



***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

***For Fiscal Year Ended
June 30, 2013***

***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, 2013
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INTRODUCTION SECTION



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October 15, 2013

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, 2013. 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 2013.

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, 2013 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, 2013 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 24,710.

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, 2013, the unemployment rate in Iredell County was 9.2%; 8.9 percent decrease from the prior year, but significantly higher than the national rate of 7.6%, and the state rate of 8.8%. 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 Statesville Regional 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 2013, and future phases are under consideration.

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.

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.

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, 2012. This was the twenty-third 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.

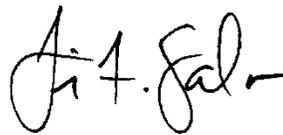
The City of Statesville also received GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year beginning July 1, 2012. This was the twelfth consecutive year that the City of Statesville has received this prestigious award. In order to qualify for the Distinguished 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
City Manager



Lisa F. Salmon
Finance Director

CITY OF STATESVILLE, NORTH CAROLINA
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2013

LIST OF PRINCIPAL OFFICIALS

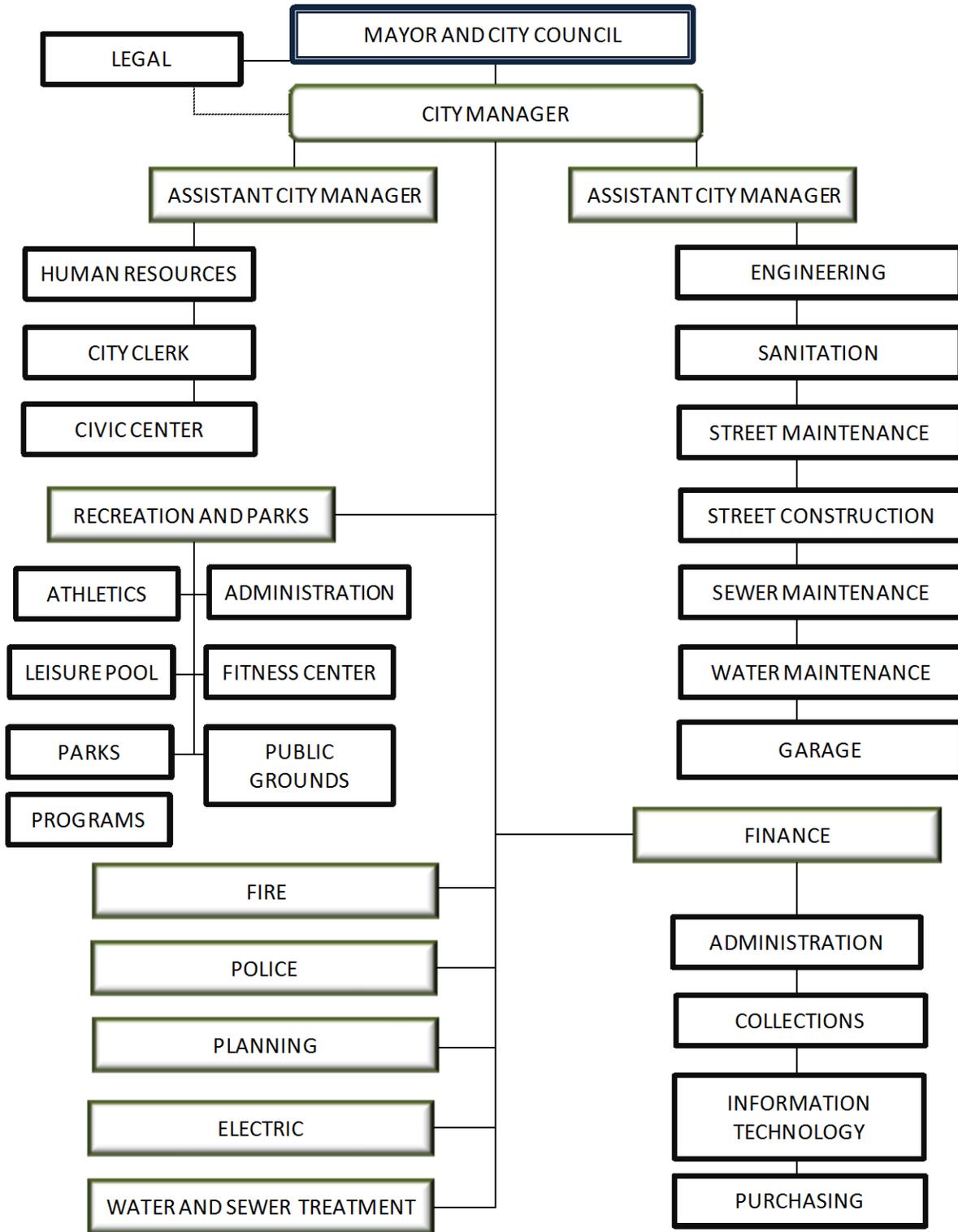
Elected Officials – City Council

| | |
|--|-----------------------|
| 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

| | |
|---|-------------------------|
| 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 | Dennis A. Hutchens |
| Recreation and Parks Director | James B. Cornelison |
| Assistant City Manager | R. Lynn Smyth |
| Planning Director | David H. Currier |
| Police Chief | Thomas A. Anderson, Jr. |
| Interim Public Works Director | Aaron Scott Harrell |
| Water Resources Director | L.F. Hudson, Jr. |

**City of Statesville, North Carolina
Organizational Chart**





Government Finance Officers Association

**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, 2012

Executive Director/CEO

FINANCIAL SECTION



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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 discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Statesville, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Statesville, North Carolina, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and for the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' and the other Post employment Benefit's and Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 67-68 and 69-70, 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Statesville, North Carolina's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, statistical section as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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, based on our audit, the procedures performed as described above and the report of other auditors the combining and individual nonmajor fund financial statements, budgetary schedules, other schedules and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with government Auditing Standards, we have also issued our report dated October 15, 2013 on our consideration of the City of Statesville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contract, and grant agreements and other matters. The purpose of that 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 on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with government Auditing Standards in considering the City of Statesville's internal control over financial reporting and compliance.

Potter & Company, PA

October 15, 2013
Mooresville, North Carolina

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

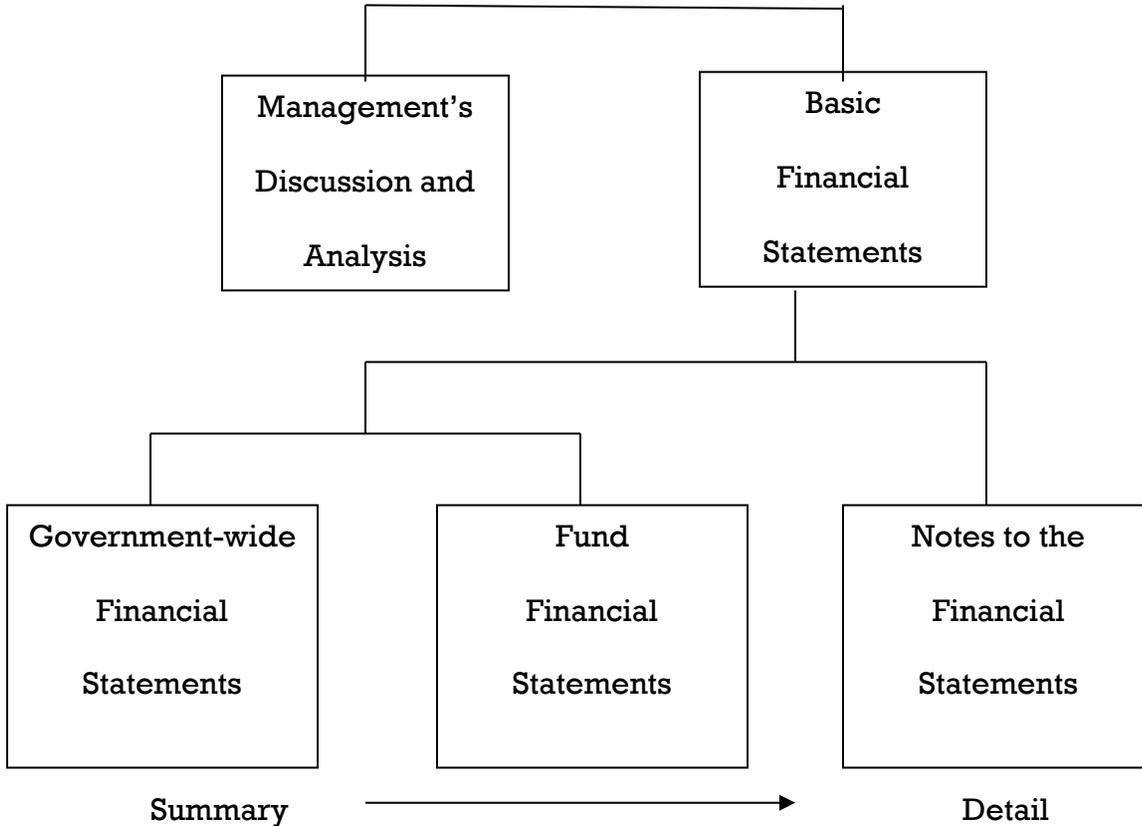
- The assets and deferred outflows of resources of the City of Statesville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$201,912,384 (*net position*).
- The City's total net position increased by \$2,149,516, primarily due to increase of \$1,123,168 in governmental activities from operating and capital grants in transportation and an increase of \$1,026,348 business activities due to increases in the electric utility charges for service.
- As of the close of the current fiscal year, the City of Statesville's governmental funds reported combined ending fund balances of \$33,099,927, a decrease of \$548,502 in comparison with the prior year. Approximately 63.50% of this total amount or \$21,017,856 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 \$21,017,856 or 82.47% of total General Fund expenditures and transfers out.
- The City of Statesville's total debt decreased by a net amount of \$2,040,261 (7.9%) 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
June 30, 2013

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 position and how they have changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) 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 Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of 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

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. 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 Position 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, 2013

City of Statesville's Net Position
Figure 2

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Current and other assets | \$ 39,324,985 | \$ 39,556,369 | \$ 42,435,085 | \$ 40,978,658 | \$ 81,760,070 | \$ 80,535,027 |
| Capital assets | <u>74,500,736</u> | <u>73,763,182</u> | <u>77,519,846</u> | <u>78,346,563</u> | <u>152,020,582</u> | <u>152,109,745</u> |
| Total assets | <u>113,825,721</u> | <u>113,319,551</u> | <u>119,954,931</u> | <u>119,325,221</u> | <u>233,780,652</u> | <u>232,644,772</u> |
| Long-term liabilities outstanding | 8,817,921 | 9,771,886 | 11,838,639 | 12,870,578 | 20,656,560 | 22,642,464 |
| Other liabilities | 4,071,698 | 4,113,695 | 6,703,143 | 6,125,745 | 10,774,841 | 10,239,440 |
| Deferred inflows of resources | <u>378,964</u> | <u>-</u> | <u>57,903</u> | <u>-</u> | <u>436,867</u> | <u>-</u> |
| Total liabilities and deferred inflows of resources | <u>13,268,583</u> | <u>13,885,581</u> | <u>18,599,685</u> | <u>18,996,323</u> | <u>31,868,268</u> | <u>32,881,904</u> |
| Net position: | | | | | | |
| Net invested in capital assets, net of related debt | 67,394,632 | 66,160,070 | 65,470,169 | 65,215,357 | 132,864,801 | 131,375,427 |
| Restricted | 11,764,581 | 14,031,215 | - | - | 11,764,581 | 14,031,215 |
| Unrestricted | <u>21,397,925</u> | <u>19,242,685</u> | <u>35,885,077</u> | <u>35,113,541</u> | <u>57,283,002</u> | <u>54,356,226</u> |
| Total net position | <u>\$ 100,557,138</u> | <u>\$ 99,433,970</u> | <u>\$ 101,355,246</u> | <u>\$ 100,328,898</u> | <u>\$ 201,912,384</u> | <u>\$ 199,762,868</u> |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Statesville exceeded liabilities and deferred inflows by \$201,912,384 as of June 30, 2013. The City's net position increased by \$2,149,516 for the fiscal year ended June 30, 2013. However, the largest portion of net position (65.80%) reflects the City's net 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 net investment in 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 position (5.83%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$57,283,002 is unrestricted.

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

- Consistent collections of property tax revenues by maintaining a tax collection percentage of 96.23%.
- Continued low cost of debt due to the City's high bond rating.
- Ad valorem tax revenues increased 7.32% from the prior year to \$12,144,774 due to an increase in the tax rate from 38 cents to 41 cents per hundred of assessed value.
- Sales taxes increased 3.21% (\$163,978) due primarily to a slight economic recovery.
- Capital grants and contributions increased \$615,938 due primarily airport land acquisition and federal donation of an airport fire response vehicle.

**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

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

| | Governmental | Governmental | Business-type | Business-type | Total | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Activities | Activities | Activities | Activities | 2013 | 2012 |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,256,266 | \$ 2,020,060 | \$ 54,713,247 | \$ 50,561,385 | \$ 56,969,513 | \$ 52,581,445 |
| Operating grants and contributions | 834,006 | 501,593 | 977,497 | 560,534 | 1,811,503 | 1,062,127 |
| Capital grants and contributions | 2,103,132 | 1,493,194 | - | - | 2,103,132 | 1,493,194 |
| General revenues: | | | | | | |
| Property taxes | 12,144,774 | 11,316,717 | - | - | 12,144,774 | 11,316,717 |
| Other taxes and fees | 6,881,962 | 6,426,511 | - | - | 6,881,962 | 6,426,511 |
| Grants and contributions not | | | | | | |
| restricted to specific programs | 2,608,519 | 2,116,304 | - | - | 2,608,519 | 2,116,304 |
| Investment earnings, unrestricted | (149,740) | 263,126 | (103,514) | 256,414 | (253,254) | 519,540 |
| Sales and services not allocated functions | 238,313 | 195,157 | 334,988 | 448,497 | 573,301 | 643,654 |
| Total revenues | 26,917,232 | 24,332,662 | 55,922,218 | 51,826,830 | 82,839,450 | 76,159,492 |
| Expenses: | | | | | | |
| General government | 3,240,212 | 3,274,004 | - | - | 3,240,212 | 3,274,004 |
| Public safety | 12,299,585 | 11,994,709 | - | - | 12,299,585 | 11,994,709 |
| Transportation | 3,540,251 | 3,468,402 | - | - | 3,540,251 | 3,468,402 |
| Economic development | 1,332,542 | 965,655 | - | - | 1,332,542 | 965,655 |
| Environmental protection | 1,846,780 | 2,130,549 | - | - | 1,846,780 | 2,130,549 |
| Cultural and recreation | 3,481,787 | 3,417,745 | - | - | 3,481,787 | 3,417,745 |
| Interest on long-term debt | 306,561 | 352,859 | 349,978 | 382,516 | 656,539 | 735,375 |
| Electric | - | - | 44,304,027 | 41,532,781 | 44,304,027 | 41,532,781 |
| Water and Sewer | - | - | 9,039,651 | 9,119,532 | 9,039,651 | 9,119,532 |
| Civic Center | - | - | 948,560 | 848,125 | 948,560 | 848,125 |
| Total expenses | 26,047,718 | 25,603,923 | 54,642,216 | 51,882,954 | 80,689,934 | 77,486,877 |
| Increase (decrease) in net position before transfers and special items | 869,514 | (1,271,261) | 1,280,002 | (56,124) | 2,149,516 | (1,327,385) |
| Transfers in (out) | 253,654 | (157,608) | (253,654) | 157,608 | - | - |
| Increase (decrease) in net position | 1,123,168 | (1,428,869) | 1,026,348 | 101,484 | 2,149,516 | (1,327,385) |
| Net position, beginning of year | 99,433,970 | 100,862,839 | 100,328,898 | 100,227,414 | 199,762,868 | 201,090,253 |
| Net position, end of year | \$ 100,557,138 | \$ 99,433,970 | \$ 101,355,246 | \$ 100,328,898 | \$ 201,912,384 | \$ 199,762,868 |

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Governmental Activities - Governmental activities increased the City's net position by \$1,123,168 thereby accounting for the majority of increase in the net position of the City of Statesville. Key elements of this decrease are as follows:

- Property taxes increased \$828,027 or 7.32% from the prior year.
- Sales tax increased \$163,978 or 3.21%.
- Capital grants increased by \$609,938 from the prior year.
- Governmental expenses increased by \$443,795.

Business-Type Activities - Business-type activities increased the City of Statesville's net position by \$1,026,348. Key elements of this increase are as follows:

- Charges for services and other revenues exceeded expenses by \$1,280,002. Charges for services increased \$4,151,862 or 8.21%. This is the result of a 5.00% and a 2.00% rate increase for Electric and Water and Sewer services respectively. Expenses increased by 5% or \$2,691,365 primarily due to a 5% wholes electric rate increase.
- Electric also was reimbursed \$270,316 for helping return electric service to Hurricane Sandy New York victims and \$523,401 reimbursement from the State Department of Transportation for utility adjustment to provide for additional interstate highway right away.

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 \$21,017,856 while total fund balance was \$25,600,055; a increase of \$2,512,849 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 82.47% of total General Fund expenditures and transfers out, while total fund balance represents 100.4% of that same amount.

At June 30, 2013, the governmental funds of City of Statesville reported a combined fund balance of \$33,099,927; a 1.63% decrease from last year.

- General Fund expenditures exceeded revenues by \$680,347; below the \$1,695,438 in fund balance appropriated.
- Operating transfers from other funds to the General Fund exceeded operating transfers out by \$3,193,286 less non-major funds of \$2,939,633 net increase from transfer in of \$253,653.
- The net change in fund balances of other governmental funds decreased by \$3,061,351 due primarily to the capital outlay for downtown streetscape project.

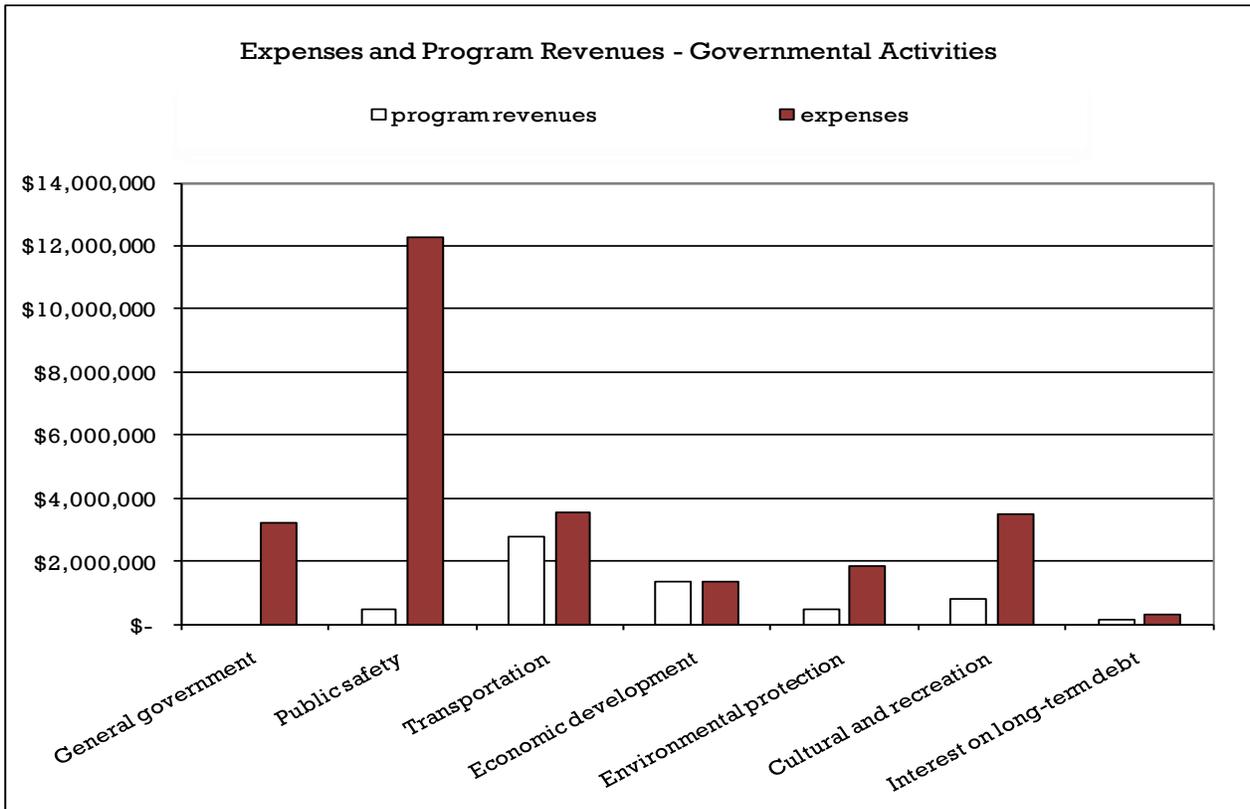
General Fund Budgetary Highlights - During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

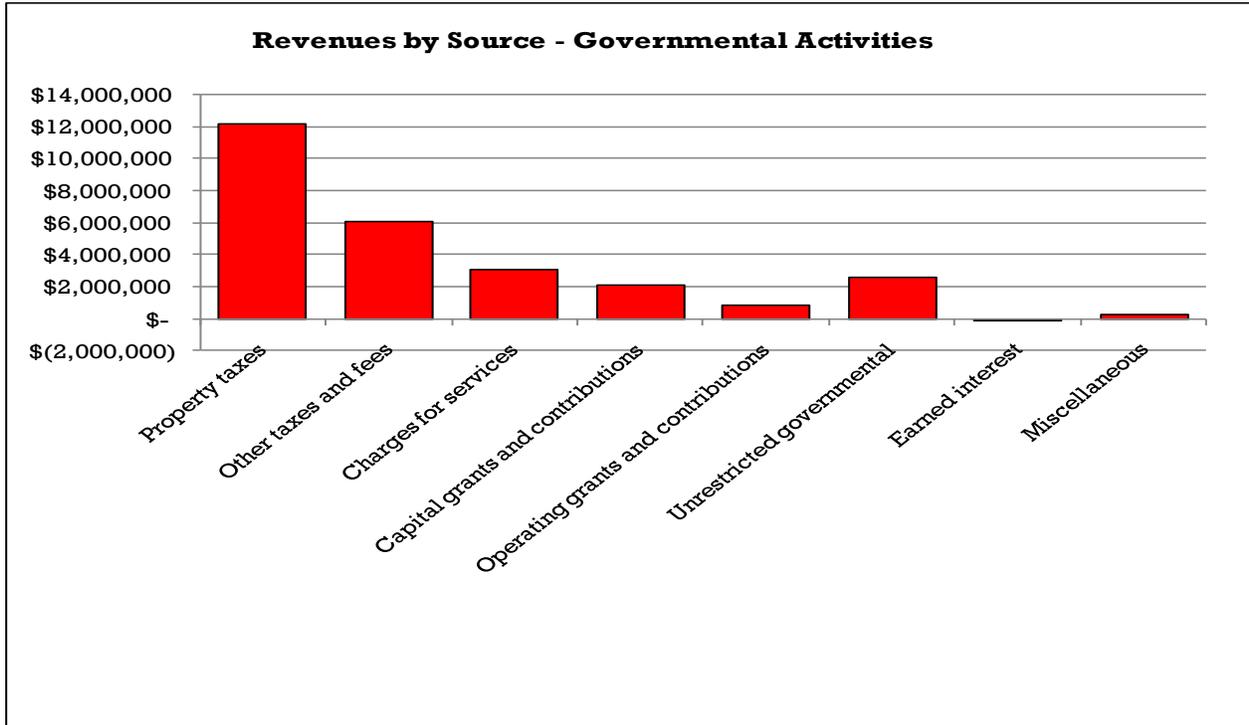
General Fund Budgetary Highlights - During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 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 as presented in a modify accrual basis are:

- Ad valorem tax revenues of \$12,139,952 fell below budget estimates by \$44,983 or .37%.
- Other taxes and licenses of \$6,097,591 exceeded budget estimates by \$71,025 or 1.18% primarily due to excess in sales tax revenues and hold harmless as retail sales exceeded expectation.
- Unrestricted intergovernmental revenues of \$2,412,792 exceeded budget estimates by \$275,516 due primarily to higher than anticipated utility franchise taxes and ABC revenues.
- Investment earnings fell below budget estimates by \$301,810 due to higher than expected market value loss of \$527,073.
- Expenditures were \$3,479,830 lower than budget appropriations due primarily to incomplete capital equipment purchases or capital improvement projects at year-end as follows: 1) \$642,398 in General Government for land acquisition and other capital costs, 2) \$431,040 police and fire, 3) \$997,959 in Transportation for street operations and paving, 4) \$158,746 in airport improvements, 4) \$528,782 in Cultural and Recreation for greenway design and construction and other operating expenditures.

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



**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**



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 position of the Electric Fund is \$17,759,633, and those for the Water and Sewer Fund at the end of the fiscal year are \$18,029,849. The net position of the Electric Fund increased by \$1,543,920 and decreased in the Water and Sewer Fund by \$431,932.

Capital Asset and Debt Administration

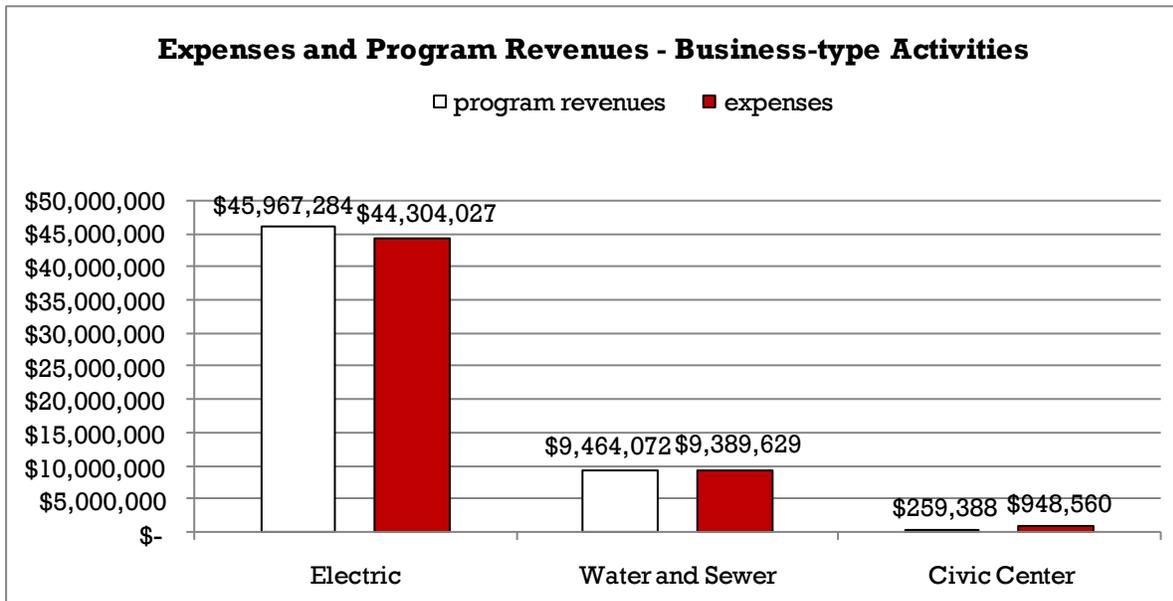
Capital Assets - The City of Statesville's investment in capital assets for its governmental and business-type activities as of June 30, 2013, totals \$152,020,582 (net of accumulated depreciation). These assets include buildings, utility systems infrastructure, land, roads, machinery and equipment, park facilities, and vehicles.

**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

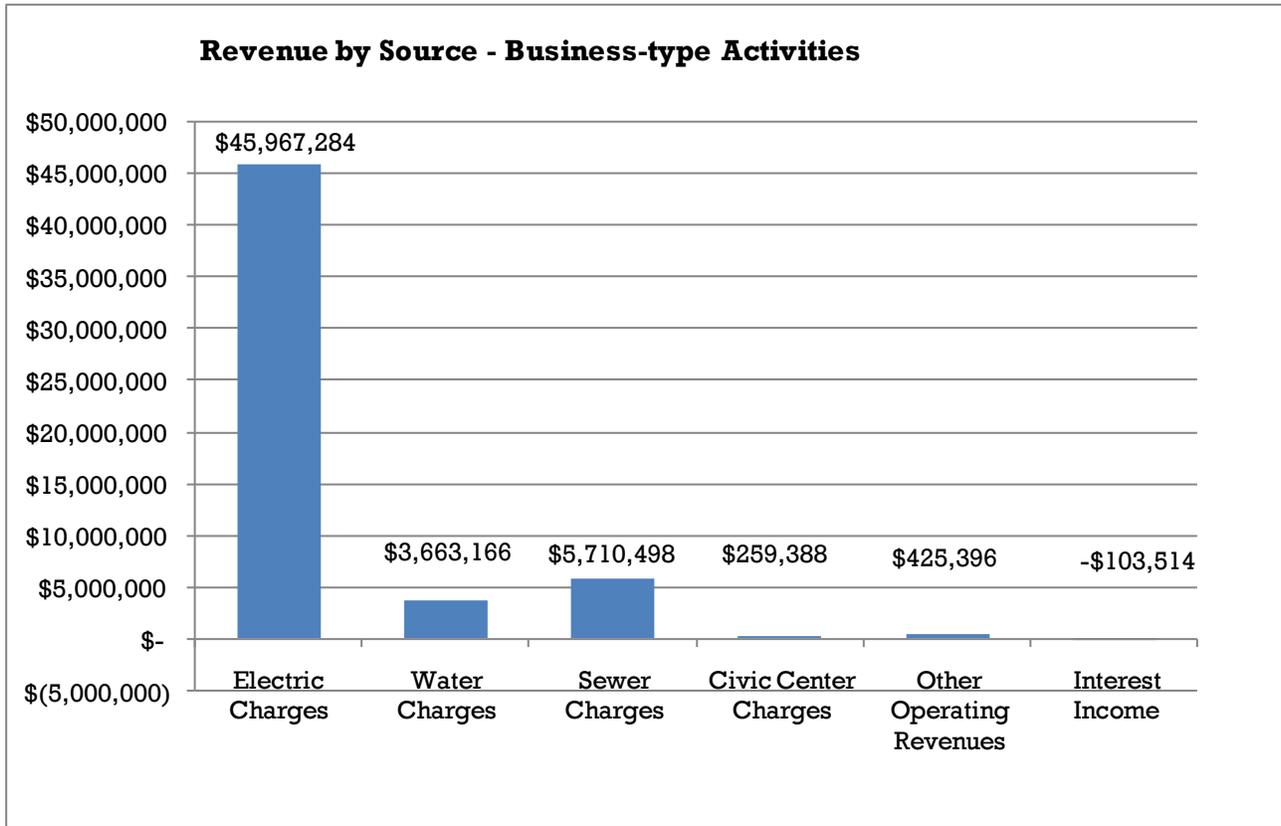
**City of Statesville's Capital Assets
(net of depreciation)
Figure 4**

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Land | \$ 20,294,552 | \$ 18,562,390 | \$ 3,832,156 | \$ 3,529,828 | \$ 24,126,708 | \$ 22,092,218 |
| Fresco | - | - | 335,825 | 335,825 | 335,825 | 335,825 |
| Buildings and other improvements | 45,261,137 | 30,228,771 | 3,090,944 | 3,001,025 | 48,352,081 | 33,229,796 |
| Utility plant in service | - | - | 64,381,530 | 66,817,518 | 64,381,530 | 66,817,518 |
| Vehicles | 3,025,339 | 5,488,380 | 2,055,898 | 2,064,701 | 5,081,237 | 7,553,081 |
| Construction in progress | <u>5,919,708</u> | <u>19,483,641</u> | <u>3,823,493</u> | <u>2,597,666</u> | <u>9,743,201</u> | <u>22,081,307</u> |
| Total | <u>\$ 74,500,736</u> | <u>\$ 73,763,182</u> | <u>\$ 77,519,846</u> | <u>\$ 78,346,563</u> | <u>\$ 152,020,582</u> | <u>\$ 152,109,745</u> |

The figure 4 is net of accumulated depreciation. Additional information on the City's capital assets can be found in the notes at Roman Numeral II DETAIL NOTES ON ALL FUNDS, Section A, Number 4 of the Basic Financial Statements.



**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**



Long-Term Debt - As of June 30, 2013, the City of Statesville had no bonded debt outstanding. The remainder of the City's debt represents notes payable totaling \$19,672,577.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| General obligation bonds | \$ - | \$ - | \$ - | \$ 80,000 | \$ - | \$ 80,000 |
| Notes payable | <u>7,622,900</u> | <u>8,847,600</u> | <u>12,049,677</u> | <u>13,051,207</u> | <u>19,672,577</u> | <u>21,898,807</u> |
| | <u>\$ 7,622,900</u> | <u>\$ 10,097,300</u> | <u>\$ 12,049,677</u> | <u>\$ 14,252,736</u> | <u>\$ 19,672,577</u> | <u>\$ 21,978,807</u> |

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

The City of Statesville's decreased its total debt by \$2,306,230 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, 2013 is \$234,153,804. The City of Statesville's does not have any outstanding bonded debt being supported by property taxes.

Additional information regarding the City of Statesville's long-term debt can be found in the notes at Roman Numeral II DETAIL NOTES ON ALL FUNDS, Section B, Number 7 of the Basic Financial Statements.

Economic Factors and Next Year's Budget and Rates

- Revenue estimates contained in the City of Statesville's 2013-2014 operating and capital budget were developed on a conservative basis.
- A new system for the collection of property taxes on motor vehicles was implemented by the State effective September 1, 2013 that requires the taxes to be paid simultaneously when vehicle registration is renewed. The new system is expected to greatly improve the collection rate and will provide a one-time increase in revenues of \$220,716 in the implementation year due to the transition from billing in arrears to billing simultaneously.
- City employees received a 3.5% pay increase effective July 1, 2013; the first in five years. The budget impact across all funds is \$625,000.
- Retail electric rates were increased effective July 1, 2013 by 5.00% in order to offset the City's increased cost of wholesale purchased power of 5.00%. Water and Sewer rates were also increased by 2.00%.
- The City was approved by the State of North Carolina's Department of Environment and Natural Resources "State Revolving Fund" a loan in the amount of \$20,933,900 on May 28, 2013 at an interest rate of 2.00% to be used for sewer treatment plant expansion. The loan is authorized as the date of this report but there has been no activity on the loan. The maximum loan term is 20 years. The City's 10 year financial analysis of the Water and Sewer Fund forecasts Water and Sewer annual rate increases of 2% or growth in revenues by the same amount will be necessary to fund the debt service requirements.
- The City was approved on July 5, 2013 by the State of North Carolina's Department of Environment and Natural Resources "State Revolving Fund" an interest free loan in the amount of \$4,800,000 to be used for sewer treatment improvements. The maximum loan term is 20 years.

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.

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BASIC FINANCIAL STATEMENTS

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CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2013

| | Primary Government | | | Component Units | |
|--|----------------------------|-----------------------------|-----------------------|---------------------------------|----------------------------|
| | Governmental Activities | Business-Type Activities | Total | Convention & Visitors Bureau | Alcoholic Control Board |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 32,577,461 | \$ 32,448,984 | \$ 65,026,445 | \$ 122,672 | \$ 150,045 |
| Tax receivables, net | 846,623 | - | 846,623 | - | - |
| Receivables, net | 337,506 | 7,349,344 | 7,686,850 | - | - |
| Internal balances | 725,998 | (725,998) | - | - | - |
| Interest receivable | 221,987 | 49,480 | 271,467 | - | - |
| Due from other governments | 3,245,675 | 868,610 | 4,114,285 | - | - |
| Due from other component units | 29,367 | - | 29,367 | - | - |
| Inventories | 28,182 | 1,634,265 | 1,662,447 | - | 454,182 |
| Prepaid items | 2,985 | 3,165 | 6,150 | 1,200 | - |
| Net pension asset | 792,405 | - | 792,405 | - | - |
| Restricted cash and cash equivalents | 516,796 | 807,235 | 1,324,031 | - | - |
| Total current assets | <u>39,324,985</u> | <u>42,435,085</u> | <u>81,760,070</u> | <u>123,872</u> | <u>604,227</u> |
| Non-current assets: | | | | | |
| Capital assets: | | | | | |
| Land and other nondepreciable assets | 26,214,259 | 7,991,475 | 34,205,734 | - | 235,050 |
| Depreciable assets, net | 48,286,477 | 69,528,371 | 117,814,848 | - | 1,398,081 |
| Total capital assets | <u>74,500,736</u> | <u>77,519,846</u> | <u>152,020,582</u> | <u>-</u> | <u>1,633,131</u> |
| Total assets | <u>113,825,721</u> | <u>119,954,931</u> | <u>233,780,652</u> | <u>123,872</u> | <u>2,237,358</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities | 2,120,920 | 4,117,537 | 6,238,457 | 4,684 | 350,753 |
| Accrued interest payable | 36,593 | 32,735 | 69,328 | - | - |
| Due to primary government | - | - | - | - | 29,367 |
| Due to other governments | - | 484,241 | 484,241 | - | 25,877 |
| Deposits payable | 5,411 | 807,235 | 812,646 | - | - |
| Current portion of long-term liabilities | 1,908,774 | 1,261,395 | 3,170,169 | 2,330 | 32,062 |
| Total current liabilities | <u>4,071,698</u> | <u>6,703,143</u> | <u>10,774,841</u> | <u>7,014</u> | <u>438,059</u> |
| Long-term liabilities: | | | | | |
| Due in more than a year | 8,817,921 | 11,838,639 | 20,656,560 | 1,184 | 857,376 |
| Total liabilities | <u>12,889,619</u> | <u>18,541,782</u> | <u>31,431,401</u> | <u>8,198</u> | <u>1,295,435</u> |
| Deferred Inflows of Resources | | | | | |
| Prepaid taxes | 80,192 | - | 80,192 | - | - |
| Unearned revenue | 298,772 | 57,903 | 356,675 | - | - |
| Total deferred inflows of resources | <u>378,964</u> | <u>57,903</u> | <u>436,867</u> | <u>-</u> | <u>-</u> |
| NET POSITION | | | | | |
| Net invested in capital assets | 67,394,632 | 65,470,169 | 132,864,801 | - | 793,531 |
| Restricted for: | | | | | |
| Stabilization by state statute | 5,124,142 | - | 5,124,142 | - | - |
| Public safety | 77,821 | - | 77,821 | - | - |
| Transportation | 771,303 | - | 771,303 | - | - |
| Economic development | 353,599 | - | 353,599 | 115,674 | - |
| Debt Service | 293,653 | - | 293,653 | - | - |
| Capital outlay | 5,144,063 | - | 5,144,063 | - | - |
| Other functions | - | - | - | - | 150,715 |
| Unrestricted | 21,397,925 | 35,885,077 | 57,283,002 | - | (2,323) |
| Total net position | <u>\$ 100,557,138</u> | <u>\$ 101,355,246</u> | <u>\$ 201,912,384</u> | <u>\$ 115,674</u> | <u>\$ 941,923</u> |

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

| | Program Revenues | | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Functions/Programs | | | | |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General government | \$ 3,240,212 | \$ - | \$ - | \$ - |
| Public safety | 12,299,585 | 308,753 | 143,972 | - |
| Transportation | 3,540,251 | 678,516 | - | 2,103,132 |
| Economic and physical development | 1,332,542 | - | 551,000 | - |
| Environmental protection | 1,846,780 | 448,057 | 13,902 | - |
| Cultural and recreation | 3,481,787 | 820,940 | - | - |
| Debt service: | | | | |
| Interest on long-term debt | 306,561 | - | 125,132 | - |
| Total governmental activities | <u>26,047,718</u> | <u>2,256,266</u> | <u>834,006</u> | <u>2,103,132</u> |
| Business-Type Activities: | | | | |
| Electric | 44,304,027 | 44,989,787 | 977,497 | - |
| Water and sewer | 9,389,629 | 9,464,072 | - | - |
| Civic Center | 948,560 | 259,388 | - | - |
| Total business-type activities | <u>54,642,216</u> | <u>54,713,247</u> | <u>977,497</u> | <u>-</u> |
| Total primary government | <u>\$ 80,689,934</u> | <u>\$ 56,969,513</u> | <u>\$ 1,811,503</u> | <u>\$ 2,103,132</u> |
| Component Units Activities: | | | | |
| Convention & Visitors Bureau | \$ 199,725 | \$ - | \$ 156,875 | \$ - |
| Alcoholic Beverage Control Board | 5,099,883 | 5,098,304 | - | - |
| Total component units | <u>\$ 5,299,608</u> | <u>\$ 5,098,304</u> | <u>\$ 156,875</u> | <u>\$ -</u> |
| General Revenues: | | | | |
| Ad valorem taxes | | | | |
| Local option sales tax | | | | |
| Other taxes - gross vehicle and hold harmless | | | | |
| State share franchise, telecommunication, video and liquor taxes | | | | |
| Occupancy Tax | | | | |
| Interest earned on investments | | | | |
| Miscellaneous revenue | | | | |
| Total general revenues not including transfers | | | | |
| Transfers in (out) | | | | |
| Total general revenues and transfers | | | | |
| Change in net position | | | | |
| Net position, beginning of year | | | | |
| Net position, end of year | | | | |

Exhibit 2

| Net (Expense) Revenue and Changes in Net Position | | | | |
|---|--------------------------|-----------------------|------------------------------|----------------------------------|
| Primary Government | | | Component Units | |
| Governmental Activities | Business-Type Activities | Total | Convention & Visitors Bureau | Alcoholic Beverage Control Board |
| \$ (3,240,212) | \$ - | \$ (3,240,212) | \$ - | \$ - |
| (11,846,860) | - | (11,846,860) | - | - |
| (758,603) | - | (758,603) | - | - |
| (781,542) | - | (781,542) | - | - |
| (1,384,821) | - | (1,384,821) | - | - |
| (2,660,847) | - | (2,660,847) | - | - |
| (181,429) | - | (181,429) | - | - |
| (20,854,314) | - | (20,854,314) | - | - |
| - | 1,663,257 | 1,663,257 | - | - |
| - | 74,443 | 74,443 | - | - |
| - | (689,172) | (689,172) | - | - |
| - | 1,048,528 | 1,048,528 | - | - |
| (20,854,314) | 1,048,528 | (19,805,786) | - | - |
| - | - | - | (42,850) | - |
| - | - | - | - | (1,579) |
| - | - | - | (42,850) | (1,579) |
| 12,144,774 | - | 12,144,774 | - | - |
| 5,269,457 | - | 5,269,457 | - | - |
| 809,850 | - | 809,850 | - | - |
| 2,608,519 | - | 2,608,519 | - | - |
| 802,655 | - | 802,655 | - | - |
| (149,740) | (103,514) | (253,254) | 61 | 177 |
| 238,313 | 334,988 | 573,301 | - | 1,402 |
| 21,723,828 | 231,474 | 21,152,647 | 61 | 1,579 |
| 253,654 | (253,654) | - | - | - |
| 21,977,482 | (22,180) | 21,152,647 | 61 | 1,579 |
| 1,123,168 | 1,026,348 | 2,149,516 | (42,789) | - |
| 99,433,970 | 100,328,898 | 199,762,868 | 158,463 | 941,923 |
| <u>\$ 100,557,138</u> | <u>\$ 101,355,246</u> | <u>\$ 201,912,384</u> | <u>\$ 115,674</u> | <u>\$ 941,923</u> |

CITY OF STATESVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

| | Major | Non-Major | Total |
|--|----------------------|--------------------------------|-----------------------|
| | General | Other Governmental Funds | Governmental Funds |
| ASSETS | | | |
| Cash and cash equivalents | \$ 24,318,736 | \$ 6,928,065 | \$ 31,246,801 |
| Ad valorem taxes receivable, net | 846,623 | - | 846,623 |
| Accounts receivable, net | 237,161 | 100,345 | 337,506 |
| Interest receivable | 36,613 | 10,195 | 46,808 |
| Due from other governments | 2,189,449 | 1,042,509 | 3,231,958 |
| Due from other component units | 29,367 | - | 29,367 |
| Restricted cash | 293,653 | 223,143 | 516,796 |
| Inventories | 28,182 | - | 28,182 |
| Prepaid items | 2,985 | - | 2,985 |
| Total Assets | <u>\$ 27,982,769</u> | <u>\$ 8,304,257</u> | <u>36,287,026</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 940,206 | 704,040 | 1,644,246 |
| Total Liabilities | <u>940,206</u> | <u>704,040</u> | <u>1,644,246</u> |
| Deferred Inflows of Resources | | | |
| Property taxes | 846,623 | - | 846,623 |
| Prepaid taxes | 80,192 | - | 80,192 |
| Accounts receivable | 216,921 | 100,345 | 317,266 |
| Unearned privilege licenses | 298,772 | - | 298,772 |
| Total deferred inflows of resources | <u>1,442,508</u> | <u>100,345</u> | <u>1,542,853</u> |
| FUND BALANCES | | | |
| Non Spendable | | | |
| Inventory | 28,182 | - | 28,182 |
| Prepaid items | 2,985 | - | 2,985 |
| Restricted | | | |
| Stabilization by state statue | 3,971,056 | 1,153,086 | 5,124,142 |
| Public safety | - | 77,821 | 77,821 |
| Transportation | - | 771,303 | 771,303 |
| Economic development | - | 353,599 | 353,599 |
| Debt service | 293,653 | - | 293,653 |
| Committed | | | |
| Capital outlay | - | 5,144,063 | 5,144,063 |
| Assigned | | | |
| Subsequent year's appropriations | 286,323 | - | 286,323 |
| Unassigned (deficit) | 21,017,856 | - | 21,017,856 |
| Total Fund Balances | <u>25,600,055</u> | <u>7,499,872</u> | <u>33,099,927</u> |
| Total Liabilities, deferred inflows of revenues and fund balances | <u>\$ 27,982,769</u> | <u>\$ 8,304,257</u> | |

CITY OF STATESVILLE, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF NET POSITION TO
GOVERNMENTAL BALANCE SHEET

June 30, 2013

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

| | | |
|---|---------------------|------------------------------|
| | | 33,099,927 |
| Total fund balance continued from Exhibit 3 | | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds. | | |
| Capital assets | 107,668,518 | |
| Construction work in progress | 5,919,708 | |
| Accumulated depreciation | <u>(39,087,491)</u> | <u>74,500,735</u> |
| The focus of governmental funds is on short-term financing; long-term assets are deferred in the funds. | | |
| Accrued property taxes | 173,198 | |
| Federal tax subsidy for debt | 13,529 | |
| Net pension asset | <u>792,405</u> | <u>979,132</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 position. | | |
| | | 1,576,743 |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements. | | |
| Deferred property taxes | 846,623 | |
| Other deferred revenues | <u>317,266</u> | <u>1,163,889</u> |
| Not reported in the funds. | | |
| Long-term debt | (7,622,900) | |
| Interest payable | (36,593) | |
| Compensated absences | (2,081,879) | |
| OPEB payable | <u>(1,021,916)</u> | <u>(10,763,288)</u> |
| Net position of governmental activities (Exhibit 1) | | <u><u>\$ 100,557,138</u></u> |

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

| | Major General | Non-Major Other Governmental Funds | Total Governmental Funds |
|---|----------------------|---|--------------------------------|
| REVENUES | | | |
| Ad valorem taxes | \$ 12,139,952 | \$ - | \$ 12,139,952 |
| Other taxes and licenses | 6,097,590 | 803,829 | 6,901,419 |
| Unrestricted intergovernmental | 2,412,792 | 195,727 | 2,608,519 |
| Restricted intergovernmental | 953,749 | 1,997,871 | 2,951,620 |
| Permits and fees | 439,269 | - | 439,269 |
| Sales and services | 1,783,407 | 5,581 | 1,788,988 |
| Investment earnings | (101,810) | (19,825) | (121,635) |
| Miscellaneous | 449,217 | - | 449,217 |
| Total revenues | 24,174,166 | 2,983,183 | 27,157,349 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 3,537,203 | - | 3,537,203 |
| Public safety | 11,963,096 | 27,318 | 11,990,414 |
| Transportation | 2,007,509 | - | 2,007,509 |
| Economic and physical development | 624,667 | 1,588,114 | 2,212,781 |
| Environmental protection | 1,918,623 | - | 1,918,623 |
| Cultural and recreation | 3,264,938 | - | 3,264,938 |
| Capital outlay | - | 1,489,469 | 1,489,469 |
| Debt service: | | | |
| Principal | 1,249,700 | - | 1,249,700 |
| Interest and fiscal costs | 288,867 | - | 288,867 |
| Total expenditures | 24,854,603 | 3,104,901 | 27,959,504 |
| Revenues (under) expenditures | (680,437) | (121,718) | (802,155) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from other funds | 3,825,647 | 707,311 | 4,532,958 |
| Transfers to other funds | (632,361) | (3,646,944) | (4,279,305) |
| Total other financing sources and (uses) | 3,193,286 | (2,939,633) | 253,653 |
| Net change in fund balances | 2,512,849 | (3,061,351) | (548,502) |
| Fund balances at beginning of year | 23,087,206 | 10,561,223 | 33,648,429 |
| Fund balances at end of year | <u>\$ 25,600,055</u> | <u>\$ 7,499,872</u> | <u>\$ 33,099,927</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, 2013

Fund Balances to the Statement of Activities:

Total net change in fund balances-governmental funds (continued) (548,502)

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 | 3,948,053 | |
| | Capital loss | (212,077) | |
| | Depreciation | (2,998,421) | 737,555 |
| | | | |

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 | 4,826 | |
| | Change in other deferred revenues | (3,890) | |
| | Federal interest subsidy | (1,867) | |
| | Change in net pension asset | (36,878) | (37,809) |
| | | | |

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 position. 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 | 7,306 | |
| | Principal redemption | 1,224,700 | 1,232,006 |
| | | | |

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 | (39,120) | |
| | Other postemployment benefits | (226,427) | (265,547) |
| | | | |

Net income of internal service funds determined to be governmental-type. 5,465

Changes in net position of governmental activities \$ 1,123,168

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, 2013

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|---|--------------------|--------------------|----------------------|--|
| REVENUES | | | | |
| Ad valorem taxes | \$ 12,184,935 | \$ 12,184,935 | \$ 12,139,952 | \$ (44,983) |
| Other taxes and licenses | 6,026,566 | 6,026,566 | 6,097,590 | 71,024 |
| Unrestricted intergovernmental | 2,021,100 | 2,137,276 | 2,412,792 | 275,516 |
| Restricted intergovernmental | 926,968 | 1,031,126 | 953,749 | (77,377) |
| Permits and fees | 428,450 | 428,450 | 439,269 | 10,819 |
| Sales and services | 1,437,602 | 1,792,697 | 1,783,407 | (9,290) |
| Investment earnings | 200,000 | 200,000 | (101,810) | (301,810) |
| Miscellaneous | 16,000 | 433,518 | 449,217 | 15,699 |
| Total revenues | <u>23,241,621</u> | <u>24,234,568</u> | <u>24,174,166</u> | <u>(60,402)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,512,669 | 4,617,507 | 3,537,203 | 1,080,304 |
| Public safety | 11,899,666 | 12,394,136 | 11,963,096 | 431,040 |
| Transportation | 2,490,551 | 3,164,214 | 2,007,509 | 1,156,705 |
| Economic and physical development | 769,000 | 773,140 | 624,667 | 148,473 |
| Environmental protection | 1,995,823 | 1,994,323 | 1,918,623 | 75,700 |
| Cultural and recreation | 3,636,511 | 3,793,720 | 3,264,938 | 528,782 |
| Debt service: | | | | |
| Principal | 1,249,700 | 1,249,700 | 1,249,700 | - |
| Interest and fiscal costs | 288,868 | 288,868 | 288,867 | 1 |
| Contingency | 125,000 | 58,825 | - | 58,825 |
| Total expenditures | <u>25,967,788</u> | <u>28,334,433</u> | <u>24,854,603</u> | <u>3,479,830</u> |
| Revenues over (under) expenditures | <u>(2,726,167)</u> | <u>(4,099,865)</u> | <u>(680,437)</u> | <u>3,419,428</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer - in | 2,489,594 | 3,050,538 | 3,825,647 | 775,109 |
| Transfer - (out) | (33,719) | (646,111) | (632,361) | 13,750 |
| Fund balance appropriated | 270,292 | 1,695,438 | - | (1,695,438) |
| Total other financing sources and (uses) | <u>2,726,167</u> | <u>4,099,865</u> | <u>3,193,286</u> | <u>(906,579)</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>2,512,849</u> | <u>\$ 2,512,849</u> |
| Fund balances at beginning of year | | | <u>23,087,206</u> | |
| Fund balances at end of year | | | <u>\$ 25,600,055</u> | |

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CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2013

| | Enterprise Funds | | | | Governmental Activities- Internal Service |
|---|----------------------|-------------------------|----------------------|-----------------------|---|
| | Major | | Other | Total | |
| | Electric Fund | Water and Sewer Fund | Civic Center Fund | Enterprise Funds | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 13,888,093 | \$ 17,637,869 | \$ 923,022 | \$ 32,448,984 | \$ 1,330,660 |
| Accounts receivable, net - billed | 3,582,822 | 709,449 | - | 4,292,271 | - |
| Accounts receivable, net-unbilled | 2,518,299 | 538,774 | - | 3,057,073 | - |
| Due from other governments | 584,028 | 276,451 | 8,131 | 868,610 | 188 |
| Interest receivable | 21,864 | 26,243 | 1,373 | 49,480 | 1,980 |
| Restricted cash, deposits | 807,235 | - | - | 807,235 | - |
| Inventories | 1,470,663 | 163,602 | - | 1,634,265 | - |
| Prepaid assets | 3,100 | - | 65 | 3,165 | - |
| Total current assets | <u>22,876,104</u> | <u>19,352,388</u> | <u>932,591</u> | <u>43,161,083</u> | <u>1,332,828</u> |
| Noncurrent assets: | | | | | |
| Capital assets: | | | | | |
| Land and non-depreciable | 18,100 | 1,511,212 | 2,638,669 | 4,167,981 | - |
| Capital assets, net of depreciation | 19,982,731 | 46,339,116 | 3,206,524 | 69,528,371 | - |
| Construction work in progress | 865,249 | 2,958,245 | - | 3,823,494 | - |
| Total capital assets, net | <u>20,866,080</u> | <u>50,808,573</u> | <u>5,845,193</u> | <u>77,519,846</u> | <u>-</u> |
| Total assets | <u>\$ 43,742,184</u> | <u>\$ 70,160,961</u> | <u>\$ 6,777,784</u> | <u>\$ 120,680,929</u> | <u>\$ 1,332,828</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 3,978,521 | \$ 128,868 | \$ 10,148 | \$ 4,117,537 | \$ 482,086 |
| Interest payable | - | 32,735 | - | 32,735 | - |
| Customer deposits | 807,235 | - | - | 807,235 | - |
| Due to other governments | - | 484,241 | - | 484,241 | - |
| Deferred/prepaid revenues | - | - | 57,903 | 57,903 | - |
| Current portion of compensated absences | 136,558 | 111,689 | 11,619 | 259,866 | - |
| Current portion of long-term debt | - | 1,001,529 | - | 1,001,529 | - |
| Total current liabilities | <u>4,922,314</u> | <u>1,759,062</u> | <u>79,670</u> | <u>6,761,046</u> | <u>482,086</u> |
| Noncurrent liabilities: | | | | | |
| Compensated absences | 84,552 | 185,649 | 8,762 | 278,963 | - |
| Other postemployment benefits | 109,605 | 190,916 | 22,566 | 323,087 | - |
| Noncurrent portion of long-term debt | - | 11,048,148 | - | 11,048,148 | - |
| Monofill long-term post-closure costs | - | 188,441 | - | 188,441 | - |
| Total noncurrent liabilities | <u>194,157</u> | <u>11,613,154</u> | <u>31,328</u> | <u>11,838,639</u> | <u>-</u> |
| Total liabilities | <u>5,116,471</u> | <u>13,372,216</u> | <u>110,998</u> | <u>18,599,685</u> | <u>482,086</u> |
| NET POSITION | | | | | |
| Net invested in capital assets | 20,866,080 | 38,758,896 | 5,845,193 | 65,470,169 | - |
| Unrestricted | 17,759,633 | 18,029,849 | 821,593 | 36,611,075 | 850,742 |
| Total net position | <u>\$ 38,625,713</u> | <u>\$ 56,788,745</u> | <u>\$ 6,666,786</u> | <u>102,081,244</u> | <u>\$ 850,742</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | (725,998) | |
| Net position of business-type activities | | | | <u>\$ 101,355,246</u> | |

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

| | 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 | \$ 43,927,172 | \$ 9,335,053 | \$ 259,388 | \$ 53,521,613 | \$ 4,262,286 |
| Other operating revenues | 1,062,615 | 129,019 | - | 1,191,634 | - |
| Total operating revenues | <u>44,989,787</u> | <u>9,464,072</u> | <u>259,388</u> | <u>54,713,247</u> | <u>4,262,286</u> |
| OPERATING EXPENSES | | | | | |
| Electrical operations | 4,471,757 | - | - | 4,471,757 | - |
| Electrical power purchases | 38,639,838 | - | - | 38,639,838 | - |
| Water and sewer treatment and distribution | - | 6,488,295 | - | 6,488,295 | - |
| Civic Center operations | - | - | 746,396 | 746,396 | - |
| Health expenses and insurance claims | - | - | - | - | 4,254,279 |
| Depreciation | 1,192,081 | 2,550,748 | 202,096 | 3,944,925 | - |
| Total operating expenses | <u>44,303,676</u> | <u>9,039,043</u> | <u>948,492</u> | <u>54,291,211</u> | <u>4,254,279</u> |
| Operating (loss) | <u>686,111</u> | <u>425,029</u> | <u>(689,104)</u> | <u>422,036</u> | <u>8,007</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Interest income | (39,634) | (60,031) | (3,849) | (103,514) | (3,567) |
| Interest expense | - | (349,978) | - | (349,978) | - |
| Intergovernmental revenues | 812,140 | - | - | 812,140 | - |
| State utility tax, net | 165,356 | - | - | 165,356 | - |
| Pole attachment rental and leases | 161,030 | 31,740 | - | 192,770 | - |
| Sale of materials | 118,859 | 21,638 | 1,721 | 142,218 | - |
| Total nonoperating revenues (expense) | <u>1,217,751</u> | <u>(356,631)</u> | <u>(2,128)</u> | <u>858,992</u> | <u>(3,567)</u> |
| Income (loss) before transfers | <u>1,903,862</u> | <u>68,398</u> | <u>(691,232)</u> | <u>1,281,028</u> | <u>4,440</u> |
| TRANSFERS IN (OUT) | | | | | |
| Transfers - in | - | - | 627,501 | 627,501 | - |
| Transfers - (out) | (359,942) | (500,330) | (20,883) | (881,155) | - |
| Total transfers | <u>(359,942)</u> | <u>(500,330)</u> | <u>606,618</u> | <u>(253,654)</u> | <u>-</u> |
| Change in net position | <u>1,543,920</u> | <u>(431,932)</u> | <u>(84,614)</u> | <u>1,027,374</u> | <u>4,440</u> |
| Net position, beginning of year | <u>37,081,793</u> | <u>57,220,677</u> | <u>6,751,400</u> | <u>101,053,870</u> | <u>846,302</u> |
| Net position, end of year | <u>\$ 38,625,713</u> | <u>\$ 56,788,745</u> | <u>\$ 6,666,786</u> | <u>102,081,244</u> | <u>\$ 850,742</u> |
| Change in net assets shown above | | | | 1,027,374 | |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | (1,026) | |
| Change in net position - business-type activities | | | | <u>\$ 1,026,348</u> | |

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

| | Enterprise Funds | | | Total Enterprise Funds | Governmental Activities- Internal Service |
|---|------------------|-------------------------|----------------------|------------------------------|---|
| | Major | | Other | | |
| | Electric Fund | Water and Sewer Fund | Civic Center Fund | | |
| Cash flows from operating activities: | | | | | |
| Cash received from customers | \$ 43,404,318 | \$ 9,317,159 | \$ 259,388 | \$ 52,980,865 | \$ 4,262,286 |
| Cash paid for goods and services | (41,307,230) | (3,541,965) | (389,289) | (45,238,484) | (4,304,964) |
| Cash paid to employees for services | (1,833,669) | (2,818,747) | (353,964) | (5,006,380) | - |
| Customer deposits received | 1,811,779 | - | - | 1,811,779 | - |
| Customer deposits returned | (1,825,337) | - | - | (1,825,337) | - |
| Other operating income | 1,062,618 | 129,019 | - | 1,191,637 | - |
| Net cash provided (used) by operating activities | 1,312,479 | 3,085,466 | (483,865) | 3,914,080 | (42,678) |
| Cash flows from noncapital financing activities: | | | | | |
| Non-operating revenue | 1,257,385 | 53,378 | 1,722 | 1,312,485 | - |
| Transfers from other funds | - | - | 627,501 | 627,501 | - |
| Transfers to other funds | (359,942) | (500,330) | (20,883) | (881,155) | - |
| Net cash provided (used) by noncapital financing activities | 897,443 | (446,952) | 608,340 | 1,058,831 | - |
| Cash flows from capital and related financing activities: | | | | | |
| Acquisition and construction of capital assets | (1,153,343) | (1,384,896) | (579,970) | (3,118,209) | - |
| Principal paid on long-term debt | - | (1,081,529) | - | (1,081,529) | - |
| Interest paid on long-term debt | - | (353,113) | - | (353,113) | - |
| Other and monofill activities | - | 3,332 | - | 3,332 | - |
| Due to other governments | - | 484,241 | - | 484,241 | - |
| Net cash used by capital and related financing activities | (1,153,343) | (2,331,965) | (579,970) | (4,065,278) | - |
| Cash flows from investing activities: | | | | | |
| Interest on investments (loss) | (35,835) | (53,647) | (2,630) | (92,112) | (2,963) |
| Net increase (decrease) in cash and cash equivalents | 1,020,744 | 252,902 | (458,125) | 815,521 | (45,641) |
| Cash and cash equivalents, July 1 | 13,674,584 | 17,384,967 | 1,381,147 | 32,440,698 | 1,376,301 |
| Cash and cash equivalents, June 30 | \$ 14,695,328 | \$ 17,637,869 | \$ 923,022 | \$ 33,256,219 | \$ 1,330,660 |

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

| | Enterprise Funds | | | Total Enterprise Funds | Governmental Activities- Internal Service |
|---|------------------|-------------------------|----------------------|------------------------------|---|
| | Major | | Other | | |
| | Electric Fund | Water and Sewer Fund | Civic Center Fund | | |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | |
| Operating income (loss) | \$ 686,111 | \$ 425,029 | \$ (689,104) | \$ 422,036 | \$ 8,007 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | |
| Depreciation | 1,192,081 | 2,550,748 | 202,096 | 3,944,925 | - |
| Changes in assets and liabilities: | | | | | |
| (Increase) decrease in accounts receivable | (522,851) | (17,894) | - | (540,745) | 86 |
| Decrease (increase) in inventory | 20,063 | (11,814) | - | 8,249 | - |
| Decrease in prepaids | (1,100) | 1,430 | - | 330 | - |
| (Increase) decrease due to other governments | (215,492) | 96,381 | (66) | (119,177) | - |
| Increase (decrease) in accounts payable and accrued liabilities | 217,668 | (3,384) | 2,636 | 216,920 | (50,771) |
| Increase in customer deposits | (13,558) | - | - | (13,558) | - |
| Increase (decrease) in accrued compensation absences | (74,883) | 1,840 | (2,469) | (75,512) | - |
| Increase in other postemployment benefits | 24,440 | 43,130 | 5,032 | 72,602 | - |
| Total adjustments | 626,368 | 2,660,437 | 205,239 | 3,492,044 | (50,685) |
| Net cash provided (used) by operating activities | \$ 1,312,479 | \$ 3,085,466 | \$ (483,865) | \$ 3,914,080 | \$ (42,678) |

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

| | Pension Trust Fund | Utility Donation Fund |
|--|--------------------------|-----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 166,204 | \$ 931 |
| Donation receivable | - | 257 |
| Interest receivable | 247 | 1 |
| Total assets | \$ 166,451 | \$ 1,189 |
| LIABILITIES | | |
| Accounts payable | \$ - | \$ - |
| Payroll payable | - | - |
| Total liabilities | - | - |
| NET POSITION | | |
| Reserved for employee's retirement and utility donations | \$ 166,451 | \$ 1,189 |

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2013

| | Pension Trust Fund | Utility Donation Fund |
|---------------------------------|--------------------------|-----------------------------|
| Additions | | |
| Employer Contributions | \$ 142,746 | \$ - |
| Utility Donations | - | 3,815 |
| Investment income | (645) | (3) |
| Total additions | <u>142,101</u> | <u>3,812</u> |
| Deductions | | |
| Employee Benefits | 124,165 | - |
| Customer Assistance | - | 3,544 |
| Total Deductions | <u>124,165</u> | <u>3,544</u> |
| Change in net position | 17,936 | 268 |
| Net position, beginning of year | <u>148,515</u> | <u>921</u> |
| Net position, end of year | <u>\$ 166,451</u> | <u>\$ 1,189</u> |

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CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 118 West Broad Street, Statesville, NC 28687.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component 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, 2013

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 fourteen non-major funds. They are 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 center 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, 2013

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 system development fees that are reserved in the Water and Sewer Capital Fund for future expansion. 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, 2013

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 2013 apply to the fiscal year ended June 30, 2013. 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 is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for multi-year funds.

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, 2013

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, 2013, the General Fund, excluding project funds, had outstanding encumbrances of \$1,695,387. The enterprise funds outstanding encumbrances of \$4,574,186 and project funds had \$1,364,894 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, Deferred Outflows/Inflows of Resources, 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, 2013

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, 2013 the total unexpended loan funds was \$233,143 and \$293,653 was reserved for debt payments.

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, 2012.

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 written 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, 2013

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, 2013.

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet the criterion for this category-prepaid taxes and prepaid privilege licenses.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, 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, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred, Prepaid insurance costs are expensed over the life of the debt.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

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

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.

10. Compensated Absences

The vacation policies of the City, the ABC Board, and the CVB provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds and the ABC Board and CVB, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City provides its employees with compensated time at 1.5 times their regular rate in lieu of overtime pay up to 240 hours. After the 240 hours have been reached, the employees are paid overtime at 1.5 times their regular rate. Police and Fire earned holiday pay for those hours worked on official holidays. The City's, the ABC Board's, and CVB's sick leave policies provide for an unlimited amount of earned sick leave. Sick leave for the City vests after 20 years of service and an expense and a liability are recorded. Sick leave does not vest for the ABC Board or CVB. The ABC Board and CVB have no obligation for accumulated sick leave until it is actually taken; thus, no accrual for sick leave has been made.

11. Net position/Fund Balances

Net position in government-wide and proprietary fund financial statements are classified as net invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position 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).

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

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

10. Net position/Fund Balances (cont'd)

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 Powell Bill, streetscape and airport grants.

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

Restricted for debt service – fund balance that is restricted for unexpended loan proceeds from the Fire Station Construction Fund to be set aside for debt payments.

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 – That portion of total fund balance that is available for appropriation which is uncommitted at year end. The City does not have a policy that provides a hierarchy of spending.

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

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

A. Assets (cont'd)

Deposits (cont'd)

CVB do not have policies regarding custodial risk for deposits.

At June 30, 2013 the City's deposits had a carrying amount of \$9,386,218 and a bank balances of \$10,172,651. Certificate of deposits of \$8,500,000 and loan proceeds of \$223,143 are included in the City's carrying amount of \$9,386,218. The City maintained \$3,975 in petty cash and other funds. Of the bank balance, \$723,143 was covered by federal depository insurance, and \$9,449,508 was covered by collateral held by the State Treasurer's "Pooling Method".

At June 30, 2013, the Statesville Convention and Visitors Bureau's deposits had a carrying amount of \$18,269 and a bank balance of \$31,844 all of which was covered by federal depository insurance. The Bureau also maintained \$50 in petty cash.

At June 30, 2013 the ABC Board's deposits had a carrying amount of \$150,045 and a bank balance of \$180,299. Of the bank balance, \$250,000 was covered by federal depository insurance. Amounts in excess of FIDC insurance are collateralized under the Pooling Method.

2. Investments

As of June 30, 2013, 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 | \$ 4,004,290 | \$ 1,001,500 | \$ 3,002,790 | \$ - |
| US Government Agencies | 27,477,480 | - | - | 27,477,480 |
| Commercial Paper | 13,946,612 | 13,946,612 | - | - |
| NCCMT - Cash Portfolio | 11,699,036 | 11,699,036 | - | - |
| Total: | <u>\$ 57,127,418</u> | <u>\$ 26,647,148</u> | <u>\$ 3,002,790</u> | <u>\$ 27,477,480</u> |

Credit Risk. To reduce credit risk, the investment shall be diversified by (1) limiting investments to avoid over-concentration in securities from a specific issuer or business sector, excluding U.S. Treasury securities, and (2) Limiting investment in securities that have higher credit risks.

Interest Rate Risk. To reduce interest credit risk, the investments shall be diversified by (1) investing in securities in varying maturities and (2) continuously investing a portion of the portfolio in readily available funds such as a mutual fund for local government investment certified by the Local Government Commission pursuant to G.S. §159-30(c)(8), currently the North Carolina Capital Management Trust.

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 More than 41.94% of the City's investments are in Federal Farm Credit Bank-13.47%, Federal Home Loan Bank-12.01%, Federal Home Loan Mortgage Corporation-4.49%, and Federal National Mortgage Association-11.97%. Percentage for the remaining portfolio is as follows; sweep checking account-99%, North Carolina Capital Management Trust-17.51%, certificate of deposit-12.72%, commercial paper-20.87%, and U.S. Treasuries-5.97%.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

II. DETAIL NOTES ON ALL FUNDS

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

Deposits (cont'd)

Mark to Market. During 2012-2013, the City realized a fair value loss of \$527,073 and net pension asset loss of \$36,878. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year as determined at June 30, 2013. The City as of June 30, 2012 realized a fair value gain of \$83,276. The result is a total an adjusted unrealized loss on investments held as of June 30, 2013 of \$634,886 creating a negative interest income of \$253,901. Realized interest as June 30, 2013 was \$380,985 for all funds.

At June 30, 2013, the Statesville Convention and Visitors Bureau had \$104,353 invested with the North Carolina Capital Management Trust's Cash Portfolio. The City of Statesville ABC Board had no investments.

3. **Receivables - Allowances for Doubtful Accounts**

The amount accounts receivable presented in the Statement of Net Position and the Balance Sheet include items charged on the utility billing system but accrued in the General Fund of an outstanding amount of \$20,240.

The amounts presented in the Balance Sheet and the state of Net Position for the ended June 30, 2013 are net of the following allowances for doubtful accounts:

Receivables at the government-wide level at June 30, 2013 were as follows;

| | Accounts Receivable | Taxes Receivable | Total |
|---------------------------------|------------------------|---------------------|---------------------|
| Governmental activities: | | | |
| General Fund | \$ 889,103 | \$ 1,144,250 | \$ 2,033,353 |
| Home Program | 128,782 | - | 128,782 |
| Total receivables | <u>1,017,885</u> | <u>1,144,250</u> | <u>2,162,135</u> |
| Allowance for doubtful accounts | <u>(700,619)</u> | <u>(297,627)</u> | <u>(998,246)</u> |
| Total governmental activities | <u>\$ 317,266</u> | <u>\$ 846,623</u> | <u>\$ 1,163,889</u> |
| Business-type activities: | | | |
| Electric | \$ 6,647,555 | \$ - | \$ 6,647,555 |
| Water | 702,524 | - | 702,524 |
| Sewer | 1,085,041 | - | 1,085,041 |
| Total receivables | <u>8,435,120</u> | <u>-</u> | <u>8,435,120</u> |
| Allowance for doubtful accounts | <u>(1,085,776)</u> | <u>-</u> | <u>(1,085,776)</u> |
| Total business-type activities: | <u>\$ 7,349,344</u> | <u>\$ -</u> | <u>\$ 7,349,344</u> |

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

A. Assets (cont'd)

4. Capital Assets
Primary Government

Capital asset activity for the year ended June 30, 2013, was as follows:

| | <u>7/1/2012</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>06/30/13</u> |
|--|----------------------|---------------------|--------------------|---------------------|----------------------|
| Governmental activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 18,562,390 | \$ - | \$ - | \$ 1,732,162 | \$ 20,294,552 |
| Construction in progress | 19,483,641 | 2,921,943 | - | (16,485,876) | 5,919,708 |
| Total capital assets not being depreciated | <u>38,046,031</u> | <u>2,921,943</u> | <u>-</u> | <u>(14,753,714)</u> | <u>26,214,260</u> |
| Capital assets being depreciated: | | | | | |
| Buildings | 17,460,933 | - | - | 2,359,693 | 19,820,626 |
| Computers and radios | 373,861 | - | - | - | 373,861 |
| Infrastructure | 39,080,290 | - | - | 12,394,022 | 51,474,312 |
| Equipment and furniture | 369,215 | - | - | - | 369,215 |
| Other improvements | 4,021,470 | 244,843 | - | 79,955 | 4,346,268 |
| Radios and communications | 351,789 | - | 46,659 | - | 305,130 |
| Vehicles | 10,671,486 | 781,266 | 688,243 | (79,955) | 10,684,554 |
| Total capital assets being depreciated: | <u>72,329,044</u> | <u>1,026,109</u> | <u>734,902</u> | <u>14,753,715</u> | <u>87,373,966</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | 5,408,009 | 446,156 | - | - | 5,854,165 |
| Computers and radios | 277,998 | 19,072 | - | - | 297,070 |
| Infrastructure | 20,904,444 | 1,717,370 | - | - | 22,621,814 |
| Equipment and furniture | 302,084 | 29,356 | - | - | 331,440 |
| Other improvements | 1,711,598 | 307,058 | - | - | 2,018,656 |
| Radios and communications | 351,714 | 75 | 46,659 | - | 305,130 |
| Vehicles | 7,656,047 | 479,334 | 476,166 | - | 7,659,215 |
| Total accumulated depreciation | <u>36,611,894</u> | <u>\$ 2,998,421</u> | <u>\$ 522,825</u> | <u>\$ -</u> | <u>39,087,490</u> |
| Total capital assets being depreciated, net | <u>35,717,151</u> | | | | <u>48,286,476</u> |
| Governmental activity capital assets, net | <u>\$ 73,763,182</u> | | | | <u>\$ 74,500,736</u> |

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

| | |
|--|---------------------|
| Governmental Functions: | |
| General government | \$ 180,746 |
| Public safety | 578,514 |
| Transportation | 1,747,966 |
| Environmental protection | 75,365 |
| Culture and recreation | 415,830 |
| Total depreciation expense governmental functions | <u>\$ 2,998,421</u> |

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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>7/1/2012</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>06/30/13</u> |
|--|-----------------|------------------|--------------------|------------------|-----------------|
| Electric Fund: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 18,100 | \$ - | \$ - | \$ - | \$ 18,100 |
| Construction work in progress | 912,631 | 331,354 | 9,574 | (369,163) | 865,248 |
| Total assets not being depreciated | 930,731 | 331,354 | 9,574 | (369,163) | 883,348 |
| Capital assets being depreciated: | | | | | |
| Plant in service | 36,529,297 | 887,244 | 653,332 | 369,163 | 37,132,372 |
| Equipment | 1,778,964 | 255,938 | - | - | 2,034,902 |
| Total capital assets being depreciated: | 38,308,261 | 1,143,182 | 653,332 | 369,163 | 39,167,274 |
| Less accumulated depreciation for: | | | | | |
| Plant in service | 17,275,367 | 1,034,431 | 341,713 | - | 17,968,085 |
| Equipment | 1,058,807 | 157,650 | - | - | 1,216,457 |
| Total accumulated depreciation | 18,334,174 | \$ 1,192,081 | \$ 341,713 | \$ - | 19,184,542 |
| Total capital assets being depreciated, net | 19,974,087 | | | | 19,982,732 |
| Total Electric Fund capital assets, net | \$ 20,904,818 | | | | \$ 20,866,080 |
| Water and Sewer Fund: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 1,511,212 | \$ - | \$ - | \$ - | \$ 1,511,212 |
| Construction work in progress | 1,671,684 | 1,286,561 | - | - | 2,958,245 |
| Total assets not being depreciated | 3,182,896 | 1,286,561 | - | - | 4,469,457 |
| Capital assets being depreciated: | | | | | |
| Plant in service - Sewer System | 47,799,019 | - | - | - | 47,799,019 |
| Plant in service - Water System | 46,926,908 | - | - | - | 46,926,908 |
| Equipment | 3,849,872 | 98,334 | 152,349 | - | 3,795,857 |
| Total capital assets being depreciated: | 98,575,799 | 98,334 | 152,349 | - | 98,521,784 |
| Less accumulated depreciation for: | | | | | |
| Plant in service - Sewer System | 28,008,055 | 1,196,746 | - | - | 29,204,801 |
| Plant in service - Water System | 19,154,284 | 1,149,599 | - | - | 20,303,883 |
| Equipment | 2,621,930 | 204,403 | 152,349 | - | 2,673,984 |
| Total accumulated depreciation | 49,784,269 | \$ 2,550,748 | \$ 152,349 | \$ - | 52,182,668 |
| Total capital assets being depreciated, net | 48,791,530 | | | | 46,339,116 |
| Total Water and Sewer Fund capital assets, net | \$ 51,974,426 | | | | \$ 50,808,573 |

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

A. Assets (cont'd)

4. Capital Assets (cont'd)

| | 7/1/2012 | Additions | Retirements | Transfers | 06/30/13 |
|---|----------------------|-------------------|---------------|------------------|----------------------|
| Civic Center Fund: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 2,000,516 | \$ - | \$ - | \$ 302,328 | \$ 2,302,844 |
| Fresco | 335,825 | - | - | - | 335,825 |
| Construction work in progress | 13,351 | 606,030 | 26,060 | (593,321) | - |
| Total assets not being depreciated | 2,349,692 | 606,030 | 26,060 | (290,993) | 2,638,669 |
| Capital assets being depreciated: | | | | | |
| Buildings | 4,447,739 | - | - | 193,292 | 4,641,031 |
| Improvements | 147,107 | - | - | 97,701 | 244,808 |
| Equipment | 361,692 | - | - | - | 361,692 |
| Total capital assets being depreciated: | 4,956,538 | - | - | 290,993 | 5,247,531 |
| Less accumulated depreciation for: | | | | | |
| Buildings | 1,494,933 | 164,779 | - | - | 1,659,712 |
| Improvements | 98,888 | 36,295 | - | - | 135,183 |
| Equipment | 245,090 | 1,022 | - | - | 246,112 |
| Total accumulated depreciation | 1,838,911 | \$ 202,096 | \$ - | \$ - | 2,041,007 |
| Total capital assets being depreciated, net | 3,117,627 | | | | 3,206,524 |
| Total Civic Center Fund capital assets, net | 5,467,319 | | | | 5,845,193 |
| Business-type activities capital assets, net | \$ 78,346,563 | | | | \$ 77,519,846 |

Construction Commitments:

The government has active construction projects as of June 30, 2013. At year end, the government's commitments with contractors are as follows:

| Vendor | Amount | Description of construction project |
|--------------------------------|--------------|--|
| Air Cleaning Specialist | \$90,091 | Fire station exhaust system |
| Maymead Inc. | \$600,930 | Street paving |
| Rodders & Jets Supply Company | \$319,327 | Sewer Maintenance Vehicle |
| Eaton Corporation | \$312,900 | Electric substation construction |
| Kemp Construction, Inc | \$143,341 | Pump repair – water plant |
| Altec Industries, Inc. | \$191,902 | Electric bucket truck |
| NCDOT project 1-40/I77 | \$1,471,604 | Relocate water and sewer, and sidewalk |
| McGill Associates | \$106,070 | Streetscape design and administration |
| McGill Associates | \$807,006 | Design & administration of sewer plant expansion |
| Adams-Robinson Enterprise, Inc | \$19,804,000 | Construction of sewer plant expansion |
| Country Boy Landscaping, Inc | \$176,470 | Fencing at airport |

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

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

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

Discretely Presented Component Units

Activity for the ABC Board for the year ended June 30, 2013 was as follows:

| | 7/1/2012 | Additions | Retirements | Transfers | 06/30/13 |
|---|--------------|-----------|-------------|-----------|--------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 235,050 | \$ - | \$ - | \$ - | \$ 235,050 |
| Total assets not being depreciated | 235,050 | - | - | - | 235,050 |
| Capital assets being depreciated: | | | | | |
| Paving | 17,666 | - | - | - | 17,666 |
| Buildings | 1,649,468 | - | - | - | 1,649,468 |
| Furniture and equipment | 310,639 | 8,634 | - | - | 319,273 |
| Intangibles | 4,052 | - | - | - | 4,052 |
| Total capital assets being depreciated: | 1,981,825 | 8,634 | - | - | 1,990,459 |
| Less accumulated depreciation for: | | | | | |
| Paving | 17,666 | - | - | - | 17,666 |
| Buildings | 324,139 | 43,504 | - | - | 367,643 |
| Furniture and equipment | 181,704 | 23,609 | - | - | 205,313 |
| Intangibles | 945 | 811 | - | - | 1,756 |
| Total accumulated depreciation | 524,454 | \$ 67,924 | \$ - | \$ - | 592,378 |
| Total ABC capital assets, net | \$ 1,692,421 | | | | \$ 1,633,131 |

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2013 were as follows:

| | <u>Vendors</u> | <u>Salaries & Benefits</u> | <u>Accrued IBNR</u> | <u>Total</u> |
|--------------------------------|--------------------|------------------------------------|-------------------------|--------------------|
| All governmental activities | <u>\$1,207,699</u> | <u>\$457,678</u> | <u>\$ 455,543</u> | <u>\$2,120,920</u> |
| Business-type activities: | | | | |
| Electric | \$3,948,538 | \$29,983 | \$ --- | \$3,978,521 |
| Water & sewer | 83,507 | 45,361 | --- | 128,868 |
| Civic Center | <u>4,265</u> | <u>5,883</u> | <u>---</u> | <u>10,148</u> |
| Total business-type activities | <u>\$4,036,310</u> | <u>\$81,227</u> | <u>\$ ---</u> | <u>\$4,117,537</u> |

2. Pension Plan Obligations

a. North Carolina Local Government Employees' Retirement System

- 1) *Plan Description.* The City of Statesville and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. The CVB does not participate in LGERS. Article 3 of G. S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699- 1410, or by calling (919) 981-5454.
- 2) *Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement is 6.740% and for law enforcement officers is 6.770%, 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, 2013, 2012 and 2011 were \$835,567, \$863,794, and \$934,630 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2013, 2012 and 2011 were \$23,894.67, \$25,919, and \$24,326, 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, 2013

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, 2012, the Separation Allowance's membership consisted of:

| | <u>City</u> | <u>ABC Board</u> |
|-----------------------------|-------------|------------------|
| Retirees receiving benefits | 8 | 1 |
| Active plan members | <u>76</u> | <u>0</u> |
| Total | <u>84</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 \$22,449 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, 2013

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, 2012 was 18 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 | \$142,077 |
| Interest on net pension asset | (41,464) |
| Adjustment to annual required contribution | 51,607 |
| Annual pension cost | 152,220 |
| Employer contributions made for fiscal year | 115,342 |
| Increase (decrease) in net pension assets | (36,878) |
| Net pension assets, July 1, 2012 | 829,283 |
| Net pension assets, June 30, 2013 | \$792,405 |

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 | Cost (APC) | Contributed | Year |
| June 30, 2011 | \$140,943 | 000.00% | \$829,860 |
| June 30, 2012 | \$144,927 | 99.60% | \$829,283 |
| June 30, 2013 | \$152,220 | 75.77% | \$792,405 |

5) Funded Status and Funding Progress.

As of December 31 2012, 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 \$1,114,971. The covered payroll (annual payroll of active employees covered by the plan) was \$3,352,479, and the ratio of the UAAL to the covered payroll was 33.26 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, 2013, were \$445,885, which consisted of \$172,627 from the City and \$273,258 from the law enforcement officers. The City provides a Section 401(k) plan for this purpose. The ABC Board's contributions for the year ended June 30, 2013 did not report contributions.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013, the City has recognized on-behalf-of payments for pension contributions made by the state as revenue and an expenditure of \$369 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. The information presented below is from the December 31, 2012 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, 2012, a participate 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, 2012, the date of the latest actuarial valuation:

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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>219</u> | <u>93</u> | <u>76</u> |
| Total | <u>219</u> | <u>93</u> | <u>76</u> |

Funding Policy. The City does not fund the ARC. The City does not offer additional health benefits to retirees beyond allowing them to participate in the City's group health plan at current rates at their cost. The current ARC rate is .50% 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 06/30/2013:

| | |
|--|---------------------|
| Employer annual required contribution | \$ 297,159 |
| Valuation Discount Rate | 4.00% |
| Interest on Net OPEB Obligation: | 41,839 |
| Amortization Factor | 26.1695 |
| Adjustment to Annual Required Contribution: | <u>39,969</u> |
| Annual OPEB Cost: | 299,029 |
| Employer Contributions for Fiscal Year Ending 06/30/2013 | <u>-</u> |
| Increase (decrease in Net OPEB Obligation: | \$ 299,029 |
| Net OPEB Obligation Beginning of Fiscal Year | <u>1,045,974</u> |
| Net OPEB Obligation End of Fiscal Year: | <u>\$ 1,345,003</u> |

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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:

| Year Ended June 30 | Annual Pension Costs (APC) | Percentage of APC Contributed | Net OPEB Oligation at End of Year |
|-----------------------|-------------------------------|-------------------------------------|---|
| 2011 | \$227,882 | 0.00% | \$ 745,083 |
| 2012 | \$289,319 | 0.00% | \$ 1,045,974 |
| 2013 | \$299,029 | 0.00% | \$ 1,345,003 |

Funded Status and Funding Progress. As of December 31, 2012, 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 \$895,690. The covered payroll (annual payroll of active employees covered by the plan) was \$15,515,514, and the ratio of the UAAL to the covered payroll was 5.80 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, 2012 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 8.50 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, 2012, was 30 years.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. The City also provides additional term life insurance and any amounts over \$50,000 term life insurance limit is considered taxable. All death benefit payments are made from the Death Benefit Plan. The City and the ABC Board have no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City and the ABC Board, the City and the ABC Board does not determine the number of eligible participants. For the fiscal year ended June 30, 2013, the City was exempt from contributions to the State for death benefits. When the City's exemption is reinstated, the current 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 and Home Consortium Fund)

Deferred inflows of resources at June 30, 2013 is comprised of the following:

| | Unavailable Revenue | Unearned Revenue |
|---------------------------------|------------------------|---------------------|
| Taxes receivable (General Fund) | \$ 846,623 | \$ - |
| Accounts Receivable | 317,266 | - |
| Prepaid taxes (General Fund) | - | 80,192 |
| Prepaid privilege licenses | - | 298,772 |
| | \$ 1,163,889 | \$ 378,964 |

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 Tax Collector 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, 2013

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 \$373,306 reported in the fund at June 30, 2013 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 \$373,306 claims liability represents total estimated claims incurred but not reported (IBNR), as provided by the plan administrator's actuary.

| | June 30 | |
|---|------------|------------|
| | 2013 | 2012 |
| Unpaid claims and claim adjustment expenses at beginning of fiscal year | \$ 350,969 | \$ 393,496 |
| Add: | | |
| Incurred claims and claim adjustment expenses: | | |
| Provision for insured events of current year including IBNR | 3,546,813 | 3,355,999 |
| Less: | | |
| Claims and adjustment expenses attributable to insured events current and prior years | 3,524,476 | 3,398,526 |
| Total Claims Liability | \$ 373,306 | \$ 350,969 |

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 \$82,237 reported in the fund at June 30, 2013 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 \$82,237 claims liability represents total estimated claims incurred but not reported (IBNR), as provided by the plan administrator's actuary. The reduction of IBNR from the previous fiscal year was the result of a settlement with one of the employees.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 2013 | June 30 2012 |
|---|-----------------|-----------------|
| Unpaid claims and claim adjustment expenses at beginning of fiscal year | \$ 132,850 | \$ 184,483 |
| Add: | | |
| Incurred claims and claim adjustment expenses: | | |
| Provision for insured events of current year including IBNR | 122,897 | 179,828 |
| Less: | | |
| Claims and adjustment expenses attributable to insured events current and prior years | 173,510 | 231,461 |
| Total Claims Liability | \$ 82,237 | \$ 132,850 |

6. Claims and Judgments

At June 30, 2013, 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 Obligations Indebtedness. The City has redeemed its last general obligation bond in fiscal year 2013.

b. Notes Payable. The City has three outstanding bank loans of which two are Recovery Zone Economic Development bonds payable to Branch Banking & Trust Company (BB&T) and another one payable to Bank of American. The City receives a subsidy of 45 percent of interest cost from the Federal Government that will reduce the effective interest rate of the bond. The Federal Government sequester has impacted the 45 percent subsidy by reducing their subsidy by the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions took place as of March 1, 2013. These required reductions included a reduction to refundable credits under Internal Revenue Code section 6431 applicable to certain qualified bonds. As a result, the City's refundable credit payment was reduced by 8.7%. The sequestration reduction rate will be applied until the end of the Federal fiscal year (September 30, 2013) or intervening Congressional action, at which time the sequestration rate is subject to change.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

B. Liabilities (cont'd)

7. Long-Term Obligations (cont'd)

Notes Payable (cont'd)

- c. *Loan authorized but not finalized.* The City was approved by the State of North Carolina's Department of Environment and Natural Resources "State Revolving Fund" a loan in the amount of \$20,933,900 on May 28, 2013 at an interest rate of 2.00% to be used for sewer treatment plant expansion. The loan is authorized as the date of this report but there has been no activity on the loan. The maximum loan term is 20 years.

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. \$5,600,000

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. 1,362,900

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. 660,000

Total general governmental notes payable 7,622,900

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. 1,350,000

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. 1,234,027

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. 9,465,650

Total North Carolina Drinking Water State Revolving 12,049,677

Total Outstanding Debt \$19,672,577

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

B. Liabilities (cont'd)

7. Long-Term Obligations (cont'd)

As of June 30, 2013 the City does not have any outstanding general obligation bonds with the final redemption occurring in fiscal year 2013. The following table summarizes the annual requirements to amortize all long-term debt outstanding:

| | General Obligation Bond | | Notes Payable | | Total Debt Due | |
|---|-------------------------|-------------|----------------------|---------------------|----------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| <u>Governmental activities:</u> | | | | | | |
| 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 | - | - | 894,700 | 115,130 | 894,700 | 115,130 |
| 2019-2020 | - | - | 2,489,400 | 139,630 | 2,489,400 | 139,630 |
| Total Governmental | - | - | 7,622,900 | 1,080,085 | 7,622,900 | 1,080,085 |
| <u>Business-type activities - Water and Sewer Fund:</u> | | | | | | |
| 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 | - | - | 1,001,530 | 215,064 | 1,001,530 | 215,064 |
| 2019-2023 | - | - | 4,857,648 | 673,170 | 4,857,648 | 673,170 |
| 2024-2026 | - | - | 2,184,379 | 116,209 | 2,184,379 | 116,209 |
| Total Business-type | - | - | 12,049,677 | 2,132,795 | 12,049,677 | 2,132,795 |
| TOTAL DEBT | \$ - | \$ - | \$ 19,672,577 | \$ 3,212,880 | \$ 19,672,577 | \$ 3,212,880 |

At June 30, 2013, the City of Statesville's legal debt margin is \$234,153,804.

The ABC Board's annual report dated June 30, 2013 reported the following outstanding long-term debt:

The ABC Board has a note payable with a bank secured by real estate. At June 30, 2013 the outstanding balance was \$837,304. 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. The maturities are as follows:

| | |
|------|-----------|
| 2014 | \$ 32,062 |
| 2015 | \$ 33,641 |
| 2016 | \$771,813 |

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

B. Liabilities (cont'd)

7. Long-Term Obligations (cont'd)

The ABC Board's accumulated vacation at June 30, 2013 was \$52,134. The current portion of the accumulated vacation pay is not considered material. The CVB's accumulated vacation at June 30, 2013 was \$3,514.

City accounting policy requires that each separate operating fund, those listed below, fully fund or be obligated for their accrued compensated absences. Upon employee's termination, the operating funds provides for the funds to pay the compensated absences.

City's General Fund is obligated to fund the Law Enforcement Separation Allowance that has a mark to market asset of \$742,405 and currently has full funded this obligation. Since the City does not fund other postemployment benefit obligations, the operating funds are allocated those costs based on the number of employees.

The following is a summary of changes in general long-term debt for the fiscal year ended June 30, 2013:

| | Balances 07/01/12 | Additions | Decreases | Balances 06/30/13 | Current Portion of Balance | Long-term Portion of Balance |
|--|----------------------|-------------------|---------------------|----------------------|----------------------------------|------------------------------------|
| Governmental activities: | | | | | | |
| Notes Payable | \$ 8,847,600 | \$ - | \$ 1,224,700 | \$ 7,622,900 | \$ 1,224,700 | \$ 6,398,200 |
| Compensated absences | 2,042,759 | 703,634 | 664,514 | 2,081,879 | 684,074 | 1,397,805 |
| OPEB Obligation | 795,489 | 226,427 | - | 1,021,916 | - | 1,021,916 |
| Total governmental activities: | \$ 11,685,848 | \$ 930,061 | \$ 1,889,214 | \$ 10,726,695 | \$ 1,908,774 | \$ 8,817,921 |
| Business-type activities: | | | | | | |
| Electric Fund: | | | | | | |
| Compensated absences | \$ 295,993 | \$ 99,117 | \$ 174,000 | \$ 221,110 | \$ 136,558 | \$ 84,552 |
| OPEB Obligation | 85,165 | 24,440 | - | 109,605 | - | 109,605 |
| Total Electric Fund | \$ 381,158 | \$ 123,557 | \$ 174,000 | \$ 330,715 | \$ 136,558 | \$ 194,157 |
| Water and Sewer Fund | | | | | | |
| General obligation debt | \$ 80,000 | \$ - | \$ 80,000 | \$ - | \$ - | \$ - |
| Notes payable | 13,051,206 | - | 1,001,529 | 12,049,677 | 1,001,529 | 11,048,148 |
| Monofill closure | 185,109 | 3,332 | - | 188,441 | - | 188,441 |
| Compensated absences | 295,498 | 112,608 | 110,769 | 297,337 | 111,689 | 185,649 |
| OPEB Obligation | 147,786 | 43,130 | - | 190,916 | - | 190,916 |
| Total Water and Sewer Fund | \$ 13,759,599 | \$ 159,070 | \$ 1,192,298 | \$ 12,726,371 | \$ 1,113,218 | \$ 11,613,154 |
| Civic Center Fund | | | | | | |
| Compensated absences | \$ 22,848 | \$ 10,385 | \$ 12,852 | \$ 20,381 | \$ 11,619 | \$ 8,762 |
| OPEB Obligation | 17,534 | 5,032 | - | 22,566 | - | 22,566 |
| Total Civic Center Fund | \$ 40,382 | \$ 15,417 | \$ 12,852 | \$ 42,947 | \$ 11,619 | \$ 31,328 |
| Total business-type activities: | \$ 14,181,139 | \$ 298,044 | \$ 1,379,150 | \$ 13,100,033 | \$ 1,261,395 | \$ 11,838,639 |

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013 consist of the following:

| | |
|---|---------------------|
| From the Electric Fund to the General Fund for payment in lieu of taxes. | \$ 297,542 |
| From the Water and Sewer Fund to the General Fund for payment in lieu of taxes. | 487,780 |
| From the Civic Center Fund to the General Fund for payment in lieu of taxes. | 20,883 |
| From Drug Enforcement Fund to the General Fund for capital and other. | 17,290 |
| From General Capital Reserve to General Fund debt service | 1,052,329 |
| From General Capital Reserve to General Fund computers | 117,159 |
| From General Capital Reserve to General Fund real property | 210,500 |
| From General Capital Reserve to General Fund 800Mhz Radios | 364,060 |
| From the Fire Station Project to General Fund for closing fund | 293,654 |
| From the City Hall Project to General Fund for closing fund | 56,588 |
| From the Airport Safety Project to General Fund for closing fund | 882,109 |
| From the Traffic Safety Project to General Fund for closing fund | 7,731 |
| From the General Fund to Streetscape Fund | 126,800 |
| From the General Fund to Airport Improvement Fund | 32,375 |
| From the General Fund to Home Consortium/CDBG Fund | 19,969 |
| From the General Fund to General Capital Reserve - Larkin | 125,000 |
| From the General Fund to General Capital Reserve Fund - Front Load Packers | 328,217 |
| From the Electric Fund to the Streetscape Project | 62,400 |
| From the Electric Fund to the Rate Stabilization Fund | 28,658 |
| From the Water and Sewer Fund to Water and Sewer Capital Reserve Fund (SDF) | 103,177 |
| From the Water and Sewer Fund to Third Creek WWTP Fund | 418,678 |
| From the Water and Sewer Fund to Fourth Creek WWTP Fund | 28,200 |
| From the Water and Sewer Fund to Streetscape Project | 12,550 |
| From Occupancy Tax Fund to the General Fund | 18,024 |
| From Occupancy Tax Fund to the Civic Center Fund | 627,500 |
| | <u>\$ 5,739,173</u> |

D. Revenue, Expenditures and Expenses

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

For the fiscal year ended June 30, 2013, the City has recognized on-behalf-of payments for pension contributions made by the state as revenue and an expenditure of \$369 for 73 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, 2013

III. JOINTLY GOVERNED ORGANIZATIONS

2. 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, 2012 was \$1,433,090,000. 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, 2013 totaled \$38,639,838.

3. 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, 2013.

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, 2013. 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, 2013

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, 2013 is \$188,441 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, 2013 was \$3,332. 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.

VII. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were issued that would alter the City's financial position. The City was approved on July 5, 2013 by the State of North Carolina's Department of Environment and Natural Resources "State Revolving Fund" an interest free loan in the amount of \$4,800,000 to be used for sewer treatment improvements. The maximum loan term is 20 years.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 | \$ 25,600,055 |
| Less: | |
| Inventory | 28,182 |
| Prepaid items | 2,985 |
| Stabilization by state statute | 3,971,056 |
| Subsequent year's appropriations | 286,323 |
| Debt service | 293,653 |
| Unassigned-available for appropriations | 21,017,856 |

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, 2013, the General Fund, excluding non-major funds, had outstanding encumbrances of \$1,695,387. Non-major funds had \$1,364,894 in outstanding encumbrances and the enterprise funds outstanding encumbrances of \$4,574,186. 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.

IX. CHANGE IN ACCOUNTING PRINCIPLES

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB 63, the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

X. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2013, worker's compensation expenditures exceeded its appropriation by \$14,510 that resulted in the Property and Casualty Liability Fund exceeding its authorized appropriations by \$4,155. This over expenditure occurred because of an unanticipated settlement from a claim that occurred in 2011 for \$13,216 and processed late in the fiscal year. The City will more closely monitor the worker's compensation program claims to ensure that there is sufficient appropriation in the future.

CITY OF STATESVILLE, NORTH CAROLINA
REQUIRED SUPPLEMENTARY
FINANCIAL INFORMATION
For the Fiscal Year Ended June 30, 2013

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.

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CITY OF STATESVILLE, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2013

| 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% |
| 12/31/2012 | 154,950 | 1,269,921 | 1,114,971 | 12.20% | 3,352,479 | 33.26% |

**CITY OF STATESVILLE, NORTH CAROLINA
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 June 30, 2013**

| 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 | 81,943 | 190.80% | 156,348 |
| 2010 | 96,766 | 169.11% | 163,637 |
| 2011 | 140,943 | 0.00% | - |
| 2012 | 144,927 | 99.60% | 144,350 |
| 2013 | 152,220 | 75.77% | 115,342 |

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, 2012 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percent of pay closed |
| Remaining amortization period | 18 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, 2013

| 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% |
| 12/31/2012 | \$ - | \$ 895,690 | \$ 895,690 | 0.00% | \$ 15,515,514 | 5.77% |

**CITY OF STATESVILLE, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFIT OBLIGATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
June 30, 2013**

| 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% | \$ - |
| 2013 | \$ 297,159 | 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, 2012 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percentage of pay, open |
| Remaining amortization period | 30 years |
| Amortization factor | 26.1695 |
| Asset valuation method | Market value of assets |
| Actuarial assumptions: | |
| Investment rate of return* | 4.00% |
| Medical cost trend rate | 8.50% – 5.00% |
| Year of Ultimate trend rate | 2018 |
| *Includes inflation at | 3.00% |

Updated actuary required for fiscal year ending June 30, 2015.

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, 2013

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|-------------------|-------------------|--|
| REVENUES: | | | |
| Ad valorem property taxes: | | | |
| Ad valorem taxes (city-wide) | \$ 11,723,376 | \$ 11,530,781 | \$ (192,595) |
| Prior year ad valorem taxes (city-wide) | 275,000 | 387,867 | 112,867 |
| Ad valorem taxes (special district) | 101,559 | 103,065 | 1,506 |
| Penalties and interest | 85,000 | 118,239 | 33,239 |
| Total ad valorem property taxes | 12,184,935 | 12,139,952 | (44,983) |
| Other taxes and licenses: | | | |
| Gross receipt tax | 30,000 | 34,716 | 4,716 |
| Local sales tax | 5,275,000 | 5,269,457 | (5,543) |
| Hold harmless | 106,066 | 106,066 | - |
| Privilege licenses | 615,500 | 687,351 | 71,851 |
| Total other taxes and licenses | 6,026,566 | 6,097,590 | 71,024 |
| Unrestricted intergovernmental revenues: | | | |
| Payments in lieu of taxes | 15,000 | 21,105 | 6,105 |
| Utility franchise tax | 1,416,176 | 1,669,389 | 253,213 |
| State beer and wine tax | 101,100 | 99,645 | (1,455) |
| Telecommunication tax | 360,000 | 322,806 | (37,194) |
| Video programming tax | 170,000 | 147,510 | (22,490) |
| ABC Liquor by the drink | 50,000 | 102,151 | 52,151 |
| ABC profit distribution | 25,000 | 50,172 | 25,172 |
| Tax refunds | - | 14 | 14 |
| Total unrestricted intergovernmental | 2,137,276 | 2,412,792 | 275,516 |
| Restricted intergovernmental: | | | |
| Powell Bill allocation | 725,000 | 733,454 | 8,454 |
| Solid waste tax | 18,000 | 13,902 | (4,098) |
| Firefighter grant (SAFER) | 30,000 | 30,450 | 450 |
| On-behalf-of-payments - fire | 25,000 | 26,937 | 1,937 |
| Other state and federal grants | 104,158 | 23,874 | (80,284) |
| Federal interest subsidy for debt interest | 128,968 | 125,132 | (3,836) |
| Total restricted intergovernmental | 1,031,126 | 953,749 | (77,377) |
| Permits and fees: | | | |
| Recycling Revenue | 15,000 | 15,989 | 989 |
| Street cut permits | 200 | 75 | (125) |
| Planning and zoning fees | 20,000 | 14,071 | (5,929) |
| Housing inspection fees | - | 150 | 150 |
| Court fees | 25,000 | 15,501 | (9,499) |
| Grave fees | 75,000 | 96,950 | 21,950 |
| Parking violations | 20,000 | 30,561 | 10,561 |
| Civil citations | 10,000 | 11,880 | 1,880 |
| Nuisance abatements | 10,000 | 6,545 | (3,455) |
| Tipping fees | 178,250 | 167,619 | (10,631) |
| Fire inspection fees | 75,000 | 77,058 | 2,058 |
| Appearance Commission | - | 2,870 | 2,870 |
| Total permits and fees | 428,450 | 439,269 | 10,819 |

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, 2013

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|-------------------|-------------------|--|
| REVENUES (Continued): | | | |
| Sales and services: | | | |
| Sale of capital assets | 353,217 | 379,775 | 26,558 |
| Internal charges | 8,000 | 9,845 | 1,845 |
| Statesville Housing Authority police protection | 53,756 | 33,493 | (20,263) |
| School System resource police officers | 106,090 | 151,140 | 45,050 |
| Recreation-General | 168,000 | 126,190 | (41,810) |
| Recreation-Fitness/Activity Center | 400,000 | 354,672 | (45,328) |
| Recreation-Pool sales | 140,000 | 150,442 | 10,442 |
| Civic Center sales | 17,000 | 13,660 | (3,340) |
| Airport rent | 163,000 | 180,256 | 17,256 |
| Iredell County-debt sharing airport | 178,634 | 178,635 | 1 |
| Fueling flow fees | 150,000 | 123,898 | (26,102) |
| Sale of cemetery lots | 55,000 | 79,025 | 24,025 |
| Sale of material and labor | - | 2,376 | 2,376 |
| Total sales and services | 1,792,697 | 1,783,407 | (9,290) |
| Investment earnings: | | | |
| Earned interest | 200,000 | 123,504 | (76,496) |
| Unrealized interest | - | (225,314) | (225,314) |
| | 200,000 | (101,810) | (301,810) |
| Miscellaneous: | | | |
| Insurance proceeds | 11,974 | 20,964 | 8,990 |
| Donations - capital assets | 238,290 | 238,290 | - |
| Donations | 130,000 | 130,500 | 500 |
| Miscellaneous other | 53,254 | 59,463 | 6,209 |
| Total miscellaneous | 433,518 | 449,217 | 15,699 |
| Total revenues | 24,234,568 | 24,174,166 | (60,402) |
| EXPENDITURES: | | | |
| General government: | | | |
| Mayor and council: | | | |
| Salaries and employee benefits | | 84,715 | |
| Professional services | | - | |
| Operating expenditures | | 73,423 | |
| Reimbursement from other funds | | (62,121) | |
| Total Mayor and council | 108,199 | 96,017 | 12,182 |
| City manager | | | |
| Salaries and employee benefits | | 333,954 | |
| Professional services | | 3,383 | |
| Operating expenditures | | 17,983 | |
| Reimbursement from other funds | | (117,588) | |
| Total City manager | 254,602 | 237,732 | 16,870 |

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, 2013

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|----------------------------------|------------------|----------------|--|
| EXPENDITURES (Continued): | | | |
| General government (continued): | | | |
| City clerk: | | | |
| Salaries and employee benefits | | 53,404 | |
| Operating expenditures | | 61,700 | |
| Reimbursement from other funds | | (51,387) | |
| Total City clerk | 98,945 | 63,717 | 35,228 |
| Finance department: | | | |
| Salaries and employee benefits | | 1,161,100 | |
| Professional services | | 76,020 | |
| Operating expenditures | | 738,974 | |
| Capital outlay | | 142,353 | |
| Reimbursement from other funds | | (1,228,529) | |
| Total Finance department | 1,038,668 | 889,918 | 148,750 |
| Human resources: | | | |
| Salaries and employee benefits | | 332,551 | |
| Professional services | | 17,926 | |
| Operating expenditures | | 68,836 | |
| Reimbursement from other funds | | (160,687) | |
| Total Personnel | 301,174 | 258,626 | 42,548 |
| Legal: | | | |
| Professional services | | 88,181 | |
| Reimbursement from other funds | | (13,639) | |
| Total Legal | 83,861 | 74,542 | 9,319 |
| Planning and zoning: | | | |
| Salaries and employee benefits | | 536,529 | |
| Professional services | | 14,856 | |
| Operating expenditures | | 199,129 | |
| Total Planning and zoning | 842,090 | 750,514 | 91,576 |
| Main Street: | | | |
| Operating expenditures | | 148,735 | |
| Capital outlay | | 825 | |
| Total Main Street | 163,272 | 149,560 | 13,712 |

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, 2013

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------------|-----------------|-----------|--|
| EXPENDITURES (Continued): | | | |
| General government (continued): | | | |
| Public works and engineering: | | | |
| Salaries and employee benefits | | 259,330 | |
| Professional services | | 5,202 | |
| Operating expenditures | | 128,308 | |
| Reimbursement from other funds | | (98,650) | |
| Total Public works and engineering | 358,511 | 294,190 | 64,321 |
| Garage: | | | |
| Salaries and employee benefits | | 426,005 | |
| Operating expenditures | | 103,461 | |
| Reimbursement from other funds | | (241,569) | |
| Total Garage | 336,969 | 287,897 | 49,072 |
| Warehouse: | | | |
| Salaries and employee benefits | | 2,323 | |
| Operating expenditures | | 74,757 | |
| Reimbursement from other funds | | (43,747) | |
| Total Warehouse | 78,380 | 33,333 | 45,047 |
| General expense: | | | |
| Capital outlay land | 870,050 | 331,681 | |
| Total General expense | 870,050 | 331,681 | 538,369 |
| Special appropriations: | | | |
| Arts council | 3,325 | 3,325 | |
| Children's Home of Iredell County | 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 | - | |
| 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 | 69,476 | 13,310 |
| Total general government | 4,617,507 | 3,537,203 | 1,080,304 |

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, 2013

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|----------------------------------|-------------------|-------------------|--|
| EXPENDITURES (Continued): | | | |
| Public safety: | | | |
| Police: | | | |
| Salaries and employee benefits | | 5,762,383 | |
| Professional services | | 9,893 | |
| Operating expenditures | | 1,059,498 | |
| Capital outlay | | 240,268 | |
| Total Police | 7,295,236 | 7,072,042 | 223,194 |
| Fire service: | | | |
| Salaries and employee benefits | | 3,959,007 | |
| Professional services | | 18,432 | |
| Operating expenditures | | 632,499 | |
| Capital outlay | | 281,116 | |
| Total Fire service | 5,098,900 | 4,891,054 | 207,846 |
| Total public safety | 12,394,136 | 11,963,096 | 431,040 |
| Transportation: | | | |
| Street department: | | | |
| Salaries and employee benefits | | 784,598 | |
| Operating expenditures | | 875,422 | |
| Capital outlay | | 60,691 | |
| Reimbursement from other funds | | (105,190) | |
| Total Street department | 1,844,362 | 1,615,521 | 228,841 |
| Street construction: | | | |
| Operating expenditures | | 84,197 | |
| Capital outlay | | 148,139 | |
| Total Street construction | 1,001,454 | 232,336 | 769,118 |
| Airport: | | | |
| Salaries and employee benefits | | 41,355 | |
| Professional services | | 25,000 | |
| Operating expenditures | | 93,297 | |
| Total Airport | 318,398 | 159,652 | 158,746 |
| Total transportation | 3,164,214 | 2,007,509 | 1,156,705 |

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, 2013

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|-----------------|-----------|--|
| EXPENDITURES (Continued): | | | |
| Economic and physical development: | | | |
| Operating expenditures | | 624,667 | |
| Total economic and physical development | 773,140 | 624,667 | 148,473 |
| Environmental protection: | | | |
| Sanitation: | | | |
| Salaries and employee benefits | | 1,337,554 | |
| Operating expenditures | | 431,626 | |
| Capital outlay | | 149,443 | |
| Total environmental protection | 1,994,323 | 1,918,623 | 75,700 |
| Cultural and recreation: | | | |
| Recreation - administration: | | | |
| Salaries and employee benefits | | 178,596 | |
| Operating expenditures | | 236,959 | |
| Capital outlay | | 44,249 | |
| Total administration | 661,093 | 459,804 | 201,289 |
| Recreation - athletics: | | | |
| Salaries and employee benefits | | 184,212 | |
| Operating expenditures | | 71,174 | |
| Total athletics | 289,640 | 255,386 | 34,254 |
| Recreation - programs: | | | |
| Salaries and employee benefits | | 172,547 | |
| Operating expenditures | | 81,992 | |
| Total programs | 296,877 | 254,539 | 42,338 |
| Recreation - fitness center: | | | |
| Salaries and employee benefits | | 280,848 | |
| Operating expenditures | | 149,346 | |
| Capital outlay | | 5,657 | |
| Total fitness center | 499,997 | 435,851 | 64,146 |
| Recreation - leisure pool: | | | |
| Salaries and employee benefits | | 96,579 | |
| Operating expenditures | | 77,312 | |
| Total leisure pool | 187,195 | 173,891 | 13,304 |

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, 2013

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|-----------------|------------|--|
| Recreation - parks | | | |
| Salaries and employee benefits | | 664,256 | |
| Operating expenditures | | 380,604 | |
| Capital outlay | | 93,401 | |
| Reimbursement from other funds | | (25,884) | |
| Total park maintenance | 1,207,661 | 1,112,377 | 95,284 |
| Recreation - public grounds and cemetery: | | | |
| Salaries and employee benefits | | 303,240 | |
| Operating expenditures | | 271,897 | |
| Capital outlay | | 14,614 | |
| Reimbursement from other funds | | (16,661) | |
| Total public grounds and cemetery | 651,257 | 573,090 | 78,167 |
| Total recreation and culture | 3,793,720 | 3,264,938 | 528,782 |
| Debt service: | | | |
| Principal payment | | 1,249,700 | |
| Interest payment | | 288,867 | |
| Total debt service | 1,538,568 | 1,538,567 | 1 |
| Contingency: | | | |
| Contingency | 58,825 | - | 58,825 |
| Total expenditures | 28,334,433 | 24,854,603 | 3,479,830 |
| Revenues over (under) expenditures | (4,099,865) | (680,437) | 3,419,428 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in: | | | |
| Internal PILOT - Electric | 297,542 | 297,542 | - |
| Internal PILOT - Water and Sewer | 487,780 | 487,780 | - |
| Internal PILOT - Civic Center | 20,883 | 20,883 | - |
| Reimbursement - occupancy tax | 17,000 | 18,024 | 1,024 |
| Closed fund - Fire Station construction | 293,654 | 293,653 | (1) |
| Closed fund - City Hall Renovation | - | 56,588 | 56,588 |
| Closed fund - Airport Safety Overrun | - | 882,109 | 882,109 |
| From Drug Enforcement Fund | 17,290 | 17,290 | - |
| Closed fund - Traffic Safety Grant | - | 7,731 | 7,731 |
| From General Capital Reserve | 1,916,389 | 1,744,047 | (172,342) |
| Total transfers in | 3,050,538 | 3,825,647 | 775,109 |

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, 2013

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|-----------------|---------------|--|
| Transfers (out): | | | |
| To Streetscape Fund | (126,800) | (126,800) | - |
| To Airport Improvement Fund | (32,375) | (32,375) | - |
| To Home Consortium Fund | (19,969) | (19,969) | - |
| To Traffic Safety Grant Fund | (13,750) | - | 13,750 |
| To General Capital Reserve Fund | (453,217) | (453,217) | - |
| Total transfers out | (646,111) | (632,361) | 13,750 |
| Fund balance appropriated | 1,695,438 | - | (1,695,438) |
| Total other financing sources (uses) | 4,099,865 | 3,193,286 | (906,579) |
| Revenues and other financing sources (under) | | | |
| expenditures and other uses | \$ - | 2,512,849 | \$ 2,512,849 |
| Fund balances at beginning of year | | 23,087,206 | |
| Fund balances at end of year | | \$ 25,600,055 | |

NONMAJOR GOVERNMENTAL FUNDS

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. Fund closed as of June 30, 2013.

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

Fire Station #4 Fund - accounts for capital construction for new fire station. Project completed closed June 30, 2013.

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

City Hall Renovation Fund - accounts for city hall renovations. Project completed closed June 30, 2013.

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. Project completed closed June 30, 2013.

CITY OF STATESVILLE, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

| | 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 | Total Nonmajor Special Revenue Funds |
|--|------------------------------------|---|---------------------------------|-----------------------------|-----------------------|----------------------------|---------------------------------|---|
| ASSETS: | | | | | | | | |
| Cash and cash equivalents | \$ 242,643 | \$ 73,726 | \$ 38,180 | \$ 77,821 | \$ 99,432 | \$ - | \$ 75,000 | \$ 606,802 |
| Accounts receivable, net | - | 100,345 | - | - | - | - | - | 100,345 |
| Interest receivable | 361 | 109 | 57 | 116 | 148 | - | - | 791 |
| Due from other governments | - | - | - | - | - | - | - | - |
| Restricted cash | - | - | - | - | - | - | - | - |
| Total assets | \$ 243,004 | \$ 174,180 | \$ 38,237 | \$ 77,937 | \$ 99,580 | \$ - | \$ 75,000 | \$ 707,938 |
| LIABILITIES AND FUND EQUITY: | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 75,000 | \$ 75,000 |
| Deferred revenues | - | 100,345 | - | - | - | - | - | 100,345 |
| Total liabilities | - | 100,345 | - | - | - | - | 75,000 | 175,345 |
| Fund Equity: | | | | | | | | |
| Stabilization by state statute | 361 | 100,454 | 57 | 116 | 185 | - | - | 101,173 |
| Restricted | 242,643 | (26,619) | 38,180 | 77,821 | 99,395 | - | - | 431,420 |
| Committed | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | - |
| Total fund balances | 243,004 | 73,835 | 38,237 | 77,937 | 99,580 | - | - | 532,593 |
| Total liabilities and fund balances | \$ 243,004 | \$ 174,180 | \$ 38,237 | \$ 77,937 | \$ 99,580 | \$ - | \$ 75,000 | \$ 707,938 |

| Nonmajor Capital 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 |
| \$ - | \$ 103,146 | \$ - | \$ 776,222 | \$ 400,978 | \$ 5,040,917 | \$ - | \$ 6,321,263 | \$ 6,928,065 |
| - | - | - | - | - | - | - | - | 100,345 |
| - | 154 | - | 1,155 | 595 | 7,500 | - | 9,404 | 10,195 |
| - | - | - | 574 | 1,041,935 | - | - | 1,042,509 | 1,042,509 |
| - | - | - | 223,143 | - | - | - | 223,143 | 223,143 |
| <u>\$ -</u> | <u>\$ 103,300</u> | <u>\$ -</u> | <u>\$ 1,001,094</u> | <u>\$ 1,443,508</u> | <u>\$ 5,048,417</u> | <u>\$ -</u> | <u>\$ 7,596,319</u> | <u>\$ 8,304,257</u> |
| \$ - | \$ - | \$ - | \$ 335,674 | \$ 293,366 | \$ - | \$ - | \$ 629,040 | \$ 704,040 |
| - | - | - | - | - | - | - | - | 100,345 |
| - | - | - | 335,674 | 293,366 | - | - | 629,040 | 804,385 |
| - | 154 | - | 1,729 | 1,042,530 | 7,500 | - | 1,051,913 | 1,153,086 |
| - | - | - | 663,691 | 107,612 | - | - | 771,303 | 1,202,723 |
| - | 103,146 | - | - | - | 5,040,917 | - | 5,144,063 | 5,144,063 |
| - | - | - | - | - | - | - | - | - |
| - | 103,300 | - | 665,420 | 1,150,142 | 5,048,417 | - | 6,967,279 | 7,499,872 |
| <u>\$ -</u> | <u>\$ 103,300</u> | <u>\$ -</u> | <u>\$ 1,001,094</u> | <u>\$ 1,443,508</u> | <u>\$ 5,048,417</u> | <u>\$ -</u> | <u>\$ 7,596,319</u> | <u>\$ 8,304,257</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, 2013

| | 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 | Total Nonmajor Special Revenue Funds |
|---|------------------------------------|---|---------------------------------|-----------------------------|-----------------------|----------------------------|---------------------------------|---|
| REVENUES: | | | | | | | | |
| Other taxes and licenses | \$ - | \$ - | \$ - | \$ - | \$ 803,829 | \$ - | \$ - | \$ 803,829 |
| Unrestricted intergovernmental | - | - | - | - | - | - | - | - |
| Restricted intergovernmental | - | - | - | 62,712 | - | 14,481 | 551,000 | 628,193 |
| Repayment of loans | - | 5,581 | - | - | - | - | - | 5,581 |
| Investment earnings | (1,081) | (277) | 121 | (293) | (349) | - | - | (1,879) |
| Total revenues | (1,081) | 5,304 | 121 | 62,419 | 803,480 | 14,481 | 551,000 | 1,435,724 |
| EXPENDITURES: | | | | | | | | |
| General government | | | | | | | | |
| Capital outlay | - | - | - | - | - | - | - | - |
| Public safety | | | | | | | | |
| Operating expenditures | - | - | - | - | - | 27,318 | - | 27,318 |
| Transportation | | | | | | | | |
| Capital outlay | - | - | - | - | - | - | - | - |
| Economic and physical development: | | | | | | | | |
| Operating expenditures | - | - | - | - | 156,875 | - | 551,000 | 707,875 |
| Capital outlay | - | - | - | - | - | - | - | - |
| Total expenditures | - | - | - | - | 156,875 | 27,318 | 551,000 | 735,193 |
| Revenue over (under) expenditures | (1,081) | 5,304 | 121 | 62,419 | 646,605 | (12,837) | - | 700,531 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Transfers in: | | | | | | | | |
| General Fund | - | - | 19,969 | - | - | - | - | 19,969 |
| Electric Fund | - | - | - | - | - | - | - | - |
| Water and Sewer Fund | - | - | - | - | - | - | - | - |
| Transfers out: | | | | | | | | |
| General Fund | - | - | - | (17,290) | (18,024) | (7,731) | - | (43,045) |
| Civic Center | - | - | - | - | (627,501) | - | - | (627,501) |
| Total other financing sources (uses) | - | - | 19,969 | (17,290) | (645,525) | (7,731) | - | (650,577) |
| Revenues and other sources over (under) expenditures and other uses | (1,081) | 5,304 | 20,090 | 45,129 | 1,080 | (20,568) | - | 49,954 |
| Fund balances at beginning of year | 244,085 | 68,531 | 18,147 | 32,808 | 98,500 | 20,568 | - | 482,639 |
| Fund balances at end of year | \$ 243,004 | \$ 73,835 | \$ 38,237 | \$ 77,937 | \$ 99,580 | \$ - | \$ - | \$ 532,593 |

| Nonmajor Capital 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 | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 803,829 |
| - | - | - | 195,727 | - | - | - | 195,727 | 195,727 | 195,727 |
| - | - | - | - | 1,333,642 | - | 36,036 | 1,369,678 | 1,997,871 | 1,997,871 |
| - | - | - | - | - | - | - | - | 5,581 | 5,581 |
| 138 | (371) | - | (6,022) | 746 | (16,329) | 3,892 | (17,946) | (19,825) | (19,825) |
| 138 | (371) | - | 189,705 | 1,334,388 | (16,329) | 39,928 | 1,547,459 | 2,983,183 | 2,983,183 |
| - | - | 19,253 | - | - | - | - | 19,253 | 19,253 | 19,253 |
| - | - | - | - | - | - | - | - | 27,318 | 27,318 |
| - | - | - | - | 1,470,216 | - | - | 1,470,216 | 1,470,216 | 1,470,216 |
| - | - | - | - | - | - | - | - | 707,875 | 707,875 |
| - | - | - | 880,239 | - | - | - | 880,239 | 880,239 | 880,239 |
| - | - | 19,253 | 880,239 | 1,470,216 | - | - | 2,369,708 | 3,104,901 | 3,104,901 |
| 138 | (371) | (19,253) | (690,534) | (135,828) | (16,329) | 39,928 | (822,249) | (121,718) | (121,718) |
| - | - | - | 126,800 | 32,375 | 453,217 | - | 612,392 | 632,361 | 632,361 |
| - | - | - | 62,400 | - | - | - | 62,400 | 62,400 | 62,400 |
| - | - | - | 12,550 | - | - | - | 12,550 | 12,550 | 12,550 |
| (293,653) | - | (56,588) | - | - | (1,744,048) | (882,109) | (2,976,398) | (3,019,443) | (3,019,443) |
| - | - | - | - | - | - | - | - | (627,501) | (627,501) |
| (293,653) | - | (56,588) | 201,750 | 32,375 | (1,290,831) | (882,109) | (2,289,056) | (2,939,633) | (2,939,633) |
| (293,515) | (371) | (75,841) | (488,784) | (103,453) | (1,307,160) | (842,181) | (3,111,305) | (3,061,351) | (3,061,351) |
| 293,515 | 103,671 | 75,841 | 1,154,204 | 1,253,595 | 6,355,577 | 842,181 | 10,078,584 | 10,561,223 | 10,561,223 |
| \$ - | \$ 103,300 | \$ - | \$ 665,420 | \$ 1,150,142 | \$ 5,048,417 | \$ - | \$ 6,967,279 | \$ 7,499,872 | \$ 7,499,872 |

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, 2013

| | 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 | - | 81,657 | (1,081) | 80,576 |
| Total revenues | <u>873,743</u> | <u>1,111,542</u> | <u>(1,081)</u> | <u>1,110,461</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 (under) expenditures | <u>\$ -</u> | <u>\$ 244,085</u> | <u>(1,081)</u> | <u>\$ 243,004</u> |
| FUND BALANCES: | | | | |
| Fund balances at beginning of year | | | <u>244,085</u> | |
| Fund balances at end of year | | | <u>\$ 243,004</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, 2013

| | Project Authorization | Actual | | |
|--|--------------------------|----------------|-----------------|------------------|
| | | Prior Years | Current Year | Total to Date |
| REVENUES: | | | | |
| Restricted intergovernmental | \$ 102,978 | \$ 102,977 | \$ - | \$ 102,977 |
| Repayment of loans | - | 58,370 | 5,581 | 63,951 |
| Investment earnings | - | 9,500 | (277) | 9,223 |
| Total revenues | 102,978 | 170,847 | 5,304 | 176,151 |
| 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) | 43,531 | 5,304 | 48,835 |
| OTHER FINANCING SOURCES: | | | | |
| Transfer in - General Fund | 25,000 | 25,000 | - | 25,000 |
| Revenues other sources over expenditures | \$ - | \$ 68,531 | 5,304 | \$ 73,835 |
| FUND BALANCES: | | | | |
| Fund balances at beginning of year | | | 68,531 | |
| Fund balances at end of year | | | \$ 73,835 | |

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, 2013

| | Project Authorization | Actual | | |
|---|--------------------------|------------------|-----------------|------------------|
| | | Prior Years | Current Year | Total to Date |
| REVENUES: | | | | |
| Restricted intergovernmental-Home Program | \$ 1,572,260 | \$ 1,408,594 | \$ - | \$ 1,408,594 |
| Restricted intergovernmental - other | 750,000 | 750,000 | - | 750,000 |
| Restricted intergovernmental - CDBG | 250,000 | 249,079 | - | 249,079 |
| Investment earnings | - | 17,151 | 121 | 17,272 |
| Total revenues | 2,572,260 | 2,424,824 | 121 | 2,424,945 |
| EXPENDITURES: | | | | |
| Economic and physical development | | | | |
| Home program grant activity | 1,936,354 | 1,732,973 | - | 1,732,973 |
| Restricted intergovernmental - other | 750,000 | 750,000 | - | 750,000 |
| Restricted intergovernmental - CDBG | 250,000 | 249,079 | - | 249,079 |
| Total expenditures | 2,936,354 | 2,732,052 | - | 2,732,052 |
| Revenues over (under) expenditures | (364,094) | (307,228) | 121 | (307,107) |
| OTHER FINANCING SOURCES: | | | | |
| Transfer in - General Fund | 364,094 | 325,375 | 19,969 | 345,344 |
| Revenues other sources over expenditures | \$ - | \$ 18,147 | 20,090 | \$ 38,237 |
| FUND BALANCES: | | | | |
| Fund balances at beginning of year | | | 18,147 | |
| Fund balances at end of year | | | \$ 38,237 | |

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, 2013

| | Project Authorization | Actual | | Total to Date |
|--|--------------------------|------------------|------------------|------------------|
| | | Prior Years | Current Year | |
| REVENUES: | | | | |
| Restricted intergovernmental: | | | | |
| Adoptive forfeitures | \$ 578,848 | \$ 572,815 | \$ 41,160 | \$ 613,975 |
| DARE revenues | 2,000 | 926 | - | 926 |
| Controlled substance tax | 270,668 | 279,041 | 21,552 | 300,593 |
| Investment earnings | 63,455 | 66,481 | (293) | 66,188 |
| Total revenues | <u>914,971</u> | <u>919,263</u> | <u>62,419</u> | <u>981,682</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>809,279</u> | <u>821,212</u> | <u>62,419</u> | <u>883,631</u> |
| OTHER FINANCING USES: | | | | |
| Transfer out: | | | | |
| General Fund | (791,403) | (770,528) | (17,290) | (787,818) |
| SIGI Grant | (17,876) | (17,876) | - | (17,876) |
| Total transfers (out) | <u>(809,279)</u> | <u>(788,404)</u> | <u>(17,290)</u> | <u>(805,694)</u> |
| Revenues and other sources over expenditures and other financial (uses) | <u>\$ -</u> | <u>\$ 32,808</u> | 45,129 | <u>\$ 77,937</u> |
| FUND BALANCES: | | | | |
| Fund balances at beginning of year | | | <u>32,808</u> | |
| Fund balances at end of year | | | <u>\$ 77,937</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, 2013

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|------------------|------------------|--|
| REVENUES: | | | |
| Other taxes and licenses: | | | |
| 5% hotel/motel occupancy tax | \$ 810,000 | \$ 803,829 | \$ (6,171) |
| Investment earnings | - | (349) | (349) |
| Total revenues | 810,000 | 803,480 | (6,520) |
| EXPENDITURES: | | | |
| Economic and physical development | 158,380 | 156,875 | (1,505) |
| Total expenditures | 158,380 | 156,875 | (1,505) |
| Revenues over expenditures | 651,620 | 646,605 | (5,015) |
| OTHER FINANCING USES: | | | |
| Transfers out: | | | |
| General Fund | (18,100) | (18,024) | 76 |
| Civic Center Fund | (633,520) | (627,501) | 6,019 |
| Total other financing (uses) | (651,620) | (645,525) | 6,095 |
| Revenues over expenditures and other uses | \$ - | 1,080 | \$ 1,080 |
| FUND BALANCES: | | | |
| Fund balances at beginning of year | | 98,500 | |
| Fund balances at end of year | | \$ 99,580 | |

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, 2013

| | Project Authorization | Actual | | Total to Date |
|--|--------------------------|------------------|-----------------|------------------|
| | | Prior Years | Current Year | |
| REVENUES: | | | | |
| Investment earnings | \$ - | \$ 17 | \$ - | 17 |
| Restricted intergovernmental: | | | | |
| Federal grant | 305,125 | 256,530 | 14,481 | 271,011 |
| Total revenues | 305,125 | 256,547 | 14,481 | 271,028 |
| EXPENDITURES: | | | | |
| Public safety: | | | | |
| First year law enforcement | 110,203 | 99,822 | - | 99,822 |
| Second year law enforcement | 111,669 | 108,420 | - | 108,420 |
| Third year law enforcement | 107,535 | 77,813 | 27,317 | 105,130 |
| Law enforcement capital outlay | 89,000 | 70,938 | - | 70,938 |
| Total expenditures | 418,407 | 356,993 | 27,317 | 384,310 |
| Revenues (under) expenditures | (113,282) | (100,446) | (12,836) | (113,282) |
| OTHER FINANCING SOURCES: | | | | |
| Transfer in: | | | | |
| General Fund | 121,014 | 121,014 | - | 121,014 |
| Transfer out: | | | | |
| General Fund | (7,732) | - | (7,732) | (7,732) |
| Total transfers | 113,282 | 121,014 | (7,732) | 113,282 |
| Revenues and other sources over (under) expenditures and other financial (uses) | \$ - | \$ 20,568 | (20,568) | \$ - |
| FUND BALANCES: | | | | |
| Fund balances at beginning of year | | | 20,568 | |
| Fund balances at end of year | | | \$ - | |

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, 2013

| | 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 | - | 75,000 | 75,000 |
| CDBG -Pate-Dawson Bldg Reuse | 466,000 | - | 466,000 | 466,000 |
| Rural Center - Abundant Mfg | 176,000 | - | - | - |
| Rural Center - Abundant Mfg (administration) | 10,000 | - | 10,000 | 10,000 |
| Total revenues | 900,000 | 56,000 | 551,000 | 607,000 |
| 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 | - | 75,000 | 75,000 |
| CDBG -Pate-Dawson Bldg Reuse | 466,000 | - | 466,000 | 466,000 |
| Rural Center - Abundant Mfg | 176,000 | - | - | - |
| Rural Center - Abundant Mfg (administration) | 10,000 | - | 10,000 | 10,000 |
| Total expenditures | 900,000 | 56,000 | 551,000 | 607,000 |
| Revenues over (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, 2013

| | Actual | | | |
|---|--------------------------|--------------------|------------------|--------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date |
| REVENUES: | | | | |
| Investment earnings | \$ 13,834 | \$ 15,326 | \$ 138 | \$ 15,464 |
| Total revenues | <u>13,834</u> | <u>15,326</u> | <u>138</u> | <u>15,464</u> |
| EXPENDITURES: | | | | |
| Public Safety: | | | | |
| Professional Services | 176,025 | 174,964 | - | 174,964 |
| Construction Contract | 1,571,134 | 1,421,563 | - | 1,421,563 |
| Miscellaneous | 21,360 | 21,310 | - | 21,310 |
| Capital other | 88,648 | 84,944 | - | 84,944 |
| Capital equipment | 57,137 | 65,842 | - | 65,842 |
| Debt issuance costs | 23,100 | 17,886 | - | 17,886 |
| Contingency | 141,128 | - | - | - |
| Total expenditures | <u>2,078,532</u> | <u>1,786,509</u> | <u>-</u> | <u>1,786,509</u> |
| Revenues over (under) expenditures | <u>(2,064,698)</u> | <u>(1,771,183)</u> | <u>138</u> | <u>(1,771,045)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Fund balance appropriated | 293,654 | - | - | - |
| 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 | <u>(1,265,956)</u> | <u>(972,302)</u> | <u>(293,653)</u> | <u>(1,265,955)</u> |
| Total other financing sources (uses) | <u>2,064,698</u> | <u>2,064,698</u> | <u>(293,653)</u> | <u>1,771,045</u> |
| Revenues and other sources over (under) expenditures and other financial (uses) | <u>\$ -</u> | <u>\$ 293,515</u> | <u>(293,515)</u> | <u>\$ -</u> |
| FUND BALANCES: | | | | |
| Fund balances at beginning of year | | | <u>293,515</u> | |
| Fund balances at end of year | | | <u>\$ -</u> | |

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, 2013

| | Project Authorization | Actual | | Total to Date |
|--|--------------------------|----------------|-----------------|------------------|
| | | Prior Years | Current Year | |
| REVENUES: | | | | |
| Investment earnings | \$ - | \$ 3,671 | \$ (371) | \$ 3,300 |
| Total revenues | - | 3,671 | (371) | 3,300 |
| EXPENDITURES: | | | | |
| General Government: | | | | |
| Capital Outlay | 350,000 | - | - | - |
| Total expenditures | 350,000 | - | - | - |
| Revenues over (under) expenditures | (350,000) | 3,671 | (371) | 3,300 |
| 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 (under) expenditures and other financial (uses) | \$ - | \$ 103,671 | (371) | \$ 103,300 |
| FUND BALANCES: | | | | |
| Fund balances at beginning of year | | | 103,671 | |
| Fund balances at end of year | | | \$ 103,300 | |

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, 2013

| | Actual | | | |
|--|--------------------------|--------------------|-----------------|--------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date |
| REVENUES: | | | | |
| Investment earnings | \$ 2,781 | \$ 2,780 | \$ - | \$ 2,780 |
| Total revenues | <u>2,781</u> | <u>2,780</u> | <u>-</u> | <u>2,780</u> |
| EXPENDITURES: | | | | |
| General Government: | | | | |
| Capital outlay professional services | 61,000 | 61,000 | - | 61,000 |
| Capital outlay contracted services | 113,949 | 113,948 | - | 113,948 |
| Construction | 2,111,172 | 2,093,148 | 18,024 | 2,111,172 |
| Capital outlay - miscellaneous | 17,769 | 16,540 | 1,229 | 17,769 |
| Capital outlay - furniture | 55,803 | 55,803 | - | 55,803 |
| Contingency | - | - | - | - |
| Total expenditures | <u>2,359,693</u> | <u>2,340,439</u> | <u>19,253</u> | <u>2,359,692</u> |
| Revenues (under) expenditures | <u>(2,356,912)</u> | <u>(2,337,659)</u> | <u>(19,253)</u> | <u>(2,356,912)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in: | | | | |
| General Fund | 430,500 | 430,500 | - | 430,500 |
| Proceeds from debt | 2,094,000 | 2,094,000 | - | 2,094,000 |
| Transfers out: | | | | |
| General Fund | (56,588) | - | (56,588) | (56,588) |
| Streetscape Fund | (111,000) | (111,000) | - | (111,000) |
| Total other financing sources and (uses) | <u>2,356,912</u> | <u>2,413,500</u> | <u>(56,588)</u> | <u>2,356,912</u> |
| Revenues and other sources over (under) expenditures and other financial (uses) | <u>\$ -</u> | <u>\$ 75,841</u> | <u>(75,841)</u> | <u>\$ -</u> |
| FUND BALANCES: | | | | |
| Fund balances at beginning of year | | | <u>75,841</u> | |
| Fund balances at end of year | | | <u>\$ -</u> | |

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, 2013

| | Project Authorization | Actual | | |
|--|--------------------------|------------------|-----------------|------------------|
| | | Prior Years | Current Year | Total to Date |
| REVENUES: | | | | |
| Unrestricted intergovernmental | \$ - | \$ - | \$ 195,727 | \$ 195,727 |
| Investment earnings | 7,000 | 7,056 | (6,022) | 1,034 |
| Total revenues | 7,000 | 7,056 | 189,705 | 196,761 |
| EXPENDITURES: | | | | |
| Economic and physical development: | | | | |
| Debt issuance costs | 27,160 | 26,133 | - | 26,133 |
| Capital outlay professional services | 458,000 | 419,053 | 3,446 | 422,499 |
| Capital outlay construction | 4,939,821 | 3,881,137 | 819,784 | 4,700,921 |
| Capital outlay - miscellaneous | 68,000 | 26,579 | 2,647 | 29,226 |
| Capital outlay - other improvement | 11,000 | 10,942 | - | 10,942 |
| Professional services | 201,750 | - | 54,362 | 54,362 |
| Contingency | 14,011 | - | - | - |
| Total expenditures | 5,719,742 | 4,363,844 | 880,239 | 5,244,083 |
| Revenues (under) expenditures | (5,712,742) | (4,356,788) | (690,534) | (5,047,322) |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in: | | | | |
| General Fund | 427,970 | 301,170 | 126,800 | 427,970 |
| Electric Fund | 180,463 | 118,063 | 62,400 | 180,463 |
| Water and Sewer Fund | 87,309 | 74,759 | 12,550 | 87,309 |
| 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 | 5,712,742 | 5,510,992 | 201,750 | 5,712,742 |
| Revenues and other sources over (under) expenditures and other financial (uses) | \$ - | \$ 1,154,204 | (488,784) | \$ 665,420 |
| FUND BALANCES: | | | | |
| Fund balances at beginning of year | | | 1,154,204 | |
| Fund balances at end of year | | | \$ 665,420 | |

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, 2013

| | Actual | | | |
|--|--------------------------|---------------------|---------------------|---------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date |
| REVENUES: | | | | |
| Investment earnings | \$ 8,333 | \$ 41,912 | \$ 746 | \$ 42,658 |
| NCDOT land | 1,450,000 | 337,510 | 1,031,051 | 1,368,561 |
| Iredell County land | 80,555 | 17,587 | 14,480 | 32,067 |
| DOT Grants | 882,750 | 12,411 | 285,644 | 298,055 |
| Iredell County | 49,042 | - | 2,467 | 2,467 |
| Total revenues | 2,470,680 | 409,420 | 1,334,388 | 1,743,808 |
| EXPENDITURES: | | | | |
| Transportation: | | | | |
| Capital Outlay- land | 1,144,444 | - | 7,220 | 7,220 |
| Airport improvements | 980,834 | 13,791 | 317,384 | 331,175 |
| Capital Outlay - grant land | 1,611,111 | 375,368 | 1,145,612 | 1,520,980 |
| Total expenditures | 3,736,389 | 389,159 | 1,470,216 | 1,859,375 |
| Revenues over (under) expenditures | (1,265,709) | 20,261 | (135,828) | (115,567) |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in: | | | | |
| General Fund | 1,265,709 | 1,233,334 | 32,375 | 1,265,709 |
| Total other financing sources | 1,265,709 | 1,233,334 | 32,375 | 1,265,709 |
| Revenues and other sources over (under) expenditures and other financial (uses) | <u>\$ -</u> | <u>\$ 1,253,595</u> | (103,453) | <u>\$ 1,150,142</u> |
| FUND BALANCES: | | | | |
| Fund balances at beginning of year | | | <u>1,253,595</u> | |
| Fund balances at end of year | | | <u>\$ 1,150,142</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, 2013

| | Project Authorization | Actual | | |
|--|--------------------------|---------------------|---------------------|---------------------|
| | | Prior Years | Current Year | Total to Date |
| REVENUES: | | | | |
| Investment earnings | \$ 350,000 | \$ 1,039,038 | \$ (16,329) | \$ 1,022,709 |
| Sidewalk and curbs | - | 82,025 | - | 82,025 |
| Total revenues | 350,000 | 1,121,063 | (16,329) | 1,104,734 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in: | | | | |
| General Fund | 3,953,217 | 2,796,265 | 453,217 | 3,249,482 |
| 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 |
| Total transfers in | 10,235,468 | 9,260,783 | 453,217 | 9,714,000 |
| Transfers out: | | | | |
| General Fund - debt service Fire Station#4 | (1,949,597) | (491,741) | (237,791) | (729,532) |
| General Fund - debt service | (4,039,000) | (895,388) | (814,538) | (1,709,926) |
| 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 | (2,756,719) | (1,399,617) | (481,219) | (1,880,836) |
| General Fund - Fire #3 Reserve | (375,000) | - | (210,500) | (210,500) |
| Total transfers out | (10,585,468) | (4,026,269) | (1,744,048) | (5,770,317) |
| Total other financing sources (uses) | (350,000) | 5,234,514 | (1,290,831) | 3,943,683 |
| Revenues and other sources over (under) expenditures and other financial (uses) | \$ - | \$ 6,355,577 | (1,307,160) | \$ 5,048,417 |
| FUND BALANCES: | | | | |
| Fund balances at beginning of year | | | 6,355,577 | |
| Fund balances at end of year | | | <u>\$ 5,048,417</u> | |

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, 2013

| | Project Authorization | Actual | | Total to Date |
|--|--------------------------|-------------------|------------------|-------------------|
| | | Prior Years | Current Year | |
| REVENUES: | | | | |
| Restricted intergovernmental | \$ 23,551,475 | \$ 22,911,299 | \$ 36,036 | \$ 22,947,335 |
| Investment earnings | 280,633 | 317,601 | 3,892 | 321,493 |
| Miscellaneous | 613,320 | 598,949 | - | 598,949 |
| Total revenues | 24,445,428 | 23,827,849 | 39,928 | 23,867,777 |
| EXPENDITURES: | | | | |
| Transportation: | | | | |
| Capital Outlay | 28,770,323 | 27,614,034 | - | 27,614,034 |
| Parking and realignment | 580,644 | 442,309 | - | 442,309 |
| Access Road Construction | 126,000 | 107,088 | - | 107,088 |
| Total expenditures | 29,476,967 | 28,163,431 | - | 28,163,431 |
| Revenues (under) expenditures | (5,031,539) | (4,335,582) | 39,928 | (4,295,654) |
| 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 | (4,883,094) | (4,000,951) | (882,109) | (4,883,060) |
| Total other financing sources (uses) | 5,031,539 | 5,177,763 | (882,109) | 4,295,654 |
| Revenues and other sources over (under) expenditures and other financial (uses) | \$ - | \$ 842,181 | (842,181) | \$ - |
| FUND BALANCES: | | | | |
| Fund balances at beginning of year | | | 842,181 | |
| Fund balances at end of year | | | \$ - | |

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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.

Fourth Creek WWTP Improvement Project – accounts for a major improvement 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, 2013

| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|-------------------|--|
| OPERATING REVENUES: | | | |
| Electric sales | \$ 43,117,000 | \$ 43,927,172 | \$ 810,172 |
| Other operating revenues | 1,122,700 | 1,062,615 | (60,085) |
| Total operating revenues | 44,239,700 | 44,989,787 | 750,087 |
| Non-operating revenues: | | | |
| State utility tax | 1,295,510 | 1,047,763 | (247,747) |
| Utility adjustment - State and FEMA reimburse | 310,000 | 812,141 | 502,141 |
| Investment earnings | 115,000 | (38,550) | (153,550) |
| Miscellaneous Revenues | 266,839 | 303,106 | 36,267 |
| Total non-operating revenues | 1,987,349 | 2,124,460 | 137,111 |
| Total revenues | 46,227,049 | 47,114,247 | 887,198 |
| EXPENDITURES: | | | |
| Salaries and employee benefits | 2,370,977 | 2,311,291 | 59,686 |
| Electrical power purchases | 38,640,000 | 38,639,838 | 162 |
| Professional services | 114,120 | 65,781 | 48,339 |
| Capital outlay | 2,901,092 | 1,037,344 | 1,863,748 |
| Operating expenditures | 3,709,164 | 3,166,752 | 542,412 |
| Total expenditures | 47,735,353 | 45,221,006 | 2,514,347 |
| Revenues over (under) expenditures | (1,508,304) | 1,893,241 | 3,401,545 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfer (out) General Fund - PILOT | (297,542) | (297,542) | - |
| Transfer (out) Streetscape Fund | (62,400) | (62,400) | - |
| Transfer (out) Rate Stabization Fund | (28,658) | (28,658) | - |
| Appropriated fund balance | 1,896,904 | - | (1,896,904) |
| Total other financing sources (uses) | 1,508,304 | (388,600) | (1,896,904) |
| Total revenues and other financing sources over other financing uses and expenditures | \$ - | 1,504,641 | \$ 1,504,641 |

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, 2013

| | |
|---|----------------------------|
| Reconciliation from budgetary basis (modified accrual) to full accrual: | |
| Capital outlay | 917,042 |
| Capitalization labor, equipment, and overhead | 547,918 |
| Loss on disposition of capital assets | (311,619) |
| Change in accrued compensated absences | 74,884 |
| Change in other postemployment benefits | (24,440) |
| Depreciation | (1,192,081) |
| Interest earnings from Project Funds | (1,083) |
| Intrafund transfers | <u>28,658</u> |
| | |
| Total reconciling items | <u>39,279</u> |
| | |
| Change in net position | <u><u>\$ 1,543,920</u></u> |

CITY OF STATESVILLE, NORTH CAROLINA
ELECTRIC 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, 2013

| | Actual | | | Total to Date |
|--|--------------------------|----------------|-----------------|------------------|
| | Project Authorization | Prior Years | Current Year | |
| REVENUES: | | | | |
| Investment earnings | \$ 100,000 | \$ 196,487 | \$ (732) | \$ 195,755 |
| Total revenues | 100,000 | 196,487 | (732) | 195,755 |
| 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 (under) expenditures and other financial (uses) | \$ - | \$ 204,071 | \$ (732) | \$ 203,339 |

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, 2013

| | Project Authorization | Actual | | |
|---|--------------------------|----------------|-----------------|------------------|
| | | Prior Years | Current Year | Total to Date |
| REVENUES: | | | | |
| Investment earnings | \$ 120,000 | \$ 754,391 | \$ (351) | \$ 754,040 |
| Total revenues | 120,000 | 754,391 | (351) | 754,040 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in: | | | | |
| Electric Fund | 4,000,000 | 2,445,677 | 28,658 | 2,474,335 |
| Transfers out: | | | | |
| Electric Fund | (4,120,000) | (3,150,036) | - | (3,150,036) |
| Total other financing sources (uses) | (120,000) | (704,359) | 28,658 | (675,701) |
| Revenues and other sources over expenditures and other financial | \$ - | \$ 50,032 | \$ 28,307 | \$ 78,339 |

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, 2013

| | Amended Budget | Actual | Favorable (Unfavorable) |
|---|-------------------|------------------|----------------------------|
| OPERATING REVENUES: | | | |
| Charges for services: | | | |
| Sewer charges | \$ 5,675,000 | \$ 5,710,498 | \$ 35,498 |
| Water sales | 3,633,300 | 3,663,166 | 29,866 |
| Water and Sewer System Development Fees | 310,000 | 103,177 | (206,823) |
| Other operating revenues | 139,481 | 144,535 | 5,054 |
| Total operating revenues | <u>9,757,781</u> | <u>9,621,376</u> | <u>(136,405)</u> |
| Non-operating revenue: | | | |
| Interest on investments | <u>105,000</u> | <u>(45,785)</u> | <u>(150,785)</u> |
| Total revenues | <u>9,862,781</u> | <u>9,575,591</u> | <u>(287,190)</u> |
| EXPENDITURES: | | | |
| Sewer collection line maintenance: | | | |
| Salaries and employee benefits | 356,944 | 304,671 | 52,273 |
| Professional services | 6,000 | 4,010 | 1,990 |
| Operating expenditures | 157,766 | 141,870 | 15,896 |
| Sewer maintenance | 76,500 | 36,714 | 39,786 |
| Capital outlay | 801,315 | 153,985 | 647,330 |
| Total | <u>1,398,525</u> | <u>641,250</u> | <u>757,275</u> |
| Water distribution line maintenance: | | | |
| Salaries and employee benefits | 822,871 | 738,960 | 83,911 |
| Operating expenditures | 114,358 | 81,600 | 32,758 |
| Water maintenance | 106,800 | 67,654 | 39,146 |
| Capital outlay | 2,033,680 | 359,054 | 1,674,626 |
| Total | <u>3,077,709</u> | <u>1,247,268</u> | <u>1,830,441</u> |
| Water purification: | | | |
| Salaries and employee benefits | 729,173 | 665,387 | 63,786 |
| Professional services | 37,916 | 15,368 | 22,548 |
| Operating expenditures | 582,093 | 605,040 | (22,947) |
| Operating chemicals and supplies | 168,278 | 108,485 | 59,793 |
| Reimbursements | 1,084,939 | 1,084,939 | - |
| Capital outlay | 162,341 | 12,942 | 149,399 |
| Total | <u>2,764,740</u> | <u>2,492,161</u> | <u>272,579</u> |
| Waste water treatment - Third Creek: | | | |
| Salaries and employee benefits | 368,563 | 360,889 | 7,674 |
| Professional services | 42,500 | 28,074 | 14,426 |
| Operating expenditures | 446,882 | 341,450 | 105,432 |
| Operating chemicals and supplies | 97,660 | 91,002 | 6,658 |
| Capital outlay | 151,900 | 57,677 | 94,223 |
| Total | <u>1,107,505</u> | <u>879,092</u> | <u>228,413</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, 2013

| | Amended Budget | Actual | Favorable (Unfavorable) |
|--|--------------------|---------------------|----------------------------|
| Waste water treatment - Fourth Creek: | | | |
| Salaries and employee benefits | 843,876 | 743,388 | 100,488 |
| Professional services | 138,775 | 46,511 | 92,264 |
| Operating expenditures | 778,181 | 766,816 | 11,365 |
| Operating chemicals and supplies | 259,340 | 211,442 | 47,898 |
| Capital outlay | 31,000 | 19,332 | 11,668 |
| Total | <u>2,051,172</u> | <u>1,787,489</u> | <u>263,683</u> |
| Principal | 1,434,643 | 1,081,530 | 353,113 |
| Interest | - | 353,112 | (353,112) |
| | <u>1,434,643</u> | <u>1,434,642</u> | <u>1</u> |
| Total expenditures | <u>11,834,294</u> | <u>8,481,902</u> | <u>3,352,392</u> |
| Revenues over (under) expenditures | <u>(1,971,513)</u> | <u>1,093,689</u> | <u>3,065,202</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in (out): | | | |
| Water and Sewer Capital Reserve | 451,567 | 242,409 | (209,158) |
| General Fund - PILOT | (487,780) | (487,780) | - |
| Water and Sewer Capital Reserve | (310,000) | (103,177) | 206,823 |
| Third Creek WWTP | (418,678) | (418,678) | - |
| Fourth Creek WWTP | (28,200) | (28,200) | - |
| Streetscape Fund | (12,550) | (12,550) | - |
| Fund balance appropriated | <u>2,777,154</u> | <u>-</u> | <u>(2,777,154)</u> |
| Total other financing sources | <u>1,971,513</u> | <u>(807,976)</u> | <u>(2,779,489)</u> |
| Revenues and other sources over expenditures and other sources | <u>\$ -</u> | <u>285,713</u> | <u>\$ 285,713</u> |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| Depreciation | | (2,550,748) | |
| Capital outlay | | 594,498 | |
| Monofill accretion | | (3,332) | |
| Change in accrued compensated absences | | (1,840) | |
| Change in other postemployment benefits | | (43,130) | |
| Long-term debt principal retirement | | 1,081,530 | |
| Accrued interest payable | | 3,135 | |
| Principal loan receivable - County | | (91,157) | |
| Intrafund transfers not income, net | | 307,646 | |
| Interest earnings from Water and Sewer Capital Funds | | <u>(14,247)</u> | |
| Total reconciling items | | <u>(717,645)</u> | |
| Change in net position | | <u>\$ (431,932)</u> | |

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, 2013

| | Actual | | | |
|--|--------------------------|----------------|-----------------|------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date |
| REVENUES: | | | | |
| Investment earnings | \$ 2,462,695 | \$ 2,479,842 | \$ (12,187) | \$ 2,467,655 |
| Total revenues | 2,462,695 | 2,479,842 | (12,187) | 2,467,655 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in: | | | | |
| Water and Sewer Fund - water SDF | - | 529,037 | 15,214 | 544,251 |
| Water and Sewer Fund - sewer SDF | - | 2,239,251 | 87,963 | 2,327,214 |
| 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 |
| Total transfers in | 9,542,328 | 12,974,222 | 103,177 | 13,077,399 |
| Transfers out: | | | | |
| Reserved for Water & Sewer Capital | (9,079,921) | (8,837,512) | (242,409) | (9,079,921) |
| Statesville Business Park Fund | (60,223) | (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 | (43,424) | (43,424) | - | (43,424) |
| Fourth Creek Wastewater Fund | (3,267) | (3,267) | - | (3,267) |
| Total transfers out | (12,005,023) | (11,762,614) | (242,409) | (12,005,023) |
| Total other financing sources and other (uses) | (2,462,695) | 1,211,608 | (139,232) | 1,072,376 |
| Revenues and other sources over (under) expenditures and other financial (uses) | \$ - | \$ 3,691,450 | \$ (151,419) | \$ 3,540,031 |

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, 2013

| | Actual | | | Total to Date |
|---|--------------------------|---------------------|---------------------|--------------------|
| | Project Authorization | Prior Years | Current Year | |
| REVENUES: | | | | |
| Investment earnings | \$ 115,200 | \$ 117,471 | \$ (2,060) | \$ 115,411 |
| Total revenues | <u>115,200</u> | <u>117,471</u> | <u>(2,060)</u> | <u>115,411</u> |
| EXPENDITURES: | | | | |
| Economic and physical development: | | | | |
| Debt issuance costs | 418,678 | - | 418,678 | 418,678 |
| Capital Outlay - professional Services | 2,829,000 | 1,671,684 | 343,520 | 2,015,204 |
| Capital Outlay - construction | 19,804,000 | - | - | - |
| Capital Outlay - miscellaneous | 139,700 | - | - | - |
| Contingency | 990,200 | - | - | - |
| Total expenditures | <u>24,181,578</u> | <u>1,671,684</u> | <u>762,198</u> | <u>2,433,882</u> |
| Revenues (under) expenditures | <u>(24,066,378)</u> | <u>(1,554,213)</u> | <u>(764,258)</u> | <u>(2,318,471)</u> |
| OTHER FINANCING SOURCES: | | | | |
| Proceeds revolving loan | 20,933,900 | - | - | - |
| Transfers in: | | | | |
| Water and Sewer Operating Fund | 3,132,478 | 2,713,800 | 418,678 | 3,132,478 |
| Total other financing sources | <u>24,066,378</u> | <u>2,713,800</u> | <u>418,678</u> | <u>3,132,478</u> |
| Revenues and other sources over (under) expenditures | <u>\$ -</u> | <u>\$ 1,159,587</u> | <u>\$ (345,580)</u> | <u>\$ 814,007</u> |

CITY OF STATESVILLE, NORTH CAROLINA
FOURTH CREEK WWTP CAPITAL 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, 2013

| | Actual | | | |
|--|--------------------------|----------------|-----------------|----------|
| | Project Authorization | Prior Years | Current Year | |
| REVENUES: | | | | |
| Investment earnings | \$ - | \$ - | \$ - | \$ - |
| Total revenues | - | - | - | - |
| EXPENDITURES: | | | | |
| Economic and physical development: | | | | |
| Capital Outlay | 28,200 | - | 28,200 | 28,200 |
| Total expenditures | 28,200 | - | 28,200 | 28,200 |
| Revenues (under) expenditures | (28,200) | - | (28,200) | (28,200) |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in: | | | | |
| Water and Sewer Operating Fund | 28,200 | - | 28,200 | 28,200 |
| Total other financing sources | 28,200 | - | 28,200 | 28,200 |
| Revenues and other sources over expenditures | \$ - | \$ - | \$ - | \$ - |

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, 2013

| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|---|-------------------|-------------|--|
| OPERATING REVENUES: | | | |
| Charges for services: | | | |
| Fees | \$ 240,000 | \$ 261,110 | \$ 21,110 |
| Total operating revenues | 240,000 | 261,110 | 21,110 |
| Non-operating revenues: | | | |
| Interest on investments | 8,400 | (3,849) | (12,249) |
| Total non-operating revenues | 8,400 | (3,849) | (12,249) |
| Total revenues | 248,400 | 257,261 | 8,861 |
| EXPENDITURES: | | | |
| Salaries and employee benefits | 371,513 | 355,265 | 16,248 |
| Operating expenditures | 415,480 | 388,566 | 26,914 |
| Capital outlay | 690,562 | 579,970 | 110,592 |
| Total expenditures | 1,477,555 | 1,323,801 | 153,754 |
| Total revenues over (under) expenditures | (1,229,155) | (1,066,540) | 162,615 |
| OTHER FINANCING SOURCES (USES): | | | |
| Fund balance appropriated | 703,638 | - | (703,638) |
| Transfers in: | | | |
| Occupancy Tax Fund | 546,400 | 627,501 | 81,101 |
| Transfers out: | | | |
| General Fund - PILOT | (20,883) | (20,883) | - |
| Total other financing sources (uses) | 1,229,155 | 606,618 | (622,537) |
| Total revenues and other financing sources (under) other financing uses and expenditures | \$ - | (459,922) | \$ (459,922) |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| Change in accrued compensated absences | | 2,466 | |
| Change in other post employee benefits | | (5,032) | |
| Capital acquisition | | 579,970 | |
| Depreciation | | (202,096) | |
| Total reconciling items | | 375,308 | |
| Change in net position | | \$ (84,614) | |

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INTERNAL SERVICE FUNDS

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

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

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

CITY OF STATESVILLE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2013

| | Health Insurance Fund | Property and Casualty Liability Insurance Fund | Totals |
|--|-----------------------------|--|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 668,169 | \$ 662,491 | \$ 1,330,660 |
| Accounts receivables, net | 188 | - | 188 |
| Interest receivable | 994 | 986 | 1,980 |
| | <u>669,351</u> | <u>663,477</u> | <u>1,332,828</u> |
| Total assets | <u>\$ 669,351</u> | <u>\$ 663,477</u> | <u>\$ 1,332,828</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 22,662 | \$ 3,881 | \$ 26,543 |
| Accrued IBNR | 373,306 | 82,237 | 455,543 |
| | <u>395,968</u> | <u>86,118</u> | <u>482,086</u> |
| Total liabilities | <u>395,968</u> | <u>86,118</u> | <u>482,086</u> |
| NET POSITION | <u>\$ 273,383</u> | <u>\$ 577,359</u> | <u>\$ 850,742</u> |

CITY OF STATESVILLE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the Year Ended June 30, 2013

| | Health Insurance Fund | Property and Casualty Liability Insurance Fund | Totals |
|---|-----------------------------|--|-------------------|
| Operating revenues: | | | |
| Employer's Contributions | \$ 2,755,042 | \$ - | \$ 2,755,042 |
| Employee's Contributions | 810,320 | - | 810,320 |
| Insurance premiums charged to departments | - | 696,924 | 696,924 |
| Total operating revenues | 3,565,362 | 696,924 | 4,262,286 |
| Operating expenses: | | | |
| Claims - health, dental and worker's compensation | 3,100,448 | 233,897 | 3,334,345 |
| Administration and professional services | 209,044 | - | 209,044 |
| Stop loss insurance and insurance premiums | 229,693 | 460,339 | 690,032 |
| Wellness and other claim expenses | 7,628 | 13,230 | 20,858 |
| Total operating expenses | 3,546,813 | 707,466 | 4,254,279 |
| Total operating income (loss) | 18,549 | (10,542) | 8,007 |
| Nonoperating revenues: | | | |
| Investment income | (2,103) | (1,464) | (3,567) |
| Total nonoperating income | (2,103) | (1,464) | (3,567) |
| Income (loss) before transfers | 16,446 | (12,006) | 4,440 |
| Change in net position | 16,446 | (12,006) | 4,440 |
| Net position, beginning of year | 256,937 | 589,365 | 846,302 |
| Net position, end of year | \$ 273,383 | \$ 577,359 | \$ 850,742 |

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, 2013

| | Financial Plan | Actual | Variance Favorable (Unfavorable) |
|---|-------------------|------------------|--|
| REVENUES: | | | |
| Operating revenues: | | | |
| Contributions from employer | \$ 2,957,715 | \$ 2,755,042 | \$ (202,673) |
| Contributions from employees | 812,582 | 701,948 | (110,634) |
| Contributions from retired employees and COBRA | 124,000 | 108,372 | (15,628) |
| Total operating revenues | 3,894,297 | 3,565,362 | (328,935) |
| Non operating revenues: | | | |
| Investment earnings | 2,600 | (2,103) | (4,703) |
| Total nonoperating revenues | 2,600 | (2,103) | (4,703) |
| Total revenues | 3,896,897 | 3,563,259 | (333,638) |
| EXPENDITURES: | | | |
| Operating expenditures: | | | |
| Wellness and other expenses | 16,600 | 7,628 | 8,972 |
| Third party administration | 209,312 | 209,044 | 268 |
| Stop loss insurance | 242,365 | 229,693 | 12,672 |
| Health claims | 3,303,620 | 2,965,141 | 338,479 |
| Dental claims | 125,000 | 112,970 | 12,030 |
| Total expenditures | 3,896,897 | 3,524,476 | 372,421 |
| Revenues and over expenditures | \$ - | 38,783 | \$ 38,783 |
| Reconciliation from financial plan (modified accrual) to full accrual: | | | |
| Increase in incurred claims but not reported (IBNR) | | 22,337 | |
| Change in net position | | \$ 16,446 | |

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, 2013

| | 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 | 7,000 | (1,464) | (8,464) |
| Total nonoperating revenues | 7,000 | (1,464) | (8,464) |
| Total revenues | 703,924 | 695,460 | (8,464) |
| EXPENDITURES: | | | |
| Operating expenditures: | | | |
| Insurance premiums | 460,424 | 460,339 | 85 |
| Property loss claims | 23,500 | 13,230 | 10,270 |
| Worker's compensation claims | 270,000 | 284,510 | (14,510) |
| Total expenditures | 753,924 | 758,079 | (4,155) |
| Revenues over (under) expenditures | (50,000) | (62,619) | (12,619) |
| OTHER FINANCING USES: | | | |
| Fund balance appropriated | 50,000 | - | (50,000) |
| Total other sources | 50,000 | - | (50,000) |
| Revenues and other sources (under) expenditures | \$ - | (62,619) | \$ (62,619) |
| Reconciliation from financial plan (modified accrual) to full accrual: | | | |
| Decrease in incurred claims but not reported (IBNR) | | (50,613) | |
| Change in net position | | \$ (12,006) | |

CITY OF STATESVILLE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013

| | Health Insurance Fund | Property and Casualty Liability Insurance Fund | Totals |
|--|-----------------------------|--|---------------------|
| Cash flows from operating activities: | | | |
| Cash received from employer and employees | \$ 3,565,362 | \$ 696,924 | \$ 4,262,286 |
| Cash paid for claims and insurance | (3,537,639) | (767,325) | (4,304,964) |
| Net cash (used) by operating activities | <u>27,723</u> | <u>(70,401)</u> | <u>(42,678)</u> |
| Cash flows from investing activities operating activities: | | | |
| Interest on investments and miscellaneous | <u>(1,891)</u> | <u>(1,072)</u> | <u>(2,963)</u> |
| Net increase (decrease) in cash and cash equivalents | 25,832 | (71,473) | (45,641) |
| Cash and cash equivalents: | | | |
| Beginning of year, July 1 | <u>642,337</u> | <u>733,964</u> | <u>1,376,301</u> |
| End of year, June 30 | <u>\$ 668,169</u> | <u>\$ 662,491</u> | <u>\$ 1,330,660</u> |
| Reconciliation of operating loss to net cash provided (used) by operating activities: | | | |
| Operating Income (loss) | \$ 18,549 | \$ (10,542) | \$ 8,007 |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | | |
| Changes in assets and liabilities: | | | |
| Decrease in accounts receivable | 86 | - | 86 |
| Decrease in accounts payable and accrued liabilities | <u>9,088</u> | <u>(59,859)</u> | <u>(50,771)</u> |
| Net cash (used) by operating activities | <u>\$ 27,723</u> | <u>\$ (70,401)</u> | <u>\$ (42,678)</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, 2013

| Fiscal Year | Uncollected Balance June 30, 2012 | Additions | Collections and Credits | Uncollected Balance June 30, 2013 |
|-------------|---|----------------------|----------------------------|---|
| 2013 | \$ - | \$ 12,022,139 | \$ 11,568,448 | \$ 453,691 |
| 2012 | 430,389 | - | 264,181 | 166,208 |
| 2011 | 191,607 | - | 73,151 | 118,456 |
| 2010 | 121,301 | - | 30,081 | 91,220 |
| 2009 | 80,469 | - | 9,987 | 70,482 |
| 2008 | 59,690 | - | 5,362 | 54,328 |
| 2007 | 50,930 | - | 3,802 | 47,128 |
| 2006 | 50,870 | - | 2,132 | 48,738 |
| 2005 | 34,654 | - | 1,249 | 33,405 |
| 2004 | 51,811 | - | 1,116 | 50,695 |
| 2003 | 36,690 | - | 36,690 | - |
| | <u>\$ 1,108,411</u> | <u>\$ 12,022,139</u> | <u>\$ 11,996,199</u> | 1,134,351 |
| | | | | Less allowance for uncollectible accounts - City-wide |
| | | | | <u>295,052</u> |
| | | | | Ad valorem taxes receivable, net |
| | | | | <u>\$ 839,299</u> |
| | | | | RECONCILIATION WITH REVENUES: |
| | | | | \$ 12,036,887 |
| | | | | Reconciling items: |
| | | | | Interest collected (79,091) |
| | | | | Statute of limitations 38,508 |
| | | | | Penalty to Downtown (105) |
| | | | | <u>Total collections and credits</u> |
| | | | | <u>\$ 11,996,199</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, 2013

| Fiscal Year | Uncollected Balance City-wide | Additions | Collections and Credits | Uncollected Balance Registered |
|-------------|-------------------------------------|-------------------|----------------------------|--|
| 2013 | \$ - | \$ 102,596 | \$ 99,202 | \$ 3,394 |
| 2012 | 5,591 | - | 2,680 | 2,911 |
| 2011 | 1,712 | - | 818 | 894 |
| 2010 | 745 | - | 278 | 467 |
| 2009 | 400 | - | - | 400 |
| 2008 | 438 | - | - | 438 |
| 2007 | 386 | - | 69 | 317 |
| 2006 | 400 | - | 69 | 331 |
| 2005 | 358 | - | - | 358 |
| 2004 | 392 | - | 4 | 389 |
| 2003 | 448 | - | 448 | - |
| | <u>\$ 10,870</u> | <u>\$ 102,596</u> | <u>\$ 103,568</u> | 9,899 |
| | | | | Less allowance for uncollectible accounts - Downtown |
| | | | | <u>2,575</u> |
| | | | | Ad valorem taxes receivable, net |
| | | | | <u>\$ 7,324</u> |
| | | | | RECONCILIATION WITH REVENUES: |
| | | | | Ad valorem taxes - Downtown |
| | | | | \$ 103,065 |
| | | | | Reconciling items: |
| | | | | Releases |
| | | | | 13 |
| | | | | Statute of limitations |
| | | | | 385 |
| | | | | Penalty |
| | | | | <u>105</u> |
| | | | | Total collections and credits |
| | | | | <u>\$ 103,568</u> |

CITY OF STATESVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND - CITY-WIDE LEVY
For the Year Ended June 30, 2013

| | 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 | \$ 2,933,516,954 | 0.4100 | \$ 12,038,932 | \$ 11,407,054 | \$ 631,878 |
| Penalties | - | | - | - | - |
| TOTAL ORIGINAL LEVY | 2,933,516,954 | | 12,038,932 | 11,407,054 | 631,878 |
| DISCOVERIES: | | | | | |
| Current year rate and taxes | 6,891,581 | 0.4100 | 28,255 | 22,217 | 6,038 |
| Penalties | - | | 10,377 | 10,377 | - |
| TOTAL DISCOVERIES | 6,891,581 | | 38,632 | 32,594 | 6,038 |
| RELEASES: | | | | | |
| Current year rate | (13,485,980) | 0.4100 | (55,293) | (44,686) | (10,607) |
| Penalties | - | | (132) | (132) | - |
| TOTAL RELEASES | (13,485,980) | | (55,425) | (44,818) | (10,607) |
| Net assessed valuation | <u>\$ 2,926,922,555</u> | | | | |
| Net Levy | | | 12,022,139 | 11,394,830 | 627,309 |
| Uncollected taxes , June 30 | | | (453,691) | (349,655) | (104,036) |
| Current year's taxes collected | | | <u>\$ 11,568,448</u> | <u>\$ 11,045,175</u> | <u>\$ 523,273</u> |
| Current levy collection percentage rate | | | <u>96.23%</u> | <u>96.93%</u> | <u>83.42%</u> |

CITY OF STATESVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND -DOWNTOWN STATESVILLE SPECIAL TAX DISTRICT
For the Year Ended June 30, 2013

| | City-wide | | Total Levy | | |
|--|-----------------------|-------------------|-------------------|--|---------------------------------|
| | Property Valuation | Rate per \$100 | Amount of Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| ORIGINAL LEVY: | | | | | |
| Property taxed at current year's rate | \$ 102,933,150 | 0.1000 | \$ 102,933 | \$ 99,006 | \$ 3,927 |
| Penalties | - | | - | - | - |
| TOTAL ORIGINAL LEVY | <u>102,933,150</u> | | <u>102,933</u> | <u>99,006</u> | <u>3,927</u> |
| DISCOVERIES: | | | | | |
| Current year rate and taxes | \$ 79,000 | 0.1000 | 79 | 74 | 5 |
| Penalties | - | | - | - | - |
| TOTAL DISCOVERIES | <u>79,000</u> | | <u>79</u> | <u>74</u> | <u>5</u> |
| RELEASES: | | | | | |
| Current year rate | \$ (416,000) | 0.1000 | (416) | (387) | (29) |
| Penalties | - | | - | - | - |
| TOTAL RELEASES | <u>(416,000)</u> | | <u>(416)</u> | <u>(387)</u> | <u>(29)</u> |
| Net assessed valuation | <u>\$ 102,596,150</u> | | | | |
| Net Levy | | | 102,596 | 98,693 | 3,903 |
| Uncollected taxes , June 30 | | | <u>3,394</u> | <u>3,150</u> | <u>244</u> |
| Current year's taxes collected | | | <u>\$ 99,202</u> | <u>\$ 95,543</u> | <u>\$ 3,659</u> |
| Current levy collection percentage rate | | | <u>96.69%</u> | <u>96.81%</u> | <u>93.75%</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 | 128 |
| 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 | 138 |
| 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 | 149 |
| 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 | 153 |
| 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 | 156 |
| 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. | |

Table 1

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

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities | | | | |
| Invested in capital asset, net of related debt | \$ 26,681,477 | \$ 30,608,013 | \$ 36,058,271 | \$ 44,949,061 |
| Restricted for: | | | | |
| Stabilization by state statute | - | - | - | - |
| Public safety | 403,676 | 2,486,305 | 1,181,165 | 1,883,567 |
| Transportation | 73,569 | 158,156 | 181,156 | 874,768 |
| Economic development | 543,886 | 534,596 | 615,050 | 734,392 |
| Debt service | - | - | - | - |
| Capital outlay | - | - | - | 7,487,250 |
| Unrestricted | 26,509,071 | 28,513,882 | 29,538,254 | 27,095,084 |
| Total governmental activities net assets | 54,211,679 | 62,300,952 | 67,573,896 | 83,024,122 |
| Business-type activities | | | | |
| Invested in capital asset, net of related debt | 59,318,242 | 60,404,087 | 60,561,045 | 64,506,624 |
| Unrestricted | 32,296,998 | 32,438,588 | 33,438,825 | 34,850,320 |
| Total business-type activities net assets | 91,615,240 | 92,842,675 | 93,999,870 | 99,356,944 |
| Primary government | | | | |
| Invested in capital asset, net of related debt | 85,999,719 | 91,012,100 | 96,619,316 | 109,455,685 |
| Restricted for: | | | | |
| Stabilization by state statute | - | - | - | - |
| Transportation | 403,676 | 2,486,305 | 1,181,165 | 1,883,567 |
| Public Safety | 73,569 | 158,156 | 181,156 | 874,768 |
| Economic development | 543,886 | 534,596 | 615,050 | 734,392 |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | 7,487,250 |
| Unrestricted | 58,806,069 | 60,952,470 | 62,977,079 | 61,945,404 |
| Total primary government net assets | \$ 145,826,919 | \$ 155,143,627 | \$ 161,573,766 | \$ 182,381,066 |

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

| <u>2007-08</u> | <u>2008-09</u> | <u>2009-10</u> | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 48,001,180 | \$ 53,828,159 | \$ 60,880,399 | \$ 59,908,456 | \$ 66,160,070 | \$ 67,394,632 |
| - | - | - | - | 5,565,574 | 5,124,143 |
| 2,135,787 | 3,360,512 | 2,610,583 | 6,276,092 | 337,206 | 77,821 |
| 216,563 | 78,736 | 1,695,694 | 383,871 | 1,332,646 | 771,303 |
| 402,664 | 331,342 | 319,743 | 885,021 | 324,831 | 353,599 |
| - | - | - | - | - | 293,653 |
| 4,005,386 | 1,142,748 | 1,133,887 | 8,524,131 | 6,470,958 | 5,144,063 |
| 31,399,891 | 29,392,370 | 30,087,302 | 24,885,268 | 19,242,685 | 21,397,924 |
| <u>86,161,471</u> | <u>88,133,867</u> | <u>96,727,608</u> | <u>100,862,839</u> | <u>99,433,970</u> | <u>100,557,138</u> |
| 83,614,851 | 66,982,354 | 65,435,328 | 65,578,645 | 65,215,357 | 65,470,169 |
| 18,104,041 | 34,085,581 | 35,717,074 | 34,648,769 | 35,113,541 | 35,885,077 |
| <u>101,718,892</u> | <u>101,067,935</u> | <u>101,152,402</u> | <u>100,227,414</u> | <u>100,328,898</u> | <u>101,355,246</u> |
| 131,616,031 | 120,810,513 | 126,315,727 | 125,487,101 | 131,375,427 | 132,864,801 |
| - | - | - | - | 5,565,574 | 5,124,143 |
| 2,135,787 | 3,360,512 | 2,610,583 | 6,276,092 | 337,206 | 77,821 |
| 216,563 | 78,736 | 1,695,694 | 383,871 | 1,332,646 | 771,303 |
| 402,664 | 331,342 | 319,743 | 885,021 | 324,831 | 353,599 |
| - | - | - | - | - | 293,653 |
| 4,005,386 | 1,142,748 | 1,133,887 | 8,524,131 | 6,470,958 | 5,144,063 |
| 49,503,932 | 35,717,074 | 65,804,376 | 59,534,037 | 54,356,226 | 57,283,001 |
| <u>\$ 187,880,363</u> | <u>\$ 161,440,925</u> | <u>\$ 197,880,010</u> | <u>\$ 201,090,253</u> | <u>\$ 199,762,868</u> | <u>\$ 201,912,384</u> |

Table 2

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

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---|----------------------|----------------------|----------------------|----------------------|
| Expenses by Functions/Programs | | | | |
| Governmental Activities: | | | | |
| General government | \$ 3,737,206 | \$ 3,618,939 | \$ 3,666,728 | \$ 5,025,649 |
| Public safety | 8,358,890 | 8,433,166 | 8,954,959 | 9,507,613 |
| Transportation | 1,648,117 | 1,591,127 | 1,784,873 | 3,429,782 |
| Economic and physical development | 1,057,610 | 294,644 | 422,002 | 1,027,971 |
| Environmental protection | 1,811,174 | 1,826,871 | 1,937,472 | 1,957,790 |
| Cultural and recreation | 2,006,659 | 1,984,978 | 2,034,064 | 2,357,781 |
| Interest on long-term debt | 11,925 | 97,328 | 108,644 | 97,303 |
| Subtotal governmental activities | <u>18,631,581</u> | <u>17,847,053</u> | <u>18,908,742</u> | <u>23,403,889</u> |
| Business-Type Activities: | | | | |
| Electric | 32,703,237 | 33,213,561 | 34,325,012 | 34,781,756 |
| Water and sewer | 7,682,948 | 7,973,812 | 8,758,206 | 8,699,578 |
| Civic Center | 727,237 | 797,484 | 795,543 | 789,198 |
| Subtotal business-type activities | <u>41,113,422</u> | <u>41,984,857</u> | <u>43,878,761</u> | <u>44,270,532</u> |
| Total primary government expenses | <u>\$ 59,745,003</u> | <u>\$ 59,831,910</u> | <u>\$ 62,787,503</u> | <u>\$ 67,674,421</u> |
| Program Revenues by Functions | | | | |
| Governmental Activities: | | | | |
| Charges for Services: | | | | |
| General government | \$ 1,204,405 | \$ 540,882 | \$ 240,129 | \$ 240,129 |
| Public safety | 180,858 | 328,221 | 381,205 | 323,180 |
| Transportation | 39,360 | 50,907 | 390,138 | 477,950 |
| Economic and physical development | - | - | - | - |
| Environmental protection | 308,816 | 489,502 | 309,051 | 477,523 |
| Cultural and recreation | 159,748 | 193,034 | 175,506 | 236,072 |
| Operating grants and contributions | 1,854,916 | 1,427,048 | 1,396,861 | 653,592 |
| Capital grants and contributions | 2,697,606 | 4,072,479 | 1,938,558 | 4,513,373 |
| Total governmental activities program activ | <u>6,445,709</u> | <u>7,102,073</u> | <u>4,831,448</u> | <u>6,921,819</u> |
| Business-Type Activities: | | | | |
| Charges for Services: | | | | |
| Electric | 34,190,549 | 33,597,354 | 34,434,669 | 35,581,680 |
| Water and sewer | 6,840,188 | 8,426,736 | 9,416,655 | 9,896,796 |
| Civic Center | 199,421 | 218,748 | 225,489 | 276,547 |
| Operating grants and contributions | 206,068 | 247,713 | - | - |
| Capital grants and contributions | - | - | - | 700,000 |
| Total business-type activities | <u>41,436,226</u> | <u>42,490,551</u> | <u>44,076,813</u> | <u>46,455,023</u> |
| Total primary government program rev | <u>\$ 47,881,935</u> | <u>\$ 49,592,624</u> | <u>\$ 48,908,261</u> | <u>\$ 53,376,842</u> |

Table 2 (cont'd)
Page 1 of 2

| 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 4,570,260 | \$ 3,390,680 | \$ 3,259,010 | \$ 3,346,041 | \$ 3,274,004 | \$ 3,240,212 |
| 9,912,303 | 10,439,606 | 11,206,823 | 11,408,145 | 11,994,709 | 12,299,585 |
| 2,552,709 | 3,370,012 | 3,409,944 | 3,412,045 | 3,468,402 | 3,540,251 |
| 687,943 | 900,469 | 798,806 | 806,305 | 965,655 | 1,332,542 |
| 2,043,845 | 2,159,733 | 2,077,498 | 2,085,049 | 2,130,549 | 1,846,780 |
| 2,860,402 | 2,996,956 | 3,145,451 | 3,367,653 | 3,417,745 | 3,481,787 |
| 85,272 | 72,823 | 91,868 | 275,735 | 352,859 | 306,561 |
| <u>22,712,734</u> | <u>23,330,279</u> | <u>23,989,400</u> | <u>24,700,973</u> | <u>25,603,923</u> | <u>26,047,718</u> |
| 36,808,447 | 37,157,603 | 38,513,061 | 40,589,432 | 41,532,781 | 44,304,027 |
| 8,539,967 | 9,857,896 | 9,440,556 | 9,286,106 | 9,502,048 | 9,389,629 |
| 743,029 | 825,678 | 817,270 | 861,917 | 848,125 | 948,560 |
| <u>46,091,443</u> | <u>47,841,177</u> | <u>48,770,887</u> | <u>50,737,455</u> | <u>51,882,954</u> | <u>54,642,216</u> |
| <u>\$ 68,804,177</u> | <u>\$ 71,171,456</u> | <u>\$ 72,760,287</u> | <u>\$ 75,438,428</u> | <u>\$ 77,486,877</u> | <u>\$ 80,689,934</u> |
| | | | | | |
| \$ 211,811 | \$ 129,936 | \$ 69,423 | \$ 96,614 | \$ 379,335 | \$ - |
| 238,714 | 265,811 | 287,186 | 337,832 | 198,223 | 308,753 |
| 470,080 | 469,067 | 506,981 | 473,426 | 322,757 | 678,516 |
| - | - | 70,045 | 4,511 | - | 802,655 |
| 311,923 | 309,651 | 328,217 | 293,688 | 288,090 | 448,057 |
| 342,981 | 511,747 | 751,559 | 816,694 | 831,655 | 820,940 |
| 291,176 | 330,505 | 917,021 | 865,836 | 501,593 | 834,006 |
| 1,493,538 | 1,224,679 | 8,508,250 | 3,116,406 | 1,493,194 | 2,103,132 |
| <u>3,360,223</u> | <u>3,241,396</u> | <u>11,438,682</u> | <u>6,005,007</u> | <u>4,014,847</u> | <u>5,996,059</u> |
| | | | | | |
| 37,804,704 | 36,661,251 | 39,102,390 | 41,973,877 | 41,334,097 | 44,989,787 |
| 9,882,339 | 9,508,110 | 9,348,940 | 9,146,995 | 8,973,284 | 9,464,072 |
| 284,148 | 300,010 | 293,019 | 277,414 | 254,004 | 259,388 |
| - | - | - | - | 560,534 | 977,497 |
| - | - | - | - | - | - |
| <u>47,971,191</u> | <u>46,469,371</u> | <u>48,744,349</u> | <u>51,398,286</u> | <u>51,121,919</u> | <u>55,690,744</u> |
| <u>\$ 51,331,414</u> | <u>\$ 49,710,767</u> | <u>\$ 60,183,031</u> | <u>\$ 57,403,293</u> | <u>\$ 55,136,766</u> | <u>\$ 61,686,803</u> |

Table 2

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

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---|---------------------|---------------------|---------------------|---------------------|
| General Revenues and Other Changes in Net Assets | | | | |
| Governmental Activities: | | | | |
| Taxes | | | | |
| Ad valorem taxes | \$ 8,991,418 | \$ 9,450,204 | \$ 9,297,047 | \$ 9,493,505 |
| Local sales tax option | 6,535,212 | 5,790,147 | 5,846,223 | 6,310,405 |
| Other taxes | 244,741 | 1,304,528 | 1,319,265 | 1,216,733 |
| Unrestricted intergovernmental revenues | 1,857,199 | 1,564,550 | 1,544,840 | 1,930,374 |
| Interest earned on investments | 299,895 | 686,748 | 998,645 | 1,779,224 |
| Miscellaneous | 145,382 | 1,348 | 275,829 | 224,245 |
| Gain (loss) on sale of capital assets | (113,679) | - | (53,947) | 24,823 |
| Transfers in (out) | 187,643 | 36,728 | 122,336 | 185,084 |
| Total governmental activities | <u>18,147,811</u> | <u>18,834,253</u> | <u>19,350,238</u> | <u>21,164,393</u> |
| Business-Type Activities: | | | | |
| Interest earned on investments | 323,542 | 707,955 | 1,081,479 | 1,776,861 |
| Miscellaneous | 23,095 | 50,514 | - | 868,462 |
| Gain (loss) on sale of capital assets | (245,886) | - | - | (199,208) |
| Transfer in (out) | (187,643) | (36,728) | (122,336) | (185,084) |
| Total business-type activities | <u>(86,892)</u> | <u>721,741</u> | <u>959,143</u> | <u>2,261,031</u> |
| Total primary government | <u>18,060,919</u> | <u>19,555,994</u> | <u>20,309,381</u> | <u>23,425,424</u> |
| Changes in Net Assets | | | | |
| Governmental activities | 5,961,939 | 8,089,273 | 5,272,944 | 4,682,323 |
| Business-type activities | 235,912 | 1,227,435 | 1,157,195 | 4,445,522 |
| Total primary government | <u>\$ 6,197,851</u> | <u>\$ 9,316,708</u> | <u>\$ 6,430,139</u> | <u>\$ 9,127,845</u> |

Table 2 (cont'd)
Page 2 of 2

| 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2010-12 | 2012-13 |
|---------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|
| \$ 10,872,577 | \$ 11,574,508 | \$ 11,602,821 | \$ 11,760,600 | \$ 11,316,717 | \$ 12,144,774 |
| 6,416,272 | 5,628,740 | 5,113,327 | 5,452,410 | 5,105,479 | 5,269,457 |
| 1,128,731 | 1,057,366 | 1,208,289 | 1,273,835 | 1,321,032 | 809,850 |
| 2,096,956 | 2,147,614 | 2,023,140 | 2,139,048 | 2,116,304 | 2,608,519 |
| 1,592,528 | 1,217,313 | 554,901 | 105,840 | 263,126 | (149,740) |
| 83,313 | 101,969 | 175,648 | 268,874 | 195,157 | 238,313 |
| - | - | - | - | - | - |
| 299,483 | 409,899 | 470,151 | 1,830,590 | (157,608) | 253,654 |
| <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> | <u>21,174,827</u> |
| 1,461,297 | 1,130,748 | 593,605 | 244,771 | 256,414 | (103,514) |
| (679,614) | - | - | - | 448,497 | 334,988 |
| - | - | - | - | - | - |
| (299,483) | (409,899) | (470,151) | (1,830,590) | 157,608 | (253,654) |
| <u>482,200</u> | <u>720,849</u> | <u>123,454</u> | <u>(1,585,819)</u> | <u>862,519</u> | <u>(22,180)</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> | <u>21,152,647</u> |
| 3,137,349 | 2,048,526 | 8,597,559 | 4,135,231 | (1,428,869) | 1,123,168 |
| 2,361,948 | (650,957) | 96,916 | (924,988) | 101,484 | 1,026,348 |
| <u>\$ 5,499,297</u> | <u>\$ 1,397,569</u> | <u>\$ 8,694,475</u> | <u>\$ 3,210,243</u> | <u>\$ (1,327,385)</u> | <u>\$ 2,149,516</u> |

Table 3

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

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|--|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | |
| Non Spendable | | | | |
| Reserved for inventories | \$ 22,502 | \$ 26,252 | \$ 27,224 | \$ 26,732 |
| Prepaid items | 3,470 | 2,212 | 2,019 | 827 |
| Restricted | | | | |
| Stabilization by State Statute | 1,955,468 | 3,348,484 | 2,343,075 | 2,392,401 |
| Debt service | - | - | - | - |
| ¹ Reserved for encumbrances | 4,270,506 | 2,714,631 | 1,547,264 | 2,944,359 |
| Committed | - | - | - | - |
| Assigned | | | | |
| Subsequent year's appropriation | - | - | - | 2,890,000 |
| Unassigned | 15,305,731 | 19,115,573 | 22,192,320 | 15,142,878 |
| Subtotal governmental activities | <u>21,557,677</u> | <u>25,207,152</u> | <u>26,111,902</u> | <u>23,397,197</u> |
| All Other Governmental Funds | | | | |
| Reserved for: | | | | |
| ¹ Reserved for encumbrances | 2,646,521 | 2,235,425 | 1,079,484 | 7,688,381 |
| Restricted, reported in: | | | | |
| Stabilization by state statute | 1,352,914 | 2,604,028 | 1,256,886 | 212,246 |
| Special revenue funds | 3,133,615 | 3,106,554 | 2,383,200 | 2,122,202 |
| Committed | - | - | - | - |
| Capital project funds (deficit) | (3,397,186) | (3,426,211) | (1,027,252) | 1,470,188 |
| Unassigned (deficit) | - | - | - | - |
| Subtotal other governmental activities | <u>3,735,864</u> | <u>4,519,796</u> | <u>3,692,318</u> | <u>11,493,017</u> |
| Total governmental fund balance | <u>\$ 25,293,541</u> | <u>\$ 29,726,948</u> | <u>\$ 29,804,220</u> | <u>\$ 34,890,214</u> |
| General Fund unrestricted fund balance as a percent of expenditures (including transfer out) | 74.15% | 99.10% | 103.39% | 52.97% |

Notes:

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

Table 3

| 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 27,406 | \$ 27,689 | \$ 16,790 | \$ 26,091 | \$ 26,497 | \$ 28,182 |
| 15,096 | 6,940 | 4,510 | 320 | 2,470 | 2,985 |
| 2,554,149 | 2,349,570 | 2,730,658 | 3,139,241 | 3,384,316 | 3,971,056 |
| - | - | - | - | - | - |
| 5,109,820 | 5,733,866 | 4,188,338 | - | - | 293,653 |
| - | - | - | 750,940 | - | - |
| 2,100,000 | - | 652,150 | 1,847,967 | 270,292 | 286,323 |
| 15,205,365 | 17,389,011 | 17,401,057 | 18,218,742 | 19,403,631 | 21,017,856 |
| 25,011,836 | 25,507,076 | 24,993,503 | 23,983,301 | 23,087,206 | 25,600,055 |
| 5,700 | 1,070,032 | 2,479,753 | - | - | - |
| 511,713 | 363,922 | 561,960 | 79,991 | 2,181,258 | 1,153,086 |
| 2,010,816 | 1,948,930 | 4,099,157 | 955,625 | 1,994,683 | 1,202,723 |
| - | - | - | 1,342,079 | 6,470,958 | - |
| 5,645,881 | 4,203,385 | 2,666,400 | 13,691,420 | - | 5,144,063 |
| - | - | - | - | (85,676) | - |
| 8,174,110 | 7,586,269 | 9,807,270 | 16,069,115 | 10,561,223 | 7,499,872 |
| <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> | <u>\$ 33,099,927</u> |
| 65.99% | 63.26% | 67.97% | 67.54% | 76.15% | 82.47% |

Table 4

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

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---|---------------------|---------------------|-------------------|---------------------|
| Revenues (by source): | | | | |
| Ad valorem taxes | \$ 8,892,592 | \$ 9,541,219 | \$ 9,229,195 | \$ 9,534,403 |
| Sales Tax | 5,126,617 | 5,500,018 | 5,846,223 | 6,310,405 |
| Other taxes and licenses | 1,408,595 | 1,323,297 | 1,204,561 | 1,151,378 |
| Unrestricted intergovernmental | 2,101,940 | 1,819,575 | 1,814,360 | 1,986,661 |
| Restricted intergovernmental | 3,828,105 | 5,221,262 | 3,125,282 | 5,165,415 |
| Permits and fees | 538,369 | 745,322 | 750,002 | 670,787 |
| Sales and services | 497,170 | 537,692 | 840,747 | 1,066,972 |
| Investment earnings | 281,904 | 645,044 | 943,604 | 1,682,542 |
| Miscellaneous | 640,223 | 540,580 | 167,876 | 127,491 |
| Total revenues | 23,315,515 | 25,874,009 | 23,921,850 | 27,696,054 |
| Expenditures (by function): | | | | |
| General government | 3,486,649 | 3,423,610 | 3,465,145 | 4,783,022 |
| Public safety | 7,558,932 | 7,844,550 | 8,385,296 | 8,825,199 |
| Transportation | 1,489,700 | 1,486,356 | 1,694,167 | 1,673,689 |
| Economic and physical development | 1,057,610 | 294,644 | 408,044 | 1,038,429 |
| Environmental protection | 1,561,863 | 1,672,009 | 1,769,566 | 1,793,815 |
| Cultural and recreation | 1,854,940 | 1,892,447 | 1,878,769 | 2,116,144 |
| Capital outlay | 6,821,556 | 8,074,210 | 5,897,977 | 2,109,107 |
| Debt service: | | | | |
| Principal | 25,000 | 89,504 | 355,000 | 355,000 |
| Interest on long-term debt | 12,150 | - | 112,950 | 100,710 |
| Total expenditures | 23,868,400 | 24,777,330 | 23,966,914 | 22,795,115 |
| Excess of revenues over (under) expenditures | (552,885) | 1,096,679 | (45,064) | 4,900,939 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 4,798,985 | 2,216,690 | 2,645,939 | 11,172,263 |
| Transfers out | (4,611,342) | (2,179,962) | (2,523,603) | (10,987,208) |
| Transfer from component unit | - | - | - | - |
| Proceeds from long-term debt | - | 3,300,000 | - | - |
| Total other financing sources (uses) | 187,643 | 3,336,728 | 122,336 | 185,055 |
| Net change in fund balance | \$ (365,242) | \$ 4,433,407 | \$ 77,272 | \$ 5,085,994 |
| Debt service as a percentage of noncapital expenditures | 0.22% | 0.54% | 2.59% | 2.20% |

Table 4

| 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|-----------------------|--------------------|---------------------|---------------------|-----------------------|---------------------|
| \$ 10,962,849 | \$ 11,487,668 | \$ 11,515,195 | \$ 11,603,732 | \$ 11,310,155 | \$ 12,139,952 |
| 6,416,272 | 5,628,740 | 5,113,327 | 5,452,410 | 5,105,479 | 5,269,457 |
| 1,128,730 | 1,072,667 | 1,208,289 | 1,271,879 | 1,321,032 | 1,631,962 |
| 2,096,957 | 2,147,614 | 2,023,140 | 2,139,049 | 2,116,304 | 2,608,519 |
| 1,780,407 | 1,555,184 | 9,396,440 | 3,724,998 | 2,078,787 | 2,951,620 |
| 622,716 | 544,248 | 526,627 | 542,334 | 554,325 | 439,269 |
| 1,007,280 | 1,347,115 | 1,393,927 | 1,502,159 | 1,457,941 | 1,788,988 |
| 1,489,005 | 1,090,462 | 466,568 | 235,024 | 253,517 | (121,635) |
| 114,952 | 101,971 | 134,024 | 468,319 | 206,288 | 449,217 |
| <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> | <u>27,157,349</u> |
| 4,425,289 | 3,113,999 | 3,057,326 | 3,114,368 | 3,025,762 | 3,537,203 |
| 9,401,987 | 9,860,172 | 10,514,864 | 10,863,716 | 11,309,003 | 11,990,414 |
| 1,011,510 | 2,158,865 | 1,751,549 | 1,786,894 | 1,781,557 | 2,007,509 |
| 687,942 | 900,468 | 797,915 | 806,305 | 1,021,655 | 2,212,781 |
| 1,918,679 | 1,946,932 | 1,934,002 | 1,960,189 | 1,979,079 | 1,918,623 |
| 2,680,000 | 5,795,858 | 2,974,884 | 2,965,898 | 2,974,985 | 3,264,938 |
| 7,053,833 | 1,194,515 | 11,037,173 | 8,199,597 | 6,597,977 | 1,489,469 |
| 355,000 | 355,000 | 355,000 | 549,700 | 1,249,700 | 1,249,700 |
| 88,679 | 76,230 | 63,990 | 272,184 | 360,490 | 288,867 |
| <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> | <u>27,959,504</u> |
| (2,003,751) | (426,370) | (709,166) | (3,578,947) | (5,896,380) | (802,155) |
| 1,245,064 | 3,446,361 | 4,950,672 | 6,849,267 | 2,266,764 | 4,532,958 |
| (945,581) | (3,036,462) | (4,480,521) | (5,018,677) | (2,774,371) | (4,279,305) |
| - | - | - | - | - | - |
| - | - | 1,947,000 | 7,000,000 | - | - |
| <u>299,483</u> | <u>409,899</u> | <u>2,417,151</u> | <u>8,830,590</u> | <u>(507,607)</u> | <u>253,653</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> | <u>\$ (548,502)</u> |
| 2.16% | 1.78% | 1.95% | 3.68% | 6.79% | 5.81% |

Table 5

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

| Fiscal Year Ended June 30 | Property Tax | Sales Tax | Privilege License Tax | Occupancy Tax | Total |
|---------------------------------|-----------------|--------------|-----------------------------|------------------|---------------|
| 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 |
| 2013 | 12,144,774 | 5,269,457 | 687,341 | 803,829 | 18,905,401 |

Table 6

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

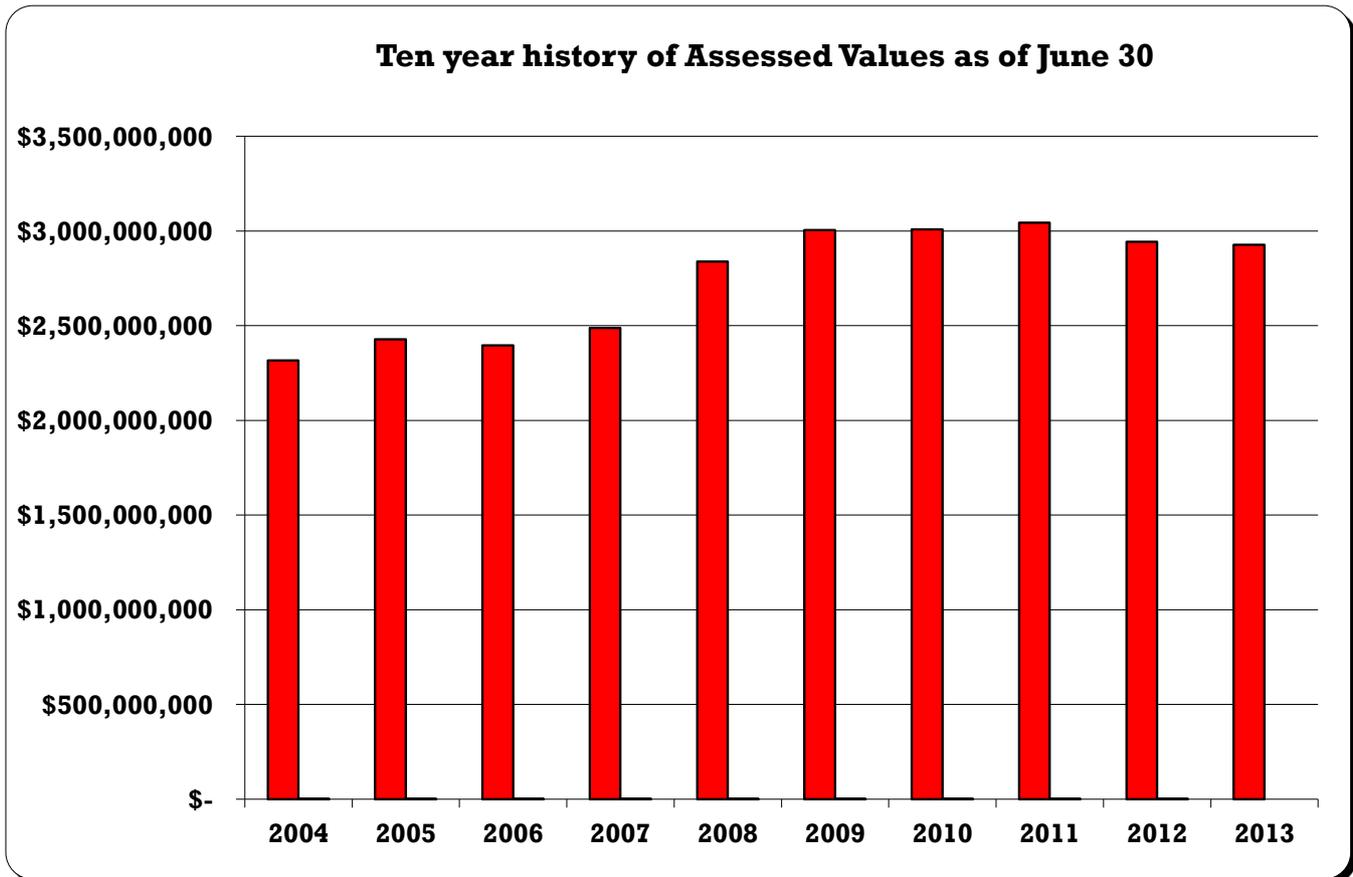
| Fiscal Year Ended June 30 | Property Tax | Sales Tax | Privilege License Tax | Occupancy Tax | Total |
|---------------------------------|-----------------|--------------|-----------------------------|------------------|---------------|
| 2004 | \$ 8,484,257 | \$ 4,141,501 | \$ 165,431 | \$ 646,088 | \$ 13,437,277 |
| 2005 | 8,892,592 | 5,126,617 | 359,532 | 657,586 | 15,036,327 |
| 2006 | 9,541,219 | 5,500,018 | 373,492 | 633,046 | 16,047,775 |
| 2007 | 9,229,195 | 5,846,223 | 377,283 | 618,589 | 16,840,680 |
| 2008 | 9,534,403 | 6,310,405 | 381,277 | 679,213 | 16,905,298 |
| 2009 | 10,962,849 | 6,416,272 | 367,858 | 729,640 | 18,476,619 |
| 2010 | 11,487,668 | 5,628,740 | 393,722 | 627,122 | 18,137,252 |
| 2011 | 11,603,732 | 5,452,410 | 348,992 | 677,747 | 18,082,881 |
| 2012 | 11,310,155 | 5,105,479 | 341,000 | 733,086 | 17,489,720 |
| 2013 | 12,139,952 | 5,269,457 | 687,341 | 803,829 | 18,900,579 |

Table 7

**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 | Motor Vehicle and Personal Property | Public Service Companies | Total Assessed Value | Total Direct Tax Rate |
|---------------------------------|----------------------------------|------------------|--|--------------------------------|----------------------------|-----------------------------|
| 2004 | 2003 | \$ 1,571,257,656 | \$ 704,962,665 | \$ 40,679,505 | \$ 2,316,899,826 | 0.3942 |
| 2005 | 2004 | 1,609,450,141 | 779,516,927 | 38,749,366 | 2,427,716,434 | 0.3836 |
| 2006 | 2005 | 1,653,896,167 | 703,483,219 | 38,923,969 | 2,396,303,355 | 0.3837 |
| 2007 | 2006 | 1,734,842,543 | 715,624,404 | 37,638,962 | 2,488,105,909 | 0.3835 |
| 2008 | 2007 | 2,032,493,274 | 767,214,046 | 38,508,312 | 2,838,215,632 | 0.3835 |
| 2009 | 2008 | 2,074,554,266 | 891,189,760 | 38,461,549 | 3,004,205,575 | 0.3833 |
| 2010 | 2009 | 2,099,286,384 | 867,458,395 | 41,940,666 | 3,008,685,445 | 0.3833 |
| 2011 | 2010 | 2,135,719,487 | 865,558,609 | 43,397,510 | 3,044,675,606 | 0.3833 |
| 2012 | 2011 | 2,046,476,967 | 851,682,471 | 45,081,888 | 2,943,241,326 | 0.3835 |
| 2013 | 2012 | 2,035,371,098 | 844,746,172 | 46,805,285 | 2,926,922,555 | 0.4135 |

⁽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. Next revaluation will be effective for January 1, 2015.



**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 City -wide Tax Rate | Downtown Tax Rate | City of Statesville Direct ⁽¹⁾Tax Rate | Iredell County Tax Rate | City of Statesville Direct Tax Rate Plus County Tax Rate |
|----------------------------------|--|--------------------------|--|--------------------------------|---|
| 2004 | \$0.380 | \$0.100 | \$0.394 | \$0.435 | \$0.829 |
| 2005 | 0.380 | 0.100 | 0.384 | 0.435 | 0.819 |
| 2006 | 0.380 | 0.100 | 0.384 | 0.435 | 0.819 |
| 2007 | 0.380 | 0.100 | 0.384 | 0.465 | 0.849 |
| 2008 | 0.380 | 0.100 | 0.384 | 0.445 | 0.829 |
| 2009 | 0.380 | 0.100 | 0.383 | 0.445 | 0.828 |
| 2010 | 0.380 | 0.100 | 0.383 | 0.445 | 0.828 |
| 2011 | 0.380 | 0.100 | 0.383 | 0.485 | 0.868 |
| 2012 | 0.380 | 0.100 | 0.384 | 0.485 | 0.869 |
| 2013 | 0.410 | 0.100 | 0.414 | 0.485 | 0.899 |

⁽¹⁾ Direct tax rate is the prorata rate of the city-wide and special district rates.

⁽²⁾ 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. The Next revaluation will be effective for January 1, 2015.

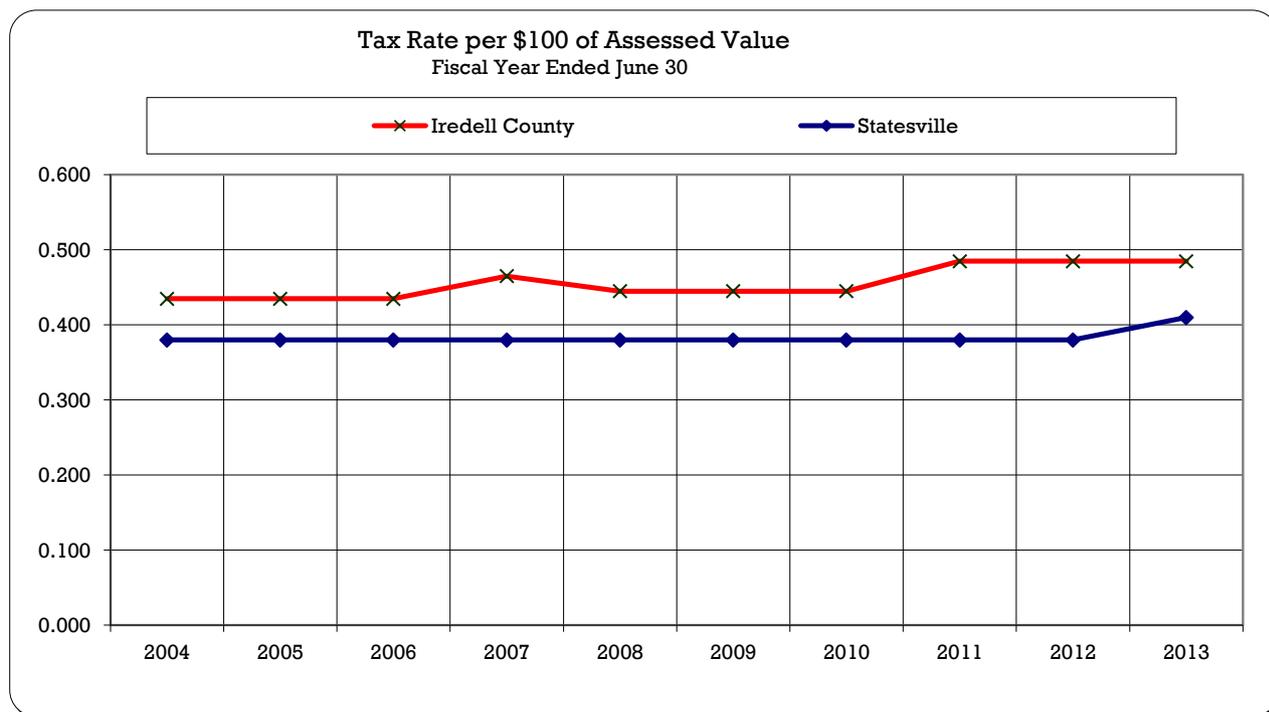


Table 9

**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 |
|--|---------------------------|----------------------------|---|
| 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% |
| 2013 | 102,596,150 | 102,596,150 | 100% |

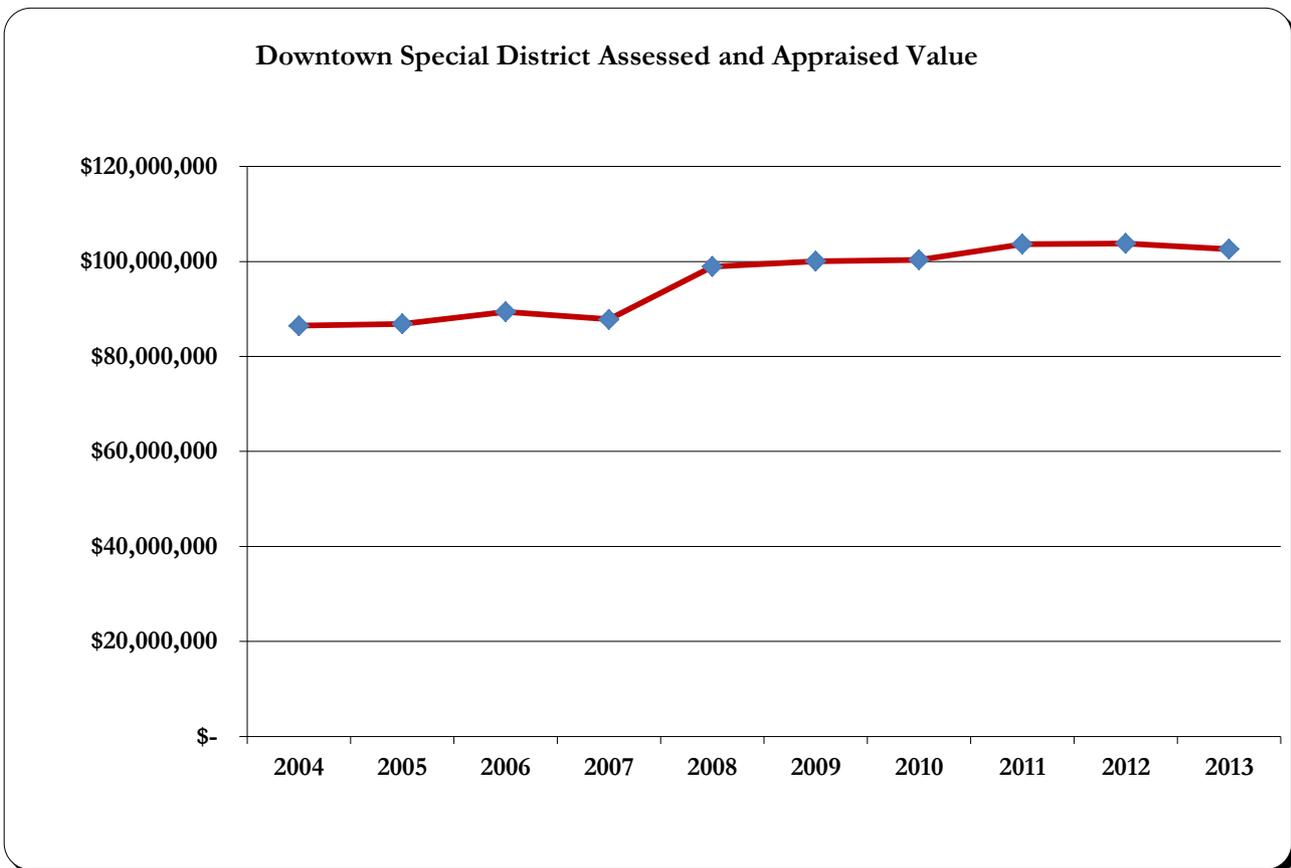


Table 10

**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 |
|---------------------------|----------------------------|---------------------------------------|-------------------------|------------------------------------|----------------------------|-----------------------|--|------------------|---|
| 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% |
| 2013 | 2012 | 12,022,139 | 11,568,448 | 96.23% | 389,300 | 11,957,748 | 99.46% | 1,134,351 | 9.44% |

Note: Ratio of Total Tax Collections to Total Tax Levy includes only the current levy.

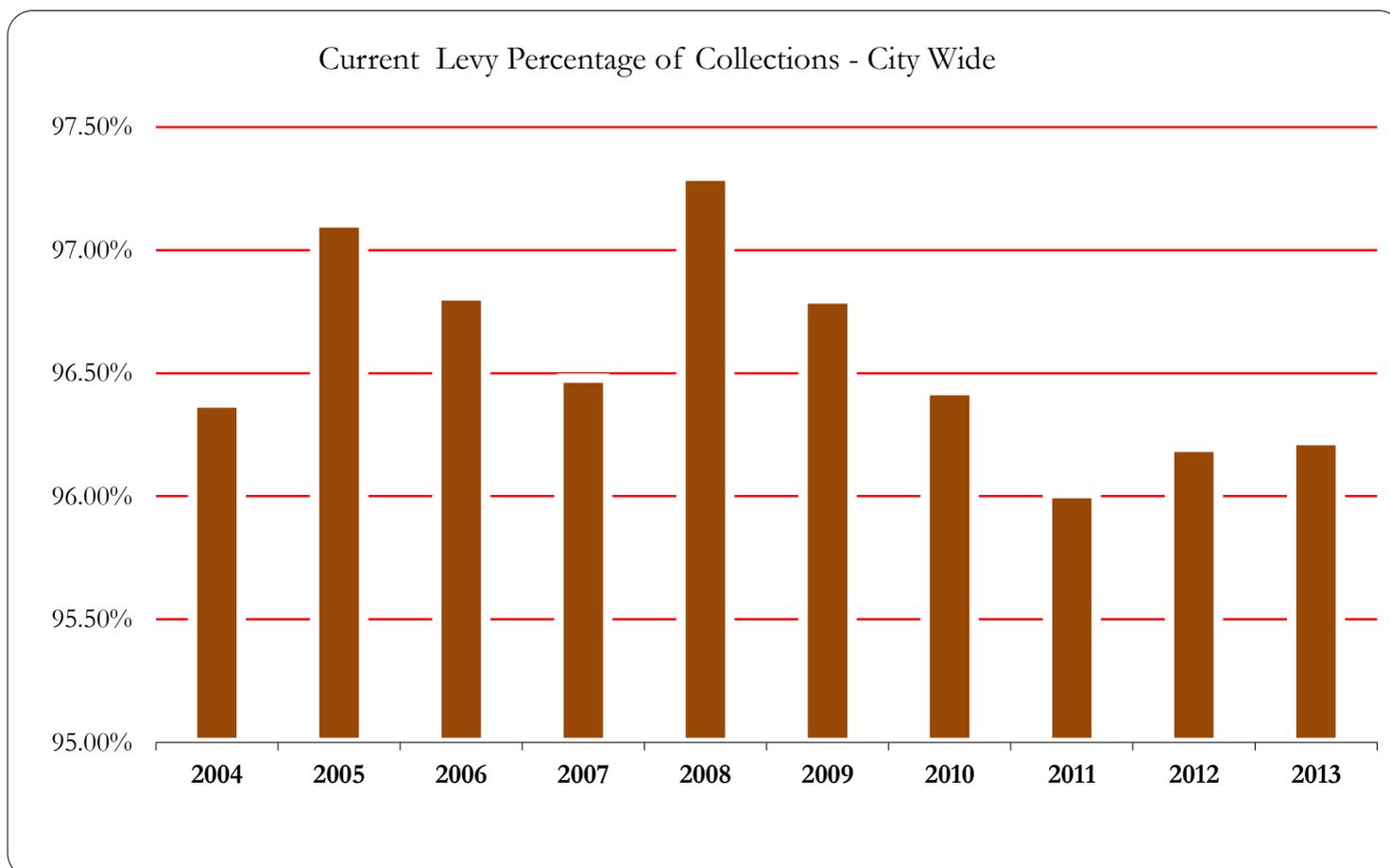


Table 11

**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 Total Tax Collections to Total Tax Levy | Outstanding Delinquent Taxes | Ratio of Delinquent Taxes to Total Tax Levy |
|---------------------------|----------------------------|---------------------------------------|-------------------------|------------------------------------|----------------------------|-----------------------|--|------------------------------|---|
| 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% |
| 2013 | 2012 | 102,596 | 99,202 | 96.69% | 3,968 | 103,170 | 100.56% | 9,899 | 9.65% |

Note: Ratio of Total Tax Collections to Total Tax Levy includes only the current levy.

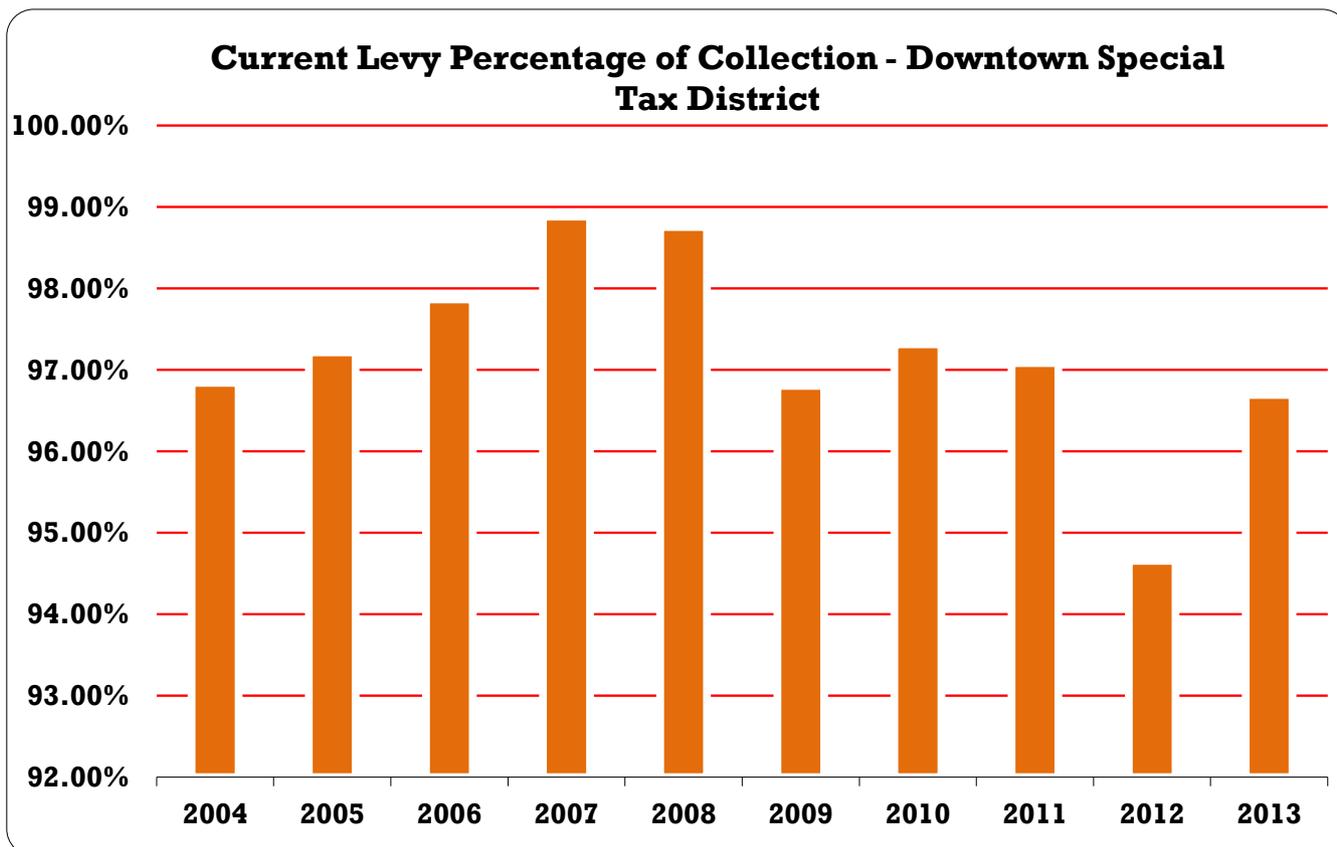


Table 12

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS - CITY WIDE (UNAUDITED)
June 30, 2013 and June 30, 2004

In accordance with GASB No. 44, the following tables present information for the City's principal property taxpayers as of June 30, 2013 and June 30, 2004 for City wide only.

| June 30, 2013 | | Percentage of | Assessed | |
|---------------------------|-----------------------------------|----------------|-------------------------|----------------------|
| Taxpayer | Type of Business | Total Assessec | Valuation | Tax Levy |
| | | Valuation | Valuation | |
| Lowe's | Home Improvement Retailer | 6.09% | \$ 178,360,202 | \$ 731,277 |
| Providencia USA, Inc. | Non-Woven Plastic Materials Mfg. | 2.40% | 70,315,647 | 288,294 |
| Asmo NC, Inc. | Electric Motor Mfg. | 1.90% | 55,482,827 | 227,480 |
| Statesville HMA, Inc. | Health Care Facility | 1.10% | 32,338,875 | 132,589 |
| GS Statesville Green Land | Real Estate | 0.93% | 27,320,310 | 112,013 |
| Newell Rubbermaid | Home & Office Products, Tool Mfg. | 0.76% | 22,121,998 | 90,700 |
| Clark Equipment (Doosan) | Construction Equipment | 0.64% | 18,811,728 | 77,128 |
| Centro NP Holdings | Real Estate | 0.60% | 17,630,860 | 72,287 |
| JC Penney | Distribution Center | 0.57% | 16,706,099 | 68,495 |
| Pratt (Jett Corr) Inc | Corrugated Container Mfg. | 0.54% | 15,729,237 | 64,490 |
| | Ten largest taxpayers | 15.54% | 454,817,783 | 1,864,753 |
| | All other taxpayers | 84.46% | 2,472,104,772 | 10,157,386 |
| | Total: | 100.00% | \$ 2,926,922,555 | \$ 12,022,139 |

| June 30, 2004 | | Percentage of | Assessed | |
|--------------------------|-------------------------|----------------|-------------------------|---------------------|
| Taxpayer | Type of Business | Total Assessec | Valuation | Tax Levy |
| | | Valuation | Valuation | |
| Dana-Spicer Co. | Off-Highway Equipment | 2.98% | \$ 69,121,835 | \$ 69,122 |
| Asmo NC, Inc. | Electric Motor Mfg. | 2.57% | 59,523,666 | 59,524 |
| Commscope | Cable Manufacturer | 1.76% | 40,694,848 | 40,695 |
| Goodyear Tire & Rubber | Tire Manufacturer | 1.04% | 23,994,891 | 23,995 |
| Hunt Manufacturing | Art Supply Manufacturer | 1.02% | 23,705,868 | 23,706 |
| Excel Realty Trust of NC | Shopping Center | 0.85% | 19,757,620 | 19,758 |
| BellSouth Telephone | Telecommunications | 0.74% | 17,080,715 | 17,081 |
| C & J Associates | Real Estate | 0.62% | 14,442,208 | 14,442 |
| J. C. Penney | Distribution Center | 0.56% | 12,982,182 | 12,982 |
| Shaner Hotel Group | Hotel Management | 0.52% | 12,071,060 | 12,071 |
| | Ten largest taxpayers | 12.66% | 293,374,893 | 293,375 |
| | All other taxpayers | 87.34% | 2,023,524,933 | 8,113,341 |
| | Total: | 100.00% | \$ 2,316,899,826 | \$ 8,406,716 |

Table 13

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL ELECTRIC CUSTOMERS
June 30, 2013 and June 30, 2004

| Electric Customer | Type of Business | Dollar Amount of Annual Electric Charges | Percentage of Total Electric Charges for Services |
|-------------------------------|-----------------------------|---|--|
| June 30, 2013 | | | |
| Providencia USA | Non-Woven Plastic Materials | 1,753,552 | 4.0% |
| Commscope | Cable Manufacturer | 1,678,426 | 3.8% |
| City of Statesville | Municipal Corporation | 1,631,688 | 3.7% |
| Kewaunee Scientific | Scientific Equipment | 1,098,158 | 2.5% |
| Iredell Memorial Hospital | Health Care Facility | 974,414 | 2.2% |
| International Paper | Wood/Veneers | 881,592 | 2.0% |
| Accuma Corporation | Plastics/Batteries | 773,464 | 1.8% |
| Statesville Housing Authority | Housing Authority | 603,886 | 1.4% |
| Hunt Manufacturing | Art Supply | 593,960 | 1.4% |
| J C Steele & Sons | Manufacture - Brick | 587,490 | 1.3% |
| | Ten largest electric users | 10,576,630 | 24.1% |
| | All other electric users | 33,350,542 | 75.9% |
| | Total electric charges | \$ 43,927,172 | 100.0% |
| June 30, 2004 | | | |
| Commscope | Cable Manufacturer | \$ 1,664,817 | 5.2% |
| Hunt Manufacturing | Art Supply | 1,212,840 | 3.8% |
| City of Statesville | Municipal Corporation | 1,057,235 | 3.3% |
| Kewaunee Scientific | Scientific Equipment | 828,357 | 2.6% |
| Bruce Hardware | Flooring | 774,917 | 2.4% |
| Accuma Corporation | Plastics/Batteries | 673,986 | 2.1% |
| international Paper | Wood Fiber/Veneers | 656,709 | 2.0% |
| Iredell Memorial Hospital | Health Care Facility | 629,099 | 2.0% |
| Mocaro Industries/Finishing | Knit Fibers | 576,575 | 1.8% |
| J.C. Penney Warehouse | Retail Distributor | 379,620 | 1.2% |
| | Ten largest electric users | 8,454,155 | 26.2% |
| | All other electric users | 23,782,376 | 73.8% |
| | Total electric charges | \$ 32,236,531 | 100.0% |

Source: City of Statesville's utility billing records.

Table 14

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL WATER CUSTOMERS
June 30, 2013 and June 30, 2004

| Water Customer | Type of Business | Dollar Amount of Annual Water Charges | Percentage of Total Water Charges for Services |
|-------------------------------|-------------------------|--|---|
| June 30, 2013 | | | |
| Mocaró Industries/Finishing | Knit Fabrics | \$ 96,074 | 2.6% |
| West Iredell Water Corp. | Utility | 90,054 | 2.5% |
| Statesville Housing Authority | Housing Authority | 90,041 | 2.5% |
| City of Statesville | Municipal Corporation | 60,367 | 1.6% |
| Iredell Memorial Hospital | Health Care Facility | 54,267 | 1.5% |
| Iredell Water Corporation | Utility | 44,518 | 1.2% |
| Clark-Schwebel Fiber | Textile Manufacturer | 36,487 | 1.0% |
| Mariner Post Acute | Health Care Facility | 38,542 | 1.1% |
| Rental Uniform Svc. Inc. | Apparel Rental | 28,589 | 0.8% |
| Kewaunee Scientific | Scientific Equipment | 27,303 | 0.7% |
| | Ten largest water users | 566,242 | 15.5% |
| | All other water users | 3,096,924 | 84.5% |
| | Total water charges | <u>\$ 3,663,166</u> | <u>100.0%</u> |
| June 30, 2004 | | | |
| Mocaró Industries/Finishing | Knit Fabrics | \$ 89,095 | 3.3% |
| Statesville Housing Authority | Housing Authority | 74,074 | 2.7% |
| Town of Troutman | Municipal Corporation | 58,201 | 2.1% |
| Iredell Water Corporation | Utility | 56,858 | 2.1% |
| West Iredell Water Corp. | Utility | 43,557 | 1.6% |
| Iredell Memorial Hospital | Health Care Facility | 36,909 | 1.4% |
| City of Statesville | Municipal Corporation | 33,610 | 1.2% |
| Mariner Post Acute | Health Care Facility | 28,968 | 1.1% |
| Commscope | Cable Manufacturer | 21,109 | 0.8% |
| Rental Uniform Svc. Inc. | Apparel Rental | 19,503 | 0.7% |
| | Ten largest water users | 461,884 | 16.9% |
| | All other water users | 2,266,384 | 83.1% |
| | Total water charges | <u>\$ 2,728,268</u> | <u>100.0%</u> |

Source: City of Statesville's utility billing records.

Table 15

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL SEWER CUSTOMERS
June 30, 2013 and June 30, 2004

| <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, 2013 | | | |
| Mocaró Industries/Finishing | Knit Fabrics | \$ 262,219 | 4.6% |
| Town of Troutman | Utility | 283,307 | 5.0% |
| Statesville Housing Authority | Housing Authority | 145,767 | 2.6% |
| Iredell Memorial Hospital | Health Care Facility | 88,703 | 1.6% |
| Clark-Schwebel Fiber | Fiberglass | 66,299 | 1.2% |
| Iredell-Statesville School Adm | School System | 56,256 | 1.0% |
| Mariner Post Acute | Health Care Facility | 63,013 | 1.1% |
| Rental Uniform | Apparel Rental | 46,623 | 0.8% |
| Kewaunee Scientific | Scientific Equipment | 44,662 | 0.8% |
| International Paper | Wood/Veneers | 42,944 | 0.8% |
| | Ten largest sewer users | 1,099,793 | 19.3% |
| | All other sewer users | 4,610,705 | 80.7% |
| | Total sewer charges | <u>\$ 5,710,498</u> | <u>100.0%</u> |
| June 30, 2004 | | | |
| Mocaró Industries/Finishing | Knit Fabrics | \$ 300,681 | 7.7% |
| Town of Troutman | Municipal Corporation | 168,741 | 4.3% |
| Statesville Housing Authority | Housing Authority | 120,376 | 3.1% |
| Iredell Memorial Hospital | Health Care Facility | 58,049 | 1.5% |
| Mariner Post Acute | Health Care Facility | 47,485 | 1.2% |
| Rental Uniform | Apparel Rental | 31,879 | 0.8% |
| Commscope | Cable Manufacturer | 29,720 | 0.8% |
| Watercrest Estates | Residential Housing | 26,490 | 0.7% |
| Davis Hospital | Health Care Facility | 26,220 | 0.7% |
| Iredell-Statesville Schools | Public Schools | 25,709 | 0.7% |
| | Ten largest sewer users | 835,350 | 21.5% |
| | All other sewer users | 3,048,923 | 78.5% |
| | Total sewer charges | <u>\$ 3,884,273</u> | <u>100.0%</u> |

Source: City of Statesville's utility billing records.

Table 16

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 | ^{2.} Per Capita |
|----------------------------------|--------------------------------|------------------|--------------------------------|------------------|--------------------------------|----------------------------------|-----------------------------|
| | General Obligation Bonds | Notes Payable | General Obligation Bonds | Notes Payable | | | |
| 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 |
| 2011 | 25,000 | 10,072,300 | 200,000 | 14,052,736 | 24,350,036 | 0.10% ⁽¹⁾ | 988.51 |
| 2013 | - | 7,622,900 | - | 12,049,677 | 19,672,577 | 0.13% ⁽¹⁾ | 796.14 |

Notes:

^{1.} Information on the City of Statesville alone is not available. The data presented are for Iredell County and were obtained from the North Carolian Department of Commerce. Information for fiscal year 2012 for Iredell County was \$24,633.

^{2.} From the North Carolina Office of Management and Budget. For the report fiscal year are projections from For fiscal year 2012 the population projections are from the North Carolina Office of Management and Budget as of July 1, 2012. Estimate population for fiscal year 2013: 24,710

Table 17

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

| Fiscal Year Ended June 30, | Governmental | Business-type | Less: Amounts Available in Debt Service Fund | Total | ⁽¹⁾ Percent of Assessed ⁽²⁾ Value | Per Capita |
|----------------------------------|--|--|---|--------------------------------|---|---------------|
| | Activities General Obligation Bonds | Activities General Obligation Bonds | | General Obligation Bonds | | |
| 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 |
| 2013 | - | - | - | - | 0.00% | - |

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. The City is not obligated for any general obligation bonds or debt as of June 30, 2013.

Table 18

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

Fiscal Years 2009 to 2013:

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Debt Limit | \$ 240,336 | \$ 240,695 | \$ 243,574 | \$ 235,459 | \$ 234,154 |
| Total net debt applicable to limit | <u>800</u> | <u>475</u> | <u>25</u> | <u>-</u> | <u>-</u> |
| Legal debt margin | <u>\$ 239,536</u> | <u>\$ 240,220</u> | <u>\$ 243,549</u> | <u>\$ 235,459</u> | <u>\$ 234,154</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 50.00% | 20.00% | 1.00% | 0.00% | 0.00% |

Legal Debt Margin Calculation for the current Fiscal Year:

| | |
|---|-------------------|
| Total assessed value | \$ 2,940,409 |
| Less current year abatements | <u>(13,486)</u> |
| Assessed value of taxable property | 2,926,923 |
| Debt limit - eight percent (8%) of assessed value | <u>234,154</u> |
| Amount of debt applicable to debt limit: | |
| Total bonded debt | <u>-</u> |
| Legal debt margin | <u>\$ 234,154</u> |

Fiscal Years 2004 to 2008:

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Debt Limit | \$ 185,352 | \$ 194,217 | \$ 195,000 | \$ 200,010 | \$ 227,057 |
| Total net debt applicable to limit | <u>3,755</u> | <u>2,940</u> | <u>2,195</u> | <u>1,450</u> | <u>1,125</u> |
| Legal debt margin | <u>\$ 181,597</u> | <u>\$ 191,277</u> | <u>\$ 192,805</u> | <u>\$ 198,560</u> | <u>\$ 225,932</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 2.29% | 2.03% | 1.51% | 1.13% | 0.72% |

Table 19

CITY OF STATESVILLE, NORTH CAROLINA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT (UNAUDITED)
June 30, 2013

| Jurisdiction | Principal | Allocated Amount | Total |
|--------------------------|------------------------|---------------------|----------------------|
| Direct debt: | | | |
| City of Statesville | (1) \$ 7,622,900 | 100% | \$ 7,622,900 |
| Overlapping debt: | | | |
| Iredell County | (1) <u>214,338,983</u> | 15% | <u>32,481,379</u> |
| | <u>\$ 221,961,883</u> | | <u>\$ 40,104,279</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.

Table 20

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

| <u>Fiscal Year Ended June 30,</u> | <u>Population Estimate ⁽¹⁾</u> | <u>Per Capita Personal Income ⁽²⁾</u> | <u>Unemployment Rate ⁽³⁾</u> | <u>Median Age ⁽⁴⁾</u> | <u>School Enrollment ⁽⁵⁾</u> |
|---------------------------------------|---|--|---|--------------------------------------|---|
| 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 |
| 2013 | 24,710 | 24,633 | 9.2% | 37.10 | 21,447 |

Sources:

^{1.} Information on the City of Statesville alone is not available. The data presented are for Iredell County and were obtained from the North Carolina Department of Commerce. Information for fiscal year 2012 for Iredell County was \$24,633.

^{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.

^{3.} From the North Carolina Department of Commerce.

^{4.} From the North Carolina Department of Commerce.

^{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).

Table 21

**CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL EMPLOYERS
June 30, 2013 and June 30, 2004**

| <u>Company or Organization</u> ⁽¹⁾ | <u>6/30/2013</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 | 3.59% | 2,600 | 1 | 4.75% |
| Iredell Memorial Hospital | 1,626 | 2 | 2.15% | 1,600 | 2 | 2.92% |
| Iredell County Government | 1,134 | 3 | 1.50% | 803 | 4 | 1.47% |
| Lowe's Regional Distribution | 823 | 4 | 1.09% | 998 | 3 | 1.82% |
| Piedmont Healthcare | 720 | 5 | 0.95% | 450 | 10 | 0.82% |
| JC Penney Distribution | 620 | 6 | 0.82% | 600 | 6 | 1.10% |
| Davis Regional Medical Center | 492 | 7 | 0.65% | 650 | 5 | 1.19% |
| Kewaunee Scientific | 480 | 8 | 0.63% | 490 | 9 | 0.90% |
| Doosan Infracore | 474 | 9 | 0.63% | | | |
| City of Statesville | 396 | 10 | 0.52% | | | |
| ASMO of NC, Inc. | | | | 530 | 7 | 0.97% |
| Dana-Spicer | | | | 500 | 8 | 0.91% |
| All other | <u>66,210</u> | | <u>87.47%</u> | <u>45,526</u> | | <u>83.16%</u> |
| Total Employed | <u>75,695</u> | | <u>100.00%</u> | <u>54,747</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,
- (3) June 30, 2003 are estimates based on previous data.

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Table 22

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

| Function/Program | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|--|---------|---------|---------|---------|
| General Government Activities: | | | | |
| General government: | | | | |
| Personnel | | | | |
| Number of new hires-full time | 53 | 48 | 40 | 50 |
| Number of new hires-part-time | 65 | 74 | 90 | 80 |
| Turnover rate | 13.20% | 10.30% | 10.00% | 9.00% |
| Public Safety: | | | | |
| Police | | | | |
| UCR Part 1 Violent Crime | N/A | N/A | 322 | 278 |
| Vehicle Crashes Investigated | N/A | N/A | 1991 | 1986 |
| Number of incoming calls | 106545 | 110013 | 109569 | 116349 |
| Fire | | | | |
| Fire emergency responses | 1283 | 1463 | 1419 | 1450 |
| City-wide fire loss | 750115 | 807595 | 1040425 | 1849593 |
| Number of fire inspections | 1641 | 1711 | 1754 | 850 |
| Investigations | 14 | 18 | 23 | 15 |
| Transportation: | | | | |
| Street Department | | | | |
| Miles of street resurfacing | 2.53 | 3 | 3 | 3 |
| Environmental protection: | | | | |
| Sanitation | | | | |
| Number of household collection points | 8800 | 9500 | 9700 | 9700 |
| Cost per ton collected | 79 | 54 | 54 | 61 |
| Cemeteries | | | | |
| Number of burials | 325 | 325 | 247 | 230 |
| Recreation: | | | | |
| Fitness Center Avg. Daily Attendance (2) | N/A | N/A | N/A | N/A |
| Leisure Pool Avg. Daily Attendance (3) | N/A | N/A | N/A | N/A |

(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

| 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---------|---------|---------|---------|---------|---------|
| 43 | 33 | 43 | 23 | 23 | 20 |
| 70 | 97 | 110 | 88 | 88 | 100 |
| 8.50% | 6.00% | 8.00% | 7.40% | 7.40% | 9.80% |
| 222 | 274 | 119 | 123 | 123 | 126 |
| 1818 | 1932 | 1725 | 1690 | 1690 | 1665 |
| 104514 | 109351 | 58060 | 93590 | 93590 | 89679 |
| 1709 | 1644 | 1822 | 1890 | 1890 | 1775 |
| 1132213 | 942350 | 488735 | 1373470 | 1373470 | 1462225 |
| 792 | 816 | 863 | 777 | 777 | 1029 |
| 17 | 34 | 15 | 20 | 20 | 12 |
| 2.85 | 6.11 | 4.54 | 7.04 | 7.04 | 1.2 |
| 9900 | 9700 | 9546 | 9546 | 9546 | 9732 |
| 52 | 53 | 63 | 60 | 60 | 53 |
| 230 | 325 | 230 | 230 | 230 | 239 |
| N/A | N/A | N/A | 262 | 262 | 230 |
| N/A | N/A | N/A | 428 | 428 | 421 |

Table 23

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

| Function/Program | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|--|--------------|--------------|--------------|--------------|
| Business-type activities: | | | | |
| Electric: | | | | |
| ⁽²⁾ Kwh purchased | 498,265,971 | 485,609,557 | 501,159,266 | 498,061,811 |
| Purchased power cost | \$28,573,384 | \$28,551,352 | \$29,802,373 | \$30,115,860 |
| ⁽²⁾ Cost per kwh | 0.0573 | 0.0588 | 0.0595 | 0.0605 |
| ⁽²⁾ Kwh sold | 456,783,000 | 481,136,000 | 480,322,435 | 472,258,240 |
| Kwh billed | \$31,905,471 | \$31,524,318 | \$32,669,230 | \$34,581,935 |
| ⁽²⁾ Sold per kwh | 0.0698 | 0.0655 | 0.0680 | 0.0732 |
| Accounting/line kwh loss | 41,482,971 | 4,473,557 | 20,836,831 | 25,803,571 |
| Loss as a percent of billed kwh | 9.08% | 0.93% | 4.34% | 5.46% |
| Average number of customers | 12,568 | 12,652 | 12,715 | 12,802 |
| Average days in billed/unbilled receivable | 57.98 | 50.71 | 47.97 | 48.21 |
| Avg duration of interruption minutes | 129.32 | 128.21 | 108.55 | 55.88 |
| Water: | | | | |
| ⁽³⁾ Water MG average annually treated | N/A | N/A | 1,405 | 1,429 |
| ⁽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 | 11,168 | 11,252 | 11,315 | 11,228 |
| Billed water customers | \$2,716,128 | \$3,277,794 | \$3,611,757 | \$3,899,180 |
| Average days in billed/unbilled receivable | 51.95 | 51.36 | 44.11 | 48.35 |
| Sewer: | | | | |
| ⁽³⁾ 3rd Creek treated- average daily MGD | N/A | 1.37 | 1.54 | 1.54 |
| ⁽³⁾ 4th Creek treated - average daily MGD | N/A | 2.82 | 2.88 | 2.88 |
| ⁽⁴⁾ Average number of water customers | 10,091 | 10,175 | 10,238 | 10,238 |
| Billed sewer customers | \$4,117,584 | \$4,904,684 | \$5,234,479 | \$5,606,937 |
| Average days in unbilled/billed receivable | 50.23 | 49.32 | 44.44 | 47.64 |
| Billed Sewer units in MG | N/A | N/A | N/A | N/A |
| Civic Center: | | | | |
| Paid Bookings | 350 | 400 | 400 | 423 |

(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) MG is millions of gallons.

Table 23

| 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 495,329,967 | 458,127,075 | 451,517,939 | 464,051,769 | 461,666,247 | 469,944,924 |
| \$31,545,275 | \$31,427,382 | \$32,503,039 | \$34,847,545 | \$36,560,241 | \$38,639,838 |
| 0.0637 | 0.0686 | 0.0720 | 0.0751 | 0.0792 | 0.0822 |
| 476,017,550 | 438,703,511 | 431,589,090 | 444,968,375 | 447,066,312 | 453,300,014 |
| \$36,638,668 | \$35,710,561 | \$38,700,180 | \$41,410,332 | \$40,248,347 | \$43,927,172 |
| 0.0770 | 0.0814 | 0.0897 | 0.0931 | 0.0900 | 0.0969 |
| 19,312,417 | 19,423,564 | 19,928,849 | 19,083,394 | 14,599,935 | 16,644,910 |
| 4.06% | 4.43% | 4.62% | 4.29% | 3.27% | 3.67% |
| 12,856 | 13,046 | 12,928 | 12,897 | 12,941 | 12,824 |
| 44.90 | 45.92 | 43.29 | 44.28 | 44.88 | 44.45 |
| 47.90 | 55.88 | 53.22 | 70.64 | 54.21 | 55.88 |
| 1,378 | 1,186 | 1,169 | 1,189 | 1,143 | 1,172 |
| 1,323 | 1,048 | 956 | 954 | 953 | 950 |
| 55 | 138 | 213 | 235 | 190 | 222 |
| 3.99% | 11.60% | 18.25% | 19.78% | 16.59% | 18.97% |
| 11,282 | 11,472 | 11,354 | 11,323 | 11,308 | 11,366 |
| \$3,804,882 | \$3,437,267 | \$3,378,505 | \$3,448,842 | \$3,432,791 | \$3,663,166 |
| 42.29 | 47.30 | 51.92 | 49.70 | 51.43 | 49.91 |
| 1.3 | 1.31 | 1.58 | 1.12 | 0.84 | 0.92 |
| 2.97 | 3.17 | 3.225 | 2.83 | 2.16 | 2.21 |
| 10,292 | 10,482 | 10,364 | 10,333 | 10,318 | 10,376 |
| \$5,314,062 | \$5,190,305 | \$5,162,382 | \$5,381,251 | \$5,292,768 | \$5,710,498 |
| 44.66 | 48.34 | 45.97 | 48.06 | 49.91 | 50.41 |
| N/A | N/A | N/A | 954 | 954 | 963 |
| 557 | 607 | 572 | 624 | 563 | 502 |

Table 24

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

| Function/Program | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|---|---------|---------|---------|---------|---------|
| General Government Activities; | | | | | |
| General government: | | | | | |
| City hall | 1 | 1 | 1 | 1 | 1 |
| City office building | 1 | 1 | 1 | 1 | 1 |
| Garage | 1 | 1 | 1 | 1 | 1 |
| Warehouse | 1 | 1 | 1 | 1 | 1 |
| Public Safety: | | | | | |
| Police | | | | | |
| ⁽⁴⁾ Number of stations | N/A | 4 | 4 | 4 | 4 |
| Fire | | | | | |
| Number of fire stations | 3 | 3 | 3 | 3 | 3 |
| Transportation: | | | | | |
| Street miles | 134 | 134 | 134 | 134.12 | 134.12 |
| Airport - acres | N/A | 389 | 389 | 388.78 | 388.78 |
| Airport - terminals | 1 | 1 | 1 | 1 | 1 |
| Environmental protection: | | | | | |
| Sanitation - packers | N/A | 9 | 9 | 9 | 9 |
| Cemeteries | | | | | |
| ⁽²⁾ Number of cemeteries | 2 | 2 | 2 | 2 | 2 |
| Cemeteries - acreage | N/A | 52 | 52 | 52 | 52 |
| Recreation: | | | | | |
| Parks - acreage | N/A | 250 | 250 | 250 | 250 |
| Number of Parks | N/A | 20 | 20 | 20 | 20 |
| Greenways/trails-miles | N/A | 5 | 4.5 | 4.5 | 4.5 |
| Soccer fields | N/A | 7 | 7 | 7 | 7 |
| Recreation Center & Pool | N/A | N/A | N/A | N/A | N/A |
| Business-type activities: | | | | | |
| Electric: | | | | | |
| Miles of distribution lines | N/A | 217 | 217 | 217 | 217 |
| Number of delivery stations | N/A | 5 | 5 | 5 | 5 |
| Number of substations | N/A | 5 | 5 | 5 | 5 |
| Water: | | | | | |
| Miles of distribution lines | N/A | 200 | 202 | 202 | 202 |
| Water treatment plants | N/A | 1 | 1 | 1 | 1 |
| ⁽³⁾ Water plant capacity-MGD | N/A | 15 | 15 | 15 | 15 |
| Sewer: | | | | | |
| Miles of collection lines | N/A | 240 | 244 | 244 | 244 |
| Sewer treatment plants | N/A | 2 | 2 | 2 | 2 |
| ⁽³⁾ 3rd Creek plant capacity-MGD | N/A | 4 | 4 | 4 | 4 |
| ⁽³⁾ 4th Creek plant capacity-MGD | N/A | 6 | 6 | 6 | 6 |
| Civic Center: | | | | | |
| Civic Center | N/A | 1 | 1 | 1 | 1 |

Notes:

- ⁽¹⁾ Source: City of Statesville capital asset records.
⁽²⁾ Four Cemeteries are maintained, two are closed.
⁽³⁾ MGD is Millions of gallons per day. Plant Capacity found on Table 23.

Table 24

| 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---------|---------|---------|---------|---------|
| 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |
| 4 | 2 | 2 | 3 | 3 |
| 3 | 3 | 3 | 4 | 4 |
| 134.12 | 141.6 | 141.6 | 142.24 | 142.15 |
| 388.78 | 390.41 | 390.41 | 394 | 429.4 |
| 1 | 1 | 1 | 1 | 1 |
| 8 | 9 | 8 | 9 | 9 |
| 2 | 2 | 2 | 2 | 2 |
| 60 | 60 | 60 | 60 | 60 |
| 350 | 350 | 350 | 350 | 350 |
| 13 | 13 | 13 | 16 | 16 |
| 6 | 6 | 6 | 6 | 6 |
| 7 | 7 | 7 | 7 | 7 |
| N/A | 1 | 1 | 1 | 1 |
| 235 | 235 | 270 | 270 | 271 |
| 5 | 5 | 5 | 5 | 5 |
| 5 | 5 | 5 | 5 | 5 |
| 272.29 | 272.29 | 277 | 265 | 270 |
| 1 | 1 | 1 | 1 | 1 |
| 15 | 15 | 15 | 15 | 15 |
| 274 | 274 | 279 | 265 | 276 |
| 2 | 2 | 2 | 2 | 2 |
| 4 | 4 | 4 | 4 | 6 |
| 6 | 6 | 6 | 6 | 6 |
| 1 | 1 | 1 | 1 | 1 |

Table 25

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

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| 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 | 1 |
| Finance Administration | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Collections | 4 | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 5 | 5 |
| Information Technology | 8 | 8 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 8 |
| Purchasing | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Human Resources | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 3 |
| Planning | 8 | 8 | 8 | 8 | 10 | 10 | 10 | 10 | 10 | 8 |
| Public Works | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 4 |
| Garage | 8 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Warehouse | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | - |
| Subtotal general government | <u>61</u> | <u>62</u> | <u>63</u> | <u>63</u> | <u>65</u> | <u>66</u> | <u>66</u> | <u>66</u> | <u>66</u> | <u>59</u> |
| Public Safety | | | | | | | | | | |
| Police | 87 | 89 | 89 | 90 | 94 | 98 | 99 | 99 | 101 | 96 |
| Fire | 55 | 55 | 55 | 55 | 55 | 71 | 59 | 59 | 74 | 73 |
| Subtotal Public Safety | <u>142</u> | <u>144</u> | <u>144</u> | <u>145</u> | <u>149</u> | <u>169</u> | <u>158</u> | <u>158</u> | <u>175</u> | <u>169</u> |
| Transportation | | | | | | | | | | |
| Street Department | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 17 |
| Airport | - | - | - | - | 1 | 1 | 1 | 1 | 1 | 1 |
| Subtotal Transportation | <u>21</u> | <u>21</u> | <u>21</u> | <u>21</u> | <u>22</u> | <u>22</u> | <u>22</u> | <u>22</u> | <u>22</u> | <u>18</u> |
| Environmental protection | | | | | | | | | | |
| Sanitation | 28 | 28 | 28 | 28 | 28 | 31 | 31 | 31 | 31 | 28 |
| Subtotal environmental protect | <u>28</u> | <u>28</u> | <u>28</u> | <u>28</u> | <u>28</u> | <u>31</u> | <u>31</u> | <u>31</u> | <u>31</u> | <u>28</u> |
| Recreation | | | | | | | | | | |
| Recreation Administration | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Athletics | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 |
| Programs | 6 | 6 | 6 | 6 | 6 | 7 | 3 | 3 | 3 | 3 |
| Fitness & Activity Center | - | - | - | - | - | - | 4 | 4 | 4 | 4 |
| Parks | 9 | 9 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 12 |
| Urban Forestry | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | - |
| Public Grounds/Cemeteries | 6 | 6 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 5 |
| Subtotal Recreation | <u>30</u> | <u>30</u> | <u>30</u> | <u>30</u> | <u>30</u> | <u>31</u> | <u>31</u> | <u>31</u> | <u>31</u> | <u>28</u> |
| Total Governmental | <u>282</u> | <u>285</u> | <u>286</u> | <u>287</u> | <u>294</u> | <u>319</u> | <u>308</u> | <u>308</u> | <u>325</u> | <u>302</u> |
| Business-type activities | | | | | | | | | | |
| Electric | 30 | 28 | 28 | 29 | 31 | 34 | 34 | 34 | 34 | 31 |
| Water Maintenance | 14 | 14 | 14 | 14 | 16 | 16 | 16 | 16 | 16 | 15 |
| Sewer Maintenance | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 6 |
| Water Plant | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Sewer Treatment Plants | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 23 |
| Civic Center | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Subtotal Business-type | <u>94</u> | <u>92</u> | <u>92</u> | <u>93</u> | <u>97</u> | <u>100</u> | <u>100</u> | <u>100</u> | <u>100</u> | <u>94</u> |
| Total primary government | <u>376</u> | <u>377</u> | <u>378</u> | <u>380</u> | <u>391</u> | <u>419</u> | <u>408</u> | <u>408</u> | <u>425</u> | <u>396</u> |

Source: City of Statesville's adopted operating budget.

COMPLIANCE SECTION

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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 discretely presented component unit, 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, 2013, which collectively comprises the City of Statesville's basic financial statements, and have issued our report thereon dated October 15, 2013. 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' testing 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 ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

**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, North Carolina's financial statements are free of material misstatement, we performed tests of 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Potter & Company, PA

October 15, 2013
Mooresville, North Carolina

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM; REPORT ON 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

Report on Compliance for Each Major Federal Program

We have audited the 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, 2013. The 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Statesville's federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Statesville's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Statesville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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

Report on Internal Control Over Compliance

Management of the City of Statesville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Statesville's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and 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. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Potter & Company, P.A.

October 15, 2013
Mooresville, North Carolina

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM; REPORT ON 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

Report on Compliance for Each Major State Program

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, 2013. The City of Statesville's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Statesville's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit implementation Act. Those standards, applicable sections of OMB A-133, and the 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 on compliance for each major state program. However, our audit does not provide a legal determination of the City of Statesville's compliance.

Opinion on Each Major State Program

In our opinion, the City of Statesville complied, in all material respects, with the types 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, 2013.

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

Report on Internal Control Over Compliance

Management of the City of Statesville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Statesville's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with 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 Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Potter & Company, PA

October 15, 2013
Mooresville, North Carolina

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2013

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 | Names of Federal Programs or Cluster |
|--------------|--|
| 20.106 | Airport Improvement Project |
| 14.228 | Community Development Block Grant-Small Cities |

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, 2013

Schedule 33
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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 N. State Award 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, 2013***

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There were no prior year findings.

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2013

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 | \$ | \$ |
| <u>U.S. Department of Transportation</u> | | | | |
| Passed through N.C. Department of Transportation: | | | | |
| Division of Aviation: | | | | |
| Airport Improvement Program | 20.106 | 36237.46.10.2 | 1,145,612 | |
| Airport Improvement Program | 20.106 | 36237.46.10.3 | 209,601 | |
| Airport Improvement Program | 20.106 | 36237.46.11.2 | 729 | |
| Airport Improvement Program | 20.106 | 36237.46.11.3 | | |
| Airport Improvement Program | 20.106 | 36237.46.12.1 | 43,709 | |
| Airport Improvement Program | 20.106 | 36237.46.13.1 | 63,444 | |
| Governor's Highway Safety Program | 20.600 | K4-10-04-12 | 27,318 | |
| <u>U.S. Department of Justice</u> | | | | |
| Bulletproof Vest Partnership Program | 16.607 | BA-2000S-STO1 | 7,884 | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2012-DJ-BX-0776 | 12,547 | |
| <u>U. S. Department of Homeland Security</u> | | | | |
| Fire Department SAFER Grant | 97.083 | EMW-2008-FF-00096 | 104,201 | |
| Assistance to Firefighters | 97.083 | EMW-2012-FO-05923 | | |
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| Passed through N. C. Department of Commerce: | | | | |
| N.C. Community Block Grant | 14.228 | B-10-DC-37-0001 | 466,000 | |
| <u>U.S. Environmental Protection Agency</u> | | | | |
| Passed through N.C. Department of Environment and Natural Resources: | | | | |
| Clean Water Revolving Fund (CWSRF) | 66.458 | E-SRF-T-13-0326 | | |
| <i>State Grants:</i> | | | | |
| <u>N.C. Department of Transportation</u> | | | | |
| Powell Bill | DOT-4 | 32,570 | | 774.453 |
| Highway Construction Program | DOT-8 | 12CR-10491.11 | | 195,727 |
| <u>N. C. Department of Commerce</u> | | | | |
| One North Carolina Fund | | 0-2010-7083 | | |
| One North Carolina Fund | | 0-2011-8211 | | 75.000 |
| Total federal grants | | | <u>\$ 2,081,045</u> | |
| Total state grants | | | | <u>\$ 1,045,180</u> |

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2013

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 1.0 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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