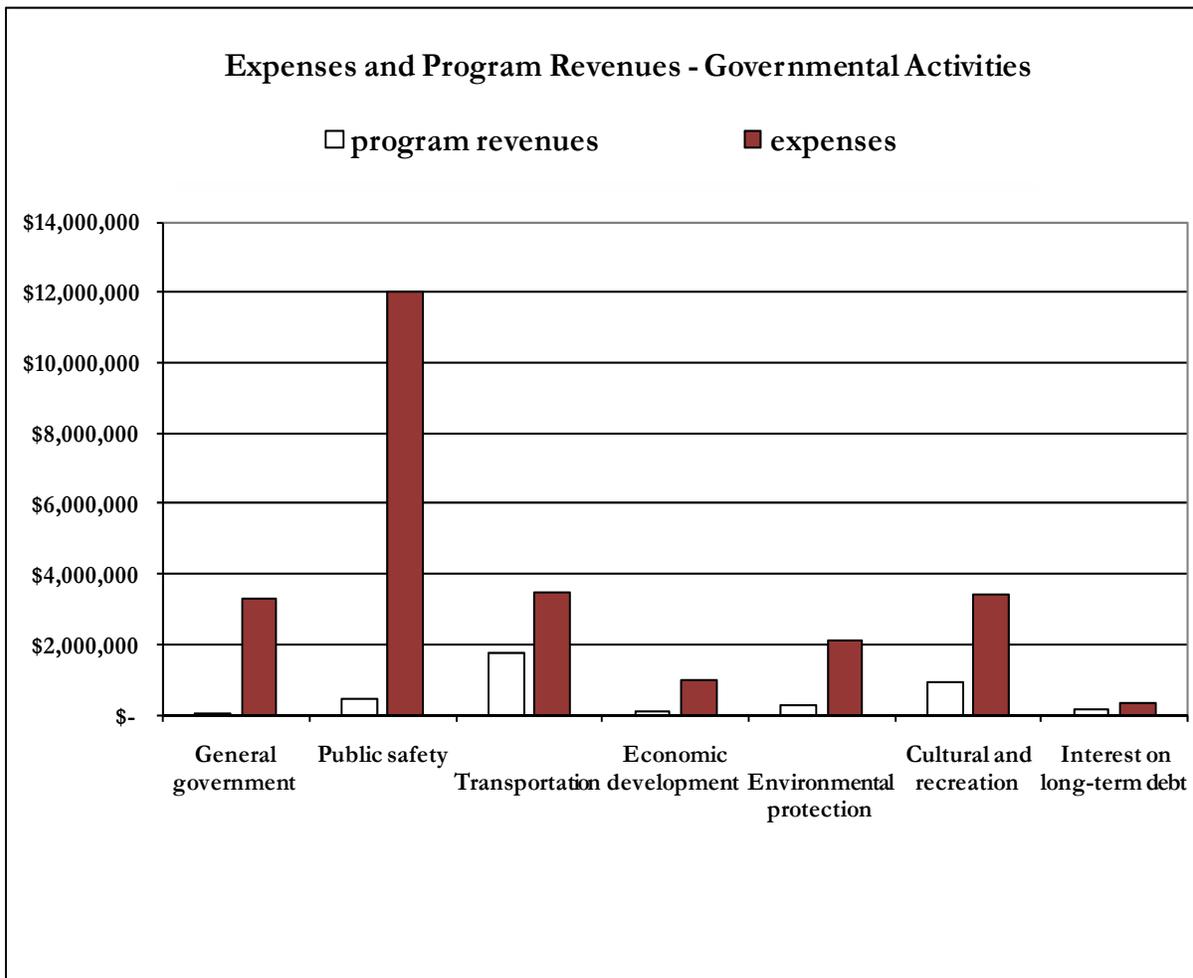
- General Fund expenditures exceeded revenues by \$896,095.
- Operating transfers from other funds to the General Fund exceeded operating transfers out by \$1,359,737.
- The net decrease in General Fund balance is \$896,095.
- The net change in fund balances of other governmental funds decreased by \$5,507,892 due primarily to the capital outlay for downtown streetscape project and City Hall renovations that are still in progress.

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:

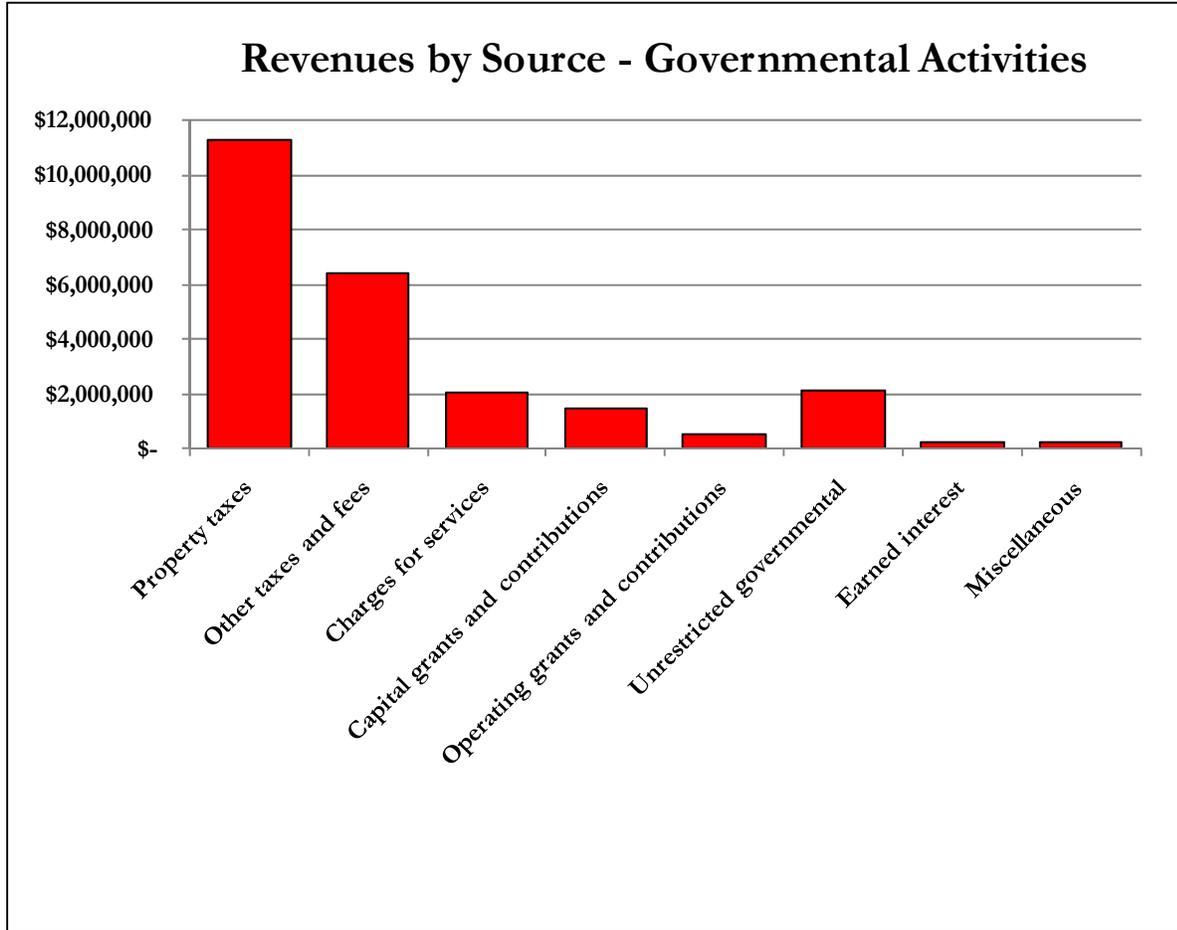
**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- Ad valorem tax revenues of \$11,310,155 exceeded budget estimates by \$159,997 or 1.4%.
- Other taxes and licenses of \$5,693,425 exceeded budget estimates by \$167,425 or 3% primarily due to excess in sales tax revenues and hold harmless as retail sales exceeded expectation.
- Unrestricted intergovernmental revenues of \$2,116,304 exceeded budget estimates by \$135,204 due primarily to higher than anticipated utility franchise taxes.
- Investment earnings fell below budget estimates by \$115,000 due to higher than expected declines in interest rates.
- Expenditures were \$3,033,869 lower than budget appropriations due primarily to incomplete capital equipment purchases or capital improvement projects at year-end as follows: 1) \$636,141 in General Government for land acquisition and other capital costs, 2) \$100,233 police and fire, 3) \$282,779 in Transportation for street operations and paving, 4) \$159,004 in airport improvements, 4) \$159,729 in Cultural and Recreation for greenway design and construction; personnel expenditures were \$865,626 less than appropriated with almost half of the savings in the police department due primarily to a management decision to freeze hiring of many vacant position during the year.

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



*CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012*



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 \$16,176,975, and those for the Water and Sewer Fund at the end of the fiscal year are \$18,377,457. The net assets of the Electric Fund increased by \$538,039 and decreased in the Water and Sewer Fund by \$831,547.

Capital Asset and Debt Administration

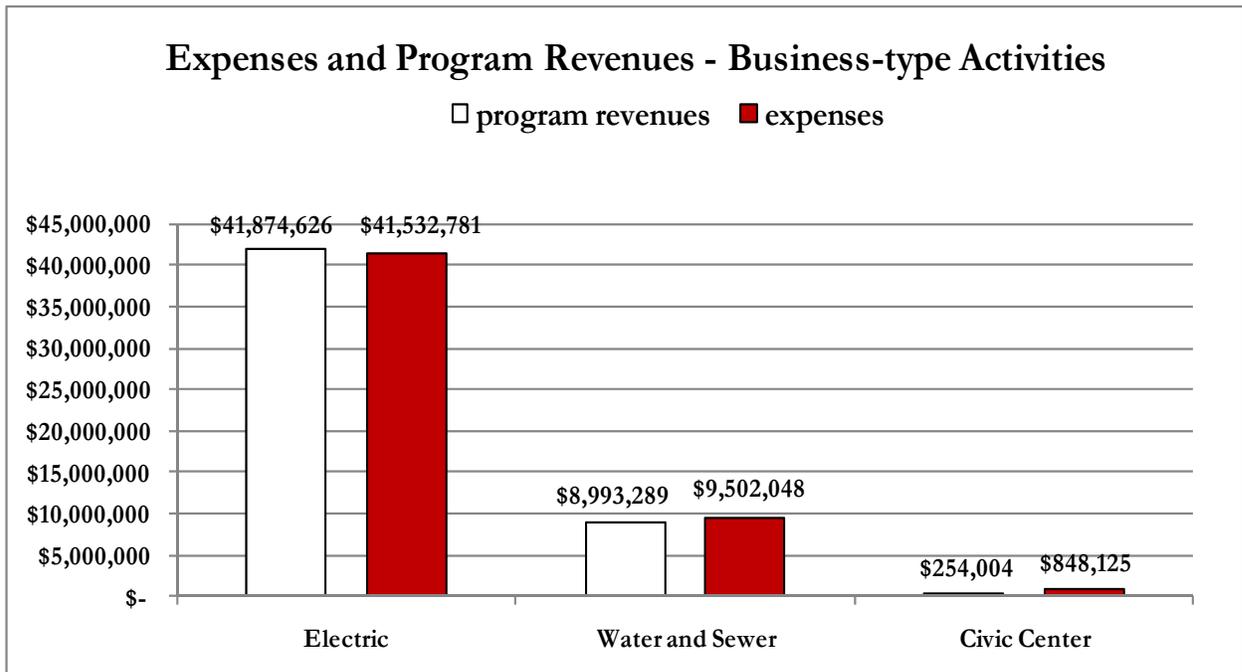
Capital Assets - The City of Statesville's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totals \$152,109,745 (net of accumulated depreciation). These assets include buildings, utility systems infrastructure, land, roads, machinery and equipment, park facilities, and vehicles.

**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

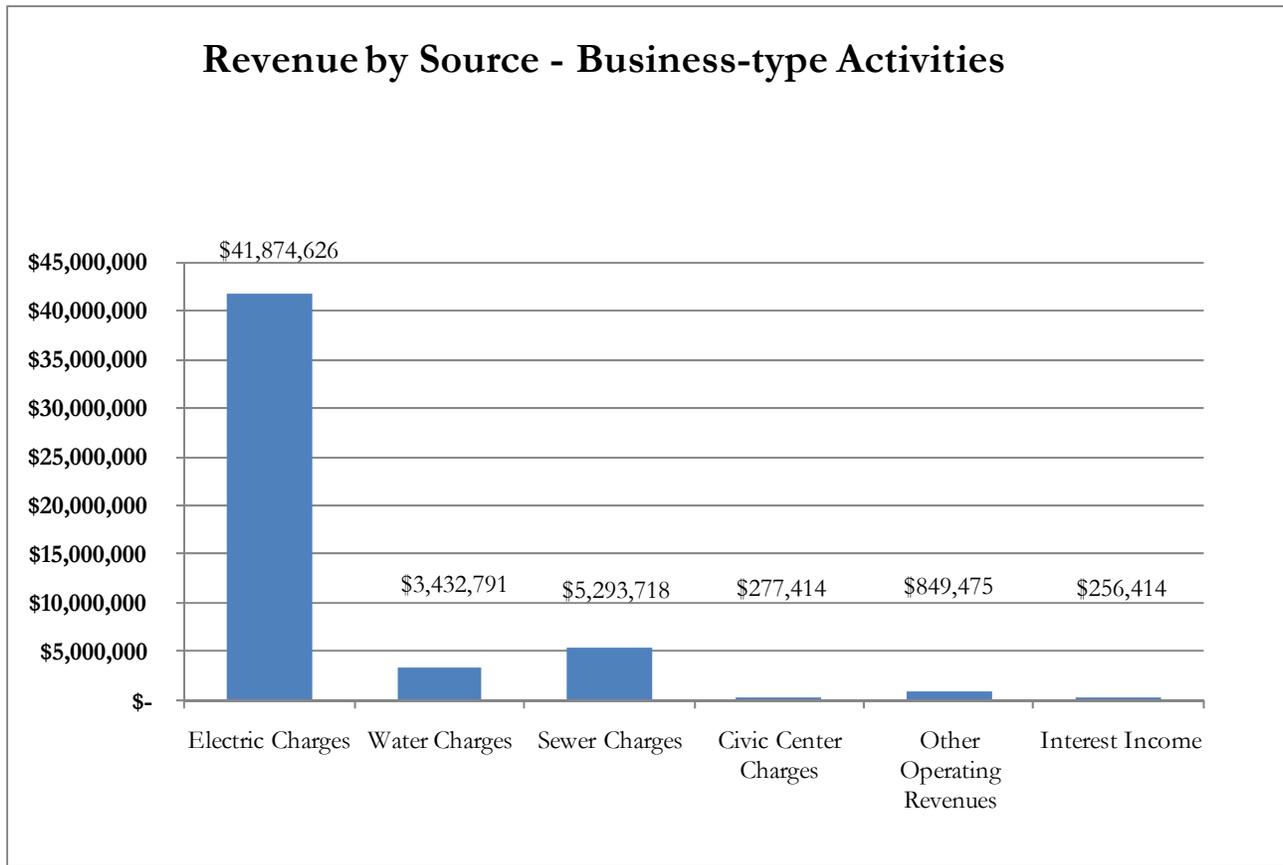
**City of Statesville's
Capital Assets
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 18,562,390	\$18,534,916	\$ 3,529,828	\$ 3,460,671	\$ 22,092,218	\$ 21,995,587
Fresco	-	-	335,825	335,825	335,825	335,825
Buildings and other improvements	13,546,693	12,089,934	3,001,025	3,101,064	16,547,718	15,190,998
Airport improvements	7,713,459	8,304,761	-	-	7,713,459	8,304,761
Street improvements	8,968,619	10,719,936	-	-	8,968,619	10,719,936
Utility plant in service	-	-	66,817,518	69,213,224	66,817,518	69,213,224
Vehicles and equipment	5,488,380	5,025,580	2,064,701	1,958,009	7,553,081	6,983,589
Constuction in progress	<u>19,483,641</u>	<u>15,330,629</u>	<u>2,597,666</u>	<u>1,762,588</u>	<u>22,081,307</u>	<u>17,093,217</u>
Total	\$ 73,763,182	\$70,005,756	\$ 78,346,563	\$79,831,381	\$152,109,745	\$149,837,137

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 44 through 47.



**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Long-Term Debt - As of June 30, 2012, the City of Statesville had total bonded debt outstanding of \$80,000; all of which is backed by the full faith and credit of the City. The remainder of the City's debt represents notes payable totaling \$21,898,807.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bond:	\$ -	\$ 25,000	\$ 80,000	\$ 200,000	\$ 80,000	\$ 225,000
Notes payable	<u>8,847,600</u>	<u>10,072,300</u>	<u>13,051,207</u>	<u>14,052,736</u>	<u>21,898,807</u>	<u>24,125,036</u>
	<u>\$ 8,847,600</u>	<u>\$ 10,097,300</u>	<u>\$ 13,131,207</u>	<u>\$ 14,252,736</u>	<u>\$ 21,978,807</u>	<u>\$ 24,350,036</u>

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

The City of Statesville's total debt decreased by \$2,371,229 during the current period. This net decrease is the result of the City's debt service requirements.

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, 2012 is \$235,459,306. The City of Statesville's does not have any outstanding bonded debt being supported by property taxes but has \$80,000 outstanding bonded debt that is obligated by the Water and Sewer Fund.

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 Budget and Rates

- Revenue estimates contained in the City of Statesville's 2012-2013 operating and capital budget were developed on a conservative basis.
- A revaluation of the real property in 2011 resulted in 2.5% decline in the City's tax base; a revenue-neutral tax rate of \$0.41 was adopted in the 2012-2013 budget.
- The City eliminated its commercial dumpster garbage service and increased fees for commercial roll-out garbage service resulting in a net savings of \$428,000, with capital equipment cuts.
- In an effort to reduce costs and reliance on fund balance, twenty-seven (27) positions were eliminated through a voluntary retirement incentive program and vacant positions. This step reduced the amount of General Fund balance that was appropriated from \$1.8 million in 2011-2012 to \$270,292 in 2012-2013.
- An increase in privilege license fees for electronic gaming operation is expected to generate over \$200,000 in new revenue in the General Fund. .
- Retail electric rates were increased effective July 1, 2012 by 7% in order to offset the City's increased cost of wholesale purchased power of 5.4 % and operations by 1.6%. Water and Sewer rates were also increased by 7%.

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, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Convention & Visitors Bureau	Alcoholic Beverage Control Board
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 32,945,936	\$ 31,619,905	\$ 64,565,841	\$ 162,950	\$ 423,540
Tax receivables, net	1,014,999	-	1,014,999	-	-
Receivables, net	350,233	6,788,593	7,138,826	-	-
Internal balances	724,972	(724,972)	-	-	-
Interest receivable	61,826	60,880	122,706	-	-
Due from other governments	2,307,098	767,515	3,074,613	-	-
Due from other component units	48,567	-	48,567	-	-
Inventories	26,497	1,642,514	1,669,011	-	435,986
Prepaid items	2,470	3,430	5,900	-	-
Net pension asset	829,283	-	829,283	-	-
Restricted cash and cash equivalents	1,244,488	820,793	2,065,281	-	-
Total current assets	39,556,369	40,978,658	80,535,027	162,950	859,526
Non-current assets:					
Capital assets:					
Land and other nondepreciable assets	38,046,031	6,463,319	44,509,350	-	235,050
Depreciable assets, net	35,717,151	71,883,244	107,600,395	-	1,457,371
Total capital assets	73,763,182	78,346,563	152,109,745	-	1,692,421
Total assets	\$ 113,319,551	\$ 119,325,221	\$ 232,644,772	\$ 162,950	\$ 2,551,947
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,870,411	\$ 3,903,517	\$ 5,773,928	\$ 3,341	\$ 461,266
Line of credit	-	-	-	-	180,867
Accrued Interest payable	43,899	35,870	79,769	-	-
Due to primary government	-	-	-	-	48,567
Unearned revenue	279,917	55,004	334,921	-	-
Deposits payable	5,503	820,793	826,296	-	-
Current portion of long-term liabilities	1,913,965	1,310,561	3,224,526	420	211,618
Total current liabilities	4,113,695	6,125,745	10,239,440	3,761	902,318
Long-term liabilities:					
Due in more than a year	9,771,886	12,870,578	22,642,464	727	707,706
Total liabilities	13,885,581	18,996,323	32,881,904	4,488	1,610,024
NET ASSETS					
Invested in capital assets, net of related debt	66,160,070	65,215,357	131,375,427	-	821,259
Restricted for:					
Stabilization by state statute	5,565,574	-	5,565,574	-	-
Public safety	337,206	-	337,206	-	-
Transportation	1,332,646	-	1,332,646	-	-
Economic development	324,831	-	324,831	-	-
Capital outlay	6,470,958	-	6,470,958	-	-
Other functions	-	-	-	43,581	143,945
Unrestricted	19,242,685	35,113,541	54,356,226	114,881	(23,281)
Total net assets	\$ 99,433,970	\$ 100,328,898	\$ 199,762,868	\$ 158,462	\$ 941,923

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 3,274,004	\$ 379,335	\$ -	\$ -
Public safety	11,994,709	198,223	235,554	-
Transportation	3,468,402	322,757	-	1,418,194
Economic and physical development	965,655	-	104,819	-
Environmental protection	2,130,549	288,090	16,819	-
Cultural and recreation	3,417,745	831,655	-	75,000
Debt service:				
Interest on long-term debt	352,859	-	144,401	-
Total governmental activities	25,603,923	2,020,060	501,593	1,493,194
Business-Type Activities:				-
Electric	41,532,781	41,334,097	540,529	-
Water and sewer	9,502,048	8,973,284	20,005	-
Civic Center	848,125	254,004	-	-
Total business-type activities	51,882,954	50,561,385	560,534	-
Total primary government	\$ 77,486,877	\$ 52,581,445	\$ 1,062,127	\$ 1,493,194
Component units:				
Convention & Visitors Bureau	\$ 74,625	\$ 218	\$ 142,764	\$ -
Alcoholic Beverage Control Board	4,869,898	4,866,983	-	-
Total component units	\$ 4,944,523	\$ 4,867,201	\$ 142,764	\$ -
General Revenues:				
Ad valorem taxes				
Local option sales tax				
Other taxes - gross vehicle and hold harmless				
Occupancy taxes				
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				

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
\$ (2,894,669)	\$ -	\$ (2,894,669)	\$ -	\$ -
(11,560,932)	-	(11,560,932)	-	-
(1,727,451)	-	(1,727,451)	-	-
(860,836)	-	(860,836)	-	-
(1,825,640)	-	(1,825,640)	-	-
(2,511,090)	-	(2,511,090)	-	-
(208,458)	-	(208,458)	-	-
(21,589,076)	-	(21,589,076)	-	-
-	341,845	341,845	-	-
-	(508,759)	(508,759)	-	-
-	(594,121)	(594,121)	-	-
-	(761,035)	(761,035)	-	-
(21,589,076)	(761,035)	(22,350,111)	-	-
-	-	-	68,357	-
-	-	-	-	(2,915)
-	-	-	68,357	(2,915)
11,316,717	-	11,316,717	-	-
5,105,479	-	5,105,479	-	-
587,946	-	587,946	-	-
733,086	-	733,086	-	-
2,116,304	-	2,116,304	-	-
263,126	256,414	519,540	73	1,191
195,157	448,497	643,654	-	1,724
20,317,815	704,911	21,022,726	73	2,915
(157,608)	157,608	-	-	-
20,160,207	862,519	21,022,726	73	2,915
(1,428,869)	101,484	(1,327,385)	68,430	-
100,862,839	100,227,414	201,090,253	90,032	941,923
\$ 99,433,970	\$ 100,328,898	\$ 199,762,868	\$ 158,462	\$ 941,923

CITY OF STATESVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	Major	Non-Major	
	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 22,100,793	\$ 9,468,841	\$ 31,569,634
Taxes receivable, net	846,887	-	846,887
Accounts receivable, net	215,871	134,362	350,233
Interest receivable	41,471	17,772	59,243
Due from other governments	2,077,167	214,261	2,291,428
Interfund receivables	-	85,676	85,676
Due from other component units	48,567	-	48,567
Restricted cash	-	1,244,488	1,244,488
Inventories	26,497	-	26,497
Prepaid items	2,470	-	2,470
Total Assets	\$ 25,359,723	\$ 11,165,400	\$ 36,525,123
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 958,919	\$ 384,139	1,343,058
Interfund payable	-	85,676	85,676
Prepaid and unearned revenues	279,917	-	279,917
Deferred revenue	1,033,681	134,362	1,168,043
Total Liabilities	2,272,517	604,177	2,876,694
FUND BALANCES			
Non Spendable			
Prepaid items	2,470	-	2,470
Inventory	26,497	-	26,497
Restricted			
Stabilization by state statute	3,384,316	2,181,258	5,565,574
Public safety	-	337,206	337,206
Transportation	-	1,332,646	1,332,646
Economic development	-	324,831	324,831
Committed			
Capital outlay	-	6,470,958	6,470,958
Assigned			
Subsequent year's appropriations	270,292	-	270,292
Unassigned (deficit)	19,403,631	(85,676)	19,317,955
Total Fund Balances	23,087,206	10,561,223	33,648,429
Total Liabilities and Fund Balances	\$ 25,359,723	\$ 11,165,400	

CITY OF STATESVILLE, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF NET ASSETS TO
GOVERNMENTAL BALANCE SHEET
June 30, 2012

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

	Total fund balance continued from Exhibit 3	33,648,429
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
	Capital assets	90,891,435
	Construction work in progress	19,483,641
	Accumulated depreciation	<u>(36,611,894)</u>
		<u>73,763,182</u>
The focus of governmental funds is on short-term financing; long-term assets are deferred in the funds.		
	Accrued property taxes	168,112
	Federal tax subsidy for debt	15,397
	Net pension asset	<u>829,283</u>
		<u>1,012,792</u>
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in the governmental activities in the statement of net assets.		
		1,571,274
Liabilities for earned by deferred revenues in fund statements.		
	Deferred property taxes	846,887
	Deferred miscellaneous accounts receivable	186,794
	Other deferred revenues	<u>134,362</u>
		<u>1,168,043</u>
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
	Long-term debt	(8,847,600)
	Interest payable	(43,898)
	Compensated absences	(2,042,760)
	OPEB payable	<u>(795,492)</u>
		<u>(11,729,750)</u>
Net assets of governmental activities (Exhibit 1)		<u><u>\$ 99,433,970</u></u>

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	Major	Non-Major	
	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 11,310,155	\$ -	\$ 11,310,155
Other taxes and licenses	5,693,425	733,086	6,426,511
Unrestricted intergovernmental	2,116,304	-	2,116,304
Restricted intergovernmental	1,140,735	938,052	2,078,787
Permits and fees	554,325	-	554,325
Sales and services	1,453,561	4,380	1,457,941
Investment earnings	175,438	78,079	253,517
Miscellaneous	195,157	11,131	206,288
	<u>22,639,100</u>	<u>1,764,728</u>	<u>24,403,828</u>
EXPENDITURES			
Current:			
General government	3,025,762	-	3,025,762
Public safety	11,203,141	105,862	11,309,003
Transportation	1,781,557	-	1,781,557
Economic and physical development	694,346	327,309	1,021,655
Environmental protection	1,979,079	-	1,979,079
Cultural and recreation	2,974,985	-	2,974,985
Capital outlay	1,625,872	4,972,105	6,597,977
Debt service:			
Principal	1,249,700	-	1,249,700
Interest and fiscal costs	360,490	-	360,490
	<u>24,894,932</u>	<u>5,405,276</u>	<u>30,300,208</u>
Revenues (under) expenditures	<u>(2,255,832)</u>	<u>(3,640,548)</u>	<u>(5,896,380)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	1,947,075	319,689	2,266,764
Transfers to other funds	(587,338)	(2,187,033)	(2,774,371)
	<u>1,359,737</u>	<u>(1,867,344)</u>	<u>(507,607)</u>
Net change in fund balances	(896,095)	(5,507,892)	(6,403,987)
Fund balances at beginning of year	<u>23,983,301</u>	<u>16,069,115</u>	<u>40,052,416</u>
Fund balances at end of year	<u>\$ 23,087,206</u>	<u>\$ 10,561,223</u>	<u>\$ 33,648,429</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, 2012

Fund Balances to the Statement of Activities:

Total net change in fund balances-governmental funds (continued) (6,403,987)

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

Governmental funds report capital outlay 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 depreciated in the current period.

Capital outlay	6,597,978	
Capital loss	(22,557)	
Depreciation	(2,817,995)	3,757,426

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

Change in deferred revenue for tax revenues	6,561	
Change in other deferred revenues	(29,469)	
Federal interest subsidy	(1,867)	
Change in net pension asset	(577)	(25,352)

The issuance of long-term 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.

Accrued interest payable	7,633	
Principal redemption	1,249,700	1,257,333

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	(28,738)	
Other postemployment benefits	(230,095)	(258,833)

Net income of internal service funds determined to be governmental-type. 244,544

Changes in net assets of governmental activities **\$ (1,428,869)**

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, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 11,150,158	\$ 11,150,158	\$ 11,310,155	\$ 159,997
Other taxes and licenses	5,526,000	5,526,000	5,693,425	167,425
Unrestricted intergovernmental	1,981,100	1,981,100	2,116,304	135,204
Restricted intergovernmental	938,050	1,116,843	1,140,735	23,892
Permits and fees	565,300	565,300	554,325	(10,975)
Sales and services	1,378,016	1,404,894	1,453,561	48,667
Investment earnings	290,000	290,000	175,438	(114,562)
Miscellaneous	15,000	169,038	195,157	26,119
Total revenues	<u>21,843,624</u>	<u>22,203,333</u>	<u>22,639,100</u>	<u>435,767</u>
EXPENDITURES				
Current:				
General government	3,384,671	4,240,557	3,123,789	1,116,768
Public safety	11,760,803	12,188,277	11,558,540	629,737
Transportation	2,367,228	3,332,082	2,742,658	589,424
Economic and physical development	731,000	731,000	694,346	36,654
Environmental protection	2,286,413	2,308,001	2,132,242	175,759
Cultural and recreation	3,240,594	3,490,443	3,033,167	457,276
Debt service:				
Principal	1,249,700	1,249,700	1,249,700	-
Interest and fiscal costs	360,490	360,490	360,490	-
Contingency	125,000	28,251	-	28,251
Total expenditures	<u>25,505,899</u>	<u>27,928,801</u>	<u>24,894,932</u>	<u>3,033,869</u>
Revenues over (under) expenditures	<u>(3,662,275)</u>	<u>(5,725,468)</u>	<u>(2,255,832)</u>	<u>3,469,636</u>
OTHER FINANCING SOURCES (USES)				
Transfer - in	1,888,468	1,946,537	1,947,075	538
Transfer - (out)	(74,160)	(587,338)	(587,338)	-
Fund balance appropriated	1,847,967	4,366,269	-	(4,366,269)
Total other financing sources and (uses)	<u>3,662,275</u>	<u>5,725,468</u>	<u>1,359,737</u>	<u>(4,365,731)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(896,095)</u>	<u>\$ (896,095)</u>
Fund balances at beginning of year			<u>23,983,301</u>	
Fund balances at end of year			<u>\$ 23,087,206</u>	

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CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	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	\$ 12,853,791	\$ 17,384,967	\$ 1,381,147	\$ 31,619,905	\$ 1,376,302
Accounts receivable, net - billed	3,431,726	735,974	-	4,167,700	-
Accounts receivable, net-unbilled	2,146,544	474,349	-	2,620,893	-
Due from other governments	368,537	392,837	6,141	767,515	274
Interest receivable	25,663	32,627	2,590	60,880	2,583
Restricted cash, deposits	820,793	-	-	820,793	-
Inventories	1,490,726	151,788	-	1,642,514	-
Prepaid assets	2,000	1,430	-	3,430	-
Total current assets	21,139,780	19,173,972	1,389,878	41,703,630	1,379,159
Noncurrent assets:					
Capital assets:					
Land and non-depreciable	18,100	1,511,212	2,336,341	3,865,653	-
Capital assets, net of depreciation	19,974,087	48,791,530	3,117,627	71,883,244	-
Construction in progress	912,631	1,671,684	13,351	2,597,666	-
Total capital assets, net	20,904,818	51,974,426	5,467,319	78,346,563	-
Total assets	\$ 42,044,598	\$ 71,148,398	\$ 6,857,197	\$ 120,050,193	\$ 1,379,159
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 3,760,854	\$ 132,252	\$ 10,411	\$ 3,903,517	\$ 532,857
Interest payable	-	35,870	-	35,870	-
Customer deposits	820,793	-	-	820,793	-
Deferred/prepaid revenues	-	-	55,004	55,004	-
Current portion of compensated absences	93,822	122,059	13,150	229,031	-
Current portion of long-term debt	-	1,081,530	-	1,081,530	-
Total current liabilities	4,675,469	1,371,711	78,565	6,125,745	532,857
Noncurrent liabilities:					
Compensated absences	202,171	173,439	9,698	385,308	-
Other postemployment benefits	85,165	147,786	17,534	250,485	-
Noncurrent portion of long-term debt	-	12,049,676	-	12,049,676	-
Monofill long-term post-closure costs	-	185,109	-	185,109	-
Total noncurrent liabilities	287,336	12,556,010	27,232	12,870,578	-
Total liabilities	4,962,805	13,927,721	105,797	18,996,323	532,857
NET ASSETS					
Invested in capital assets, net of related debt	20,904,818	38,843,220	5,467,319	65,215,357	-
Unrestricted	16,176,975	18,377,457	1,284,081	35,838,513	846,302
Total net assets	\$ 37,081,793	\$ 57,220,677	\$ 6,751,400	101,053,870	\$ 846,302
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(724,972)	
Net assets of business-type activities				<u>\$ 100,328,898</u>	

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	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	\$ 40,248,347	\$ 8,726,509	\$ 254,004	\$ 49,228,860	\$ 3,877,568
Other operating revenues	1,085,750	246,775	-	1,332,525	-
Total operating revenues	<u>41,334,097</u>	<u>8,973,284</u>	<u>254,004</u>	<u>50,561,385</u>	<u>3,877,568</u>
OPERATING EXPENSES					
Electrical operations	3,802,021	-	-	3,802,021	-
Electrical power purchases	36,560,241	-	-	36,560,241	-
Water and sewer treatment and distributions	-	6,540,737	-	6,540,737	-
Civic Center operations	-	-	659,921	659,921	-
Health expenses and insurance claims	-	-	-	-	4,029,394
Depreciation	1,158,020	2,557,529	185,784	3,901,333	-
Total operating expenses	<u>41,520,282</u>	<u>9,098,266</u>	<u>845,705</u>	<u>51,464,253</u>	<u>4,029,394</u>
Operating (loss)	<u>(186,185)</u>	<u>(124,982)</u>	<u>(591,701)</u>	<u>(902,868)</u>	<u>(151,826)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	106,948	140,834	8,632	256,414	10,185
Interest expense	-	(382,516)	-	(382,516)	-
ElectriCities economic incentive/other grants	287,362	20,005	-	307,367	-
State utility tax, net	253,167	-	-	253,167	-
Miscellaneous other	384,984	62,240	1,273	448,497	-
Total nonoperating revenues (expense)	<u>1,032,461</u>	<u>(159,437)</u>	<u>9,905</u>	<u>882,929</u>	<u>10,185</u>
Income (loss) before transfers	<u>846,276</u>	<u>(284,419)</u>	<u>(581,796)</u>	<u>(19,939)</u>	<u>(141,641)</u>
TRANSFERS IN (OUT)					
Transfers - in	-	1,998,945	1,040,236	3,039,181	450,000
Transfers - (out)	(308,237)	(2,546,073)	(27,263)	(2,881,573)	(100,000)
Total transfers	<u>(308,237)</u>	<u>(547,128)</u>	<u>1,012,973</u>	<u>157,608</u>	<u>350,000</u>
Change in net assets	538,039	(831,547)	431,177	137,669	208,359
Net assets, beginning of year	36,543,754	58,052,224	6,320,223	100,916,201	637,943
Net assets, end of year	<u>\$ 37,081,793</u>	<u>\$ 57,220,677</u>	<u>\$ 6,751,400</u>	101,053,870	<u>\$ 846,302</u>
Change in net assets shown above				137,669	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(36,185)</u>	
Change in net assets of business-type activities				<u>\$ 101,484</u>	

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Enterprise Funds				Governmental Activities- Internal Service
	Major		Other	Total	
	Electric Fund	Water and Sewer Fund	Civic Center Fund	Enterprise Funds	
Cash flows from operating activities:					
Cash received from customers	\$ 40,108,439	\$ 8,674,264	\$ 254,004	\$ 49,036,707	\$ 3,877,631
Cash paid for goods and services	(38,601,923)	(3,518,737)	(310,967)	(42,431,627)	(4,097,263)
Cash paid to employees for services	(1,700,469)	(2,951,655)	(353,907)	(5,006,031)	-
Customer deposits received	1,125,055	-	-	1,125,055	-
Customer deposits returned	(1,082,477)	-	-	(1,082,477)	-
Other operating income	1,085,750	246,775	-	1,332,525	-
Net cash provided (used) by operating activities	934,375	2,450,647	(410,870)	2,974,152	(219,632)
Cash flows from noncapital financing activities:					
Non-operating revenue	925,513	82,245	2,987	1,010,745	-
Transfers from other funds	-	1,998,945	1,040,236	3,039,181	450,000
Transfers to other funds	(308,237)	(2,546,073)	(27,263)	(2,881,573)	(100,000)
Net cash provided (used) by noncapital financing activities	617,276	(464,883)	1,015,960	1,168,353	350,000
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(1,710,657)	(548,359)	(159,210)	(2,418,226)	-
Principal paid on long-term debt	-	(1,121,530)	-	(1,121,530)	-
Interest paid on long-term debt	-	(385,923)	-	(385,923)	-
Other and monofill activities	-	3,807	-	3,807	-
Net cash used by capital and related financing activities	(1,710,657)	(2,052,005)	(159,210)	(3,921,872)	-
Cash flows from investing activities:					
Interest on investments	122,619	160,333	8,833	291,785	11,324
Net increase (decrease) in cash and cash equivalents	(36,387)	94,092	454,713	512,418	141,692
Cash and cash equivalents, July 1	13,710,971	17,290,875	926,434	31,928,280	1,234,610
Cash and cash equivalents, June 30	<u>\$ 13,674,584</u>	<u>\$ 17,384,967</u>	<u>\$ 1,381,147</u>	<u>\$ 32,440,698</u>	<u>\$ 1,376,302</u>

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	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)	\$ (186,185)	\$ (124,982)	\$ (591,701)	\$ (902,868)	\$ (151,826)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,158,020	2,557,529	185,784	3,901,333	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(139,908)	(52,245)	-	(192,153)	78
Decrease (increase) in inventory	115,399	(8,319)	-	107,080	-
Decrease in prepaids	-	(1,430)	-	(1,430)	-
(Increase) decrease due to other governments	(305,040)	101,225	(1,625)	(205,440)	(274)
Increase (decrease) in accounts payable and accrued liabilities	214,850	(44,001)	(2,754)	168,095	(67,610)
Increase in customer deposits	42,578	-	-	42,578	-
Increase (decrease) in accrued compensation absences	10,590	(18,902)	(5,530)	(13,842)	-
Increase in other postemployment benefits	24,071	41,772	4,956	70,799	-
Total adjustments	<u>1,120,560</u>	<u>2,575,629</u>	<u>180,831</u>	<u>3,877,020</u>	<u>(67,806)</u>
Net cash provided (used) by operating activities	<u>\$ 934,375</u>	<u>\$ 2,450,647</u>	<u>\$ (410,870)</u>	<u>\$ 2,974,152</u>	<u>\$ (219,632)</u>

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	Pension Trust Fund	Utility Donation Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 148,237	\$ 612
Donation receivable	-	308
Interest receivable	279	1
	<u> </u>	<u> </u>
Total assets	<u>\$ 148,516</u>	<u>\$ 921</u>
LIABILITIES		
Accounts payable	\$ -	-
Payroll payable	-	-
	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>
NET ASSETS		
Reserved for employee's retirement and utility donations	<u>\$ 148,516</u>	<u>\$ 921</u>

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2012

	Pension Trust Fund	Utility Donation Fund
	<u> </u>	<u> </u>
Additions		
Employer Contributions	\$ 145,458	\$ -
Utility Donations	-	4,790
Investment income	66	6
	<u> </u>	<u> </u>
Total additions	<u>145,524</u>	<u>4,796</u>
Deductions		
Employee Benefits	144,243	-
Customer Assistance	-	4,926
	<u> </u>	<u> </u>
Total Deductions	<u>144,243</u>	<u>4,926</u>
Change in net assets	1,281	(130)
Net assets, beginning of year	<u>147,235</u>	<u>1,051</u>
Net assets, end of year	<u><u>\$ 148,516</u></u>	<u><u>\$ 921</u></u>

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CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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
For the Fiscal Year Ended June 30, 2012

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 fund:

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, sanitation, recreation and parks, and general government.

Propriety funds' operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings. The City reports the following major 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 non-major funds:

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

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

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

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

The City reports the following fund types:

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

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

Government-wide, 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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

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

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 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 2010 through February 2012 apply to the fiscal year ended June 30, 2012. 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.

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 City Council authorizes the City Manager to approve transfers between departments of the same fund with an official written notification to the City Council. 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
For the Fiscal Year Ended June 30, 2012

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, 2012, the General Fund, excluding project funds, had outstanding encumbrances of \$1,188,035. The enterprise funds outstanding encumbrances of \$4,008,887 and project funds had \$2,836,565 in outstanding encumbrances. These encumbrances outstanding are not reported in the fund balance section of the Balance Sheet – Governmental Funds. Encumbrances are re-appropriated 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.

In accordance with State law, The City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

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

3. Restricted assets

Restricted assets are those funds that are held as deposits for future action of a third party. Currently the City presents as restricted assets the utility deposits held by the Electric Fund. The unexpended commercial loan proceeds issued by the governmental funds are presented as restricted assets because their use is restricted to the purpose for which the loans were originally issued. As of June 30, 2012 the total unexpended loan funds was \$1,244,488.

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 1st, 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, 2011.

5. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were off in prior years.

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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

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

Capital Assets *(cont'd)*

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

Asset Class	Estimated Useful Lives
Buildings	40 years
Infrastructure	50 years
Vehicles	6-10 years
Substations and distribution system	20-40 years
Other improvements	25 years

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

Asset Class	Estimated Useful Lives
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, 2012.

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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

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

9. Compensated Absences *(cont'd)*

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.

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.

Fund Balances

In accordance with GASB 54, the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

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

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid Items - portion of fund balance that is not an available resource because it represents the prepaid items for the next year's expenditures.

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

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for public safety – fund balance that is restricted for drug seizures funds, police grants, and for fire equipment loan proceeds.

Restricted for transportation – fund balance that is restricted for streetscape and airport grants.

Restricted for economic development – fund balance that is restricted for home program (HUD) and occupancy tax funds.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

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

10. Net Assets/Fund Balances *(cont'd)*

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Statesville’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. The City Council currently has not committed any fund balance from the General Fund. All special revenue and project funds are considered committed funds.

Assigned Fund Balance – portion of fund balance that City of Statesville intends to use for specific purposes. Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. That portion of total fund balance that is available for appropriation which is uncommitted at year end.

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, 2012 the City's deposits had a carrying amount of \$10,386,633 and a bank balances of \$17,166,861. Certificate of deposits of \$8,500,000 and loan proceeds of \$1,445,489 are included in the City's carrying amount of \$10,386,623. Commercial Paper owned and booked by the City on June 29, 2012 but delayed by bank until July 2, 2012 are included in the bank balance. The City maintained \$3,375 in petty cash and other funds. Of the bank balance, \$1,250,000 was covered by federal depository insurance, and \$9,136,623 was covered by collateral held under the Pooling Method.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

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

Deposits (cont'd)

At June 30, 2012 the ABC Board's deposits had a carrying amount of \$423,540 and a bank balance of \$364,433. 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, 2012, the Statesville Convention and Visitors Bureau's deposits had a carrying amount of \$16,379 and a bank balance of \$16,953 all of which was covered by federal depository insurance. The Bureau also maintained \$50 in petty cash.

2. **Investments**

As of June 30, 2012, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-2 Years</u>	<u>More Than 2 Years</u>
US Government Treasuries	\$ 4,003,580	\$ 1,001,490	\$ 1,003,010	\$ 1,999,080
US Government Agencies	22,086,790	1,020,760	-	21,066,030
Commercial Paper	13,938,523	13,938,523	-	-
NCCMT - Cash Portfolio	16,361,070	N/A	N/A	N/A
Total:	\$ 56,389,963	\$ 15,960,773	\$ 1,003,010	\$ 23,065,110

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. The City has an adopted formal investment portfolio management policy.

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, 2012. 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 AA+ 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. Federal agencies are unlimited on fixed security with no more than 20% of portfolio in a single agency (\$5 million if portfolio under \$25 million) – no more than \$20 million in non-fixed securities. More than 33.65% of the City's investments are in Federal Farm Credit Bank-15.28%, Federal Home Loan Bank-1.57%, Federal Home Loan Mortgage Corporation-3.06% and Federal National Mortgage Association-13.74%.

At June 30, 2012, the Statesville Convention and Visitors Bureau had \$146,521 invested with the North Carolina Capital Management Trust's Cash Portfolio. The City of Statesville ABC Board had no investments.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

II. DETAIL NOTES ON ALL FUNDS

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

3. **Receivables**

Receivables at the government-wide level at June 30, 2012 were as follows:

	Accounts Receivable	Taxes and Related Accrued Interest	Due from Other Governments	Total
Governmental activities:				
General	\$ 944,483	\$ 1,287,394	\$ 2,179,428	\$ 4,411,305
Other governmental	-	-	127,670	127,670
Total receivables	<u>944,483</u>	<u>1,287,394</u>	<u>2,307,098</u>	<u>4,538,975</u>
Allowance for doubtful accounts	<u>(594,250)</u>	<u>(272,395)</u>	<u>-</u>	<u>(866,645)</u>
Total governmental activities	<u>\$ 350,233</u>	<u>\$ 1,014,999</u>	<u>\$ 2,307,098</u>	<u>\$ 3,672,330</u>
Business-type activities:				
Electric	\$ 5,879,954	\$ -	\$ 368,537	\$ 6,248,491
Water and sewer	1,592,939	-	392,837	1,985,776
Civic Center	-	-	6,141	6,141
Total receivables	<u>7,472,893</u>	<u>-</u>	<u>767,515</u>	<u>8,240,408</u>
Allowance for doubtful accounts	<u>(684,300)</u>	<u>-</u>	<u>-</u>	<u>(684,300)</u>
Total business-type activities:	<u>\$ 6,788,593</u>	<u>\$ -</u>	<u>\$ 767,515</u>	<u>\$ 7,556,108</u>

Amounts due from governmental agencies consist of the following:

	Other Govt	State	Total
Governmental activities:			
Sales and use tax distribution	\$ -	\$ 1,314,137	\$ 1,314,137
Sales tax refund	-	249,247	249,247
Franchise, solid waste and telecommunication tax	-	460,216	460,216
Grants receivable	-	155,828	155,828
Other government	<u>127,670</u>	<u>-</u>	<u>127,670</u>
Total governmental activities	<u>\$ 127,670</u>	<u>\$ 2,179,428</u>	<u>\$ 2,307,098</u>
Business-type activities:			
Sales tax refund	\$ -	\$ 428,459	\$ 428,459
Loan and grants receivable	<u>319,050</u>	<u>20,006</u>	<u>339,056</u>
Total business-type activities:	<u>\$ 319,050</u>	<u>\$ 448,465</u>	<u>\$ 767,515</u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

A. Assets (cont'd)

4. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

Governmental activities:	<u>7/1/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>06/30/12</u>
Capital assets not being depreciated:					
Land	\$ 18,534,916	\$ 27,474	\$ -	\$ -	\$ 18,562,390
Construction in progress	<u>15,330,629</u>	<u>5,939,521</u>	<u>-</u>	<u>(1,786,509)</u>	<u>19,483,641</u>
Total capital assets not being depreciated	<u>33,865,545</u>	<u>5,966,995</u>	<u>-</u>	<u>(1,786,509)</u>	<u>38,046,031</u>
Capital assets being depreciated:					
Buildings and other improvements	17,458,490	50,000	-	1,909,759	19,418,249
Airport improvements	11,493,268	-	-	-	11,493,268
Street improvements	26,403,040	-	-	(773,333)	25,629,707
Equipment and vehicles	<u>14,824,918</u>	<u>580,983</u>	<u>268,163</u>	<u>650,083</u>	<u>15,787,821</u>
Total capital assets being depreciated:	<u>70,179,716</u>	<u>630,983</u>	<u>268,163</u>	<u>1,786,509</u>	<u>72,329,045</u>
Less accumulated depreciation for:					
Buildings and other improvements	5,368,556	457,689	-	45,311	5,871,556
Airport improvements	3,188,507	591,302	-	-	3,779,809
Street improvements	15,683,104	977,984	-	-	16,661,088
Equipment and vehicles	<u>9,799,338</u>	<u>791,020</u>	<u>245,606</u>	<u>(45,311)</u>	<u>10,299,441</u>
Total accumulated depreciation	<u>34,039,505</u>	<u>\$2,817,995</u>	<u>\$ 245,606</u>	<u>\$ -</u>	<u>36,611,894</u>
Total capital assets being depreciated, net	<u>36,140,211</u>				<u>35,717,151</u>
Governmental activity capital assets, net	<u>\$ 70,005,756</u>				<u>\$73,763,182</u>

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

Governmental Functions:

General government	\$ 161,632
Public safety	451,814
Transportation	1,680,752
Environmental protection	114,892
Culture and recreation	<u>408,905</u>

Total depreciation expense governmental functions \$2,817,995

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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:

	<u>7/1/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>06/30/12</u>
Electric Fund:					
Capital assets not being depreciated:					
Land	\$ 18,100	\$ -	\$ -	\$ -	\$ 18,100
Construction work in progress	206,713	705,918	-	-	912,631
Total assets not being depreciated	<u>224,813</u>	<u>705,918</u>	<u>-</u>	<u>-</u>	<u>930,731</u>
Capital assets being depreciated:					
Plant in service	35,759,512	1,076,764	306,979	-	36,529,297
Equipment	1,726,444	76,290	23,770	-	1,778,964
Total capital assets being depreciated:	<u>37,485,956</u>	<u>1,153,054</u>	<u>330,749</u>	<u>-</u>	<u>38,308,261</u>
Less accumulated depreciation for:					
Plant in service	16,413,668	1,020,363	158,664	-	17,275,367
Equipment	944,921	137,656	23,770	-	1,058,807
Total accumulated depreciation	<u>17,358,589</u>	<u>\$ 1,158,019</u>	<u>\$ 182,434</u>	<u>\$ -</u>	<u>18,334,174</u>
Total capital assets being depreciated, net	<u>20,127,367</u>				<u>19,974,087</u>
Total Electric Fund capital assets, net	<u>\$ 20,352,180</u>				<u>\$ 20,904,818</u>
Water and Sewer Fund:					
Capital assets not being depreciated:					
Land	\$ 1,511,212	\$ -	\$ -	\$ -	\$ 1,511,212
Construction work in progress	1,555,875	115,809	-	-	1,671,684
Total assets not being depreciated	<u>3,067,087</u>	<u>115,809</u>	<u>-</u>	<u>-</u>	<u>3,182,896</u>
Capital assets being depreciated:					
Plant in service	94,669,943	194,763	-	(138,779)	94,725,927
Equipment	3,633,619	259,701	182,227	138,779	3,849,872
Total capital assets being depreciated:	<u>98,303,562</u>	<u>454,464</u>	<u>182,227</u>	<u>-</u>	<u>98,575,799</u>
Less accumulated depreciation for:					
Plant in service	44,802,563	2,359,776	-	-	47,162,339
Equipment	2,584,490	197,754	160,314	-	2,621,930
Total accumulated depreciation	<u>47,387,053</u>	<u>\$ 2,557,530</u>	<u>\$ 160,314</u>	<u>\$ -</u>	<u>49,784,269</u>
Total capital assets being depreciated, net	<u>50,916,509</u>				<u>48,791,530</u>
Total Water and Sewer Fund capital assets, net	<u>\$ 53,983,596</u>				<u>\$ 51,974,426</u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

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

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

	7/1/2011	Additions	Retirements	Transfers	06/30/12
Civic Center Fund:					
Capital assets not being depreciated:					
Land	\$ 1,931,359	\$ 69,157	\$ -	\$ -	\$ 2,000,516
Fresco	335,825	-	-	-	335,825
Construction work in progress	-	13,351	-	-	13,351
	2,267,184	82,508	-	-	2,349,692
Capital assets being depreciated:					
Buildings	4,447,739	-	-	-	4,447,739
Improvements	147,107	-	-	-	147,107
Equipment	286,702	74,990	-	-	361,692
	4,881,548	74,990	-	-	4,956,538
Less accumulated depreciation for:					
Buildings	1,346,675	148,258	-	-	1,494,933
Improvements	89,081	9,807	-	-	98,888
Equipment	217,371	27,719	-	-	245,090
	1,653,127	\$ 185,784	\$ -	\$ -	1,838,911
Total accumulated depreciation	1,653,127	\$ 185,784	\$ -	\$ -	1,838,911
Total capital assets being depreciated, net	3,228,421				3,117,627
Total Civic Center Fund capital assets, net	5,495,605				5,467,319
Business-type activities capital assets, net	\$ 79,831,381				\$ 78,346,563

Construction Commitments:

The government has active construction projects as of June 30, 2012. At year end, the government's commitments with contractors are as follows:

Vendor	Amount	Description of construction project
Two Way Radio of Carolina	\$79,955	Radio tower equipment
Maymead Inc.	\$102,504	Street paving
Kimley-Horn & Associates	\$69,900	Greenway design
Eaton Corporation	\$312,900	Electric substation construction
Williams Electric	\$134,824	Relocate electric lines NCDOT project I-40/I-77
Altec Industries, Inc.	\$191,902	Electric bucket truck
NCDOT project 1-40/I77	\$1,471,604	Relocate water and sewer, and sidewalk
Maymead Inc.	\$997,255	Downtown streetscape project
McGill Associates PA	\$866,225	Design expansion of Third Creek Wastewater Treatment Plant

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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, 2012 was as follows:

	<u>7/1/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>06/30/12</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	310,639	-	-	-	310,639
Intangibles	4,052	-	-	-	4,052
Total capital assets being depreciated:	<u>1,981,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,981,825</u>
Less accumulated depreciation for:					
Paving	17,666	-	-	-	17,666
Buildings	280,596	43,543	-	-	324,139
Furniture and equipment	158,498	23,206	-	-	181,704
Intangibles	135	810	-	-	945
Total accumulated depreciation	<u>456,895</u>	<u>\$ 67,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>524,454</u>
Total ABC capital assets, net	<u>\$ 1,759,980</u>				<u>\$ 1,692,421</u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2012 were as follows:

	Vendors	Salaries & Benefits	Accrued IBNR	Total
All governmental activities	\$918,064	\$468,528	\$ 483,819	\$1,870,411
Business-type activities:				
Electric	\$3,723,767	\$37,087	\$ ---	\$3,760,854
Water & sewer	84,058	48,194	---	132,252
Civic Center	5,830	4,581	---	10,411
Total business-type activities	\$3,813,153	\$89,863	\$ ---	\$3,903,517

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 6.980% and for law enforcement officers is 7.040%, 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, 2012, 2011 and 2010 were \$1,179,765, \$1,094,022, and \$798,784 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2012, 2011 and 2010 were \$25,919, \$24,326, and \$13,368 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
For the Fiscal Year Ended June 30, 2012

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, 2010, the Separation Allowance's membership consisted of:

	<u>City</u>	<u>ABC Board</u>
Retirees receiving benefits	10	1
Active plan members	<u>78</u>	<u>0</u>
Total	<u>88</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. For the current year the ABC paid \$22,168 in benefits. 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 are in United States government agency securities, commercial paper, and the North Carolina Capital Management is 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
For the Fiscal Year Ended June 30, 2012

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 did not fund annual required contribution. 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, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. The inflation component was 3.00%. 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, 2011 was 19 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. 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	\$ 136,915
Interest on net pension asset	(41,493)
Adjustment to annual required contribution	<u>49,505</u>
Annual pension cost	144,927
Employer contributions made for fiscal year	<u>144,350</u>
Increase (decrease) in net pension assets	(577)
Net pension assets, July 1, 2011	<u>829,860</u>
Net pension assets, June 30, 2012	<u><u>\$829,283</u></u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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	Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended
June 30, 2010	\$96,766	169.11%	\$970,803
June 30, 2011	\$140,943	000.00%	\$829,860
June 30, 2012	\$144,927	99.60%	\$829,283

5) Funded Status and Funding Progress.

As of December 31 2011, 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 \$1,200,471. The covered payroll (annual payroll of active employees covered by the plan) was \$3,471,257, and the ratio of the UAAL to the covered payroll was 34.58 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, 2012, were \$335,910, which consisted of \$174,466 from the City and \$161,444 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, 2012 did not report contributions.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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, 2012, the City has recognized on-behalf-of payments for pension contributions made by the state as revenue and an expenditure of \$382 for 72 fire department employees who perform firefighting duties for the City's fire department.

3. Other Postemployment Benefits (OPEB)

a. Healthcare Benefits

Plan Description. The City is required to perform an OPEB actuary every two years. This is the third year and the information presented below is from the December 31, 2010 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, 2010, 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 as determined by the third party administrator. 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. Retired employee members are 13 and active employee's membership of the HCB Plan consisted of the following at December 31, 2010, the date of the latest actuarial valuation:

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

B. Liabilities *(cont'd)*

Other Postemployment Benefits (OPEB) *(cont'd)*

a. Healthcare Benefits (cont)

Description	General Government	Business-type Activities	Law Enforcement
Terminated plan members entitled to but not receiving benefits	0	0	0
Active plan members	<u>230</u>	<u>86</u>	<u>78</u>
Total	<u>230</u>	<u>86</u>	<u>78</u>

Funding Policy. The City does not fund the ARC. The City does not offer additional retirees health benefits beyond allowing them to participate in the City's group health plan at current rates. The current ARC rate is 1.77% of annual covered payroll.

Summary of Significant Accounting Policies. Postemployment expenditures for retirees are made from the Group Health Self-insurance fund, 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. See note 5 for more detail on the City's Group Health Plan.

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:

Annual OPEB Cost and Net OPEB Obligation for Fiscal Year Ending 06/30/2012

(a) Employer annual required contribution	\$ 288,504
(b) Valuation Discount Rate	4.00%
(c) Interest on Net OPEB Obligation: (b)*(i)	29,803
(d) Amortization Factor	26.1695
(e) Adjustment to Annual Required Contribution: (i)/(d)	<u>17,416</u>
(f) Annual OPEB Cost: (a)+(c)-(e)	300,891
(g) Employer Contributions made for Fiscal Year Ending 06/30/2012	<u>-</u>
(h) Increase (decrease in Net OPEB Obligation: (f)-(g)	\$ 300,891
(i) Net OPEB Obligation Beginning of Fiscal Year	<u>745,083</u>
(j) Net OPEB Obligation End of Fiscal Year: (h)+(i)	<u>\$ 1,045,974</u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

B. Liabilities *(cont'd)*

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

a. Healthcare Benefits (cont)

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation at End of Year
6/30/2010	\$227,882	0.00%	\$ 455,764
6/30/2011	\$227,882	0.00%	\$ 745,083
6/30/2012	\$289,319	0.00%	\$1,045,974

Funded Status and Funding Progress. As of December 31, 2010, the plan was not funded 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 \$2,968,543. The covered payroll (annual payroll of active employees covered by the plan) was \$16,313,035, and the ratio of the UAAL to the covered payroll was 18.2 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.

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, 2010 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 3.00 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, 2010, was 30 years.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

B. Liabilities *(cont'd)*

3. Other Employee Benefits

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. 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, 2012, the City made contributions to the State for death benefits of \$18,265. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .10% 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.

4. Deferred / Unearned Revenues – (General Fund only)

The balance in the deferred/unearned revenues at year end is comprised of the following elements less accrued accounts receivable for tipping and fire inspection fees of \$29,077:

	Deferred Revenues	Unearned Revenues
Prepaid licenses, services and fees	\$ --	\$259,455
Prepaid taxes	--	20,462
Taxes receivable (net)	846,887	--
Accounts receivable-deferred	186,794	--
Total deferred revenues	\$1,133,681	\$279,917

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 \$4 million per occurrence, property coverage of \$102,153,268 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
For the Fiscal Year Ended June 30, 2012

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

B. Liabilities *(cont'd)*

5. Risk Management *(cont'd)*

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 \$150,000 per covered employee/dependent per policy term. Claims greater than \$150,000 per covered employee/dependent per policy term, and those in excess of the aggregate stop loss of 125% 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 \$350,969 reported in the fund at June 30, 2012 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 \$350,969 claims liability represents total estimated claims incurred but not reported (IBNR), as provided by the plan administrator's actuary.

	June 30	
	2012	2011
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 393,496	\$ 353,214
Add:		
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year including IBNR	3,355,999	3,215,759
Less:		
Claims and adjustment expenses attributable to insured events current and prior years	3,398,526	3,175,477
Total Claims Liability	\$ 350,969	\$ 393,496

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 \$132,850 reported in the fund at June 30, 2012 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 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 \$132,850 claims liability represents total estimated claims incurred but not reported (IBNR), as provided by the plan administrator's actuary.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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 2012	June 30 2011
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 184,483	\$ 120,164
Add:		
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year including IBNR	179,828	250,047
Less:		
Claims and adjustment expenses attributable to insured events current and prior years	231,461	185,728
Total Claims Liability	\$ 132,850	\$ 184,483

6. Claims and Judgments

At June 30, 2012, 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

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

- 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.

Serviced by the Water and Sewer Fund:

Water and sewer serial bonds, issued December 1, 1996, Final installment of \$80,000 due on June 1, 2013 plus interest at 4.90%.	\$80,000
<i>Total General Obligation Bonds</i>	80,000

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

B. Liabilities *(cont'd)*

7. Long-Term Obligations *(cont'd)*

b. Notes Payable

Serviced by the General Fund:

Original issue \$7,000,000, Recovery Zone Economic Development bonds payable to Branch Banking & Trust Company (BB&T) in 10 annual installments of \$700,000 beginning in December 16, 2011 through 2020 plus interest at 3.50 percent. The City receives a subsidy of 45 percent of interest cost from the Federal Government reducing the effective interest rate to 1.93 percent. The note is secured by a Deed of Trust. 6,300,000

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. 1,557,600

3.30% note payable to PNC Bank formerly 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. 990,000

Total general governmental notes payable 8,847,600

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. 1,500,000

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. 1,357,430

Serviced by the Water and Sewer Fund (cont'd):

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. 10,193,777

Total North Carolina Drinking Water State Revolving 13,051,207

Total Outstanding Debt \$21,978,807

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

B. Liabilities *(cont'd)*

7. Long-Term Obligations *(cont'd)*

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
<u>Governmental activities:</u>						
2013	\$ -	\$ -	\$ 1,224,700	\$ 313,867	\$ 1,224,700	\$ 313,867
2014	-	-	1,224,700	268,684	1,224,700	268,684
2015	-	-	1,224,700	223,500	1,224,700	223,500
2016	-	-	894,700	183,717	894,700	183,717
2017	-	-	894,700	149,424	894,700	149,424
2018-2020	-	-	3,384,100	254,760	3,384,100	254,760
	-	-	8,847,600	1,393,952	8,847,600	1,393,952
<u>Business-type activities - Water and Sewer Fund:</u>						
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	-	-	1,001,530	268,683	1,001,530	268,683
2017	-	-	1,001,530	241,873	1,001,530	241,873
2018-2022	-	-	5,007,648	807,219	5,007,648	807,219
2023-2026	-	-	3,035,910	197,223	3,035,910	197,223
	80,000	4,000	13,051,207	2,481,908	13,131,207	2,485,908
	<u>\$ 80,000</u>	<u>\$ 4,000</u>	<u>\$ 21,898,807</u>	<u>\$ 3,875,860</u>	<u>\$ 21,978,807</u>	<u>\$ 3,879,860</u>

At June 30, 2012, the City of Statesville's legal debt margin is \$235,459,306.

The ABC Board's annual report dated June 30, 2012 reported the following outstanding long-term debt:

The ABC Board has a note payable with a bank secured by real estate. At June 30, 2012 the outstanding balance was \$868,055. Monthly payments of principal and interest are \$5,539 per month. The note bears interest rate of 4.125% per annum. Maturity is May 24, 2016.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

B. Liabilities *(cont'd)*

7. Long-Term Obligations *(cont'd)*

The ABC Board has a line of credit with a bank secured by real estate. At June 30, 2012 the outstanding balance was \$180,867. The note requires monthly payments of interest only at 4.125%. The revolving line of credit bears interest rate of 4.125% per annum. The maturities are as follows:

2013	\$211,618
2014	\$ 32,066
2015	\$ 33,641
2016	\$771,813

The ABC Board's accumulated vacation at June 30, 2012 was \$51,269. The current portion of the accumulated vacation pay is not considered material. The CVB's accumulated vacation at June 30, 2012 was \$462.

The following is a summary of changes in general long-term debt for the fiscal year ended June 30, 2012:

	Balances			Balances		
	07/01/11	Additions	Decreases	06/30/12	Current Portion of Balance	Long-term Portion of Balance
Governmental activities:						
General obligation debt	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ -	\$ -
Notes Payable	10,072,300	-	1,224,700	8,847,600	1,224,700	7,622,900
Compensated absences	2,014,021	703,634	674,896	2,042,759	689,265	1,353,494
OPEB Obligation	565,397	230,095	-	795,492	-	795,492
Total governmental activities:	\$ 12,676,718	\$ 933,729	\$ 1,924,596	\$ 11,685,851	\$ 1,913,965	\$ 9,771,886
Business-type activities:						
Electric Fund:						
Compensated absences	\$ 285,402	\$ 99,117	\$ 88,526	\$ 295,993	\$ 93,822	\$ 202,171
OPEB Obligation	61,094	24,071	-	85,165	-	85,165
Total Electric Fund	\$ 346,496	\$ 123,188	\$ 88,526	\$ 381,158	\$ 93,822	\$ 287,336
Water and Sewer Fund						
General obligation debt	\$ 200,000	\$ -	\$ 120,000	\$ 80,000	\$ 80,000	\$ -
Notes payable	14,052,736	-	1,001,530	13,051,206	1,001,530	12,049,676
Monofill dosure	181,302	3,807	-	185,109	-	185,109
Compensated absences	314,400	112,608	131,510	295,498	122,059	173,439
OPEB Obligation	106,014	41,772	-	147,786	-	147,786
Total Water and Sewer Fund:	\$ 14,854,452	\$ 158,187	\$ 1,253,040	\$ 13,759,599	\$ 1,203,589	\$ 12,556,010
Civic Center Fund						
Compensated absences	\$ 28,378	\$ 10,385	\$ 15,915	\$ 22,848	\$ 13,150	\$ 9,698
OPEB Obligation	12,578	4,956	-	17,534	-	17,534
Total Civic Center Fund	\$ 40,956	\$ 15,341	\$ 15,915	\$ 40,382	\$ 13,150	\$ 27,232
Total business-type activities	\$ 15,241,904	\$ 296,716	\$ 1,357,481	\$ 14,181,139	\$ 1,310,561	\$ 12,870,578

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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 at June 30, 2012 consist of the following:

From the Electric Fund to the General Fund for payment in lieu of taxes.	\$ 280,237
From the Water and Sewer Fund to the General Fund for payment in lieu of taxes.	498,540
From the Civic Center Fund to the General Fund for payment in lieu of taxes.	21,500
From the Occupancy Tax Fund to the General Fund for administration.	17,000
From SIGI Fund to the General Fund refund of match	538
From Drug Enforcement Fund to the General Fund for capital and other.	58,069
From General Capital Reserve to General Fund debt service	1,071,191
From the General Fund to Group Health Fund	267,649
From the Electric Fund to Group Health Fund	28,000
From the Water and Sewer Fund to Group Health Fund	48,588
From the Civic Center Fund to Group Health Fund	5,763
From Property and Liability Fund to Group Health Fund	100,000
From the General Fund to City Hall Renovation Fund	91,000
From the General Fund to Streetscape Fund	13,000
From the General Fund to Airport Improvement Fund	8,334
From the General Fund to Home Consortium/CDBG Fund	24,722
From the General Fund to Traffic Safety Fund	57,633
From the General Fund to General Capital Reserve Fund	125,000
From the Water and Sewer Fund to Water and Sewer Capital Reserve Fund	206,421
From the Water and Sewer Fund to Third Creek WWTP Fund	339,800
From Occupancy Tax Fund to the Civic Center Fund	1,040,236
From the Water and Sewer Capital Reserve Fund to the Water and Sewer Fund	1,452,724
	<u>\$ 5,755,945</u>

Interfund loans June 30, 2012 consist of the following:

From Home Program to Home Consortium	<u>\$ 85,676</u>
	<u>\$ 85,676</u>

D. Revenue, Expenditures and Expenses

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

For the fiscal year ended June 30, 2012, the City has recognized on-behalf-of payments for pension contributions made by the state as revenue and an expenditure of \$382 for 72 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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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 eighteen other municipalities. Each municipality appoints one commissioner to the Agency's governing board.

The Agency outstanding long-term debt as of December 31, 2010 was \$1,606,455,000. 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, 2012 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 \$5,765 to the COG during the fiscal year ended June 30, 2012.

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 lighting 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 have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2012. 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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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, 2012 is \$185,302 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, 2012 was \$3,807. 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 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.)

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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. FUND BALANCE

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance-General Fund	\$ 23,087,206
Less:	
Prepaid items	2,470
Inventory	26,497
Stabilization by State Statute	3,384,316
Subsequent year's appropriation	270,292
Unassigned fund balance	19,403,631

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The following information is also found in the budgetary data section of the financial notes regarding the City's budgetary policy. At June 30, 2012, the General Fund, excluding non-major funds, had outstanding encumbrances of \$1,188,035. Non-major funds had \$2,836,565 in outstanding encumbrances and the enterprise funds outstanding encumbrances of \$4,008,887. These encumbrances outstanding are not reported in the fund balance section of the Balance Sheet – Governmental Funds or enterprise funds. Encumbrances are re-appropriated in the subsequent fiscal year since appropriations lapse at year end.

CITY OF STATESVILLE, NORTH CAROLINA
REQUIRED SUPPLEMENTARY
FINANCIAL INFORMATION
For the Fiscal Year Ended June 30, 2012

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, 2012

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%
12/31/2010	220,111	1,393,328	1,173,217	15.80%	3,470,854	33.80%
12/31/2011	150,901	1,351,372	1,200,471	11.17%	3,471,257	34.58%

CITY OF STATESVILLE, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
June 30, 2012

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	155.31%	163,637
2011	137,509	0.00%	-
2012	142,077	101.60%	144,350

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, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.5 – 7.85%
*Includes inflation at	3.00%
Cost-of-living adjustment	N/A

CITY OF STATESVILLE, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFIT OBLIGATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2012

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%
12/31/2010	\$ -	\$ 2,968,534	\$ 2,968,534	0.00%	\$ 16,313,035	18.20%

**CITY OF STATESVILLE, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFIT OBLIGATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
June 30, 2012**

Year Ended June 30	Annual Required Contribution	Annual Percentage Contributed	City Actual
2008	\$ 227,882	0.00%	\$ -
2009	\$ 227,882	0.00%	\$ -
2011	\$ 288,504	0.00%	\$ -
2012	\$ 288,504	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, 2010
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	2018
*Includes inflation at	3.00%

Updated actuary required for fiscal year ending June 30, 2013.

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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, 2012

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Ad valorem property taxes:			
Ad valorem taxes (city-wide)	\$ 10,708,530	\$ 10,759,155	\$ 50,625
Prior year ad valorem taxes (city-wide)	260,000	366,927	106,927
Ad valorem taxes (special district)	97,214	101,220	4,006
Penalties and interest	84,414	82,853	(1,561)
Total ad valorem property taxes	<u>11,150,158</u>	<u>11,310,155</u>	<u>159,997</u>
Other taxes and licenses:			
Gross receipt tax	29,000	36,016	7,016
Local sales tax	4,940,000	5,105,479	165,479
Hold harmless	175,000	210,930	35,930
Privilege licenses	382,000	341,000	(41,000)
Total other taxes and licenses	<u>5,526,000</u>	<u>5,693,425</u>	<u>167,425</u>
Unrestricted intergovernmental revenues:			
Payments in lieu of taxes	15,000	14,785	(215)
Utility franchise tax	1,300,000	1,373,929	73,929
State beer and wine tax	101,100	106,728	5,628
Telecommunication tax	320,000	343,779	23,779
Video programming tax	170,000	151,485	(18,515)
ABC Liquor by the drink	50,000	79,032	29,032
ABC profit distribution	25,000	46,528	21,528
Tax refunds	-	38	38
Total unrestricted intergovernmental	<u>1,981,100</u>	<u>2,116,304</u>	<u>135,204</u>
Restricted intergovernmental:			
Powell Bill allocation	700,200	716,609	16,409
Solid waste tax	12,950	16,819	3,869
Firefighter grant (SAFER)	55,500	55,984	484
On-behalf-of-payments - fire	25,000	27,515	2,515
NC Governor's Crime Commission	58,702	54,601	(4,101)
Other state and federal grants	45,091	49,806	4,715
Federal interest subsidy for debt interest	144,400	144,401	1
Carolina Thread Trail	75,000	75,000	-
Total restricted intergovernmental	<u>1,116,843</u>	<u>1,140,735</u>	<u>23,892</u>
Permits and fees:			
Recycling Revenue	10,000	21,804	11,804
Street cut permits	300	75	(225)
Planning and zoning fees	20,000	23,968	3,968
Housing inspection fees	-	150	150
Court fees	25,000	23,324	(1,676)
Grave fees	75,000	99,370	24,370
Parking violations	20,000	17,985	(2,015)
Civil citations	10,000	13,862	3,862
Nuisance abatements	10,000	5,440	(4,560)
Tipping fees	320,000	266,286	(53,714)
Fire inspection fees	75,000	81,781	6,781
Appearance Commission	-	280	280
Total permits and fees	<u>565,300</u>	<u>554,325</u>	<u>(10,975)</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, 2012

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES (Continued):			
Sales and services:			
Sale of capital assets	20,000	27,418	7,418
Internal charges	6,400	7,779	1,379
Statesville Housing Authority police protection	53,757	51,440	(2,317)
School System resource police officers	155,612	155,612	-
Recreation-General	190,000	149,243	(40,757)
Recreation-Fitness/Activity Center	300,000	316,659	16,659
Recreation-Pool sales	140,000	153,777	13,777
Civic Center sales	17,000	17,670	670
Airport rent	158,000	164,862	6,862
Iredell County-cost sharing airport	184,125	184,125	-
Fueling flow fees	125,000	157,896	32,896
Sale of cemetery lots	55,000	66,500	11,500
Sale of material and labor	-	580	580
Total sales and services	1,404,894	1,453,561	48,667
Investment earnings:			
Earned interest	290,000	175,438	(114,562)
Miscellaneous:			
Insurance proceeds	20,038	32,099	12,061
Donations	134,000	134,000	-
Miscellaneous other	15,000	29,058	14,058
Total miscellaneous	169,038	195,157	26,119
Total revenues	22,203,333	22,639,100	435,767
EXPENDITURES:			
General government:			
Mayor and council:			
Salaries and employee benefits		85,998	
Professional services		8,857	
Operating expenditures		64,206	
Reimbursement from other funds		(76,661)	
Total Mayor and council	115,073	82,400	32,673
City manager			
Salaries and employee benefits		275,220	
Professional services		3,333	
Operating expenditures		23,871	
Reimbursement from other funds		(124,897)	
Total City manager	191,578	177,527	14,051

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, 2012

	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
General government (continued):			
City clerk:			
Salaries and employee benefits		53,528	
Operating expenditures		58,988	
Reimbursement from other funds		(55,568)	
Total City clerk	79,317	56,948	22,369
Finance department:			
Salaries and employee benefits		1,168,838	
Professional services		58,561	
Operating expenditures		580,407	
Capital outlay		14,119	
Reimbursement from other funds		(1,126,751)	
Total Finance department	815,938	695,174	120,764
Human resources:			
Salaries and employee benefits		365,073	
Professional services		19,015	
Operating expenditures		76,686	
Reimbursement from other funds		(161,174)	
Total Personnel	319,564	299,600	19,964
Legal:			
Professional services		72,942	
Reimbursement from other funds		(21,530)	
Total Legal	72,970	51,412	21,558
Planning and zoning:			
Salaries and employee benefits		583,981	
Professional services		856	
Operating expenditures		174,884	
Total Planning and zoning	861,109	759,721	101,388
Main Street:			
Operating expenditures		138,378	
Capital outlay		5,475	
Total Main Street	149,762	143,853	5,909

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, 2012

	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
General government (continued):			
Public works and engineering:			
Salaries and employee benefits		366,784	
Professional services		10,037	
Operating expenditures		76,112	
Reimbursement from other funds		(110,681)	
Total Public works and engineering	454,351	342,252	112,099
Garage:			
Salaries and employee benefits		448,407	
Operating expenditures		80,791	
Reimbursement from other funds		(265,585)	
Total Garage	285,745	263,613	22,132
Warehouse:			
Salaries and employee benefits		36,835	
Operating expenditures		70,900	
Capital outlay land		50,000	
Reimbursement from other funds		(62,591)	
Total Warehouse	102,864	95,144	7,720
General expense:			
Capital outlay land	657,000	28,434	
Non-depreciable	52,500	44,925	
Total General expense	709,500	73,359	636,141
Special appropriations:			
Arts council	3,325	3,325	
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	82,786	82,786	-
Total general government	4,240,557	3,123,789	1,116,768

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, 2012

	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
Public safety:			
Police:			
Salaries and employee benefits		5,714,586	
Professional services		10,879	
Operating expenditures		903,765	
Total Police	7,206,230	6,629,230	577,000
Fire service:			
Salaries and employee benefits		3,998,302	
Professional services		11,128	
Operating expenditures		564,481	
Capital outlay		355,399	
Total Fire service	4,982,047	4,929,310	52,737
Total public safety	12,188,277	11,558,540	629,737
Transportation:			
Street department:			
Salaries and employee benefits		874,316	
Operating expenditures		816,415	
Capital outlay		32,193	
Reimbursement from other funds		(124,238)	
Total Street department	1,853,577	1,598,686	254,891
Street construction:			
Operating expenditures		64,043	
Capital outlay		928,907	
Total Street construction	1,128,159	992,950	135,209
Airport:			
Salaries and employee benefits		56,756	
Professional services		19,260	
Operating expenditures		75,006	
Total Airport	350,346	151,022	199,324
Total transportation	3,332,082	2,742,658	589,424

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, 2012

	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
Economic and physical development:			
Operating expenditures		694,346	
Total economic and physical development	731,000	694,346	36,654
Environmental protection:			
Sanitation:			
Salaries and employee benefits		1,401,558	
Operating expenditures		577,521	
Capital outlay		153,163	
Total environmental protection	2,308,001	2,132,242	175,759
Cultural and recreation:			
Recreation - administration:			
Salaries and employee benefits		172,499	
Professional services		21,039	
Operating expenditures		202,612	
Capital outlay		9,874	
Total administration	599,296	406,024	193,272
Recreation - athletics:			
Salaries and employee benefits		183,074	
Operating expenditures		108,810	
Total athletics	311,215	291,884	19,331
Recreation - programs:			
Salaries and employee benefits		172,598	
Operating expenditures		66,507	
Total programs	290,286	239,105	51,181
Recreation - fitness center:			
Salaries and employee benefits		286,159	
Operating expenditures		133,115	
Total fitness center	476,404	419,274	57,130
Recreation - leisure pool:			
Salaries and employee benefits		100,382	
Operating expenditures		79,036	
Total leisure pool	185,854	179,418	6,436

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, 2012

	Final Budget	Actual	Variance Favorable (Unfavorable)
Recreation - parks			
Salaries and employee benefits		399,968	
Operating expenditures		240,402	
Capital outlay		20,835	
Total park maintenance	699,514	661,205	38,309
Recreation - urban forestry and beautification:			
Salaries and employee benefits		226,641	
Operating expenditures		77,583	
Reimbursement from other funds		(22,697)	
Total urban forestry and beautification	309,460	281,527	27,933
Recreation - public grounds and cemetery:			
Salaries and employee benefits		364,070	
Operating expenditures		179,379	
Capital outlay		27,474	
Reimbursement from other funds		(16,193)	
Total public grounds and cemetery	618,414	554,730	63,684
Total recreation and culture	3,490,443	3,033,167	457,276
Debt service:			
Principal payment	1,249,700	1,249,700	
Interest payment	360,490	360,490	
Total debt service	1,610,190	1,610,190	-
Contingency:			
Contingency	28,251	-	28,251
Total expenditures	27,928,801	24,894,932	3,033,869
Revenues over (under) expenditures	(5,725,468)	(2,255,832)	3,469,636

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, 2012

	Final Budget	Actual	Variance Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES):			
Transfers in:			
Internal PILOT - Electric	280,237	280,237	-
Internal PILOT - Water and Sewer	498,540	498,540	-
Internal PILOT - Civic Center	21,500	21,500	-
Reimbursement - occupancy tax	17,000	17,000	-
From SIGI Fund	-	538	538
From Drug Enforcement Fund	58,069	58,069	-
From General Capital Reserve	1,071,191	1,071,191	-
Transfers (out):			
To Group Health Fund	(267,649)	(267,649)	-
To City Hall Renovations Fund	(91,000)	(91,000)	-
To Streetscape Fund	(13,000)	(13,000)	-
To Airport Improvement Fund	(8,334)	(8,334)	-
To Home Consortium Fund	(24,722)	(24,722)	-
To Traffic Safety Fund	(57,633)	(57,633)	-
To General Capital Reserve Fund	(125,000)	(125,000)	-
Fund balance appropriated	4,366,269	-	(4,366,269)
Total other financing sources (uses)	5,725,468	1,359,737	(4,365,731)
Revenues and other financing sources (under) expenditures and other uses	\$ -	(896,095)	\$ (896,095)
Fund balances at beginning of year		23,983,301	
Fund balances at end of year		\$ 23,087,206	

NONMAJOR GOVERNMENTAL FUNDS

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

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.

Economic Development - accounts for economic grants from state and federal governments.

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.

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

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

CITY OF STATESVILLE, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Statesville Gang Initiative Grant	Home Program Project Fund	1997-1998 Home Consortium Fund	Home Consortium CDBG Fund	Drug Enforcement Fund	Occupancy Tax Fund	Traffic Safety Grant	Economic Development Fund
ASSETS:								
Cash and cash equivalents	\$ -	\$ 158,113	\$ 68,403	\$ -	\$ 32,746	\$ 98,315	\$ 13,630	\$ -
Accounts receivable, net	-	-	134,362	-	-	-	-	-
Interest receivable	-	296	128	-	62	185	26	-
Due from other governments	-	-	-	103,823	-	-	8,892	-
Interfund receivable	-	85,676	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-
Total assets	\$ -	\$ 244,085	\$ 202,893	\$ 103,823	\$ 32,808	\$ 98,500	\$ 22,548	\$ -
LIABILITIES AND FUND EQUITY:								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,980	\$ -
Interfund payable	-	-	-	85,676	-	-	-	-
Retainage payable	-	-	-	-	-	-	-	-
Deferred revenues	-	-	134,362	-	-	-	-	-
Total liabilities	-	-	134,362	85,676	-	-	1,980	-
Fund Equity:								
Stabilization by state statute	-	85,972	128	103,823	62	185	8,918	-
Restricted	-	158,113	68,403	-	32,746	98,315	11,650	-
Committed	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(85,676)	-	-	-	-
Total fund balances	-	244,085	68,531	18,147	32,808	98,500	20,568	-
Total liabilities and fund balances	\$ -	\$ 244,085	\$ 202,893	\$ 103,823	\$ 32,808	\$ 98,500	\$ 22,548	\$ -

Nonmajor Capital Funds

Total Nonmajor Special Revenue Funds	Fire Station #4 Fund	Warehouse Construction Fund	City Hall Renovations Fund	Streetscape Improvement Fund	Airport Improvement Fund	General Equipment Capital Reserve Fund	Safety Overrun Airport	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 371,207	\$ 150,338	\$ 103,476	\$ 64,467	\$ 353,912	\$ 1,247,503	\$ 6,343,672	\$ 834,266	\$ 9,097,634	\$ 9,468,841
134,362	-	-	-	-	-	-	-	-	134,362
697	282	195	121	665	2,341	11,905	1,566	17,075	17,772
112,715	423	-	32,606	34,194	17,542	-	16,781	101,546	214,261
85,676	-	-	-	-	-	-	-	-	85,676
-	154,630	-	-	1,089,858	-	-	-	1,244,488	1,244,488
<u>\$ 704,657</u>	<u>\$ 305,673</u>	<u>\$ 103,671</u>	<u>\$ 97,194</u>	<u>\$ 1,478,629</u>	<u>\$ 1,267,386</u>	<u>\$ 6,355,577</u>	<u>\$ 852,613</u>	<u>\$ 10,460,743</u>	<u>\$ 11,165,400</u>
\$ 1,980	\$ 12,158	\$ -	\$ 1,353	\$ 128,237	\$ 13,791	\$ -	\$ 10,432	\$ 165,971	\$ 167,951
85,676	-	-	-	-	-	-	-	-	85,676
-	-	-	20,000	196,188	-	-	-	216,188	216,188
134,362	-	-	-	-	-	-	-	-	134,362
222,018	12,158	-	21,353	324,425	13,791	-	10,432	382,159	604,177
199,088	705	195	52,031	1,074,503	19,883	11,905	822,948	1,982,170	2,181,258
369,227	292,810	-	-	79,701	1,233,712	-	19,233	1,625,456	1,994,683
-	-	103,476	23,810	-	-	6,343,672	-	6,470,958	6,470,958
(85,676)	-	-	-	-	-	-	-	-	(85,676)
482,639	293,515	103,671	75,841	1,154,204	1,253,595	6,355,577	842,181	10,078,584	10,561,223
<u>\$ 704,657</u>	<u>\$ 305,673</u>	<u>\$ 103,671</u>	<u>\$ 97,194</u>	<u>\$ 1,478,629</u>	<u>\$ 1,267,386</u>	<u>\$ 6,355,577</u>	<u>\$ 852,613</u>	<u>\$ 10,460,743</u>	<u>\$ 11,165,400</u>

CITY OF STATESVILLE, NORTH CAROLINA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

Nonmajor Special Revenue Funds

	Statesville Gang Initiative Grant	Home Program Project Fund	1997-1998 Home Consortium Fund	Home Consortium CDBG Fund	Drug Enforcement Fund	Occupancy Tax Fund	Traffic Safety Grant	Economic Development Fund
REVENUES:								
Other taxes and licenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 733,086	\$ -	\$ -
Restricted intergovernmental	538	-	-	104,819	16,579	-	58,531	56,000
Repayment of loans	-	-	4,380	-	-	-	-	-
Investment earnings	-	1,756	523	108	452	3,393	17	-
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	538	1,756	4,903	104,927	17,031	736,479	58,548	56,000
EXPENDITURES:								
General government								
Capital outlay	-	-	-	-	-	-	-	-
Public safety								
Operating expenditures	-	-	-	-	-	-	105,862	-
Capital outlay	-	-	-	-	-	-	-	-
Transportation								
Capital outlay	-	-	-	-	-	-	-	-
Economic and physical development:								
Operating expenditures	-	-	-	128,545	-	142,764	-	56,000
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	128,545	-	142,764	105,862	56,000
Revenue over (under) expenditures	538	1,756	4,903	(23,618)	17,031	593,715	(47,314)	-
OTHER FINANCING SOURCES (USES):								
Transfers in:								
General Fund	-	-	-	24,722	-	-	57,633	-
Transfers out:								
General Fund	(538)	-	-	-	(58,069)	(17,000)	-	-
Civic Center	-	-	-	-	-	(1,040,236)	-	-
Total other financing sources (uses)	(538)	-	-	24,722	(58,069)	(1,057,236)	57,633	-
Revenues and other sources over (under) expenditures and other uses	-	1,756	4,903	1,104	(41,038)	(463,521)	10,319	-
Fund balances at beginning of year	-	242,329	63,628	17,043	73,846	562,021	10,249	-
Fund balances at end of year	\$ -	\$ 244,085	\$ 68,531	\$ 18,147	\$ 32,808	\$ 98,500	\$ 20,568	\$ -

Nonmajor Capital Funds									
Total Nonmajor Special Revenue Funds	Fire Station #4 Fund	Warehouse Construction Fund	City Hall Renovations Fund	Streetscape Fund	Airport Improvement Fund	General Equipment Capital Reserve Fund	Safety Overrun Airport	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 733,086	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 733,086
236,467	-	-	-	-	33,365	-	668,220	701,585	938,052
4,380	-	-	-	-	-	-	-	-	4,380
6,249	604	811	1,141	3,217	9,749	50,258	6,050	71,830	78,079
-	-	-	-	-	-	11,131	-	11,131	11,131
980,182	604	811	1,141	3,217	43,114	61,389	674,270	784,546	1,764,728
-	-	-	1,197,193	-	-	-	-	1,197,193	1,197,193
105,862	-	-	-	-	-	-	-	-	105,862
-	6,865	-	-	-	-	-	-	6,865	6,865
-	-	-	-	-	37,072	-	687,924	724,996	724,996
327,309	-	-	-	-	-	-	-	-	327,309
-	-	-	-	3,043,051	-	-	-	3,043,051	3,043,051
433,171	6,865	-	1,197,193	3,043,051	37,072	-	687,924	4,972,105	5,405,276
547,011	(6,261)	811	(1,196,052)	(3,039,834)	6,042	61,389	(13,654)	(4,187,559)	(3,640,548)
82,355	-	-	91,000	13,000	8,334	125,000	-	237,334	319,689
(75,607)	-	-	-	-	-	(1,071,190)	-	(1,071,190)	(1,146,797)
(1,040,236)	-	-	-	-	-	-	-	-	(1,040,236)
(1,033,488)	-	-	91,000	13,000	8,334	(946,190)	-	(833,856)	(1,867,344)
(486,477)	(6,261)	811	(1,105,052)	(3,026,834)	14,376	(884,801)	(13,654)	(5,021,415)	(5,507,892)
969,116	299,776	102,860	1,180,893	4,181,038	1,239,219	7,240,378	855,835	15,099,999	16,069,115
\$ 482,639	\$ 293,515	\$ 103,671	\$ 75,841	\$ 1,154,204	\$ 1,253,595	\$ 6,355,577	\$ 842,181	\$ 10,078,584	\$ 10,561,223

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, 2012

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
REVENUES:				
Restricted intergovernmental:				
First year entitlement	\$ 372,208	\$ 344,838	\$ -	\$ 344,838
Second year entitlement	343,642	338,162	538	338,700
Total revenues	715,850	683,000	538	683,538
EXPENDITURES:				
Public safety:				
First year law enforcement	385,872	360,168	-	360,168
Second year law enforcement	374,739	367,593	-	367,593
Total expenditures	760,611	727,761	-	727,761
Revenues over (under) expenditures	(44,761)	(44,761)	538	(44,223)
OTHER FINANCING SOURCES AND USES:				
Transfer in:				
General Fund	26,885	26,885	-	26,885
Drug Enforcement Fund	17,876	17,876	-	17,876
Total transfers in	44,761	44,761	-	44,761
Transfer (out):	-	-	(538)	(538)
Revenues and other sources over expenditures and other financial (uses)	\$ -	\$ -	-	\$ -
FUND BALANCES:				
Fund balances at beginning of year			-	
Fund balances at end of year			\$ -	

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, 2012

	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	-	79,901	1,756	81,657
Total revenues	<u>873,743</u>	<u>1,109,786</u>	<u>1,756</u>	<u>1,111,542</u>
EXPENDITURES:				
Economic and physical development				
Home program grant activity	<u>873,743</u>	<u>867,457</u>	<u>-</u>	<u>867,457</u>
Total expenditures	<u>873,743</u>	<u>867,457</u>	<u>-</u>	<u>867,457</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 242,329</u>	1,756	<u>\$ 244,085</u>
FUND BALANCES:				
Fund balances at beginning of year			<u>242,329</u>	
Fund balances at end of year			<u>\$ 244,085</u>	

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, 2012

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
REVENUES:				
Restricted intergovernmental	\$ 102,978	\$ 102,977	\$ -	\$ 102,977
Repayment of loans	-	53,990	4,380	58,370
Investment earnings	-	8,977	523	9,500
Total revenues	102,978	165,944	4,903	170,847
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)	38,628	4,903	43,531
OTHER FINANCING SOURCES:				
Transfer in - General Fund	25,000	25,000	-	25,000
Revenues and other sources over expenditures	\$ -	\$ 63,628	4,903	\$ 68,531
FUND BALANCES:				
Fund balances at beginning of year			63,628	
Fund balances at end of year			\$ 68,531	

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, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental-Home Program	\$ 1,408,594	\$ 1,303,775	\$ 104,819	\$ 1,408,594
Restricted intergovernmental - other	750,000	750,000	-	750,000
Restricted intergovernmental - CDBG	250,000	249,079	-	249,079
Investment earnings	-	17,043	108	17,151
Total revenues	2,408,594	2,319,897	104,927	2,424,824
EXPENDITURES:				
Economic and physical development				
Home program grant activity	1,733,969	1,604,428	128,545	1,732,973
Restricted intergovernmental - other	750,000	750,000	-	750,000
Restricted intergovernmental - CDBG	250,000	249,079	-	249,079
Total expenditures	2,733,969	2,603,507	128,545	2,732,052
Revenues (under) expenditures	(325,375)	(283,610)	(23,618)	(307,228)
OTHER FINANCING SOURCES:				
Transfer in - General Fund	325,375	300,653	24,722	325,375
Revenues other sources over expenditures	\$ -	\$ 17,043	1,104	\$ 18,147
FUND BALANCES:				
Fund balances at beginning of year			17,043	
Fund balances at end of year			\$ 18,147	

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, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental:				
Adoptive forfeitures	\$ 568,078	\$ 572,815	\$ -	\$ 572,815
DARE revenues	2,000	926	-	926
Controlled substance tax	264,148	262,462	16,579	279,041
Investment earnings	63,455	66,029	452	66,481
Total revenues	<u>897,681</u>	<u>902,232</u>	<u>17,031</u>	<u>919,263</u>
EXPENDITURES:				
Public safety:				
Drug enforcement	103,692	97,125	-	97,125
DARE expenditures	2,000	926	-	926
Total expenditures	<u>105,692</u>	<u>98,051</u>	<u>-</u>	<u>98,051</u>
Revenues over expenditures	<u>791,989</u>	<u>804,181</u>	<u>17,031</u>	<u>821,212</u>
OTHER FINANCING USES:				
Transfer out:				
General Fund	(774,113)	(712,459)	(58,069)	(770,528)
SIGI Grant	<u>(17,876)</u>	<u>(17,876)</u>	<u>-</u>	<u>(17,876)</u>
Total transfers (out)	<u>(791,989)</u>	<u>(730,335)</u>	<u>(58,069)</u>	<u>(788,404)</u>
Revenues over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 73,846</u>	<u>(41,038)</u>	<u>\$ 32,808</u>
FUND BALANCES:				
Fund balances at beginning of year			<u>73,846</u>	
Fund balances at end of year			<u>\$ 32,808</u>	

CITY OF STATESVILLE, NORTH CAROLINA
OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Other taxes and licenses:			
5% hotel/motel occupancy tax	\$ 700,000	\$ 733,086	\$ 33,086
Investment earnings	-	3,393	3,393
	<u>700,000</u>	<u>736,479</u>	<u>36,479</u>
Total revenues	<u>700,000</u>	<u>736,479</u>	<u>36,479</u>
EXPENDITURES:			
Economic and physical development	142,764	142,764	-
	<u>142,764</u>	<u>142,764</u>	<u>-</u>
Total expenditures	<u>142,764</u>	<u>142,764</u>	<u>-</u>
Revenues over expenditures	<u>557,236</u>	<u>593,715</u>	<u>36,479</u>
OTHER FINANCING USES:			
Transfers out:			
General Fund	(17,000)	(17,000)	-
Civic Center Fund	(1,040,236)	(1,040,236)	-
Fund balance appropriated	500,000	-	(500,000)
	<u>(557,236)</u>	<u>(1,057,236)</u>	<u>(500,000)</u>
Total other financing (uses)	<u>(557,236)</u>	<u>(1,057,236)</u>	<u>(500,000)</u>
Revenues (under) expenditures and other uses	<u>\$ -</u>	<u>(463,521)</u>	<u>\$ (463,521)</u>
FUND BALANCES:			
Fund balances at beginning of year		562,021	
Fund balances at end of year		<u>\$ 98,500</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, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ -	\$ -	\$ 17	\$ 17
Restricted intergovernmental:				
Federal grant	305,125	197,999	58,531	256,530
Total revenues	305,125	197,999	58,548	256,547
EXPENDITURES:				
Public safety:				
First year law enforcement	110,203	99,822	-	99,822
Second year law enforcement	111,669	80,371	28,049	108,420
Third year law enforcement	115,267	-	77,813	77,813
Law enforcement capital outlay	89,000	70,938	-	70,938
Total expenditures	426,139	251,131	105,862	356,993
Revenues (under) expenditures	(121,014)	(53,132)	(47,314)	(100,446)
OTHER FINANCING SOURCES:				
Transfer in:				
General Fund	121,014	63,381	57,633	121,014
Total transfers in	121,014	63,381	57,633	121,014
Revenues and other sources over expenditures	\$ -	\$ 10,249	10,319	\$ 20,568
FUND BALANCES:				
Fund balances at beginning of year			10,249	
Fund balances at end of year			\$ 20,568	

CITY OF STATESVILLE, NORTH CAROLINA
ECONOMIC DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental:				
One NC Fund phase I - Providencia	\$ 56,000	\$ -	\$ 56,000	\$ 56,000
One NC Fund phase II - Providencia	42,000	-	-	-
One NC Fund - Pate-Dawson Company	150,000	-	-	-
Total revenues	248,000	-	56,000	56,000
EXPENDITURES:				
Economic development:				
One NC Fund phase I - Providencia	56,000	-	56,000	56,000
One NC Fund phase II - Providencia	42,000	-	-	-
One NC Fund - Pate-Dawson Company	150,000	-	-	-
Total expenditures	248,000	-	56,000	56,000
Revenues (under) expenditures	\$ -	\$ -	-	\$ -
FUND BALANCES:				
Fund balances at beginning of year			-	
Fund balances at end of year			\$ -	

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, 2012

	Actual			
	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ 13,834	\$ 14,722	\$ 604	\$ 15,326
Total revenues	13,834	14,722	604	15,326
EXPENDITURES:				
Public Safety:				
Professional Services	176,025	161,606	13,358	174,964
Construction Contract	1,571,134	1,437,354	(15,791)	1,421,563
Miscellaneous	21,360	21,310	-	21,310
Capital other	88,648	84,944	-	84,944
Capital equipment	57,137	56,544	9,298	65,842
Debt issuance costs	23,100	17,886	-	17,886
Contingency	141,128	-	-	-
Total expenditures	2,078,532	1,779,644	6,865	1,786,509
Revenues (under) expenditures	(2,064,698)	(1,764,922)	(6,261)	(1,771,183)
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)
Total other financing sources (uses)	2,064,698	2,064,698	-	2,064,698
Revenues and other sources over (under) expenditures and other financial (uses)	\$ -	\$ 299,776	(6,261)	\$ 293,515
FUND BALANCES:				
Fund balances at beginning of year			299,776	
Fund balances at end of year			\$ 293,515	

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, 2012

	Actual			
	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ -	\$ 2,860	\$ 811	\$ 3,671
Total revenues	-	2,860	811	3,671
EXPENDITURES:				
General Government:				
Capital Outlay	350,000	-	-	-
Total expenditures	350,000	-	-	-
Revenues over (under) expenditures	(350,000)	2,860	811	3,671
OTHER FINANCING SOURCES:				
Transfers in:				
General Fund	100,000	100,000	-	100,000
Electric Fund	250,000	-	-	-
Total other financing sources	350,000	100,000	-	100,000
Revenues and other sources over expenditures	\$ -	\$ 102,860	811	\$ 103,671
FUND BALANCES:				
Fund balances at beginning of year			102,860	
Fund balances at end of year			\$ 103,671	

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, 2012

	Actual			Total to Date
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ -	\$ 1,639	\$ 1,141	\$ 2,780
Total revenues	-	1,639	1,141	2,780
EXPENDITURES:				
General Government:				
Capital outlay professional services	61,000	46,600	14,400	61,000
Capital outlay contracted services	114,000	113,332	616	113,948
Construction	2,137,932	982,216	1,110,932	2,093,148
Capital outlay - miscellaneous	21,425	1,098	15,442	16,540
Capital outlay - furniture	63,000	-	55,803	55,803
Contingency	16,143	-	-	-
Total expenditures	2,413,500	1,143,246	1,197,193	2,340,439
Revenues (under) expenditures	(2,413,500)	(1,141,607)	(1,196,052)	(2,337,659)
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Fund	430,500	339,500	91,000	430,500
Proceeds from debt	2,094,000	2,094,000	-	2,094,000
Transfers out:				
Streetscape Fund	(111,000)	(111,000)	-	(111,000)
Total other financing sources and (uses)	2,413,500	2,322,500	91,000	2,413,500
Revenues and other sources over (under) expenditures and other financial (uses)	\$ -	\$ 1,180,893	(1,105,052)	\$ 75,841
FUND BALANCES:				
Fund balances at beginning of year			1,180,893	
Fund balances at end of year			\$ 75,841	

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, 2012

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ 7,000	\$ 3,839	\$ 3,217	\$ 7,056
Total revenues	7,000	3,839	3,217	7,056
EXPENDITURES:				
Economic and physical development:				
Capital outlay professional services	458,000	408,851	10,202	419,053
Capital outlay construction	4,925,019	870,809	3,010,328	3,881,137
Capital outlay - other	65,000	15,000	11,579	26,579
Capital outlay - other improvement	11,000	-	10,942	10,942
Debt issuance costs	27,160	26,133	-	26,133
Contingency	31,813	-	-	-
Total expenditures	5,517,992	1,320,793	3,043,051	4,363,844
Revenues (under) expenditures	(5,510,992)	(1,316,954)	(3,039,834)	(4,356,788)
OTHER FINANCING SOURCES:				
Transfers in:				
General Fund	301,170	288,170	13,000	301,170
Electric Fund	118,063	118,063	-	118,063
Water and Sewer Fund	74,759	74,759	-	74,759
City Hall Renovation Fund	111,000	111,000	-	111,000
Proceeds from debt	4,906,000	4,906,000	-	4,906,000
Total other financing sources	5,510,992	5,497,992	13,000	5,510,992
Revenues and other sources over expenditures	\$ -	\$ 4,181,038	(3,026,834)	\$ 1,154,204
FUND BALANCES:				
Fund balances at beginning of year			4,181,038	
Fund balances at end of year			\$ 1,154,204	

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, 2012

	Actual			
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ -	\$ 32,162	\$ 9,750	\$ 41,912
NCDOT land	1,450,000	316,556	20,954	337,510
Iredell County land	80,555	17,587	-	17,587
DOT Vision 100	150,000	-	12,411	12,411
Iredell County	8,333	-	-	-
Total revenues	<u>1,688,888</u>	<u>366,305</u>	<u>43,115</u>	<u>409,420</u>
EXPENDITURES:				
Transportation:				
Capital Outlay- land	1,144,444	-	-	-
DOT Vision 100	166,667	-	13,791	13,791
Capital Outlay - grant land	1,611,111	352,086	23,282	375,368
Total expenditures	<u>2,922,222</u>	<u>352,086</u>	<u>37,073</u>	<u>389,159</u>
Revenues over (under) expenditures	<u>(1,233,334)</u>	<u>14,219</u>	<u>6,042</u>	<u>20,261</u>
OTHER FINANCING SOURCES:				
Transfers in:				
General Fund	1,233,334	1,225,000	8,334	1,233,334
Total other financing sources	<u>1,233,334</u>	<u>1,225,000</u>	<u>8,334</u>	<u>1,233,334</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 1,239,219</u>	<u>14,376</u>	<u>\$ 1,253,595</u>
FUND BALANCES:				
Fund balances at beginning of year			<u>1,239,219</u>	
Fund balances at end of year			<u>\$ 1,253,595</u>	

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, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ 350,000	\$ 988,779	\$ 50,259	\$ 1,039,038
Sidewalk and curbs	-	70,895	11,130	82,025
Total revenues	350,000	1,059,674	61,389	1,121,063
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Fund	3,375,000	2,671,265	125,000	2,796,265
General Fund - debt service Fire Station#4	2,243,251	2,243,251	-	2,243,251
General Fund - debt service	2,625,350	2,625,350	-	2,625,350
Electric	848,190	848,190	-	848,190
Water and Sewer	565,460	565,460	-	565,460
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)	(248,564)	(243,177)	(491,741)
General Fund - debt service	(4,039,000)	(67,375)	(828,013)	(895,388)
General Fund - Police	(49,056)	(49,056)	-	(49,056)
General Fund - Fire	(704,000)	(575,000)	-	(575,000)
Statesville Park Fund	(712,096)	(615,467)	-	(615,467)
General Fund - undesignated	(2,134,848)	(1,399,617)	-	(1,399,617)
General Fund - Fire #3 Reserve	(125,000)	-	-	-
Total other financing sources (uses)	(350,000)	6,180,704	(946,190)	5,234,514
Revenues and other sources over (under) expenditures and other financial (uses)	\$ -	\$ 7,240,378	(884,801)	\$ 6,355,577
FUND BALANCES:				
Fund balances at beginning of year			7,240,378	
Fund balances at end of year			\$ 6,355,577	

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, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental	\$ 23,551,475	\$ 22,243,079	\$ 668,220	\$ 22,911,299
Investment earnings	280,633	311,551	6,050	317,601
Miscellaneous	613,320	598,949	-	598,949
Total revenues	24,445,428	23,153,579	674,270	23,827,849
EXPENDITURES:				
Transportation:				
Capital Outlay	29,652,433	26,926,110	687,924	27,614,034
Parking and realignment	580,644	442,309	-	442,309
Access Road Construction	126,000	107,088	-	107,088
Total expenditures	30,359,077	27,475,507	687,924	28,163,431
Revenues (under) expenditures	(5,913,649)	(4,321,928)	(13,654)	(4,335,582)
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	(4,000,984)	(4,000,951)	-	(4,000,951)
Total other financing sources (uses)	5,913,649	5,177,763	-	5,177,763
Revenues and other sources over (under) expenditures and other financial (uses)	\$ -	\$ 855,835	(13,654)	\$ 842,181
FUND BALANCES:				
Fund balances at beginning of year			855,835	
Fund balances at end of year			\$ 842,181	

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

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.

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, 2012

	Amended Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Electric sales	\$ 41,574,660	\$ 40,248,347	\$ (1,326,313)
Other operating revenues	1,205,700	1,085,750	(119,950)
Total operating revenues	<u>42,780,360</u>	<u>41,334,097</u>	<u>(1,446,263)</u>
Non-operating revenues:			
State utility tax, net	137,370	253,167	115,797
Agency - economic incentive	-	287,362	287,362
Investment earnings	163,000	104,960	(58,040)
Miscellaneous Revenues	417,707	384,984	(32,723)
Total non-operating revenues	<u>718,077</u>	<u>1,030,473</u>	<u>312,396</u>
Total revenues	<u>43,498,437</u>	<u>42,364,570</u>	<u>(1,133,867)</u>
EXPENDITURES:			
Salaries and employee benefits	2,250,509	2,219,165	31,344
Electrical power purchases	37,000,000	36,560,241	439,759
Professional services	125,150	60,484	64,666
Capital outlay	3,328,000	1,312,356	2,015,644
Operating expenditures	2,559,219	1,886,013	673,206
Total expenditures	<u>45,262,878</u>	<u>42,038,259</u>	<u>3,224,619</u>
Revenues over (under) expenditures	<u>(1,764,441)</u>	<u>326,311</u>	<u>2,090,752</u>
OTHER FINANCING SOURCES (USES):			
Transfer (out) General Fund -PILOT	(280,237)	(280,237)	-
Transfer (out) Group Health Fund	(28,000)	(28,000)	-
Appropriated fund balance	2,072,678	-	(2,072,678)
Total other financing sources (uses)	<u>1,764,441</u>	<u>(308,237)</u>	<u>(2,072,678)</u>
Total revenues and other financing sources over other financing uses and expenditures	<u>\$ -</u>	<u>18,074</u>	<u>\$ 18,074</u>

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, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Capital outlay		1,273,544	
Capitalization labor, equipment, and overhead		585,429	
Loss on disposition of capital assets		(148,314)	
Change in accrued compensated absences		(10,591)	
Change in other postemployment benefits		(24,071)	
Depreciation		(1,158,020)	
Interest earnings from Project Funds		<u>1,988</u>	
Total reconciling items		<u>519,965</u>	
Change in net assets		<u>\$ 538,039</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, 2012

	Amended Budget	Actual	Favorable (Unfavorable)
OPERATING REVENUES:			
Charges for services:			
Sewer charges	\$ 5,359,550	\$ 5,293,718	\$ (65,832)
Water sales	3,532,360	3,432,791	(99,569)
Water and Sewer System Development Fees	265,000	206,421	(58,579)
Other operating revenues	190,998	213,756	22,758
Total operating revenues	<u>9,347,908</u>	<u>9,146,686</u>	<u>(201,222)</u>
Non-operating revenue:			
Interest on investments	<u>155,000</u>	<u>100,088</u>	<u>(54,912)</u>
Total revenues	<u>9,502,908</u>	<u>9,246,774</u>	<u>(256,134)</u>
EXPENDITURES:			
Sewer maintenance:			
Salaries and employee benefits	367,302	357,391	9,911
Professional services	1,500	1,310	190
Operating expenditures	176,867	150,179	26,688
Capital outlay	621,117	145,927	475,190
Total	<u>1,166,786</u>	<u>654,807</u>	<u>511,979</u>
Water maintenance:			
Salaries and employee benefits	821,246	805,688	15,558
Operating expenditures	263,771	166,154	97,617
Capital outlay	1,667,873	-	1,667,873
Total	<u>2,752,890</u>	<u>971,842</u>	<u>1,781,048</u>
Water purification:			
Salaries and employee benefits	689,220	661,645	27,575
Professional services	29,098	17,647	11,451
Operating expenditures	1,835,792	1,719,882	115,910
Capital outlay	4,094	4,094	-
Total	<u>2,558,204</u>	<u>2,403,268</u>	<u>154,936</u>
Waste water treatment - Third Creek:			
Salaries and employee benefits	385,045	357,258	27,787
Professional services	40,000	22,002	17,998
Operating expenditures	557,030	462,290	94,740
Capital outlay	34,146	33,578	568
Total	<u>1,016,221</u>	<u>875,128</u>	<u>141,093</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, 2012

	Amended Budget	Actual	Favorable (Unfavorable)
Waste water treatment - Fourth Creek:			
Salaries and employee benefits	847,927	776,725	71,202
Professional services	202,644	85,548	117,096
Operating expenditures	1,002,781	899,437	103,344
Capital outlay	402,137	279,854	122,283
Total	<u>2,455,489</u>	<u>2,041,564</u>	<u>413,925</u>
Principal	1,507,500	1,121,530	385,970
Interest	0	385,923	(385,923)
	<u>1,507,500</u>	<u>1,507,453</u>	<u>47</u>
Total expenditures	<u>11,457,090</u>	<u>8,454,062</u>	<u>3,003,028</u>
Revenues over expenditures	<u>(1,954,182)</u>	<u>792,712</u>	<u>2,746,894</u>
OTHER FINANCING SOURCES (USES):			
Transfers in (out):			
Water and Sewer Capital Reserve	1,452,724	1,452,724	-
General Fund - PILOT	(498,540)	(498,540)	-
Group Health Fund	(48,588)	(48,588)	-
Third Creek WWTP	(339,800)	(339,800)	-
General Capital Reserve	(265,000)	(206,421)	58,579
Fund balance appropriated	<u>1,653,386</u>	<u>-</u>	<u>(1,653,386)</u>
Total other financing sources	<u>1,954,182</u>	<u>359,375</u>	<u>(1,594,807)</u>
Revenues and other sources (under) expenditures and other uses	<u>\$ -</u>	<u>1,152,087</u>	<u>\$ 1,152,087</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Depreciation		(2,557,529)	
Capital outlay, net of loss		548,358	
Monofill accretion		(3,807)	
Change in accrued compensated absences		18,902	
Change in other postemployment benefits		(41,772)	
Long-term debt principal retirement		1,121,530	
Accrued interest payable		3,407	
Principal loan receivable - County		(91,157)	
Intrafund transfers not income, net		(906,503)	
Interest earnings from Water and Sewer Capital Funds		40,746	
CWIP from Water and Sewer Capital Funds		<u>(115,809)</u>	
Total reconciling items		<u>(1,983,634)</u>	
Change in net assets		<u>\$ (831,547)</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, 2012

	Amended Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Charges for services:			
Fees	\$ 265,000	\$ 255,277	\$ (9,723)
Total operating revenues	<u>265,000</u>	<u>255,277</u>	<u>(9,723)</u>
Non-operating revenues:			
Interest on investments	10,750	8,632	(2,118)
Total non-operating revenues	<u>10,750</u>	<u>8,632</u>	<u>(2,118)</u>
Total revenues	<u>275,750</u>	<u>263,909</u>	<u>(11,841)</u>
EXPENDITURES:			
Salaries and employee benefits	370,432	353,825	16,607
Operating expenditures	362,481	305,205	57,276
Capital outlay	727,600	158,962	568,638
Total expenditures	<u>1,460,513</u>	<u>817,992</u>	<u>642,521</u>
Total revenues over (under) expenditures	<u>(1,184,763)</u>	<u>(554,083)</u>	<u>630,680</u>
OTHER FINANCING SOURCES (USES):			
Fund balance appropriated	165,626	-	(165,626)
Transfers in:			
Occupancy Tax Fund	1,046,400	1,040,236	(6,164)
Transfers out:			
General fund	(21,500)	(21,500)	-
Group Health fund	(5,763)	(5,763)	-
Total other financing sources (uses)	<u>1,184,763</u>	<u>1,012,973</u>	<u>(171,790)</u>
Total revenues and other financing sources over other financing uses and expenditures	<u>\$ -</u>	<u>458,890</u>	<u>\$ 458,890</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Change in accrued compensated absences		5,530	
Change in other post employee benefits		(4,956)	
Capital acquisition		157,497	
Depreciation		<u>(185,784)</u>	
Total reconciling items		<u>(27,713)</u>	
Change in net assets		<u>\$ 431,177</u>	

CITY OF STATESVILLE, NORTH CAROLINA
UTILITY CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2012

	Actual			Total to Date
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ 100,000	\$ 194,891	\$ 1,596	\$ 196,487
Total revenues	100,000	194,891	1,596	196,487
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 and other sources over expenditures and other financial (uses)	\$ -	\$ 202,475	\$ 1,596	\$ 204,071

CITY OF STATESVILLE, NORTH CAROLINA
ELECTRIC RATE STABILIZATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ 120,000	\$ 754,000	\$ 391	\$ 754,391
Total revenues	120,000	754,000	391	754,391
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Electric Fund	4,000,000	2,445,677	-	2,445,677
Transfers out:				
Electric Fund	(4,120,000)	(3,150,036)	-	(3,150,036)
Total other financing sources (uses)	(120,000)	(704,359)	-	(704,359)
Revenues and other sources over expenditures and other financial (uses)	\$ -	\$ 49,641	\$ 391	\$ 50,032

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 (NON-GAAP)
From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ 1,009,971	\$ 2,446,536	\$ 33,306	\$ 2,479,842
Total revenues	1,009,971	2,446,536	33,306	2,479,842
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Water and Sewer Fund - water SDF	-	478,475	50,562	529,037
Water and Sewer Fund - sewer SDF	-	2,083,392	155,859	2,239,251
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)	(1,452,724)	(8,837,512)
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 and other (uses)	(1,009,971)	2,457,911	(1,246,303)	1,211,608
Revenues and other sources over expenditures and other financial (uses)	\$ -	\$ 4,904,447	\$ (1,212,997)	\$ 3,691,450

CITY OF STATESVILLE, NORTH CAROLINA
THIRD CREEK WWTP EXPANSION CONSTRUCTION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ 115,200	\$ 110,030	\$ 7,441	\$ 117,471
Total revenues	115,200	110,030	7,441	117,471
EXPENDITURES:				
Economic and physical development:				
Capital Outlay	2,829,000	1,555,875	115,809	1,671,684
Total expenditures	2,829,000	1,555,875	115,809	1,671,684
Revenues (under) expenditures	(2,713,800)	(1,445,845)	(108,368)	(1,554,213)
OTHER FINANCING SOURCES:				
Transfers in:				
Water and Sewer Operating Fund	2,713,800	2,374,000	339,800	2,713,800
Total other financing sources	2,713,800	2,374,000	339,800	2,713,800
Revenues and other sources over expenditures	\$ -	\$ 928,155	\$ 231,432	\$ 1,159,587

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.

CITY OF STATESVILLE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2012

	Health Insurance Fund	Property and Casualty Liability Insurance Fund	Totals
ASSETS:			
Cash and cash equivalents	\$ 642,337	\$ 733,965	\$ 1,376,302
Accounts receivables, net	274	-	274
Interest receivable	1,206	1,377	2,583
	<u>1,206</u>	<u>1,377</u>	<u>2,583</u>
Total assets	<u>\$ 643,817</u>	<u>\$ 735,342</u>	<u>\$ 1,379,159</u>
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 35,911	\$ 13,127	\$ 49,038
Accrued IBNR	350,969	132,850	483,819
	<u>350,969</u>	<u>132,850</u>	<u>483,819</u>
Total liabilities	<u>386,880</u>	<u>145,977</u>	<u>532,857</u>
NET ASSETS:	<u>\$ 256,937</u>	<u>\$ 589,365</u>	<u>\$ 846,302</u>

CITY OF STATESVILLE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2012

	Health Insurance Fund	Property and Casualty Liability Insurance Fund	Totals
Operating revenues:			
Employer's Contributions	\$ 2,399,881	\$ -	\$ 2,399,881
Employee's Contributions	780,763	-	780,763
Insurance premiums charged to departments	-	696,924	696,924
Total operating revenues	<u>3,180,644</u>	<u>696,924</u>	<u>3,877,568</u>
Operating expenses:			
Claims - health, dental and worker's compensation	2,874,717	179,828	3,054,545
Administration and professional services	244,785	-	244,785
Stop loss insurance and insurance premiums	223,790	442,737	666,527
Wellness and other claim expenses	12,707	50,830	63,537
Total operating expenses	<u>3,355,999</u>	<u>673,395</u>	<u>4,029,394</u>
Total operating income (loss)	<u>(175,355)</u>	<u>23,529</u>	<u>(151,826)</u>
Nonoperating revenues:			
Investment income	2,754	7,431	10,185
Total nonoperating income	<u>2,754</u>	<u>7,431</u>	<u>10,185</u>
Income (loss) before transfers	<u>(172,601)</u>	<u>30,960</u>	<u>(141,641)</u>
Other financing sources (uses):			
Transfers in:	450,000	-	450,000
Transfers out:	-	(100,000)	(100,000)
Total other financing sources (uses)	<u>450,000</u>	<u>(100,000)</u>	<u>350,000</u>
Change in net assets	277,399	(69,040)	208,359
Net assets, beginning of year	<u>(20,462)</u>	<u>658,405</u>	<u>637,943</u>
Net assets, end of year	<u>\$ 256,937</u>	<u>\$ 589,365</u>	<u>\$ 846,302</u>

CITY OF STATESVILLE, NORTH CAROLINA
HEALTH INSURANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-FINANCIAL PLAN AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2012

	Financial Plan	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Operating revenues:			
Contributions from employer	\$ 2,525,812	\$ 2,399,881	\$ (125,931)
Contributions from employees and COBRA	823,000	780,763	(42,237)
Total operating revenues	<u>3,348,812</u>	<u>3,180,644</u>	<u>(168,168)</u>
Non operating revenues:			
Investment earnings	<u>6,000</u>	<u>2,754</u>	<u>(3,246)</u>
Total nonoperating revenues	<u>6,000</u>	<u>2,754</u>	<u>(3,246)</u>
Total revenues	<u>3,354,812</u>	<u>3,183,398</u>	<u>(171,414)</u>
EXPENDITURES:			
Operating expenditures:			
Health claims, administration and stop loss	3,436,678	3,270,381	(166,297)
Dental claims	124,319	115,438	(8,881)
Wellness and other expenses	28,815	12,707	(16,108)
Reserved	<u>215,000</u>	<u>-</u>	<u>(215,000)</u>
Total expenditures	<u>3,804,812</u>	<u>3,398,526</u>	<u>(406,286)</u>
Revenues over (under) expenditures	<u>(450,000)</u>	<u>(215,128)</u>	<u>234,872</u>
OTHER FINANCING SOURCES:			
Transfers in	<u>450,000</u>	<u>450,000</u>	<u>-</u>
Total other sources	<u>450,000</u>	<u>450,000</u>	<u>-</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>234,872</u>	<u>\$ 234,872</u>
Reconciliation from financial plan (modified accrual) to full accrual:			
Decrease in incurred claims but not reported (IBNR)		<u>(42,527)</u>	
Change in net assets		<u>\$ 277,399</u>	

CITY OF STATESVILLE, NORTH CAROLINA
PROPERTY AND CASUALTY LIABILITY INSURANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-FINANCIAL PLAN AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2012

	Financial Plan	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Operating revenues:			
Insurance premiums charged to departments	\$ 696,924	\$ 696,924	\$ -
Total operating revenues	696,924	696,924	-
Non operating revenues:			
Investment earnings	10,500	7,431	(3,069)
Total nonoperating revenues	10,500	7,431	(3,069)
Total revenues	707,424	704,355	(3,069)
EXPENDITURES:			
Operating expenditures:			
Insurance premiums	443,000	442,737	(263)
Property loss claims	71,500	50,830	(20,670)
Worker's compensation claims	237,000	231,461	(5,539)
Total expenditures	751,500	725,028	(26,472)
Revenues over (under) expenditures	(44,076)	(20,673)	23,403
OTHER FINANCING USES:			
Fund balance appropriated	144,076	-	(144,076)
Transfers out	(100,000)	(100,000)	-
Total other sources	44,076	(100,000)	(144,076)
Revenues and other sources (under) expenditures	<u>\$ -</u>	(120,673)	<u>\$ (120,673)</u>
Reconciliation from financial plan (modified accrual) to full accrual:			
Decrease in incurred claims but not reported (IBNR)		(51,633)	
Change in net assets		<u>\$ (69,040)</u>	

CITY OF STATESVILLE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012

	Health Insurance Fund	Property and Casualty Liability Insurance Fund	Totals
Cash flows from operating activities:			
Cash received from employer and employees	\$ 3,180,707	\$ 696,924	\$ 3,877,631
Cash paid for claims and insurance	(3,381,019)	(716,244)	(4,097,263)
Net cash (used) by operating activities	(200,312)	(19,320)	(219,632)
Cash flows from noncapital financing:			
Transfers from other funds	450,000	-	450,000
Transfers to other funds	-	(100,000)	(100,000)
Net cash (used) by noncapital financing	450,000	(100,000)	350,000
Cash flows from investing activities operating activities:			
Interest on investments and miscellaneous	2,723	8,601	11,324
Net increase (decrease) in cash and cash equivalents	252,411	(110,719)	141,692
Cash and cash equivalents:			
Beginning of year, July 1	389,926	844,684	1,234,610
End of year, June 30	<u>\$ 642,337</u>	<u>\$ 733,965</u>	<u>\$ 1,376,302</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating Income (loss)	\$ (175,355)	\$ 23,529	\$ (151,826)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Changes in assets and liabilities:			
Decrease in accounts receivable	63	15	78
Increase in due from other governments	(274)	-	(274)
Decrease in accounts payable and accrued liabilities	(24,746)	(42,864)	(67,610)
Net cash (used) by operating activities	<u>\$ (200,312)</u>	<u>\$ (19,320)</u>	<u>\$ (219,632)</u>

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

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
GENERAL FUND - CITY-WIDE
For the Year Ended June 30, 2012

Fiscal Year	Uncollected Balance July 1, 2011	Additions	Collections and Credits	Uncollected Balance June 30, 2012
2011-2012	\$ -	\$ 11,320,637	\$ 10,890,248	\$ 430,389
2010-2011	463,124	-	271,517	191,607
2009-2010	187,418	-	66,117	121,301
2008-2009	98,370	-	17,901	80,469
2007-2008	68,274	-	8,584	59,690
2006-2007	55,819	-	4,889	50,930
2005-2006	54,410	-	3,540	50,870
2004-2005	38,263	-	3,609	34,654
2003-2004	53,149	-	1,338	51,811
2002-2003	37,447	-	757	36,690
2001-2002	40,832	-	40,832	-
	<u>\$ 1,097,106</u>	<u>\$ 11,320,637</u>	<u>\$ 11,309,332</u>	1,108,411
				Less allowance for uncollectible accounts - city-wide
				<u>269,749</u>
				Ad valorem taxes receivable, net
				<u>\$ 838,662</u>
				RECONCILIATION WITH REVENUES:
				Ad valorem taxes - city-wide revenues
				\$ 11,208,935
				Reconciling items:
				Interest collected
				(73,260)
				Releases
				132,975
				Statute of limitations
				<u>40,682</u>
				Total collections and credits
				<u>\$ 11,309,332</u>

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE-
GENERAL FUND - DOWNTOWN STATESVILLE SPECIAL TAX DISTRICT
For the Year Ended June 30, 2012

Fiscal Year	Uncollected Balance July 1, 2011	Additions	Collections and Credits	Uncollected Balance June 30, 2012
2011-2012	\$ -	\$ 104,606	\$ 99,015	\$ 5,591
2010-2011	2,974	-	1,262	1,712
2009-2010	1,315	-	570	745
2008-2009	864	-	464	400
2007-2008	844	-	406	438
2006-2007	396	-	10	386
2005-2006	410	-	10	400
2004-2005	358	-	-	358
2003-2004	392	-	-	392
2002-2003	449	-	1	448
2001-2002	256	-	256	-
	<u>\$ 8,258</u>	<u>\$ 104,606</u>	<u>\$ 101,994</u>	10,870
				Less allowance for uncollectible accounts - Downtown
				<u>2,645</u>
				Ad valorem taxes receivable, net
				<u>\$ 8,225</u>
				RECONCILIATION WITH REVENUES:
				Ad valorem taxes - Downtown revenues
				\$ 101,220
				Reconciling items:
				Releases
				518
				Statute of limitations
				<u>256</u>
				Total collections and credits
				<u>\$ 101,994</u>

CITY OF STATESVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND - CITY-WIDE LEVY
For the Year Ended June 30, 2012

	Property Valuation	City-wide Rate per \$100	Amount of Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
ORIGINAL LEVY:					
Property taxed at current year's rate	\$ 2,963,838,020	0.3800	\$ 11,386,128	\$ 10,811,557	\$ 574,571
Penalties	-		-	-	-
TOTAL ORIGINAL LEVY	2,963,838,020		11,386,128	10,811,557	574,571
DISCOVERIES:					
Current year rate and taxes	10,944,095	0.3800	41,588	36,849	4,739
Penalties	-		16,716	16,716	-
TOTAL DISCOVERIES	10,944,095		58,304	53,565	4,739
RELEASES:					
Current year rate	(31,540,789)	0.3800	(119,855)	(110,522)	(9,333)
Penalties	-		(3,940)	(3,940)	-
TOTAL RELEASES	(31,540,789)		(123,795)	(114,462)	(9,333)
Net assessed valuation	<u>\$ 2,943,241,326</u>				
Net Levy			11,320,637	10,750,660	569,977
Uncollected taxes , June 30			(430,389)	(345,673)	(84,716)
Current year's taxes collected			<u>\$ 10,890,248</u>	<u>\$ 10,404,987</u>	<u>\$ 485,261</u>
Current levy collection percentage rate			<u>96.20%</u>	<u>96.78%</u>	<u>85.14%</u>

CITY OF STATESVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND -DOWNTOWN STATESVILLE SPECIAL TAX DISTRICT
For the Year Ended June 30, 2012

	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	\$ 102,913,000	0.1000	\$ 103,429	\$ 99,651	\$ 3,778
Penalties	-		164	164	-
TOTAL ORIGINAL LEVY	102,913,000		103,593	99,815	3,778
DISCOVERIES:					
Current year rate and taxes	1,327,047	0.1000	1,196	1,155	41
Penalties	-		335	335	-
TOTAL DISCOVERIES	1,327,047		1,531	1,490	41
RELEASES:					
Current year rate	(455,000)	0.1000	(455)	(443)	(12)
Penalties	-		(63)	(63)	-
TOTAL RELEASES	(455,000)		(518)	(506)	(12)
Net assessed valuation	<u>\$ 103,785,047</u>				
Net Levy			<u>104,606</u>	<u>100,799</u>	<u>3,807</u>
Uncollected taxes , June 30			<u>(5,591)</u>	<u>(5,418)</u>	<u>(173)</u>
Current year's taxes collected			<u>\$ 99,015</u>	<u>\$ 95,381</u>	<u>\$ 3,634</u>
Current levy collection percentage rate			<u>94.66%</u>	<u>94.62%</u>	<u>95.46%</u>

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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	124
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	134
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	145
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	149
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	157
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)

	2002-03	2003-04	2004-05	2005-06
Governmental activities				
Invested in capital asset, net of related debt	\$ 16,348,041	\$ 26,681,477	\$ 30,608,013	\$ 36,058,271
Restricted for:				
Stabilization by state statute	-	-	-	-
Public safety	140,648	403,676	2,486,305	1,181,165
Transportation	150,700	73,569	158,156	181,156
Economic development	440,339	543,886	534,596	615,050
Capital outlay	-	-	-	-
Unrestricted	<u>25,033,038</u>	<u>26,509,071</u>	<u>28,513,882</u>	<u>29,538,254</u>
Total governmental activities net assets	<u>42,112,766</u>	<u>54,211,679</u>	<u>62,300,952</u>	<u>67,573,896</u>
Business-type activities				
Invested in capital asset, net of related debt	59,272,496	59,318,242	60,404,087	60,561,045
Unrestricted	<u>32,106,832</u>	<u>32,296,998</u>	<u>32,438,588</u>	<u>33,438,825</u>
Total business-type activities net assets	<u>91,379,328</u>	<u>91,615,240</u>	<u>92,842,675</u>	<u>93,999,870</u>
Primary government				
Invested in capital asset, net of related debt	75,620,537	85,999,719	91,012,100	96,619,316
Restricted for:				
Stabilization by state statute	-	-	-	-
Transportation	140,648	403,676	2,486,305	1,181,165
Public Safety	150,700	73,569	158,156	181,156
Economic development	440,339	543,886	534,596	615,050
Capital projects				
Unrestricted	<u>57,139,870</u>	<u>58,806,069</u>	<u>60,952,470</u>	<u>62,977,079</u>
Total primary government net assets	<u>\$ 133,492,094</u>	<u>\$ 145,826,919</u>	<u>\$ 155,143,627</u>	<u>\$ 161,573,766</u>

Notes:

- ⁽¹⁾ 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

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
\$	44,949,061	\$ 48,001,180	\$ 53,828,159	\$ 60,880,399	\$ 59,908,456	\$ 66,160,070
	-	-	-	-	-	5,565,574
	1,883,567	2,135,787	3,360,512	2,610,583	6,276,092	337,206
	874,768	216,563	78,736	1,695,694	383,871	1,332,646
	734,392	402,664	331,342	319,743	885,021	324,831
	7,487,250	4,005,386	1,142,748	1,133,887	8,524,131	6,470,958
	27,095,084	31,399,891	29,392,370	30,087,302	24,885,268	19,242,685
	83,024,122	86,161,471	88,133,867	96,727,608	100,862,839	99,433,970
	64,506,624	83,614,851	66,982,354	65,435,328	65,578,645	65,215,357
	34,850,320	18,104,041	34,085,581	35,717,074	34,648,769	35,113,541
	99,356,944	101,718,892	101,067,935	101,152,402	100,227,414	100,328,898
	109,455,685	131,616,031	120,810,513	126,315,727	125,487,101	131,375,427
	-	-	-	-	-	5,565,574
	1,883,567	2,135,787	3,360,512	2,610,583	6,276,092	337,206
	874,768	216,563	78,736	1,695,694	383,871	1,332,646
	734,392	402,664	331,342	319,743	885,021	324,831
	7,487,250	4,005,386	1,142,748	1,133,887	8,524,131	6,470,958
	61,945,404	49,503,932	35,717,074	65,804,376	59,534,037	54,356,226
\$	182,381,066	\$ 187,880,363	\$ 161,440,925	\$ 197,880,010	\$ 201,090,253	\$ 199,762,868

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

	2002-03	2003-04	2004-05	2005-06
Expenses by Functions/Programs				
Governmental Activities:				
General government	\$ 3,316,412	\$ 3,737,206	\$ 3,618,939	\$ 3,666,728
Public safety	7,808,491	8,358,890	8,433,166	8,954,959
Transportation	1,508,750	1,648,117	1,591,127	1,784,873
Economic and physical development	313,282	1,057,610	294,644	422,002
Environmental protection	1,736,838	1,811,174	1,826,871	1,937,472
Cultural and recreation	1,783,585	2,006,659	1,984,978	2,034,064
Interest on long-term debt	13,275	11,925	97,328	108,644
Subtotal governmental activities	<u>16,480,633</u>	<u>18,631,581</u>	<u>17,847,053</u>	<u>18,908,742</u>
Business-Type Activities:				
Electric	31,674,001	32,703,237	33,213,561	34,325,012
Water and sewer	7,686,088	7,682,948	7,973,812	8,758,206
Civic Center	630,930	727,237	797,484	795,543
Subtotal business-type activities	<u>39,991,019</u>	<u>41,113,422</u>	<u>41,984,857</u>	<u>43,878,761</u>
Total primary government expenses	<u>\$ 56,471,652</u>	<u>\$ 59,745,003</u>	<u>\$ 59,831,910</u>	<u>\$ 62,787,503</u>
Program Revenues by Functions				
Governmental Activities:				
Charges for Services:				
General government	\$ 644,709	\$ 1,204,405	\$ 540,882	\$ 240,129
Public safety	118,008	180,858	328,221	381,205
Transportation	46,758	39,360	50,907	390,138
Economic and physical development	-	-	-	-
Environmental protection	282,488	308,816	489,502	309,051
Cultural and recreation	120,170	159,748	193,034	175,506
Operating grants and contributions	1,510,906	1,854,916	1,427,048	1,396,861
Capital grants and contributions	679,396	2,697,606	4,072,479	1,938,558
Total governmental activities program activities	<u>3,402,435</u>	<u>6,445,709</u>	<u>7,102,073</u>	<u>4,831,448</u>
Business-Type Activities:				
Charges for Services:				
Electric	32,672,918	34,190,549	33,597,354	34,434,669
Water and sewer	6,603,389	6,840,188	8,426,736	9,416,655
Civic Center	202,367	199,421	218,748	225,489
Operating grants and contributions	361,307	206,068	247,713	-
Capital grants and contributions	99,130	-	-	-
Total business-type activities	<u>39,939,111</u>	<u>41,436,226</u>	<u>42,490,551</u>	<u>44,076,813</u>
Total primary government program revenues	<u>\$ 43,341,546</u>	<u>\$ 47,881,935</u>	<u>\$ 49,592,624</u>	<u>\$ 48,908,261</u>

Table 2
Page 1 of 2

2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
\$ 5,025,649	\$ 4,570,260	\$ 3,390,680	\$ 3,259,010	\$ 3,346,041	\$ 3,274,004
9,507,613	9,912,303	10,439,606	11,206,823	11,408,145	11,994,709
3,429,782	2,552,709	3,370,012	3,409,944	3,412,045	3,468,402
1,027,971	687,943	900,469	798,806	806,305	965,655
1,957,790	2,043,845	2,159,733	2,077,498	2,085,049	2,130,549
2,357,781	2,860,402	2,996,956	3,145,451	3,367,653	3,417,745
97,303	85,272	72,823	91,868	275,735	352,859
23,403,889	22,712,734	23,330,279	23,989,400	24,700,973	25,603,923
34,781,756	36,808,447	37,157,603	38,513,061	40,589,432	41,532,781
8,699,578	8,539,967	9,857,896	9,440,556	9,286,106	9,502,048
789,198	743,029	825,678	817,270	861,917	848,125
44,270,532	46,091,443	47,841,177	48,770,887	50,737,455	51,882,954
\$ 67,674,421	\$ 68,804,177	\$ 71,171,456	\$ 72,760,287	\$ 75,438,428	\$ 77,486,877
\$ 240,129	\$ 211,811	\$ 129,936	\$ 69,423	\$ 96,614	\$ 379,335
323,180	238,714	265,811	287,186	337,832	198,223
477,950	470,080	469,067	506,981	473,426	322,757
-	-	-	70,045	4,511	-
477,523	311,923	309,651	328,217	293,688	288,090
236,072	342,981	511,747	751,559	816,694	831,655
653,592	291,176	330,505	917,021	865,836	501,593
4,513,373	1,493,538	1,224,679	8,508,250	3,116,406	1,493,194
6,921,819	3,360,223	3,241,396	11,438,682	6,005,007	4,014,847
35,581,680	37,804,704	36,661,251	39,102,390	41,973,877	41,334,097
9,896,796	9,882,339	9,508,110	9,348,940	9,146,995	8,973,284
276,547	284,148	300,010	293,019	277,414	254,004
-	-	-	-	-	560,534
700,000	-	-	-	-	-
46,455,023	47,971,191	46,469,371	48,744,349	51,398,286	51,121,919
\$ 53,376,842	\$ 51,331,414	\$ 49,710,767	\$ 60,183,031	\$ 57,403,293	\$ 55,136,766

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

	2002-03	2003-04	2004-05	2005-06
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes				
Ad valorem taxes	\$ 8,528,747	\$ 8,991,418	\$ 9,450,204	\$ 9,297,047
Local sales tax option	4,979,270	6,535,212	5,790,147	5,846,223
Other taxes	326,473	244,741	1,304,528	1,319,265
Unrestricted intergovernmental revenues	1,537,695	1,857,199	1,564,550	1,544,840
Interest earned on investments	600,712	299,895	686,748	998,645
Miscellaneous	139,151	145,382	1,348	275,829
Gain (loss) on sale of capital assets	-	(113,679)	-	(53,947)
Transfers in (out)	(26,791)	187,643	36,728	122,336
Total governmental activities	<u>16,085,257</u>	<u>18,147,811</u>	<u>18,834,253</u>	<u>19,350,238</u>
Business-Type Activities:				
Interest earned on investments	707,313	323,542	707,955	1,081,479
Miscellaneous	65,682	23,095	50,514	-
Gain (loss) on sale of capital assets	-	(245,886)	-	-
Transfer in (out)	26,791	(187,643)	(36,728)	(122,336)
Total business-type activities	<u>799,786</u>	<u>(86,892)</u>	<u>721,741</u>	<u>959,143</u>
Total primary government	<u>16,885,043</u>	<u>18,060,919</u>	<u>19,555,994</u>	<u>20,309,381</u>
Changes in Net Assets				
Governmental activities	3,007,059	5,961,939	8,089,273	5,272,944
Business-type activities	747,878	235,912	1,227,435	1,157,195
Total primary government	<u>\$ 3,754,937</u>	<u>\$ 6,197,851</u>	<u>\$ 9,316,708</u>	<u>\$ 6,430,139</u>

2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
\$ 9,493,505	\$ 10,872,577	\$ 11,574,508	\$ 11,602,821	\$ 11,760,600	\$ 11,316,717
6,310,405	6,416,272	5,628,740	5,113,327	5,452,410	5,105,479
1,216,733	1,128,731	1,057,366	1,208,289	1,273,835	1,321,032
1,930,374	2,096,956	2,147,614	2,023,140	2,139,048	2,116,304
1,779,224	1,592,528	1,217,313	554,901	105,840	263,126
224,245	83,313	101,969	175,648	268,874	195,157
24,823	-	-	-	-	-
185,084	299,483	409,899	470,151	1,830,590	(157,608)
<u>21,164,393</u>	<u>22,489,860</u>	<u>22,137,409</u>	<u>21,148,277</u>	<u>22,831,197</u>	<u>20,160,207</u>
1,776,861	1,461,297	1,130,748	593,605	244,771	256,414
868,462	(679,614)	-	-	-	448,497
(199,208)	-	-	-	-	-
(185,084)	(299,483)	(409,899)	(470,151)	(1,830,590)	157,608
<u>2,261,031</u>	<u>482,200</u>	<u>720,849</u>	<u>123,454</u>	<u>(1,585,819)</u>	<u>862,519</u>
<u>23,425,424</u>	<u>22,972,060</u>	<u>22,858,258</u>	<u>21,271,731</u>	<u>21,245,378</u>	<u>21,022,726</u>
4,682,323	3,137,349	9,586,691	8,597,559	22,831,197	(1,428,869)
4,445,522	2,361,948	694,311	96,916	(1,585,819)	101,484
<u>\$ 9,127,845</u>	<u>\$ 5,499,297</u>	<u>\$ 10,281,002</u>	<u>\$ 8,694,475</u>	<u>\$ 21,245,378</u>	<u>\$ (1,327,385)</u>

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

	2002-03	2003-04	2004-05	2005-06
General Fund				
Reserved for:				
Prepaid items	\$ 430	\$ 3,470	\$ 2,212	\$ 2,019
Reserved for inventories	26,755	22,502	26,252	27,224
¹ Reserved for encumbrances	2,836,675	4,270,506	2,714,631	1,547,264
Subsequent year's appropriation	-	-	-	-
Stabilization by State Statute	1,673,097	1,955,468	3,348,484	2,343,075
Committed	-	-	-	-
Unassigned	17,330,201	15,305,731	19,115,573	22,192,320
Subtotal governmental activities	<u>21,867,158</u>	<u>21,557,677</u>	<u>25,207,152</u>	<u>26,111,902</u>
All Other Governmental Funds				
Reserved for:				
¹ Reserved for encumbrances	-	2,646,521	2,235,425	1,079,484
Stabilization by State Statute	154,253	1,352,914	2,604,028	1,256,886
Restricted, reported in:				
Special revenue funds	3,169,866	3,133,615	3,106,554	2,383,200
Capital project funds (deficit)	33,940	(3,397,186)	(3,426,211)	(1,027,252)
Committed	-	-	-	-
Unassigned	-	-	-	-
Subtotal other governmental activities	<u>3,358,059</u>	<u>3,735,864</u>	<u>4,519,796</u>	<u>3,692,318</u>
⁽²⁾ Total governmental fund balance	<u>\$ 25,225,217</u>	<u>\$ 25,293,541</u>	<u>\$ 29,726,948</u>	<u>\$ 29,804,220</u>
General Fund unrestricted fund balance as a percent of expenditures (including transfer out)	106.54%	74.15%	99.10%	103.39%

Notes:

⁽¹⁾ Encumbrances are no longer included in fund balance in accordance with GASB 54 beginning fiscal year 2010-11.

⁽²⁾ Prior year adjustment for sales tax and telecommunication tax 433,566
Revised Fund Balance 2002-03 25,658,783

Table 3

2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
\$ 827	\$ 15,096	\$ 6,940	\$ 4,510	\$ 320	\$ 2,470
26,732	27,406	27,689	16,790	26,091	26,497
2,944,359	5,109,820	5,733,866	4,188,338	-	-
2,890,000	2,100,000	-	652,150	1,847,967	270,292
2,392,401	2,554,149	2,349,570	2,730,658	3,139,241	3,384,316
-	-	-	-	750,940	-
15,142,878	15,205,365	17,389,011	17,401,057	18,218,742	19,403,631
<u>23,397,197</u>	<u>25,011,836</u>	<u>25,507,076</u>	<u>24,993,503</u>	<u>23,983,301</u>	<u>23,087,206</u>
7,688,381	5,700	1,070,032	2,479,753	-	-
212,246	511,713	363,922	561,960	79,991	2,181,258
2,122,202	2,010,816	1,948,930	4,099,157	955,625	1,994,683
1,470,188	5,645,881	4,203,385	2,666,400	13,691,420	6,470,958
-	-	-	-	1,342,079	(85,676)
-	-	-	-	-	-
<u>11,493,017</u>	<u>8,174,110</u>	<u>7,586,269</u>	<u>9,807,270</u>	<u>16,069,115</u>	<u>10,561,223</u>
<u>\$ 34,890,214</u>	<u>\$ 33,185,946</u>	<u>\$ 33,093,345</u>	<u>\$ 34,800,773</u>	<u>\$ 40,052,416</u>	<u>\$ 33,648,429</u>
52.97%	65.99%	63.26%	67.97%	67.54%	76.15%

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

	2002-03	2003-04	2004-05	2005-06
Revenues (by source):				
Ad valorem taxes	\$ 8,484,257	\$ 8,892,592	\$ 9,541,219	\$ 9,229,195
Sales Tax	4,141,501	5,126,617	5,500,018	5,846,223
Other taxes and licenses	837,769	1,408,595	1,323,297	1,204,561
Unrestricted intergovernmental	1,820,608	2,101,940	1,819,575	1,814,360
Restricted intergovernmental	1,650,933	3,828,105	5,221,262	3,125,282
Permits and fees	493,034	538,369	745,322	750,002
Sales and services	601,656	497,170	537,692	840,747
Investment earnings	557,687	281,904	645,044	943,604
Miscellaneous	559,258	640,223	540,580	167,876
Total revenues	<u>19,146,703</u>	<u>23,315,515</u>	<u>25,874,009</u>	<u>23,921,850</u>
Expenditures (by function):				
General government	3,105,459	3,486,649	3,423,610	3,465,145
Public safety	7,100,469	7,558,932	7,844,550	8,385,296
Transportation	1,943,054	1,489,700	1,486,356	1,694,167
Economic and physical development	313,282	1,057,610	294,644	408,044
Environmental protection	1,530,415	1,561,863	1,672,009	1,769,566
Cultural and recreation	1,648,845	1,854,940	1,892,447	1,878,769
Capital outlay	1,196,397	6,821,556	8,074,210	5,897,977
Debt service:				
Principal	25,000	25,000	89,504	355,000
Interest on long-term debt	13,500	12,150	-	112,950
Total expenditures	<u>16,876,421</u>	<u>23,868,400</u>	<u>24,777,330</u>	<u>23,966,914</u>
Excess of revenues over (under) expenditures	2,270,282	(552,885)	1,096,679	(45,064)
Other Financing Sources (Uses)				
Transfers in	1,218,023	4,798,985	2,216,690	2,645,939
Transfers out	(1,244,814)	(4,611,342)	(2,179,962)	(2,523,603)
Transfer from component unit	-	-	-	-
Proceeds from long-term debt	-	-	3,300,000	-
Total other financing sources (uses)	<u>(26,791)</u>	<u>187,643</u>	<u>3,336,728</u>	<u>122,336</u>
Net change in fund balance	<u>\$ 2,243,491</u>	<u>\$ (365,242)</u>	<u>\$ 4,433,407</u>	<u>\$ 77,272</u>
Debt service as a percentage of noncapital expenditures	0.25%	0.22%	0.54%	2.59%

Table 4

2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
\$ 9,534,403	\$ 10,962,849	\$ 11,487,668	\$ 11,515,195	\$ 11,603,732	\$ 11,310,155
6,310,405	6,416,272	5,628,740	5,113,327	5,452,410	5,105,479
1,151,378	1,128,730	1,072,667	1,208,289	1,271,879	1,321,032
1,986,661	2,096,957	2,147,614	2,023,140	2,139,049	2,116,304
5,165,415	1,780,407	1,555,184	9,396,440	3,724,998	2,078,787
670,787	622,716	544,248	526,627	542,334	554,325
1,066,972	1,007,280	1,347,115	1,393,927	1,502,159	1,457,941
1,682,542	1,489,005	1,090,462	466,568	235,024	253,517
127,491	114,952	101,971	134,024	468,319	206,288
<u>27,696,054</u>	<u>25,619,168</u>	<u>24,975,669</u>	<u>31,777,537</u>	<u>26,939,904</u>	<u>24,403,828</u>
4,783,022	4,425,289	3,113,999	3,057,326	3,114,368	3,025,762
8,825,199	9,401,987	9,860,172	10,514,864	10,863,716	11,309,003
1,673,689	1,011,510	2,158,865	1,751,549	1,786,894	1,781,557
1,038,429	687,942	900,468	797,915	806,305	1,021,655
1,793,815	1,918,679	1,946,932	1,934,002	1,960,189	1,979,079
2,116,144	2,680,000	5,795,858	2,974,884	2,965,898	2,974,985
2,109,107	7,053,833	1,194,515	11,037,173	8,199,597	6,597,977
355,000	355,000	355,000	355,000	549,700	1,249,700
100,710	88,679	76,230	63,990	272,184	360,490
<u>22,795,115</u>	<u>27,622,919</u>	<u>25,402,039</u>	<u>32,486,703</u>	<u>30,518,851</u>	<u>30,300,208</u>
4,900,939	(2,003,751)	(426,370)	(709,166)	(3,578,947)	(5,896,380)
11,172,263	1,245,064	3,446,361	4,950,672	6,849,267	2,266,764
(10,987,208)	(945,581)	(3,036,462)	(4,480,521)	(5,018,677)	(2,774,371)
-	-	-	-	-	-
-	-	-	1,947,000	7,000,000	-
<u>185,055</u>	<u>299,483</u>	<u>409,899</u>	<u>2,417,151</u>	<u>8,830,590</u>	<u>(507,607)</u>
<u>\$ 5,085,994</u>	<u>\$ (1,704,268)</u>	<u>\$ (16,471)</u>	<u>\$ 1,707,985</u>	<u>\$ 5,251,643</u>	<u>\$ (6,403,987)</u>
2.20%	2.16%	1.78%	1.95%	3.68%	6.79%

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
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
2011	11,760,600	5,452,410	348,992	677,747	18,239,749
2012	11,316,717	5,105,479	341,000	733,086	17,496,282

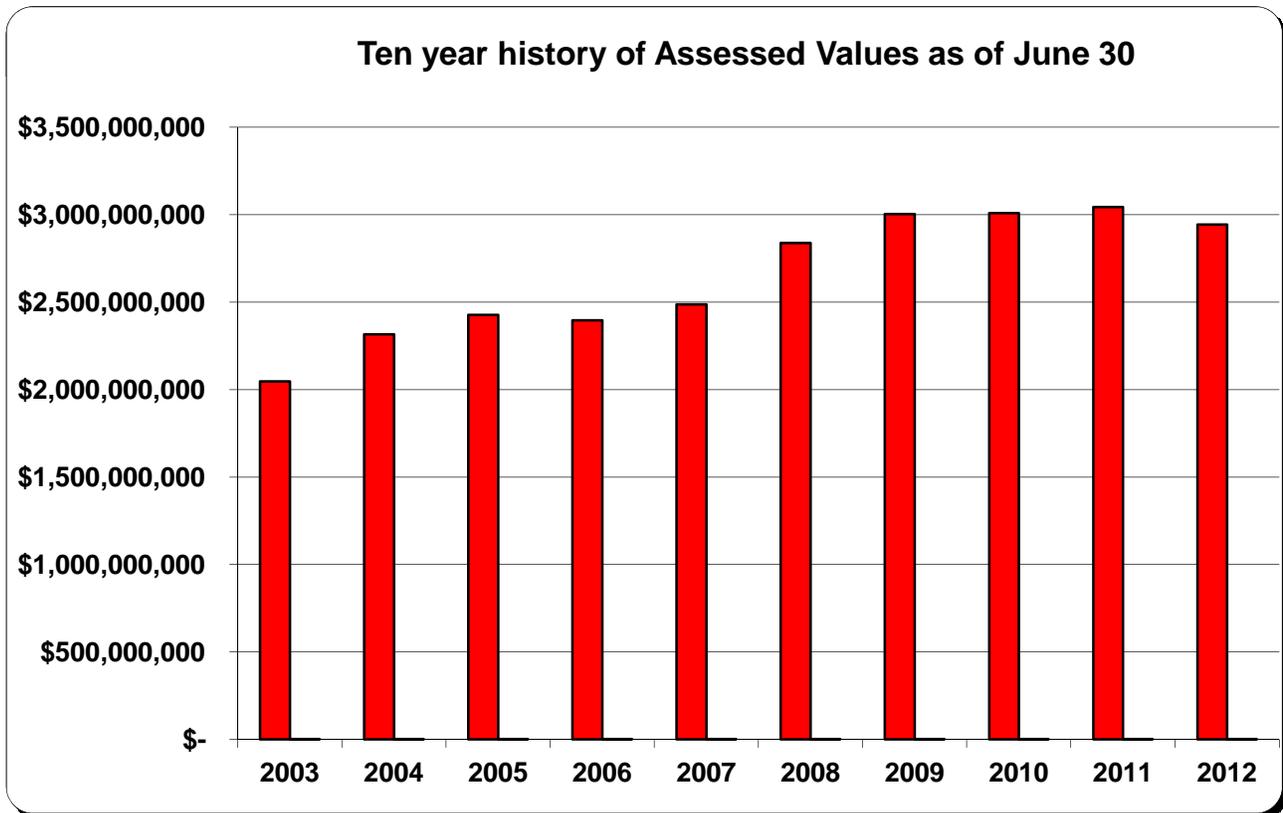
CITY OF STATESVILLE, NORTH CAROLINA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
FOR THE LAST TEN YEARS
(modified accrual basis of accounting)

Fiscal Year Ended June 30	Property Tax	Sales Tax	Privilege License Tax	Occupancy Tax	Total
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	11,603,732	5,452,410	348,992	677,747	18,082,881
2011	11,310,155	5,105,479	341,000	733,086	17,489,720

**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	Total Direct Tax Rate
2003	2002	\$ 1,390,820,339	\$ 615,665,144	\$ 40,548,114	\$ 2,047,033,597	0.4100
2004	2003	1,571,257,656	704,962,665	40,679,505	2,316,899,826	0.3800
2005	2004	1,609,450,141	779,516,927	38,749,366	2,427,716,434	0.3800
2006	2005	1,653,896,167	703,483,219	38,923,969	2,396,303,355	0.3800
2007	2006	1,734,842,543	715,624,404	37,638,962	2,488,105,909	0.3800
2008	2007	2,032,493,274	767,214,046	38,508,312	2,838,215,632	0.3800
2009	2008	2,074,554,266	891,189,760	38,461,549	3,004,205,575	0.3800
2010	2009	2,099,286,384	867,458,395	41,940,666	3,008,685,445	0.3800
2011	2010	2,135,719,487	865,558,609	43,397,510	3,044,675,606	0.3800
2012	2011	2,046,476,967	851,682,471	45,081,888	2,943,241,326	0.3800

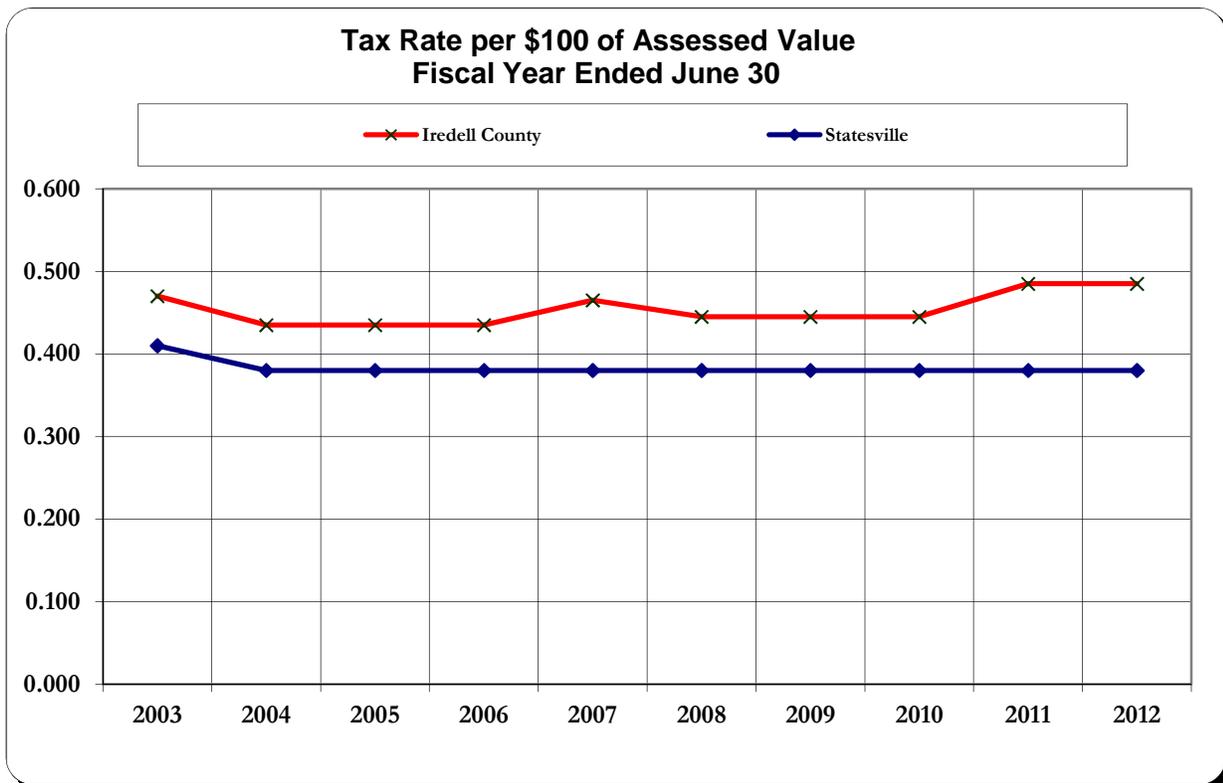
⁽¹⁾ Assessed valuations are established by the Board of County Commissioners at 100 percent of estimated market value. A revaluation of real property is required by the North Carolina General Statutes at least every eight years. The last revaluation was completed in tax year 2010, levied for fiscal year June 30, 2012.



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

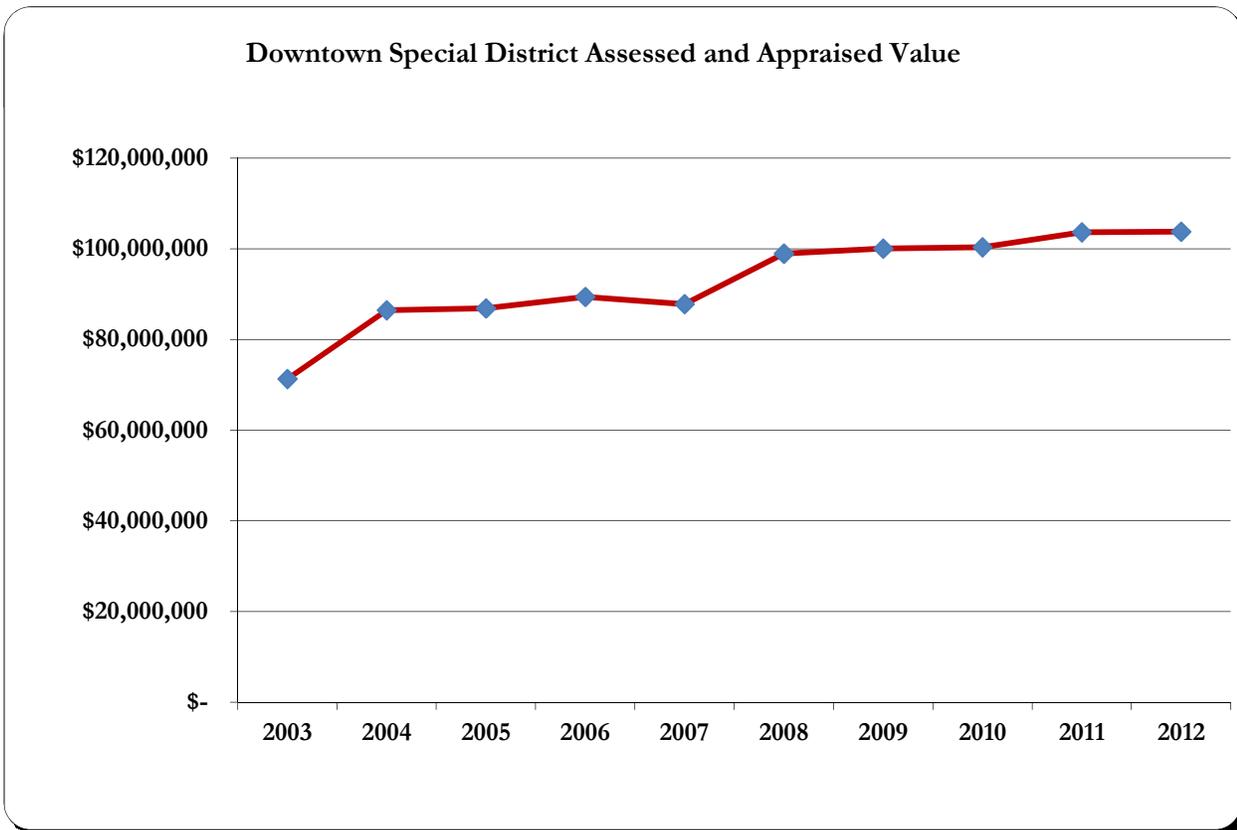
Fiscal Year Ended June 30	City of Statesville	Iredell County	Total
2003	\$0.410	\$0.470	\$0.980
2004	0.380	0.435	0.905
2005	0.380	0.435	0.915
2006	0.380	0.435	0.915
2007	0.380	0.465	0.945
2008	0.380	0.445	0.925
2009	0.380	0.445	0.925
2010 ⁽¹⁾	0.380	0.445	0.925
2011	0.380	0.485	0.965
2012	0.380	0.485	0.865

⁽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 2010, levied for fiscal year June 30, 2011.



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

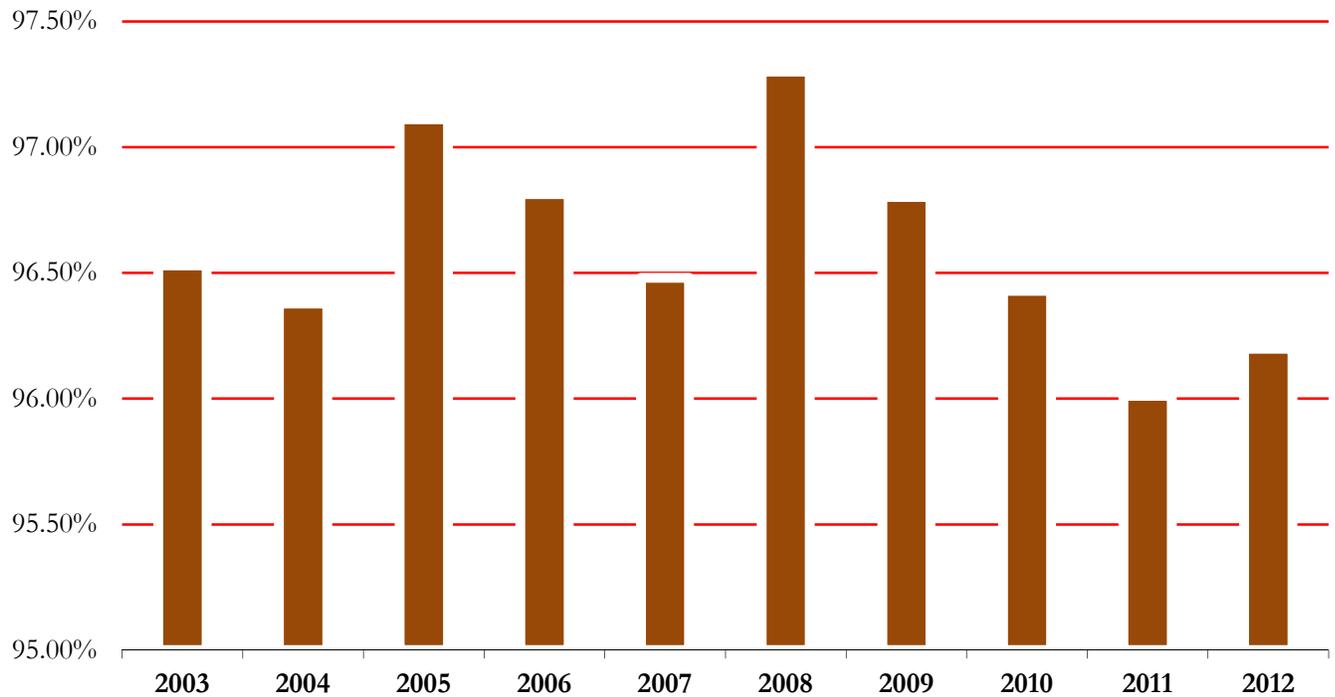
Fiscal Year Ended June 30	Assessed Value	Appraised Value	Ratio of Total Assessed Value to Total Appraised Value
2003	\$71,306,590	\$71,306,590	100%
2004	86,462,840	86,462,840	100%
2005	86,876,298	86,876,298	100%
2006	89,420,820	89,420,820	100%
2007	87,813,703	87,813,703	100%
2008	98,942,000	98,942,000	100%
2009	100,043,730	100,043,730	100%
2010	100,360,997	100,360,997	100%
2011	101,690,327	103,654,000	100%
2012	103,785,047	103,785,047	100%



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

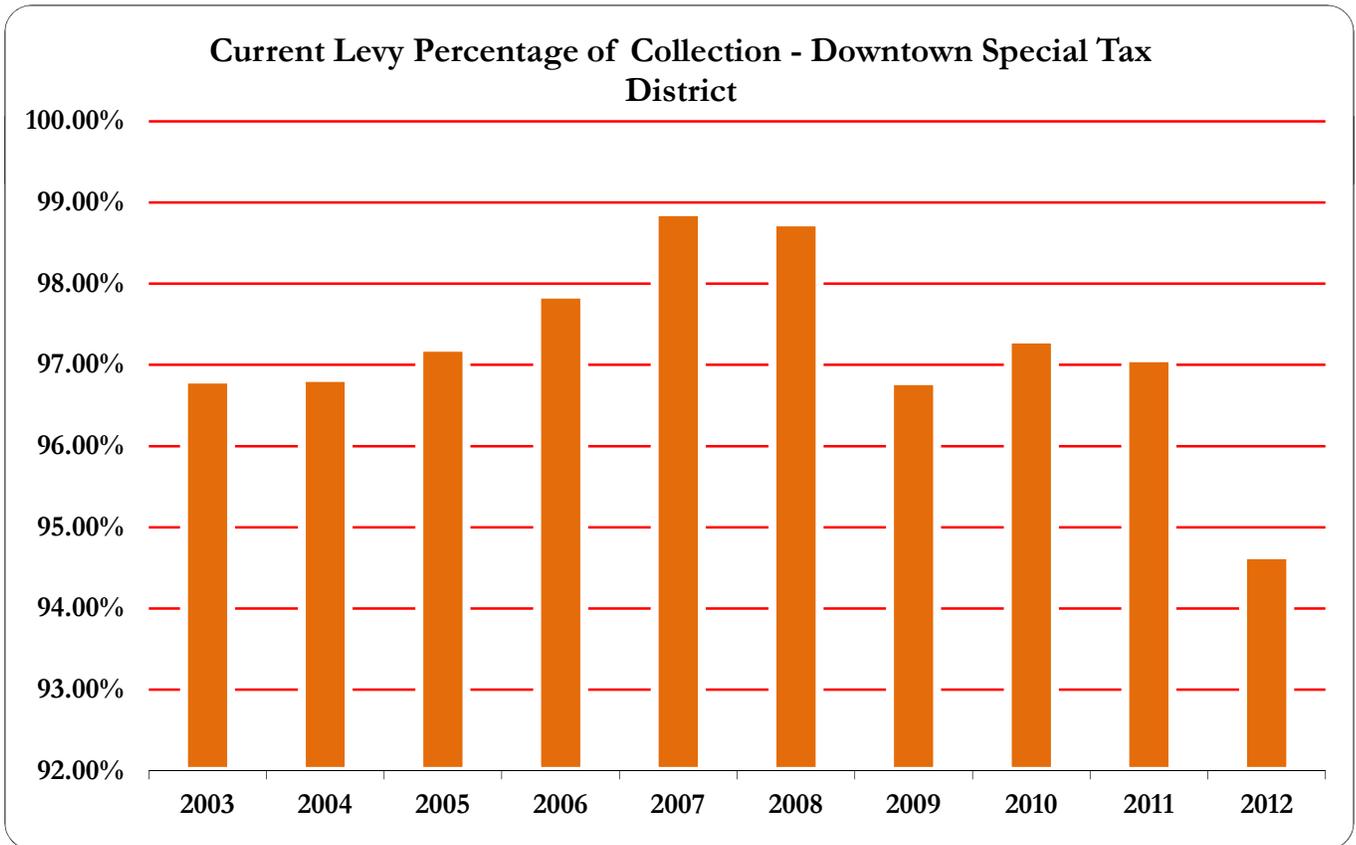
Fiscal Year Ended June 30	Tax Year Ended December 31	Total Tax Levy for Curent Fiscal Year	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
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%
2011	2010	11,608,744	11,145,620	96.01%	323,674	11,469,294	98.80%	1,097,107	9.45%
2012	2011	11,320,637	10,890,248	96.20%	369,223	11,259,471	99.46%	1,108,411	9.79%

Current Levy Percentage of Collections - City Wide



**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 for Curent Fiscal Year	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
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%
2011	2010	101,971	98,997	97.08%	2,069	101,066	99.11%	8,258	8.10%
2012	2011	104,606	99,015	94.66%	2,721	101,736	97.26%	10,870	10.39%



CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS - CITY WIDE (UNAUDITED)
June 30, 2012 and June 30, 2003

In accordance with GASB No. 44, the following tables present information for the City's principal property taxpayers as of June 30, 2012 and June 30, 2003 for City wide only.

June 30, 2012

Taxpayer	Type of Business	Percentage of		Tax Levy
		Total Assessed Valuation	Assessed Valuation	
Lowe's	Home Improvement Retailer	6.17%	\$ 181,599,409	\$ 1,570,835
Providencia USA, Inc.	Non-Woven Plastic Materials Mfg.	2.31%	67,874,276	587,113
Asmo NC, Inc.	Electric Motor Mfg.	2.01%	59,118,306	511,373
GS Statesville Green Land	Real Estate	0.93%	27,320,310	236,477
Statesville HMA, Inc.	Health Care Facility	1.11%	32,691,592	282,783
Newell Rubbermaid	Home & Office Products, Tool Mfg.	0.75%	22,111,138	191,261
Centro NP Holdings	Real Estate	0.60%	17,630,860	152,507
Pratt (Jett Corr) Inc.	Corrugated Container Manufacturer	0.56%	16,619,058	143,755
Statesville Shoppes Corp.	Real Estate	0.51%	15,150,560	131,052
Venture Properties	Real Estate	0.48%	14,202,960	122,856
	Ten largest taxpayers	15.44%	454,318,469	3,930,012
	All other taxpayers	84.56%	2,488,922,857	7,390,625
	Total:	100.00%	\$ 2,943,241,326	\$ 11,320,637

June 30, 2003

Taxpayer	Type of Business	Percentage of		Tax Levy
		Total Assessed Valuation	Assessed Valuation	
Dana-Spicer Co.	Off-Highway Equipment	3.38%	\$ 69,121,835	\$ 262,663
Asmo NC, Inc.	Electric Motor Mfg.	2.91%	59,523,666	226,190
Commscope	Cable Manufacturer	1.99%	40,694,848	154,640
Goodyear Tire & Rubber	Tire Manufacturer	1.17%	23,994,891	91,181
Hunt Manufacturing	Art Supply Manufacturer	1.16%	23,705,868	90,082
Excel Realty Trust of NC	Shopping Center	0.97%	19,757,620	75,079
BellSouth Telephone	Telecommunications	0.83%	17,080,715	64,907
C & J Associates	Real Estate	0.71%	14,442,208	54,880
J. C. Penney	Distribution Center	0.63%	12,982,182	49,332
Shaner Hotel Group	Hotel Management	0.59%	12,071,060	45,870
	Ten largest taxpayers	14.33%	293,374,893	1,114,825
	All other taxpayers	85.67%	1,753,658,704	7,291,891
	Total:	100.00%	\$ 2,047,033,597	\$ 8,406,716

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL ELECTRIC CUSTOMERS
June 30, 2012 and June 30, 2003

<u>Electric Customer</u>	<u>Type of Business</u>	<u>Dollar Amount of Annual Electric Charges</u>	<u>Percentage of Total Electric Charges for Services</u>
June 30, 2012			
Commscope	Cable Manufacturer	1,591,432	4.0%
City of Statesville	Municipal Corporation	1,508,367	3.7%
Providencia USA	Non-Woven Plastic Materials	1,159,843	2.9%
Kewaunee Scientific	Scientific Equipment	948,231	2.4%
Iredell Memorial Hospital	Health Care Facility	892,494	2.2%
International Paper	Wood/Veneers	847,683	2.1%
Accuma Corporation	Plastics/Batteries	696,929	1.7%
Hunt Manufacturing	Art Supply	590,398	1.5%
Statesville Housing Authority	Housing Authority	564,229	1.4%
J C Penney Logistics	Distribution Center	538,988	1.3%
	Ten largest electric users	9,338,594	23.2%
	All other electric users	30,909,753	76.8%
	Total electric charges	<u>\$ 40,248,347</u>	<u>100.0%</u>
June 30, 2003			
Commscope	Cable Manufacturer	\$ 2,099,225	6.8%
Hunt Manufacturing	Art Supply	1,159,349	3.7%
City of Statesville	Municipal Corporation	1,119,195	3.6%
Kewaunee Scientific	Scientific Equipment	702,479	2.3%
International Paper	Wood Fiber/Veneers	656,955	2.1%
Accuma Corporation	Plastics/Batteries	640,217	2.1%
Iredell Memorial Hospital	Health Care Facility	595,583	1.9%
Mocaro Industries/Finishing	Knit Fibers	553,208	1.8%
J.C. Penney Warehouse	Retail Distributor	388,707	1.3%
Toter Inc.	Waste Containers	382,146	1.2%
	Ten largest electric users	8,297,064	26.8%
	All other electric users	22,699,844	73.2%
	Total electric charges	<u>\$ 30,996,908</u>	<u>100.0%</u>

Source: City of Statesville's utility billing records.

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL WATER CUSTOMERS
June 30, 2012 and June 30, 2003

<u>Water Customer</u>	<u>Type of Business</u>	<u>Dollar Amount of Annual Water Charges</u>	<u>Percentage of Total Water Charges for Services</u>
June 30, 2012			
Statesville Housing Authority	Housing Authority	\$ 93,066	2.8%
West Iredell Water Corp.	Utility	83,523	2.5%
Mocaro Industries/Finishing	Knit Fabrics	66,188	2.0%
City of Statesville	Municipal Corporation	60,039	1.8%
Iredell Memorial Hospital	Health Care Facility	53,156	1.6%
Iredell Water Corporation	Utility	43,481	1.3%
Clark-Schwebel Fiber	Textile Manufacturer	38,802	1.2%
Mariner Post Acute	Health Care Facility	34,577	1.0%
Rental Uniform Svc. Inc.	Apparel Rental	30,310	0.9%
International Paper	Wood/Veneers	23,510	0.7%
	Ten largest water users	526,652	15.6%
	All other water users	2,846,100	84.4%
	Total water charges	<u>\$ 3,372,752</u>	<u>100.0%</u>
June 30, 2003			
Mocaro Industries/Finishing	Knit Fabrics	\$ 156,689	6.2%
Statesville Housing Authority	Housing Authority	66,519	2.6%
West Iredell Water Corp.	Utility	61,596	2.4%
Iredell Water Corporation	Utility	61,593	2.4%
Town of Troutman	Municipal Corporation	55,341	2.2%
City of Statesville	Municipal Corporation	53,404	2.1%
Iredell Memorial Hospital	Health Care Facility	39,860	1.6%
Mariner Post Acute	Health Care Facility	32,425	1.3%
Commscope	Cable Manufacturer	24,513	1.0%
Rental Uniform Svc. Inc.	Apparel Rental	18,587	0.7%
	Ten largest water users	570,527	22.7%
	All other water users	1,944,733	77.3%
	Total water charges	<u>\$ 2,515,260</u>	<u>100.0%</u>

Source: City of Statesville's utility billing records.

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL SEWER CUSTOMERS
June 30, 2012 and June 30, 2003

<u>Sewer Customer</u>	<u>Type of Business</u>	<u>Dollar Amount of Annual Sewer Charges</u>	<u>Percentage of Total Sewer Charges for Services</u>
June 30, 2012			
Mocaro Industries/Finishing	Knit Fabrics	\$ 230,367	4.4%
Town of Troutman	Utility	213,252	4.0%
Statesville Housing Authority	Housing Authority	150,971	2.9%
Iredell Memorial Hospital	Health Care Facility	86,967	1.6%
Clark-Schwebel Fiber	Fiberglass	63,602	1.2%
Iredell-Statesville School Adm	School System	56,612	1.1%
Mariner Post Acute	Health Care Facility	56,550	1.1%
Rental Uniform	Apparel Rental	49,442	0.9%
International Paper	Wood/Veneers	38,502	0.7%
296 Mueller Cir Holdings	Real estate	31,490	0.6%
	Ten largest sewer users	977,755	18.5%
	All other sewer users	4,315,013	81.5%
	Total sewer charges	<u>\$ 5,292,768</u>	<u>100.0%</u>
June 30, 2003			
Mocaro Industries/Finishing	Knit Fabrics	\$ 357,517	9.3%
Town of Troutman	Municipal Corporation	196,315	5.1%
Statesville Housing Authority	Housing Authority	107,987	2.8%
Iredell Memorial Hospital	Health Care Facility	60,949	1.6%
Mariner Post Acute	Health Care Facility	53,178	1.4%
Commscope	Cable Manufacturer	35,549	0.9%
Rental Uniform	Apparel Rental	30,418	0.8%
Davis Hospital	Health Care Facility	27,628	0.7%
Iredell-Statesville Schools	Public Schools	25,818	0.7%
Watercrest Estates	Residential Housing	24,012	0.6%
	Ten largest sewer users	919,371	23.8%
	All other sewer users	2,937,302	76.2%
	Total sewer charges	<u>\$ 3,856,673</u>	<u>100.0%</u>

Source: City of Statesville's utility billing records.

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 Income	Per Capita ⁽²⁾
	General Obligation Bonds	Notes Payable	General Obligation Bonds	Notes Payable			
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	0.14% ⁽¹⁾	696.62
2010	50,000	3,597,000	425,000	15,054,266	19,126,266	0.14% ⁽¹⁾	700.03
2011	25,000	10,072,300	200,000	14,052,736	24,350,036	0.10% ⁽¹⁾	988.51
2012	-	8,847,600	80,000	13,051,207	21,978,807	0.11% ⁽¹⁾	804.44

Notes:

¹ Information on the City of Statesville alone is not available. The data presented are for Iredell County and were obtained from the U.S. Census. Information for fiscal year 2010 for Iredell County was \$24,559.

² From the North Carolina Office of Management and Budget. For the report fiscal year are projections from the North Carolina Office of Management and Budget. The official U.S. Census is 24,532. For fiscal year 2012 the population projections are from the North Carolina Office of Management and Budget as of July 1, 2011. Estimate population for fiscal year 2012: 27,322

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

Fiscal Year Ended <u>June 30,</u>	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 Obligation Bonds		
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
2011	25,000	200,000	-	225,000	0.01%	9.13
2012	-	80,000	-	80,000	0.00%	3.25

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 For fiscal year 2012 the population projections are from the North Carolina Office of Management and Budget as of July 1, 2011 is 24,633.

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

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Debt Limit	\$ 163,763	\$ 185,352	\$ 194,217	\$ 195,000	\$ 200,010	\$ 227,057	\$ 240,336	\$ 240,695	\$ 243,574	\$ 235,459
Total net debt applicable to limit	<u>3,755</u>	<u>3,755</u>	<u>2,940</u>	<u>2,195</u>	<u>1,450</u>	<u>1,125</u>	<u>800</u>	<u>475</u>	<u>25</u>	<u>-</u>
Legal debt margin	<u>\$ 160,008</u>	<u>\$ 181,597</u>	<u>\$ 191,277</u>	<u>\$ 192,805</u>	<u>\$ 198,560</u>	<u>\$ 225,932</u>	<u>\$ 239,536</u>	<u>\$ 240,220</u>	<u>\$ 243,549</u>	<u>\$ 235,459</u>
Total net debt applicable to the limit as a percentage of debt limit	2.87%	2.29%	2.03%	1.51%	1.13%	0.72%	50.00%	20.00%	1.00%	0.00%

Legal Debt Margin Calculation for the current Fiscal Year:

Total assessed value	\$ 2,974,782
Less current year abatements	<u>(31,541)</u>
Assessed value of taxable property	2,943,241
Debt limit - eight percent (8%) of assessed value	<u>235,459</u>
Amount of debt applicable to debt limit:	
Total bonded debt	-
Legal debt margin	<u>\$ 235,459</u>

CITY OF STATESVILLE, NORTH CAROLINA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT (UNAUDITED)
June 30, 2012

Jurisdiction	Principal	Allocated Amount	Total
Direct debt:			
City of Statesville	⁽¹⁾ \$ 8,847,600	100%	\$ 8,847,600
Overlapping debt:			
Iredell County	⁽¹⁾ <u>231,974,306</u>	15%	<u>35,364,887</u>
	<u>\$ 240,821,906</u>		<u>\$ 44,212,487</u>

⁽¹⁾ Long-term includes general obligation bonds, commercial loans, lease purchase, and certificates of participation. Compensated absences, other post employee benefits, monofill, and obligations of the business-like funds 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⁾
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	4.6%	37.26	20,792
2008	26,704	26,818	6.1%	38.00	21,236
2009	27,039	25,743	12.9%	38.00	21,168
2010	27,322	26,641	12.6%	39.00	21,146
2011	24,532	25,018	11.6%	37.10	21,130
2012	24,633	24,559	10.1%	37.10	21,239

Sources:

- ⁽¹⁾ 2010 is the official 2000 U.S. census. 2012 is projections of the North Carolina Office of Management and Budget as of July 1, 2010 estimate is 27,322.
- ⁽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 2011 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 from the North Carolina Department of Public Instruction's Average Daily Maintenance (ADM).

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL EMPLOYERS
JUNE 30, 2012 AND JUNE 30, 2003

<u>Company or Organization</u> ⁽¹⁾	<u>6/30/2012</u>			<u>6/30/2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total County Employment</u>
Iredell Statesville Schools	2,720	1	3.74%	2,600	1	4.59%
Iredell Memorial Hospital	1,585	2	2.18%	1,600	2	2.82%
Iredell County Government	1,134	3	1.56%	803	4	1.42%
Lowe's Regional Distribution	823	4	1.13%	1,000	3	1.76%
Piedmont Healthcare	720	5	0.99%	450	10	0.79%
JC Penney Distribution	620	6	0.85%	600	6	1.06%
Davis Regional Medical Center	492	7	0.68%	652	5	1.15%
Kewaunee Scientific	480	8	0.66%	490	9	0.86%
Doosan Infracore	474	9	0.65%			
City of Statesville	416	10	0.57%			
ASMO of NC, Inc.				530	7	0.94%
Dana-Spicer				500	8	0.88%
All other	<u>63,295</u>		86.99%	<u>47,457</u>		83.72%
Total Employed	<u><u>72,759</u></u>		<u>100.00%</u>	<u><u>56,682</u></u>		<u>100.00%</u>

Sources:

(1) Greater Statesville Development Corporation.

(2) Total Iredell County employed from the North Carolina Department of Commerce as of 1st Quarter,

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

Function/Program	2002-03	2003-04	2004-05	2005-06
General Government Activities:				
General government:				
Personnel				
Number of new hires-full time		31	53	48
Number of new hires-part-time		83	65	74
Turnover rate		0.082	0.132	0.103
Public Safety:				
Police				
UCR Part 1 Violent Crime				
Vehicle Crashes Investigated				
Number of incoming calls		109114	106545	110013
Fire				
Fire emergency responses		1231	1283	1463
City-wide fire loss		653200	750115	807595
Number of fire inspections		1641	1641	1711
Investigations		14	14	18
Transportation:				
Street Department				
Miles of street resurfacing		2.85	2.53	3
Environmental protection:				
Sanitation				
Number of household collection points		8800	8800	9500
Cost per ton collected		79	79	54
Cemeteries				
Number of burials		325	325	325
Recreation:				
Fitness Center Avg. Daily Attendance ⁽²⁾				
Leisure Pool Avg. Daily Attendance ⁽³⁾				

⁽¹⁾ Source: Various City departments.

⁽²⁾ Fitness Center and Leisure Pool opened FY2009 with software purchased during FY2011 to calculate average daily attendance.

⁽³⁾ Leisure Pool season of operation Memorial Day through Labor Day.

Table 22

2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
40	50	43	33	43	23
90	80	70	97	110	88
0.1	0.09	0.085	0.06	0.08	0.074
322	278	222	274	119	123
1991	1986	1818	1932	1725	1690
109569	116349	104514	109351	58060	93590
1419	1450	1709	1644	1822	1890
1040425	1849593	1132213	942350	488735	1373470
1754	850	792	816	863	777
23	15	17	34	15	20
3	3	2.85	6.11	4.54	7.04
9700	9700	9900	9700	9546	9546
54	61	52	53	63	60
247	230	230	325	230	230
					262
					428

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

Function/Program	2002-03	2003-04	2004-05	2005-06
Business-type activities:				
Electric:				
⁽²⁾ Kwh purchased	487,381,472	498,265,971	485,609,557	501,159,266
Purchased power cost	\$27,387,986	\$28,573,384	\$28,551,352	\$29,802,373
⁽²⁾ Cost per kwh	0.0562	0.0573	0.0588	0.0595
⁽²⁾ Kwh sold	456,969,763	456,783,000	481,136,000	480,322,435
Kwh billed	\$30,748,671	\$31,905,471	\$31,524,318	\$32,669,230
⁽²⁾ Sold per kwh	0.0673	0.0698	0.0655	0.0680
Accounting/line kwh loss	30,411,709	41,482,971	4,473,557	20,836,831
Loss as a percent of billed kwh	6.66%	9.08%	0.93%	4.34%
Average number of customers	12,483	12,568	12,652	12,715
Average days in billed/unbilled receivable	49.66	57.98	50.71	47.97
Avg duration of interruption minutes	N/A	129.32	128.21	108.55
Water:				
⁽³⁾ Water MG treated	N/A	N/A	N/A	1,405
⁽⁴⁾ Sold Water to Customers MG	N/A	N/A	N/A	N/A
Accounting/line loss	N/A	N/A	N/A	N/A
⁽⁴⁾ Loss as a percent of billed water	N/A	N/A	N/A	N/A
⁽⁴⁾ Average number of water customers	11,083	11,168	11,252	11,315
Billed water customers	\$2,613,706	\$2,716,128	\$3,277,794	\$3,611,757
Average days in billed/unbilled receivable	45.47	51.95	51.36	44.11
Sewer:				
⁽³⁾ 3rd Creek treated- MGD	N/A	N/A	1.37	1.54
⁽³⁾ 4th Creek treated - MGD	N/A	N/A	2.82	2.88
⁽⁴⁾ Average days in billed/unbilled receivable	10,006	10,091	10,175	10,238
Billed sewer customers	\$3,720,705	\$4,117,584	\$4,904,684	\$5,234,479
Average days in unbilled/billed receivable	48.13	50.23	49.32	44.44
Civic Center:				
Paid Bookings		350	400	400

⁽¹⁾ Source: City billings and annual Public Utility Commission report.

⁽²⁾ Kwh is kilowatts per hour.

⁽³⁾ MGD is Millions of gallons per day.

⁽⁴⁾ Prior to current year are average estimates.

Table 23

2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
498,061,811	495,329,967	458,127,075	451,517,939	464,051,769	461,666,247
\$30,115,860	\$31,545,275	\$31,427,382	\$32,503,039	\$34,847,545	\$36,560,241
0.0605	0.0637	0.0686	0.0720	0.0751	0.0792
472,258,240	476,017,550	438,703,511	431,589,090	444,968,375	447,066,312
\$34,581,935	\$36,638,668	\$35,710,561	\$38,700,180	\$41,410,332	\$40,248,347
0.0732	0.0770	0.0814	0.0897	0.0931	0.0900
25,803,571	19,312,417	19,423,564	19,928,849	19,083,394	14,599,935
5.46%	4.06%	4.43%	4.62%	4.29%	3.27%
12,802	12,856	13,046	12,928	12,897	12,941
48.21	44.90	45.92	43.29	44.28	44.88
55.88	47.90	55.88	53.22	70.64	54.21
1,429	1,378	1,186	1,169	1,189	1,143
N/A	1,323	1,048	956	984	913
N/A	55	138	213	205	229
N/A	3.99%	11.60%	18.25%	17.28%	20.06%
11,228	11,282	11,472	11,354	11,323	11,308
\$3,899,180	\$3,804,882	\$3,437,267	\$3,378,505	\$3,448,842	\$3,432,791
48.35	42.29	47.30	51.92	49.70	51.43
1.54	1.3	1.31	1.58	1.12	0.84
2.88	2.97	3.17	3.225	2.83	2.16
10,238	10,292	10,482	10,364	10,333	10,318
\$5,606,937	\$5,314,062	\$5,190,305	\$5,162,382	\$5,381,251	\$5,292,768
47.64	44.66	48.34	45.97	48.06	49.91
423	557	607	572	624	563

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

Function/Program	2002-03	2003-04	2004-05	2005-06
General Government Activities;				
General government:				
City hall	1	1	1	1
City office building	1	1	1	1
Garage	1	1	1	1
Warehouse	1	1	1	1
Public Safety:				
Police				
⁽⁴⁾ Number of stations	N/A	N/A	4	4
Fire				
Number of fire stations	3	3	3	3
Transportation:				
Street miles	140		134	134.12
Airport - acres	N/A	N/A	389	388.78
Airport - terminals	1	1	1	1
Environmental protection:				
Sanitation - packers	N/A	N/A	9	9
Cemeteries				
⁽²⁾ Number of cemeteries	2	2	2	2
Cemeteries - acreage	N/A	N/A	52	52
Recreation:				
Parks - acreage	N/A	N/A	250	250
Number of Parks	N/A	N/A	20	20
Greenways/trails-miles	N/A	N/A	4.5	4.5
Soccer fields	N/A	N/A	7	7
Recreation Center & Pool	N/A	N/A	N/A	N/A
Business-type activities:				
Electric:				
Miles of distribution lines	N/A	N/A	217	217
Number of delivery stations	N/A	N/A	5	5
Number of substations	N/A	N/A	5	5
Water:				
Miles of distribution lines	N/A	N/A	200	202
Water treatment plants	N/A	N/A	1	1
⁽³⁾ Water plant capacity-MGD	N/A	N/A	15	15
Sewer:				
Miles of collection lines	N/A	N/A	240	244
Sewer treatment plants	N/A	N/A	2	2
⁽³⁾ 3rd Creek plant capacity-MGD	N/A	N/A	4	4
⁽³⁾ 4th Creek plant capacity-MGD	N/A	N/A	6	6
Civic Center:				
Civic Center	N/A	N/A	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

Table 24

2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
4	4	4	2	2	3
3	3	3	3	3	4
134.12	134.12	134.12	141.6	141.6	142.24
388.78	388.78	388.78	390.41	390.41	394
1	1	1	1	1	1
9	9	8	9	8	9
2	2	2	2	2	2
52	52	60	60	60	60
250	250	350	350	350	350
20	20	13	13	13	16
4.5	4.5	6	6	6	6
7	7	7	7	7	7
N/A	N/A	N/A	1	1	1
217	217	235	235	270	270
5	5	5	5	5	5
5	5	5	5	5	5
202	202	272.29	272.29	277	265
1	1	1	1	1	1
15	15	15	15	15	15
244	244	274	274	279	265
2	2	2	2	2	2
4	4	4	4	4	4
6	6	6	6	6	6
1	1	1	1	1	1

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

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Function/Program										
Governmental Activities:										
General Government:										
Mayor and Council	9	9	9	9	9	9	9	9	9	9
City Manager	3	3	3	3	3	3	3	3	3	3
City Clerk	-	1	1	1	1	1	1	1	1	1
Finance Administration	6	6	6	6	6	6	6	6	6	6
Collections	4	4	4	4	4	4	5	5	5	5
Information Technology	8	8	8	9	9	9	9	9	9	9
Purchasing	3	3	3	3	3	3	3	3	3	3
Human Resources	4	4	4	4	4	4	4	4	4	4
Planning	9	8	8	8	8	10	10	10	10	10
Public Works	6	6	6	6	6	6	6	6	6	6
Garage	8	8	9	9	9	9	9	9	9	9
Warehouse	1	1	1	1	1	1	1	1	1	1
Subtotal general government	61	61	62	63	63	65	66	66	66	66
Public Safety										
Police	87	87	89	89	90	94	98	99	99	101
Fire	55	55	55	55	55	55	71	59	59	74
Subtotal Public Safety	142	142	144	144	145	149	169	158	158	175
Transportation										
Street Department	21	21	21	21	21	21	21	21	21	21
Airport	-	-	-	-	-	1	1	1	1	1
Subtotal Transportation	21	21	21	21	21	22	22	22	22	22
Environmental protection										
Sanitation	28	28	28	28	28	28	31	31	31	31
Subtotal environmental protection	28	28	28	28	28	28	31	31	31	31
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	7	3	3	3
Fitness & Activity Center	-	-	-	-	-	-	-	4	4	4
Parks	9	9	9	7	7	7	7	7	7	7
Urban Forestry	7	4	4	4	4	4	4	4	4	4
Public Grounds/Cemeteries	6	6	6	8	8	8	8	8	8	8
Subtotal Recreation	33	30	30	30	30	30	31	31	31	31
Total Governmental	285	282	285	286	287	294	319	308	308	325
Business-type activities										
Electric	26	30	28	28	29	31	34	34	34	34
Water Maintenance	14	14	14	14	14	16	16	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	7	7	7	7	7	7	7	7	7
Subtotal Business-type	89	94	92	92	93	97	100	100	100	100
Total primary government	374	376	377	378	380	391	419	408	408	425

Source: City of Statesville's adopted operating budget.

COMPLIANCE SECTION

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POTTER & COMPANY
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***

Independent Auditor's Report

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, 2012, which collectively comprise the City of Statesville's basic financial statements and have issued our report thereon dated October 25, 2012. Our report includes a reference to 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. Other auditors audited the financial statements of the City of Statesville ABC Board, as described in our report on the City of Statesville's financial statements. This report does not include the results of the other auditors' resting of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. 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

Management of the City of Statesville is responsible for establishing and maintaining 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

**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***

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 entity, 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, 2012
Mooresville, North Carolina



POTTER & COMPANY
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

Independent Auditor's Report

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

Compliance

We have audited the of City of Statesville, North Carolina compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Statesville's major federal programs for the year ended June 30, 2012. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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 the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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, others within the entity, 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, P.A.

October 25, 2012
Mooresville, North Carolina



POTTER & COMPANY
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

Independent Auditor's Report

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

Compliance

We have audited the City of Statesville, North Carolina compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major state programs for the year ended June 30, 2012. 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 compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012.

Internal Control Over Compliance

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 the requirements that could have a direct and material effect on a major State program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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 deficiency in an internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect and correct noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 entity, 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, 2012
Mooresville, North Carolina

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012

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:

CFDA Numbers
20.106

Names of Federal Programs or Cluster
Airport Improvement Project

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, 2012

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

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, 2012*

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, 2012

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	\$ 104,819	\$ -
<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	286,144	-
Airport Improvement Program	20.106	36237.46.8.2	223,057	-
Airport Improvement Program	20.106	36237.46.9.2	156,841	-
Airport Improvement Program	20.106	36237.46.10.2	20,954	-
Airport Improvement Program	20.106	36237.46.12.1	12,411	-
Governor's Highway Safety Program	20.600	52012.5.59	38,900	-
Governor's Highway Safety Program	20.600	52011.5.46	19,632	-
<u>U.S. Department of Justice</u>				
Bulletproof Vest Partnership Program	16.607	2010SUBX10050930	3,250	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3170	24,798	-
Passed through N.C. Department of Crime Control and Public Safety:				
Edward Byrne Memorial Justice Assistance Grant-- Drug Market Intervention	16.738	2011-PROJ007972	54,601	-
<u>U. S. Department of Homeland Security</u>				
Fire Department SAFER Grant	97.044	EMW-2008-FF-00096	55,500	-
<u>U.S. Department of Agriculture</u>				
Passed through N. C. Department of Agriculture:				
N.C. Community Firewise and Urban Interface Forestry Grant Program	10.664	640100007312FOR	20,006	-
<i>State Grants:</i>				
<u>N.C. Department of Transportation</u>				
Powell Bill	DOT-4	32,570	-	716,609
<u>N. C. Department of Commerce</u>				
One North Carolina Fund		O-2008-4118	-	56,000
One North Carolina Fund		O-2010-7083	-	-
One North Carolina Fund		O-2011-8211	-	-
N.C. Small Cities Community Development Block Grant		11-E-2285	-	-
Total federal grants			<u>\$ 1,020,913</u>	
Total state grants				<u>\$ 772,609</u>

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2012

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.

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