



***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

***For Fiscal Year Ended
June 30, 2015***

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

***Gene Triplett
Interim Finance Director***

CITY OF STATESVILLE, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2015
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INTRODUCTION SECTION



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INTRODUCTION SECTION





November 10, 2015

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, 2015. 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 2015.

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, 2015 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, 2015 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 24,981.

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 in 2008 and the subsequent slow recovery, described by leading economists as the worst economic crisis since the Great Depression. At June 30, 2015, the unemployment rate in Iredell County was down to 5.8%; a slight increase from the prior year and the same as the state rate of 5.8% and the same as the national rate. Statesville's economy has had some economic improvement in the past year with fewer cutbacks in manufacturing production. 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. Phase II of the project (\$3.8 million) is under construction currently to complete the downtown renovations and future phases are under consideration.

Construction is currently underway of a \$24 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 is funding the sewer plant expansion with a low interest loan from the State Revolving Fund. The City is also constructing 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. Rehabilitation and strengthening of the runway, taxiways and apron was also completed. 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, 2014. This was the twenty-fifth consecutive year that the City of Statesville has received this prestigious award.

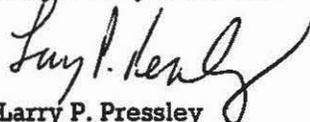
In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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 submitted to the GFOA's for the Distinguished Budget Presentation Award for its annual budget document for fiscal year beginning July 1, 2015. If awarded, this will be the fifteenth 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. 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



Gene R. Triplett
Interim Finance Director

CITY OF STATESVILLE, NORTH CAROLINA
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2015

LIST OF PRINCIPAL OFFICIALS

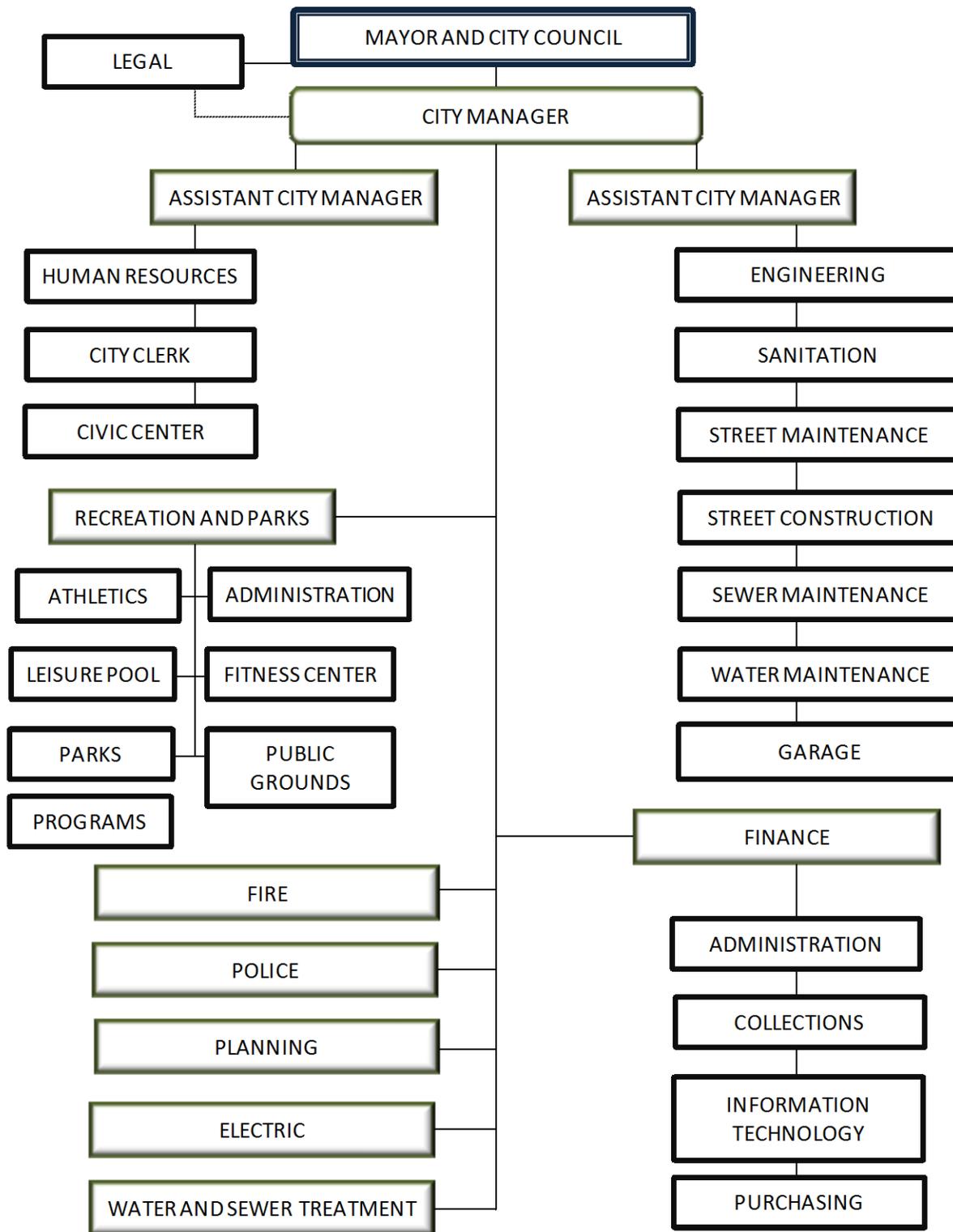
Elected Officials – City Council

Mayor Constantine H. Kutteh
Mayor Pro Tem/Council Member - Ward 4..... Michael H. Johnson
Council Member – At Large William P. Morgan
Council Member – At Large Michael H. Schlesinger
Council Member – Ward 1 Roy C. West, Jr.
Council Member – Ward 2 C.O. Johnson
Council Member – Ward 3 Jerrod M. Phifer
Council Member – Ward 5 Arnold W. Watt
Council Member – Ward 6 G. Keith Williams

City Appointed Officials

City Manager Larry P. Pressley
City Attorney Edmund L. Gaines
City Clerk..... Brenda J. Fugett
Electric Utility Director..... Franklin K. Houpe
Interim Finance Director Gene R. Triplett
Fire Chief Dennis A. Hutchens
Recreation and Parks Director James B. Cornelison
Assistant City Manager R. Lynn Smyth
Planning Director David H. Currier
Interim Police Chief Joseph J. Barone III
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, 2014

Executive Director/CEO



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 units, each major fund, and the aggregate remaining fund information of City of Statesville, North Carolina, as of and for the year ended June 30, 2015, 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 and Convention and Visitor's Bureau 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, 2015, 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' Special Separation Allowance's and the other Post employment Benefit's Schedules of Funding Progress and Employer Contributions on pages 77-78 and 79-80, respectively, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 81-82, respectively, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 83 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 November 10, 2015 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, P.A.

November 10, 2015
Mooresville, North Carolina

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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, 2015. 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

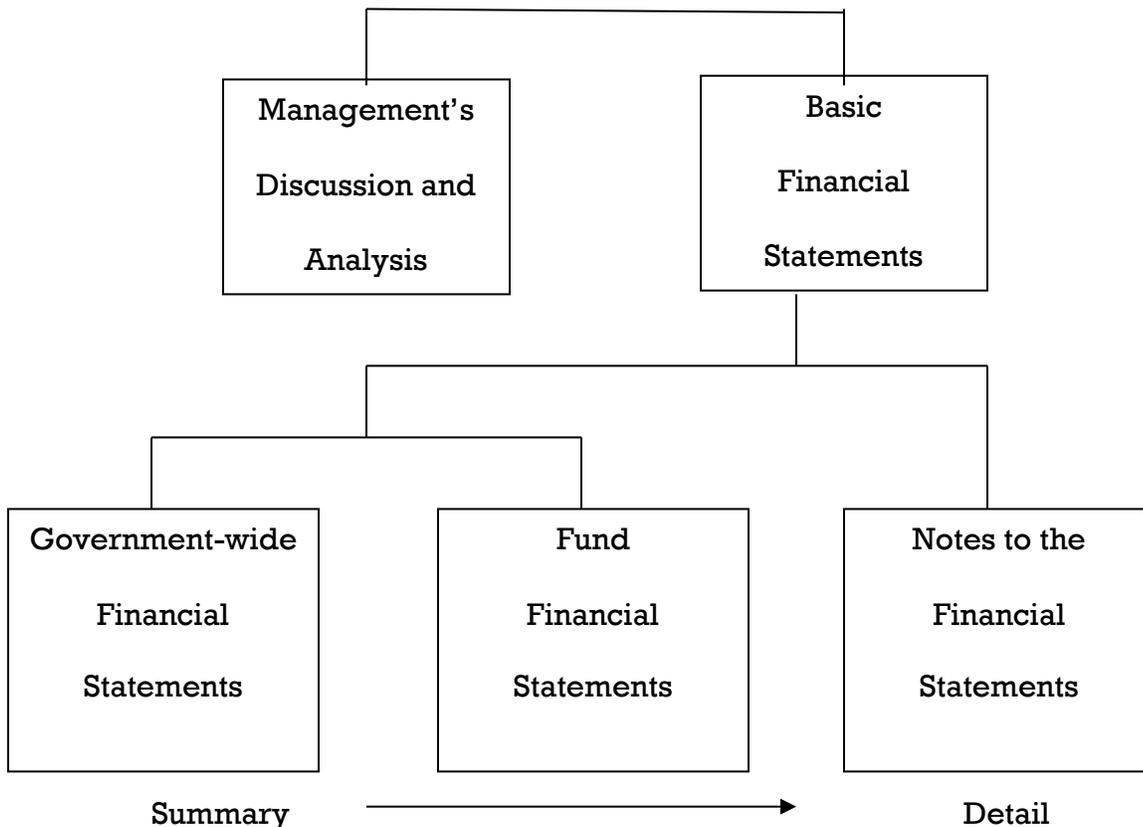
- The assets and deferred outflows of resources of the City of Statesville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$200,676,243 (*net position*).
- The City's total net position decreased by \$1,942,511, primarily due to restatement of prior year pension liability and a decrease of \$85,896 in governmental activities from operating transfers and capital grants in transportation and netted by an increase of \$460,713 business activities.
- As of the close of the current fiscal year, the City of Statesville's governmental funds reported combined ending fund balances of \$31,551,840, a decrease of \$1,622,328 in comparison with the prior year as a result of major construction projects nearing completion. Approximately 67.72% of this total amount or \$21,368,277 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 \$21,368,277 or 85.80% of total General Fund expenditures and transfers out.
- The City of Statesville's total debt increased by a net amount of \$15,937,745 (84.25%) during the current fiscal year. The increase is the result of the City's expansion of its two sewer treatment plants. The increase debt is with the State Revolving Fund.
- 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, 2015

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

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. 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, 2015**

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 37,886,031	\$ 38,868,696	\$ 44,937,312	\$ 44,463,427	\$ 82,823,343	\$ 83,332,123
Capital assets	75,065,135	74,601,752	96,017,943	87,431,811	171,083,078	162,033,563
Deferred outflow of resources	438,644	-	113,439	-	552,083	-
Total assets and deferred outflows of resources	113,389,810	113,470,448	141,068,694	131,895,238	254,458,504	245,365,686
Long-term liabilities outstanding	6,063,001	8,072,741	28,173,973	21,138,976	34,236,974	29,211,717
Other liabilities	4,425,999	3,542,057	10,736,190	9,657,010	15,162,189	13,199,067
Deferred inflows of resources	3,242,130	269,897	1,140,968	66,251	4,383,098	336,148
Total liabilities and deferred inflows of resources	13,731,130	11,884,695	40,051,131	30,862,237	53,782,261	42,746,932
Net position:						
Net invested in capital assets, net of related debt	69,891,335	68,264,801	66,336,798	67,271,906	136,228,133	135,536,707
Restricted	8,290,310	11,824,467	-	-	8,290,310	11,824,467
Unrestricted	21,477,035	21,496,485	34,680,765	33,761,095	56,157,800	55,257,580
Total net position	\$ 99,658,680	\$ 101,585,753	\$ 101,017,563	\$ 101,033,001	\$ 200,676,243	\$ 202,618,754

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 \$200,676,243 as of June 30, 2015. The City's net position decreased by \$1,942,511 for the fiscal year ended June 30, 2015. However, the largest portion of net position (66.89%) 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 \$8,290,310 or (4.13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$56,157,800 is unrestricted.

Also, the City of Statesville implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$2,317,328. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Statesville's management.

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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

- Consistent collections of property tax revenues by maintaining a tax collection percentage of 98.15% mainly the result of the Tax and Tag program.
- Continued low cost of debt due to the City's high bond rating.
- Ad valorem tax revenues decreased .63% due to a slight assessed valuation decline.
- Sales taxes increased 9.56%, \$524,922, due primarily to an economic recovery.
- Capital grants and contributions decreased \$1,635,163 due primarily lack of qualifying capital grants.

City of Statesville Changes in Net Position
Figure 3

	Governmental	Governmental	Business-type	Business-type	Total	
	Activities	Activities	Activities	Activities	2015	2014
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,696,059	\$ 2,160,010	\$ 57,978,659	\$ 57,294,650	\$ 59,674,718	\$ 59,454,660
Operating grants and contributions	345,739	615,180	-	13,400	345,739	628,580
Capital grants and contributions	1,240,320	946,690	-	-	1,240,320	946,690
General revenues:						
Property taxes	12,252,525	12,329,641	-	-	12,252,525	12,329,641
Other taxes and fees	9,300,724	7,117,790	-	-	9,300,724	7,117,790
Grants and contributions not restricted to specific programs						
	681,625	2,316,788	-	-	681,625	2,316,788
Investment earnings, unrestricted	150,345	311,881	223,891	375,522	374,236	687,403
Pension revenue	438,644	-	113,439	-	552,083	-
Sales and services not allocated	153,294	175,411	-	-	153,294	175,411
Total revenues	26,259,275	25,973,391	58,315,989	57,683,572	84,575,264	83,656,963
Expenses:						
General government	3,254,999	3,432,347	-	-	3,254,999	3,432,347
Public safety	12,398,238	12,410,000	-	-	12,398,238	12,410,000
Transportation	4,345,239	4,246,210	-	-	4,345,239	4,246,210
Economic development	750,760	947,827	-	-	750,760	947,827
Environmental protection	1,978,958	1,715,643	-	-	1,978,958	1,715,643
Cultural and recreation	3,594,906	3,354,153	-	-	3,594,906	3,354,153
Interest on long-term debt	212,823	264,534	361,463	319,448	574,286	583,982
Electric	-	-	46,952,145	46,045,792	46,952,145	46,045,792
Water and Sewer	-	-	9,351,727	9,267,141	9,351,727	9,267,141
Civic Center	-	-	999,189	947,498	999,189	947,498
Total expenses	26,535,923	26,370,714	57,664,524	56,579,879	84,200,447	82,950,593
Increase (decrease) in net position before transfers and special items	(276,648)	(397,323)	651,465	1,103,693	374,817	706,370
Transfers in (out)	190,752	1,425,938	(190,752)	(1,425,938)	-	-
Increase (decrease) in net position	(85,896)	1,028,615	460,713	(322,245)	374,817	706,370
Net position, beginning of year	101,585,753	100,557,138	101,033,001	101,355,246	202,618,754	201,912,384
Restatement	(1,841,177)	-	(476,151)	-	(2,317,328)	-
Net position, end of year	\$ 99,658,680	\$ 101,585,753	\$ 101,017,563	\$ 101,033,001	\$ 200,676,243	\$ 202,618,754

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Governmental Activities - The City's total net position decreased by \$1,942,511, primarily due to restatement of prior year pension liability and a decrease of \$85,896 in governmental activities from operating transfers and capital grants.

- Property taxes decreased \$77,116 or .63% from the prior year.
- Sales tax increased \$524,922 or 9.56% from the prior year.
- Capital grants decreased by \$1,635,163 from the prior year.
- Governmental expenses decreased by \$851,739.
- Transfers in was a net decreased by \$1,235,186.

Business-Type Activities - Business-type activities increased the City of Statesville's net position by \$460,713. Key elements of this increase are as follows:

- Charges for services and other revenues exceeded expenses by \$367,138. Charges for services increased \$684,009 or 1.19%. This is the result of a 2.00% rate increase for Electric and Water and Sewer services respectively. Expenses increased by 1.88% or \$1,084,645 primarily due to a 2% wholesale electric rate increase.

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 \$21,368,277 while total fund balance was \$27,141,052; an increase of \$2,315,314 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 85.81% of total General Fund expenditures and transfers out, while total fund balance represents 108.99% of that same amount.

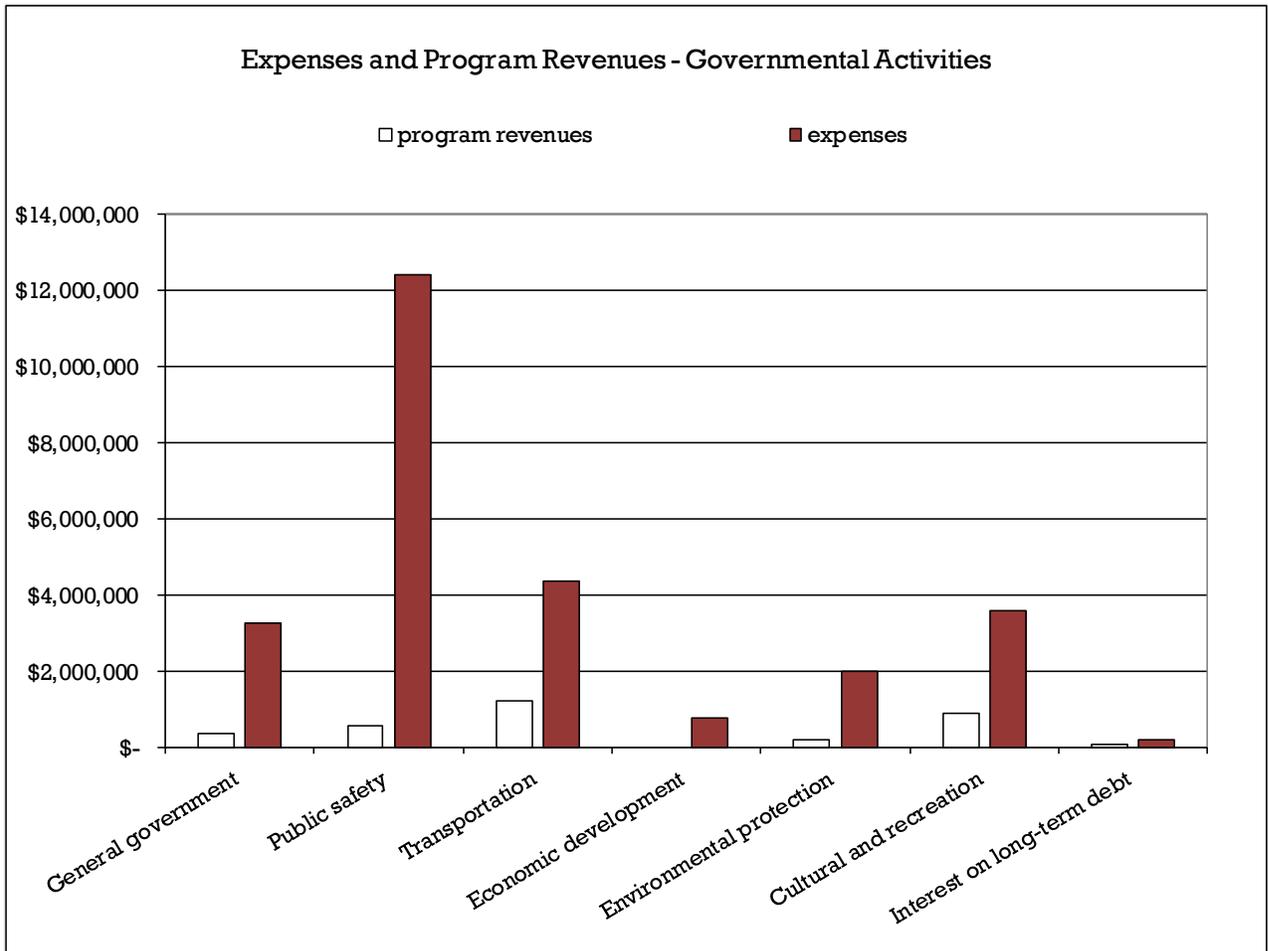
At June 30, 2015, the governmental funds of City of Statesville reported a combined fund balance of \$31,551,840; a 4.89% decrease from last year.

- General Fund expenditures exceeded revenues by \$172,360; below the \$2,725,076 in fund balance appropriated.
- Operating transfers from other funds to the General Fund exceeded operating transfers out by \$2,487,674 minus non-major funds of \$2,296,922 net increase from transfer in of \$190,762.
- The net change in fund balances of other governmental funds decreased by \$3,937,642 due primarily to the capital outlay for downtown streetscape project.

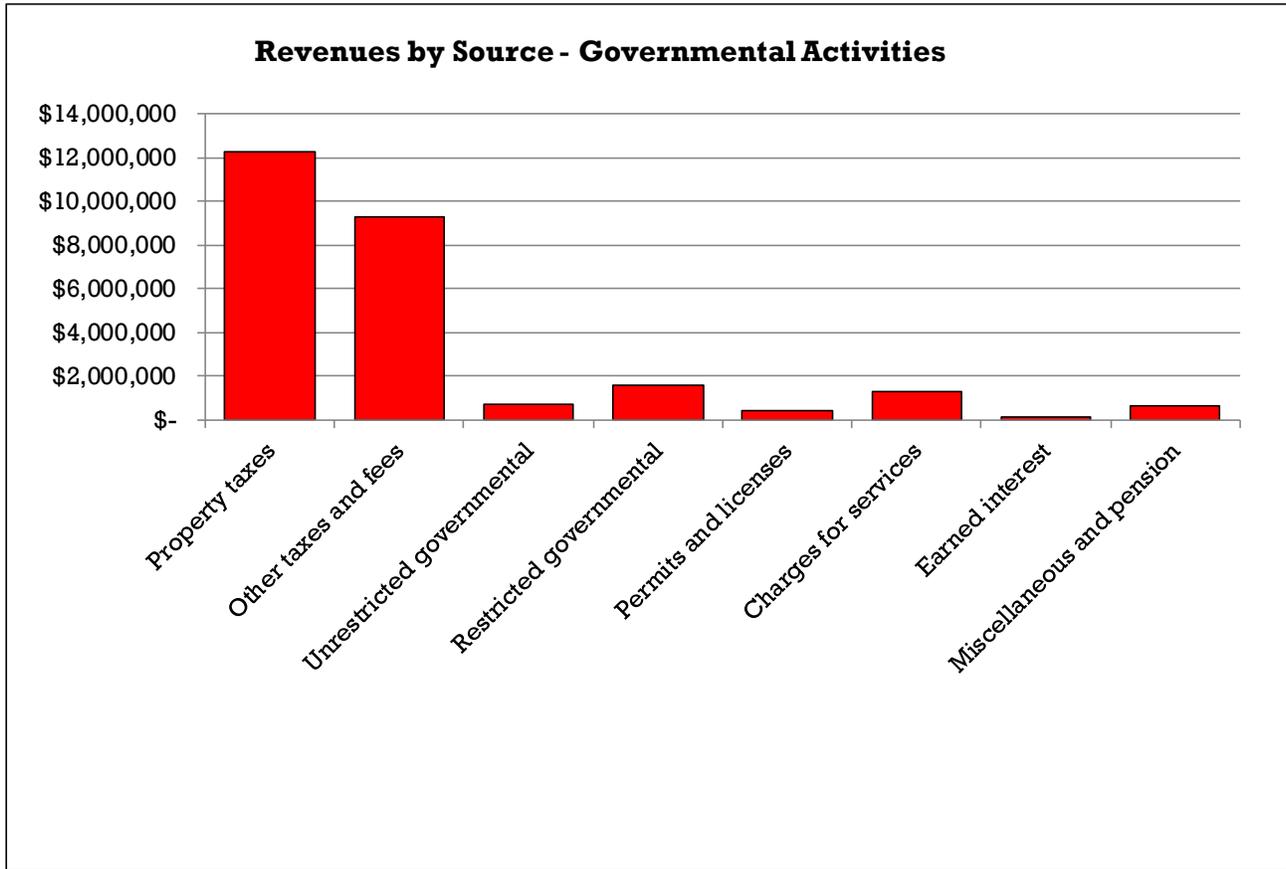
**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

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 \$12,407,077 exceeded budget estimates by \$587,179 or 4.97%.
- Sales taxes of \$6,016,074 exceeded budget estimates by \$441,074 or 7.91% primarily due to a recovering economy.
- Unrestricted intergovernmental revenues of \$681,626 fell below budget estimates by \$38,374 due primarily to lower than anticipated ABC revenues and telecommunication taxes.
- Investment earnings exceeded budget estimates by \$41,307 due to lower than expected market value loss of \$56,529.
- Expenditures were \$3,467,229 lower than budget appropriations due primarily to incomplete capital equipment purchases or capital improvement projects at year-end as follows: 1) \$863,372 in General Government for land acquisition and other capital costs, 2) \$616,861 police and fire, 3) \$609,410 in Transportation for street operations and paving, 4) \$209,274 in airport improvements, 5) Economic development \$396,272, and 6) \$357,828 in Cultural and Recreation for greenway design and construction and other operating expenditures.



**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**



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 \$17,632,367, and those for the Water and Sewer Fund at the end of the fiscal year are \$16,841,414. The net position of the Electric Fund increased by \$397,876 and increased in the Water and Sewer Fund by \$369,378.

Capital Asset and Debt Administration

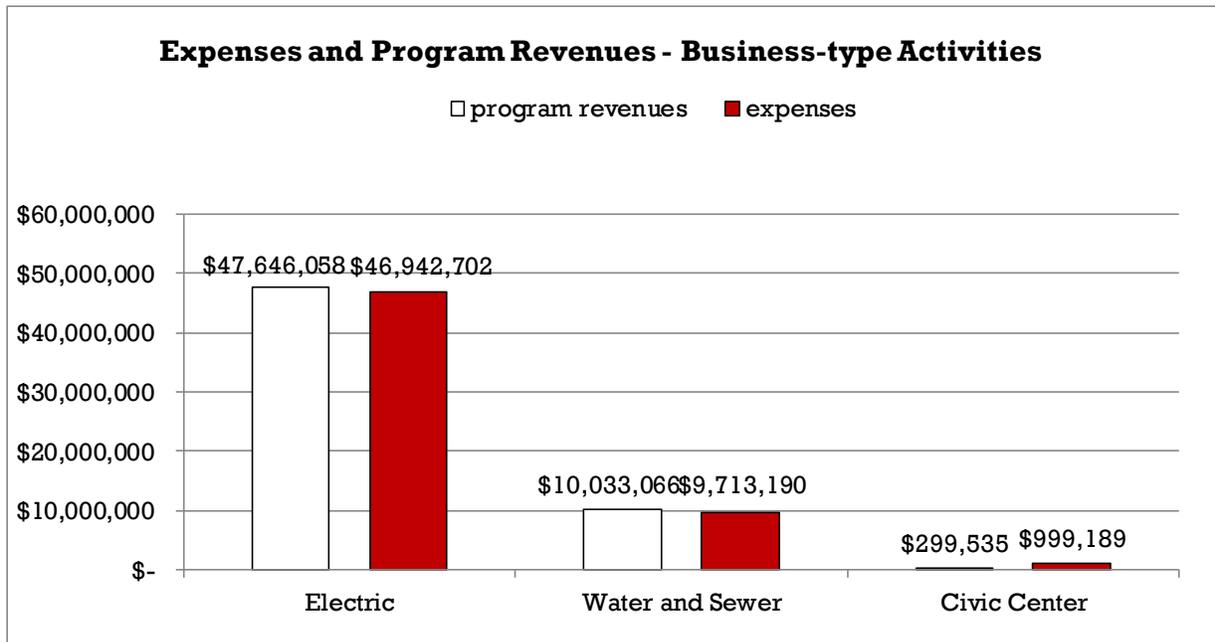
Capital Assets - The City of Statesville's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals \$171,083,078 (net of accumulated depreciation). These assets include buildings, utility systems infrastructure, land, roads, machinery and equipment, park facilities, and vehicles.

**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

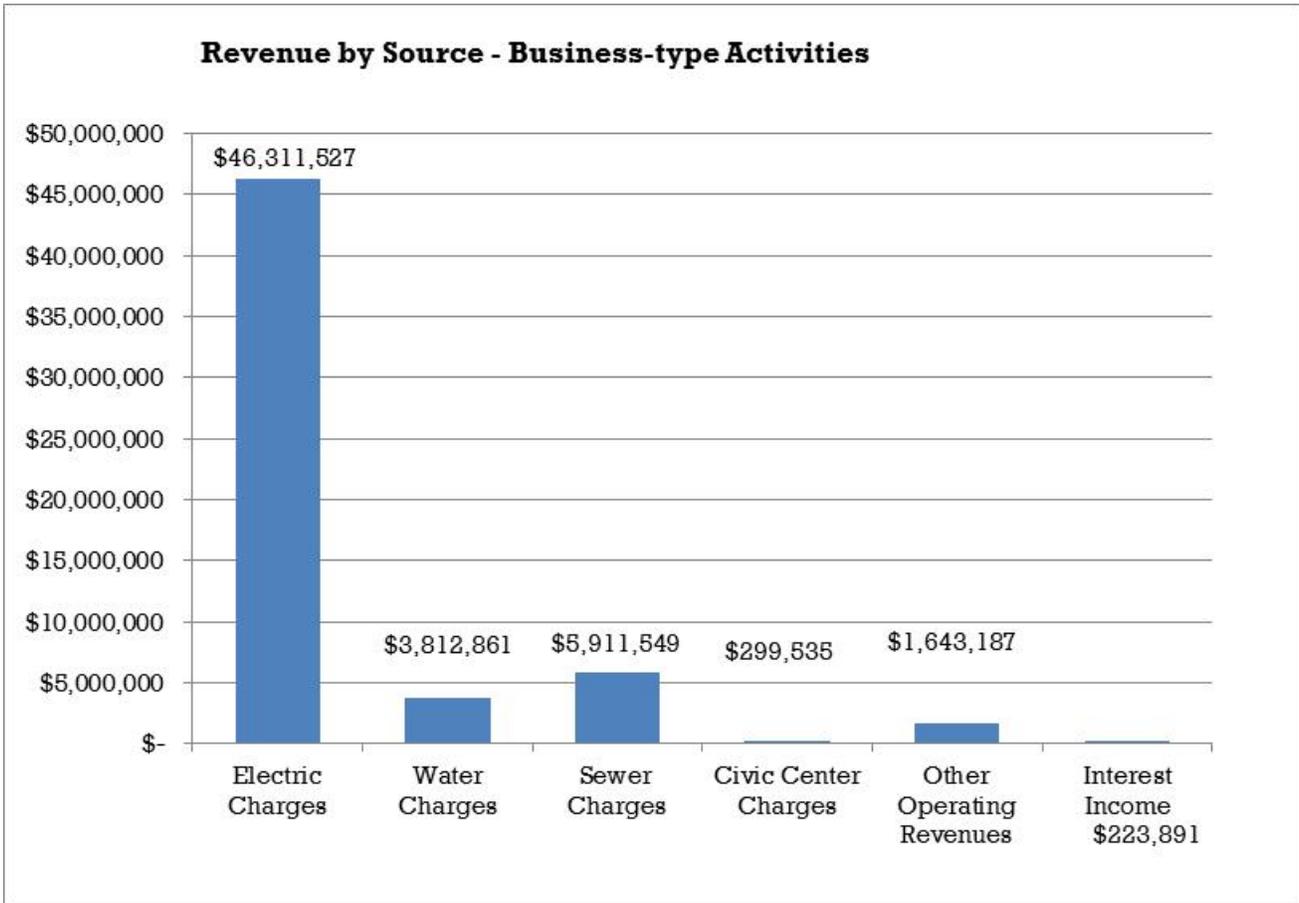
**City of Statesville's Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 21,736,554	\$ 21,709,487	\$ 3,832,156	\$ 3,832,156	\$ 25,568,710	\$ 25,541,643
Fresco	-	-	335,825	335,825	335,825	335,825
Buildings and other improvements	40,465,042	42,893,159	2,820,129	2,764,132	43,285,171	45,657,291
Utility plant in service	-	-	62,407,736	62,814,350	62,407,736	62,814,350
Vehicles	3,177,101	3,114,528	2,678,405	2,556,627	5,855,506	5,671,155
Construction in progress	<u>9,686,438</u>	<u>6,884,578</u>	<u>23,943,692</u>	<u>15,128,721</u>	<u>33,630,130</u>	<u>22,013,299</u>
Total	<u>\$ 75,065,135</u>	<u>\$ 74,601,752</u>	<u>\$ 96,017,943</u>	<u>\$ 87,431,811</u>	<u>\$ 171,083,078</u>	<u>\$ 162,033,563</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, 2015**



Long-Term Debt - As of June 30, 2015, the City of Statesville had no general obligation bonded debt outstanding. The remainder of the City's debt represents notes payable totaling \$34,854,645.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Notes payable	5,173,500	6,398,200	29,681,145	12,518,700	34,854,645	18,916,900
	<u>\$ 5,173,500</u>	<u>\$ 6,398,200</u>	<u>\$ 29,681,145</u>	<u>\$ 12,518,700</u>	<u>\$ 34,854,645</u>	<u>\$ 18,916,900</u>

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

The City of Statesville's increased its total debt by \$15,937,745 during the current period. This increase is the result of the City's borrowing from the State Revolving Fund to provide for the expansion and improvements of its two sewer treatment plants.

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, 2015 is \$234,855,863. 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 2015-2016 operating and capital budget were developed on a conservative basis.
- The City's assessed valuation for property taxes decreased .88% or \$25 million from the prior year due primarily to a decrease in business personal property values. This is expected to reduce ad valorem property tax revenues by approximately \$102,500. Increases in sales tax revenues and the use of fund balance appropriated for capital purchases will offset the shortfall in property tax revenues.
- The City is currently performing a cost of service study that will be reviewed by the city council in December 2015. The wholesale power agency is refinancing their debt that will likely lower rates for some class of customers.
- Water and sewer rates were increased by 3.0% effective July 1, 2014 to provide for operations and capital debt service obligations in the coming years for a major expansion project at one of the City's sewer plants. The City's 10 year financial analysis of the Water and Sewer Fund forecasts annual rate increases of 2% and a 1% customer usage. This growth in revenues is required to service the Water and Sewer debt service requirements.
- The City is no longer authorized to issue privilege licenses beginning fiscal year 2016. The amount of revenue loss is about \$340,000.
- Beginning fiscal year 2017, the State authorized cities to impose a motor vehicle fee up to \$30 per vehicle. If the city council chooses to authorize this fee, the revenues are restricted to specific activities, mainly street maintenance and construction.

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, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Convention & Visitors Bureau	Alcoholic Control Board
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 30,934,205	\$ 33,197,916	\$ 64,132,121	\$ 133,825	\$ 271,636
Tax receivables, net	617,189	-	617,189	-	-
Receivables, net	338,351	7,406,617	7,744,968	-	-
Internal balances	772,132	(772,132)	-	-	-
Interest receivable	193,941	40,054	233,995	-	-
Due from other governments	2,937,135	2,032,045	4,969,180	-	-
Due from other component units	42,859	-	42,859	-	-
Inventories	47,630	1,563,859	1,611,489	-	553,132
Prepaid items	6,909	124,346	131,255	1,224	-
Restricted cash and cash equivalents	-	1,003,685	1,003,685	-	-
Total current assets	<u>35,890,351</u>	<u>44,596,390</u>	<u>80,486,741</u>	<u>135,049</u>	<u>824,768</u>
Non-current assets:					
Net pension asset - State pension fund	1,318,271	340,922	1,659,193	-	24,415
Net pension asset - Separation Allowance	677,409	-	677,409	-	-
Capital assets:					
Land and other nondepreciable assets	31,422,990	28,111,674	59,534,664	-	235,050
Depreciable assets, net	43,642,145	67,906,269	111,548,414	-	1,301,128
Total capital assets	<u>75,065,135</u>	<u>96,017,943</u>	<u>171,083,078</u>	<u>-</u>	<u>1,536,178</u>
Total assets	<u>112,951,166</u>	<u>140,955,255</u>	<u>253,906,421</u>	<u>135,049</u>	<u>2,385,361</u>
DEFERRED OUTFLOWS OF RESOURCES					
Contributions to pension plan to current fiscal year	438,644	113,439	552,083	-	-
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	1,777,555	6,452,961	8,230,516	1,093	206,573
Accrued Interest payable	21,767	95,849	117,616	-	-
Due to primary government	-	-	-	-	42,859
Due to other governments	-	735,276	735,276	-	235,301
Deposits payable	-	1,003,685	1,003,685	-	-
Current portion of long-term liabilities	2,626,677	2,448,419	5,075,096	650	711,827
Total current liabilities	<u>4,425,999</u>	<u>10,736,190</u>	<u>15,162,189</u>	<u>1,743</u>	<u>1,196,560</u>
Long-term liabilities:					
Due in more than a year	6,063,001	28,173,973	34,236,974	333	44,020
Total liabilities	<u>10,489,000</u>	<u>38,910,163</u>	<u>49,399,163</u>	<u>2,076</u>	<u>1,240,580</u>
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes/unearned revenues	5,874	304,031	309,905	-	-
Pension deferrals	3,236,256	836,937	4,073,193	-	51,012
Total deferred inflows of resources	<u>3,242,130</u>	<u>1,140,968</u>	<u>4,383,098</u>	<u>-</u>	<u>51,012</u>
NET POSITION					
Net invested in capital assets	69,891,335	66,336,798	136,228,133	-	763,677
Restricted for:					
Stabilization by state statue	4,314,762	-	4,314,762	-	-
Public safety	41,341	-	41,341	-	-
Transportation	1,248,014	-	1,248,014	-	-
Economic development	574,665	-	574,665	-	-
Capital outlay	2,111,528	-	2,111,528	-	-
Other functions	-	-	-	-	165,120
Unrestricted	21,477,035	34,680,765	56,157,800	132,973	164,972
Total net position	<u>\$ 99,658,680</u>	<u>\$ 101,017,563</u>	<u>\$ 200,676,243</u>	<u>\$ 132,973</u>	<u>\$ 1,093,769</u>

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 3,254,999	\$ 355,432	\$ -	\$ -
Public safety	12,398,238	342,107	224,552	-
Transportation	4,345,239	-	-	1,199,130
Economic and physical development	750,760	-	-	-
Environmental protection	1,978,958	162,236	30,000	-
Cultural and recreation	3,594,906	836,284	-	41,190
Debt service:				
Interest on long-term debt	212,823	-	91,187	-
Total governmental activities	26,535,923	1,696,059	345,739	1,240,320
Business-Type Activities:				
Electric	46,952,145	47,646,058	-	-
Water and sewer	9,713,190	10,033,066	-	-
Civic Center	999,189	299,535	-	-
Total business-type activities	57,664,524	57,978,659	-	-
Total primary government	\$ 84,200,447	\$ 59,674,718	\$ 345,739	\$ 1,240,320
Component Units Activities:				
Convention & Visitors Bureau	\$ 146,907	\$ 936	\$ 179,093	\$ -
Alcoholic Beverage Control Board	5,403,135	5,577,137	-	-
Total component units	\$ 5,550,042	\$ 5,578,073	\$ 179,093	\$ -
General Revenues:				
Ad valorem taxes				
Local option sales tax				
Other taxes				
Unrestricted intergovernmental				
Interest earned on investments				
Pension revenue				
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				
Restatement				
Net position, end of year				

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
\$ (2,899,567)	\$ -	\$ (2,899,567)	\$ -	\$ -
(11,831,579)	-	(11,831,579)	-	-
(3,146,109)	-	(3,146,109)	-	-
(750,760)	-	(750,760)	-	-
(1,786,722)	-	(1,786,722)	-	-
(2,717,432)	-	(2,717,432)	-	-
(121,636)	-	(121,636)	-	-
(23,253,805)	-	(23,253,805)	-	-
-	693,913	693,913	-	-
-	319,876	319,876	-	-
-	(699,654)	(699,654)	-	-
-	314,135	314,135	-	-
(23,253,805)	314,135	(22,939,670)	-	-
-	-	-	33,122	-
-	-	-	-	174,002
-	-	-	33,122	174,002
12,252,525	-	12,252,525	-	-
6,016,074	-	6,016,074	-	-
3,284,650	-	3,284,650	-	-
681,625	-	681,625	-	-
150,345	223,891	374,236	18	167
438,644	113,439	552,083	-	-
153,294	-	153,294	-	615
22,977,157	337,330	19,477,754	18	782
190,752	(190,752)	-	-	-
23,167,909	146,578	19,477,754	18	782
(85,896)	460,713	374,817	33,140	174,784
101,585,753	101,033,001	202,618,754	99,833	941,923
(1,841,177)	(476,151)	(2,317,328)	-	(22,938)
\$ 99,658,680	\$ 101,017,563	\$ 200,676,243	\$ 132,973	\$ 1,093,769

CITY OF STATESVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	Major	Non-Major	
	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 25,498,601	\$ 4,095,268	\$ 29,593,869
Ad valorem taxes receivable, net	617,189	-	617,189
Accounts receivable, net	254,355	83,996	338,351
Interest receivable	29,808	4,837	34,645
Due from other governments	2,580,065	348,750	2,928,815
Due from other component units	42,859	-	42,859
Due from other funds	1,024	-	1,024
Inventories	47,630	-	47,630
Prepaid items	6,909	-	6,909
Total Assets	\$ 29,078,440	\$ 4,532,851	33,611,291
LIABILITIES			
Accounts payable and accrued liabilities	1,077,962	38,067	1,116,029
Due to other funds	-	1,024	1,024
Total Liabilities	1,077,962	38,067	1,116,029
DEFERRED INFLOWS OF RESOURCES			
Property taxes	617,189	-	617,189
Prepaid taxes	5,874	-	5,874
Deferred accounts receivable	236,363	83,996	320,359
Total deferred inflows of resources	859,426	83,996	943,422
FUND BALANCES			
Non Spendable			
Inventory	47,630	-	47,630
Prepaid items	6,909	-	6,909
Restricted			
Stabilization by state statute	3,879,522	435,240	4,314,762
Public safety	-	41,341	41,341
Transportation	-	1,248,014	1,248,014
Economic development	-	574,665	574,665
Committed			
Capital outlay	-	2,111,528	2,111,528
Assigned			
Subsequent year's appropriations	1,838,714	-	1,838,714
Unassigned	21,368,277	-	21,368,277
Total Fund Balances	27,141,052	4,410,788	31,551,840
Total Liabilities, deferred inflows of revenues and fund balances	\$ 29,078,440	\$ 4,532,851	

CITY OF STATESVILLE, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF NET POSITION TO
GOVERNMENTAL BALANCE SHEET
June 30, 2015

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

		31,551,840
Total fund balance continued from Exhibit 3		
Capital assets used in governmental activities are not financing resources and are not reported in the funds.		
Capital assets	111,771,470	
Accumulated depreciation	(46,392,772)	
Construction work in process	9,686,437	75,065,135
The focus of governmental funds is on short-term financing; long-term assets are deferred in the funds.		
Accrued interest property taxes	157,759	
Federal tax subsidy for debt	8,205	
Net pension asset - LGERS	1,318,271	
Net pension asset - separation allowance	677,409	2,161,644
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		
		438,644
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.		
		1,451,562
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Deferred property taxes	617,189	
Other deferred revenues	320,359	937,548
Not reported in the funds.		
Pension related deferrals	(3,236,256)	
Interest payable	(21,767)	
Compensated absences	(2,203,241)	
OPEB and IBNR payable	(1,312,929)	
Short-term debt	(894,700)	
Long-term debt	(4,278,800)	(11,947,693)
Net position of governmental activities (Exhibit 1)		\$ 99,658,680

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	Major	Non-Major	
	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 12,407,077	\$ -	\$ 12,407,077
Other taxes and licenses	35,941	915,685	951,626
Unrestricted intergovernmental	8,687,198	-	8,687,198
Restricted intergovernmental	1,052,569	561,622	1,614,191
Permits and fees	731,287	-	731,287
Sales and services	1,451,812	1,139	1,452,951
Investment earnings	166,307	36,348	202,655
Miscellaneous	152,566	4,327	156,893
Total revenues	24,684,757	1,519,121	26,203,878
EXPENDITURES			
Current:			
General government	2,986,788	-	2,986,788
Public safety	12,047,191	74,201	12,121,392
Transportation	2,391,503	476,588	2,868,091
Economic and physical development	571,667	216,593	788,260
Environmental protection	2,132,924	-	2,132,924
Cultural and recreation	3,278,844	-	3,278,844
Capital outlay	-	2,392,459	2,392,459
Debt service:			
Principal	894,700	-	894,700
Interest and fiscal costs	553,500	-	553,500
Total expenditures	24,857,117	3,159,841	28,016,958
Revenues (under) expenditures	(172,360)	(1,640,720)	(1,813,080)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	2,533,480	45,806	2,579,286
Transfers to other funds	(45,806)	(2,342,728)	(2,388,534)
Total other financing sources and (uses)	2,487,674	(2,296,922)	190,752
Net change in fund balances	2,315,314	(3,937,642)	(1,622,328)
Fund balance at beginning of year	24,825,738	8,348,430	33,174,168
Fund balance at end of year	\$ 27,141,052	\$ 4,410,788	\$ 31,551,840

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, 2015

Fund Balances to the Statement of Activities:

Total net change in fund balances-governmental funds (continued) (1,622,328)

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	4,383,028	
Capital Gain (loss)	(1,650)	
Depreciation expense	(3,889,569)	491,809

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

Change in deferred revenue for tax revenues	(154,552)	
Change in other deferred revenues	(133,562)	
Federal interest subsidy	(5,323)	
Current contribution to pension not in Statement of Activities	438,644	
Change in net pension asset-Separation Allowance	(63,687)	81,520

The issuance of long-term provides current financing resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financing 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.

Principal redemption	1,224,700	
Accrued interest payable	10,676	1,235,376

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

Pension expense	(76,808)	
Compensated absences	59,324	
Other postemployment benefits	(62,970)	(80,454)

Net income of internal service funds determined to be governmental-type. (191,819)

Changes in net position of governmental activities \$ (85,896)

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, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 11,819,898	\$ 11,819,898	\$ 12,407,077	\$ 587,179
Other taxes and licenses	7,397,000	30,000	35,941	5,941
Unrestricted intergovernmental	720,000	7,740,000	8,687,198	947,198
Restricted intergovernmental	966,504	1,071,201	1,052,569	(18,632)
Permits and fees	398,100	775,100	731,287	(43,813)
Sales and services	1,366,530	1,380,730	1,451,812	71,082
Investment earnings	125,000	125,000	166,307	41,307
Miscellaneous	20,000	108,419	152,566	44,147
Total revenues	<u>22,813,032</u>	<u>23,050,348</u>	<u>24,684,757</u>	<u>1,634,409</u>
EXPENDITURES				
Current:				
General government	3,280,210	3,850,161	2,986,788	863,373
Public safety	12,335,867	12,662,752	12,047,191	615,561
Transportation	2,528,823	3,349,949	2,391,503	958,446
Economic and physical development	775,000	967,939	571,667	396,272
Environmental protection	2,391,349	2,408,100	2,132,924	275,176
Cultural and recreation	3,434,231	3,636,672	3,278,844	357,828
Debt service:				
Principal	894,700	894,700	894,700	-
Interest and fiscal costs	553,500	553,500	553,500	-
Contingency	113,960	573	-	573
Total expenditures	<u>26,307,640</u>	<u>28,324,346</u>	<u>24,857,117</u>	<u>3,467,229</u>
Revenues over (under) expenditures	<u>(3,494,608)</u>	<u>(5,273,998)</u>	<u>(172,360)</u>	<u>5,101,638</u>
OTHER FINANCING SOURCES (USES)				
Transfer - in	2,520,006	2,594,728	2,533,480	(61,248)
Transfer - (out)	(24,143)	(45,806)	(45,806)	-
Fund balance appropriated	998,745	2,725,076	-	(2,725,076)
Total other financing sources and (uses)	<u>3,494,608</u>	<u>5,273,998</u>	<u>2,487,674</u>	<u>(2,786,324)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>2,315,314</u>	<u>\$ 2,315,314</u>
Fund balance at beginning of year			<u>24,825,738</u>	
Fund balance at end of year			<u>\$ 27,141,052</u>	

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Enterprise Funds			Total Enterprise Funds	Governmental Activities- Internal Service
	Major		Other		
	Electric Fund	Water and Sewer Fund	Civic Center Fund		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 15,207,200	\$ 16,838,477	\$ 1,152,239	\$ 33,197,916	\$ 1,340,337
Accounts receivable, net - billed	3,671,813	746,996	-	4,418,809	-
Accounts receivable, net-unbilled	2,488,431	499,377	-	2,987,808	-
Due from other governments	68,342	1,960,197	3,506	2,032,045	80
Interest receivable	18,975	19,730	1,349	40,054	1,571
Restricted cash, deposits	1,003,685	-	-	1,003,685	-
Inventories	1,403,613	160,246	-	1,563,859	-
Prepaid assets	124,340	-	6	124,346	-
Total current assets	<u>23,986,399</u>	<u>20,225,023</u>	<u>1,157,100</u>	<u>45,368,522</u>	<u>1,341,988</u>
Noncurrent assets:					
Net pension asset	162,073	150,464	28,385	340,922	-
Capital assets:					
Land and non-depreciable	18,100	1,511,212	2,638,669	4,167,981	-
Capital assets, net of depreciation	21,270,122	43,815,998	2,820,149	67,906,269	-
Construction work in progress	810,266	23,133,427	-	23,943,693	-
Total capital assets, net	<u>22,098,488</u>	<u>68,460,637</u>	<u>5,458,818</u>	<u>96,017,943</u>	<u>-</u>
Total assets	<u>\$ 46,246,960</u>	<u>\$ 88,836,124</u>	<u>\$ 6,644,303</u>	<u>\$ 141,727,387</u>	<u>\$ 1,341,988</u>
DEFERRED OUTFLOWS OF RESOURCES					
Contribution to pension plan	\$ 53,928	\$ 50,066	\$ 9,445	\$ 113,439	\$ -
Total deferred outflow of resources	<u>\$ 53,928</u>	<u>\$ 50,066</u>	<u>\$ 9,445</u>	<u>\$ 113,439</u>	<u>\$ -</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 4,814,803	\$ 1,622,279	\$ 15,879	\$ 6,452,961	\$ 662,558
Interest payable	-	95,849	-	95,849	-
Due to other governments	-	735,276	-	735,276	-
Customer deposits	1,003,685	-	-	1,003,685	-
Unearned /prepaid revenues	-	231,143	72,888	304,031	-
Current portion of compensated absences	145,737	249,308	5,149	400,194	-
Current portion of long-term debt	-	2,048,225	-	2,048,225	-
Total current liabilities	<u>5,964,225</u>	<u>4,982,080</u>	<u>93,916</u>	<u>11,040,221</u>	<u>662,558</u>
Noncurrent liabilities:					
Compensated absences	68,246	36,237	22,904	127,387	-
Other postemployment benefits	139,686	244,669	29,311	413,666	-
Noncurrent portion of long-term debt	-	27,632,920	-	27,632,920	-
Total noncurrent liabilities	<u>207,932</u>	<u>27,913,826</u>	<u>52,215</u>	<u>28,173,973</u>	<u>-</u>
Total liabilities	<u>6,172,157</u>	<u>32,895,906</u>	<u>146,131</u>	<u>39,214,194</u>	<u>662,558</u>
DEFERRED INFLOWS OF RESOURCES					
Pension deferral	397,876	369,378	69,683	836,937	-
NET POSITION					
Net invested in capital assets	22,098,488	38,779,492	5,458,818	66,336,798	-
Unrestricted	17,632,367	16,841,414	979,116	35,452,897	679,430
Total net position	<u>\$ 39,730,855</u>	<u>\$ 55,620,906</u>	<u>\$ 6,437,934</u>	<u>101,789,695</u>	<u>\$ 679,430</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(772,132)	
Net position of business-type activities				<u>\$ 101,017,563</u>	

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	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	\$ 46,285,743	\$ 9,665,521	\$ 299,275	\$ 56,250,539	\$ 4,097,024
Other operating revenues	1,056,119	311,848	260	1,368,227	15,000
Total operating revenues	47,341,862	9,977,369	299,535	57,618,766	4,112,024
OPERATING EXPENSES					
Electrical operations	4,061,785	-	-	4,061,785	-
Electrical power purchases	41,571,134	-	-	41,571,134	-
Water and sewer operations	-	6,716,122	-	6,716,122	-
Civic Center operations	-	-	802,320	802,320	-
Health expenses and insurance claims	-	-	-	-	4,375,589
Depreciation	1,297,996	2,599,789	192,534	4,090,319	-
Total operating expenses	46,930,915	9,315,911	994,854	57,241,680	4,375,589
Operating income (loss)	410,947	661,458	(695,319)	377,086	(263,565)
NONOPERATING REVENUES (EXPENSES)					
Interest income	105,408	110,768	7,715	223,891	10,364
Interest expense	-	(361,463)	-	(361,463)	-
Intergovernmental revenues	-	-	-	-	-
State utility tax, net	1,207	-	-	1,207	-
Pole attachment rental and leases	74,185	-	-	74,185	-
Pension revenue	53,928	50,066	9,445	113,439	-
Sale of materials and other	228,804	55,697	-	284,501	-
Total nonoperating revenues (expense)	463,532	(144,932)	17,160	335,760	10,364
Income (loss) before transfers	874,479	516,526	(678,159)	712,846	(253,201)
TRANSFERS IN (OUT)					
Transfers - in	-	-	617,404	617,404	-
Transfers - (out)	(281,764)	(502,427)	(23,965)	(808,156)	-
Total transfers	(281,764)	(502,427)	593,439	(190,752)	-
Change in net position (loss)	592,715	14,099	(84,720)	522,094	(253,201)
Net position, beginning of year	39,364,500	55,816,954	6,562,298	101,743,752	932,631
Restatement	(226,360)	(210,147)	(39,644)	(476,151)	-
Net position, end of year	<u>\$ 39,730,855</u>	<u>\$ 55,620,906</u>	<u>\$ 6,437,934</u>	101,789,695	<u>\$ 679,430</u>
Change in net assets shown above					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(61,381)	
Change in net position - business-type activities				<u>\$ (15,438)</u>	

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Enterprise Funds			Total Enterprise Funds	Internal Service Funds
	Major		Other		
	Electric Fund	Water and Sewer Fund	Civic Center Fund		
Cash flows from operating activities:					
Cash received from customers	\$ 46,179,156	\$ 10,068,384	\$ 299,535	\$ 56,547,075	\$ 4,112,024
Cash paid for goods and services	(43,983,176)	(4,506,618)	(402,586)	(48,892,380)	(4,325,849)
Cash paid to employees for services	(1,397,744)	(2,747,060)	(392,448)	(4,537,252)	-
Customer deposits received	1,955,177	-	-	1,955,177	-
Customer deposits returned	(1,805,773)	-	-	(1,805,773)	-
Other operating income	1,056,119	-	-	1,056,119	-
Non-operating income	304,196	-	-	304,196	-
Net cash provided (used) by operating activities	<u>2,307,955</u>	<u>2,814,706</u>	<u>(495,499)</u>	<u>4,627,162</u>	<u>(213,825)</u>
Cash flows from noncapital financing activities:					
Transfers from other funds	117,467	719,924	617,404	1,454,795	135,000
Transfers to other funds	(399,231)	(1,222,351)	(23,965)	(1,645,547)	(135,000)
Net cash provided (used) by noncapital financing activities	<u>(281,764)</u>	<u>(502,427)</u>	<u>593,439</u>	<u>(190,752)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(1,837,910)	(11,918,879)	-	(13,756,789)	-
Proceeds from capital debt	-	10,522,769	-	10,522,769	-
Principal paid on long-term debt	-	(2,032,298)	-	(2,032,298)	-
Interest paid on long-term debt	-	(65,969)	-	(65,969)	-
Due to other governments	-	1,209,114	-	1,209,114	-
Net cash used by capital and related financing activities	<u>(1,837,910)</u>	<u>(2,285,263)</u>	<u>-</u>	<u>(4,123,173)</u>	<u>-</u>
Cash flows from investing activities:					
Interest on investments	<u>105,408</u>	<u>110,767</u>	<u>7,739</u>	<u>223,914</u>	<u>10,818</u>
Net increase (decrease) in cash and cash equivalents	293,689	137,783	105,679	537,151	(203,007)
Cash and cash equivalents, July 1	<u>15,917,196</u>	<u>16,700,695</u>	<u>1,046,559</u>	<u>33,664,450</u>	<u>1,543,344</u>
Cash and cash equivalents, June 30	<u>\$ 16,210,885</u>	<u>\$ 16,838,477</u>	<u>\$ 1,152,239</u>	<u>\$ 34,201,601</u>	<u>\$ 1,340,337</u>

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Enterprise Funds			Total Enterprise Funds	Internal Service Funds
	Major Electric Fund	Water and Sewer Fund	Other Civic Center Fund		
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 410,947	\$ 725,922	\$ (695,319)	\$ 441,550	\$ (263,564)
Add non-operating income	304,196	-	-	304,196	-
Adjusted operating income	715,143	725,922	(695,319)	745,746	(263,564)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,297,996	2,599,789	192,534	4,090,319	-
Pension expense	9,443	8,767	1,654	19,864	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(259,217)	35,318	-	(223,899)	-
Decrease in inventory	74,562	1,083	-	75,645	-
Decrease (increase) in prepaids	(120,750)	3,649	(7)	(117,108)	17,052
(Increase) decrease due to other governments	27,123	-	(598)	26,525	(66)
Increase (decrease) in accounts payable and accrued liabilities	442,336	(698,506)	302	(255,868)	32,753
(Increase) in deferred outflow of resources for pensions	(53,928)	(50,066)	(9,445)	(113,439)	0
Increase in customer deposits and ppd revenues	149,404	-	7,476	156,880	-
Increase in accrued compensation absences	19,171	177,284	1,459	197,914	-
Increase in other postemployment benefits	6,672	11,466	6,445	24,583	-
Total adjustments	1,592,812	2,088,784	199,820	3,881,416	49,739
Net cash provided (used) by operating activities	<u>\$ 2,307,955</u>	<u>\$ 2,814,706</u>	<u>\$ (495,499)</u>	<u>\$ 4,627,162</u>	<u>\$ (213,825)</u>

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	Pension Trust Fund	Utility Donation Fund
ASSETS		
Cash and cash equivalents	\$ 218,226	\$ 1,136
Donation receivable	-	410
Interest receivable	256	1
Total assets	\$ 218,482	\$ 1,547
LIABILITIES		
Accounts payable	\$ -	\$ -
Payroll payable	-	-
Total liabilities	-	-
NET POSITION		
Reserved for employee's retirement and utility donations	\$ 218,482	\$ 1,547

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2015

	Pension Trust Fund	Utility Donation Fund
Additions		
Employer Contributions	\$ 150,825	\$ -
Utility Donations	-	4,242
Investment income	1,416	5
Total additions	<u>152,241</u>	<u>4,247</u>
Deductions		
Employee Benefits	130,882	-
Customer Assistance	-	3,878
Total Deductions	<u>130,882</u>	<u>3,878</u>
Change in net position	21,359	369
Net position, beginning of year	<u>197,123</u>	<u>1,178</u>
Net position, end of year	<u><u>\$ 218,482</u></u>	<u><u>\$ 1,547</u></u>

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CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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, 2015

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 funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state and federal grants, and various other taxes and licenses. The primary expenditures are for public safety, streets, 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 eleven non-major funds. They are Home Program Grant Project Fund, 1997-1998 Home Consortium Fund, Home Consortium/CDBG Fund, Drug Enforcement Fund, Occupancy Tax Fund, Domestic Violence Grant Fund, Economic Development Grant Fund, Warehouse Construction Fund, Streetscape Capital Fund, Airport Improvement 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.

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. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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, 2015

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. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered shared revenue for the City of Statesville because the tax is levied by Iredell County and then remitted to and distributed by the State. 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, 2015

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, 2015, the General Fund, excluding project funds, had outstanding encumbrances of \$1,190,050. The enterprise funds outstanding encumbrances of \$2,006,475 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

a. 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.

b. 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, 2015

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (cont'd)

c. 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 of \$1,003,685 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.

d. Ad Valorem Taxes Receivable

In accordance with State Law G.S. §105-347 and G.S. §159-13(a), the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2014. As allowed by States law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

e. 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.

f. 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.

g. 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, 2015

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (cont'd)

g. 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, 2015.

h. 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 several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

i. 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. 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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (cont'd)

j. 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.

k. 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 represents 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:

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

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

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

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

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

Restricted for public safety – fund balance that is restricted for drug seizures funds and police grants.

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

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (cont'd)

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

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

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). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The City Council currently has not committed any fund balance from the General Fund.

Assigned Fund Balance – portion of fund balance that the 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 City's appropriations with a budget ordinance that lapse at the end of the fiscal year.

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.

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

l. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Statesville's employer contributions are recognized when due and the City of Statesville has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (cont'd)

1. Pensions (cont'd)

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. DETAIL NOTES ON ALL FUNDS

A. Assets

a. Deposits

All of the deposits of the City, the ABC Board, and CVB are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, the ABC Board, and CVB, these deposits are considered to be held by the City's, the ABC Board's and CVB's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, CVB or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City, the ABC Board, and CVB under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City, the ABC Board, and CVB do not have policies regarding custodial risk for deposits.

At June 30, 2015 the City's deposits had a carrying amount of \$3,897,545 and a bank balances of \$4,042,425. Certificate of deposits of \$1,000,000 are included in the City's carrying amount of \$3,897,545. The City maintained \$3,975 in petty cash and other funds. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$3,397,545 was covered by collateral held by the State Treasurer's "Pooling Method".

At June 30, 2015, the Statesville Convention and Visitors Bureau's deposits had a carrying amount of \$36,244 and a bank balance of \$36,319 all of which was covered by federal depository insurance.

At June 30, 2015 the ABC Board's deposits had a carrying amount of \$271,636 and a bank balance of \$279,642. Of the bank balance, \$250,000 was covered by federal depository insurance. Amounts in excess of FDIC insurance are collateralized under the Pooling Method.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

A. Assets (cont'd)

b. Investments

As of June 30, 2015, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-2 Years</u>	<u>More Than 2 Years</u>
US Government Treasuries	\$ 4,003,540	\$ -	\$ 3,001,580	\$ 1,001,960
US Government Agencies	25,933,790	1,994,760	3,994,080	19,944,950
Commercial Paper	9,975,217	9,975,217	-	-
NCCMT - Cash Portfolio	21,541,102	-	-	-
Total:	\$ 61,453,649	\$ 11,969,977	\$ 6,995,660	\$ 20,946,910

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 40% of the City's investments are in Federal Farm Credit Bank-17%, Federal Home Loan Bank-12%, Federal Home Loan Mortgage Corporation-5%, and Federal National Mortgage Association-6%. Percentage for the remaining portfolio is as follows; sweep checking account-4%, North Carolina Capital Management Trust-33%, certificate of deposit-2%, commercial paper-15%, and U.S. Treasuries-6%.

Mark to Market. During 2014-2015, the City realized a fair value loss of \$56,529. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year as determined at June 30, 2015. Realized interest as June 30, 2015 was \$432,186 for all funds.

At June 30, 2015, the Statesville Convention and Visitors Bureau had \$97,581 invested with the North Carolina Capital Management Trust's Cash Portfolio. The City of Statesville ABC Board had no investments.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

II. DETAIL NOTES ON ALL FUNDS

A. Assets (cont'd)

c. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the statement of Net Position for the ended June 30, 2015 is net of the following allowances for doubtful accounts:

Receivables at the government-wide level at June 30, 2015 were as follows;

	<u>Accounts Receivable</u>	<u>Taxes Receivable</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 830,875	\$ 936,896	\$ 1,767,771
Tipping and inspection fees	16,007	-	16,007
Assessments	29,446	-	29,446
Home Program	83,996	-	83,996
	<u>960,324</u>	<u>936,896</u>	<u>1,897,220</u>
Total receivables			
Allowance for doubtful accounts	<u>(621,973)</u>	<u>(319,707)</u>	<u>(941,680)</u>
Total governmental activities	<u>\$ 338,351</u>	<u>\$ 617,189</u>	<u>\$ 955,540</u>
Business-type activities:			
Electric	\$ 6,644,286	\$ -	\$ 6,644,286
Water	718,615	-	718,615
Sewer	1,078,240	-	1,078,240
	<u>8,441,141</u>	<u>-</u>	<u>8,441,141</u>
Total receivables			
Allowance for doubtful accounts	<u>(1,034,524)</u>	<u>-</u>	<u>(1,034,524)</u>
Total business-type activities:	<u>\$ 7,406,617</u>	<u>\$ -</u>	<u>\$ 7,406,617</u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

A. Assets (cont'd)

d. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2015, was as follows:

	<u>7/1/2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>06/30/15</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 21,709,487	\$ 27,067	\$ -	\$ -	\$ 21,736,554
Construction in progress	<u>6,884,578</u>	<u>3,023,431</u>	<u>(28,433)</u>	<u>(193,140)</u>	<u>9,686,436</u>
Total capital assets not being depreciated	<u>28,594,065</u>	<u>3,050,498</u>	<u>(28,433)</u>	<u>(193,140)</u>	<u>31,422,990</u>
Capital assets being depreciated:					
Buildings	19,820,626	-	-	-	19,820,626
Computers and radios	306,426	8,084	-	-	314,510
Infrastructure	52,367,747	544,246	-	-	52,911,993
Equipment and furniture	358,124	7,729	-	-	365,853
Other improvements	4,400,120	73,218	(5,051)	193,140	4,661,427
Radios and communications	305,130	60,001	-	-	365,131
Vehicles	<u>11,074,261</u>	<u>639,251</u>	<u>(118,135)</u>	<u>-</u>	<u>11,595,377</u>
Total capital assets being depreciated:	<u>88,632,434</u>	<u>1,332,529</u>	<u>(123,186)</u>	<u>193,140</u>	<u>90,034,917</u>
Less accumulated depreciation for:					
Buildings	6,372,423	500,256	-	-	6,872,679
Computers and radios	243,067	11,799	-	-	254,866
Infrastructure	25,086,656	2,471,101	-	-	27,557,757
Equipment and furniture	342,039	6,252	-	-	348,291
Other improvements	2,315,699	323,488	(3,914)	-	2,635,273
Radios and communications	305,130	500	-	-	305,630
Vehicles	<u>7,959,733</u>	<u>576,678</u>	<u>(118,135)</u>	<u>-</u>	<u>8,418,276</u>
Total accumulated depreciation	<u>42,624,747</u>	<u>\$ 3,890,074</u>	<u>\$ (122,049)</u>	<u>\$ -</u>	<u>46,392,772</u>
Total capital assets being depreciated, net	<u>46,007,687</u>				<u>43,642,145</u>
Governmental activity capital assets, net	<u>\$ 74,601,752</u>				<u>\$ 75,065,135</u>

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

Governmental Functions:	
General government	\$ 247,674
Public safety	607,434
Transportation	2,493,748
Environmental protection	123,264
Culture and recreation	<u>417,449</u>
Total depreciation expense governmental functions	<u>\$ 3,889,569</u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

A. Assets (cont'd)

d. Capital Assets (cont'd)

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

	7/1/2014	Additions	Retirements	Transfers	06/30/15
Electric Fund:					
Capital assets not being depreciated:					
Land	\$ 18,100	\$ -	\$ -	\$ -	\$ 18,100
Construction work in progress	479,577	444,239	(202)	(113,348)	810,266
Total assets not being depreciated	497,677	444,239	(202)	(113,348)	828,366
Capital assets being depreciated:					
Plant in service	38,741,322	1,238,285	(384,868)	-	39,594,739
Equipment	2,259,890	536,642	(123,012)	113,348	2,786,868
Total capital assets being depreciated:	41,001,212	1,774,927	(507,880)	113,348	42,381,607
Less accumulated depreciation for:					
Plant in service	18,783,014	1,103,213	(221,720)	-	19,664,507
Equipment	1,375,207	194,783	(123,012)	-	1,446,978
Total accumulated depreciation	20,158,221	\$ 1,297,996	\$ (344,732)	\$ -	21,111,485
Total capital assets being depreciated, net	20,842,991				21,270,122
Total Electric Fund capital assets, net	\$ 21,340,668				\$ 22,098,488
Water and Sewer Fund:					
Capital assets not being depreciated:					
Land	\$ 1,511,212	\$ -	\$ -	\$ -	\$ 1,511,212
Construction work in progress	14,649,144	10,450,997	(11,922)	(1,954,793)	23,133,426
Total assets not being depreciated	16,160,356	10,450,997	(11,922)	(1,954,793)	24,644,638
Capital assets being depreciated:					
Plant in service - Sewer System	47,566,884	-	-	566,890	48,133,774
Plant in service - Water System	46,926,908	10,546	-	1,387,903	48,325,357
Equipment	4,289,190	171,013	(237,242)	-	4,222,961
Total capital assets being depreciated:	98,782,982	181,559	(237,242)	1,954,793	100,682,092
Less accumulated depreciation for:					
Plant in service - Sewer System	30,188,207	1,198,565	-	-	31,386,772
Plant in service - Water System	21,449,543	1,145,312	-	-	22,594,855
Equipment	2,865,796	255,912	(237,242)	-	2,884,466
Total accumulated depreciation	54,503,546	\$ 2,599,789	\$ (237,242)	\$ -	56,866,093
Total capital assets being depreciated, net	44,279,436				43,815,999
Total Water and Sewer Fund capital assets, net	\$ 60,439,792				\$ 68,460,637

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

A. Assets (cont'd)

d. Capital Assets (cont'd)

	7/1/2014	Additions	Retirements	Transfers	06/30/15
Civic Center Fund:					
Capital assets not being depreciated:					
Land	\$ 2,302,844	\$ -	\$ -	\$ -	\$ 2,302,844
Fresco	335,825	-	-	-	335,825
Total assets not being depreciated	2,638,669	-	-	-	2,638,669
Capital assets being depreciated:					
Buildings	4,641,031	-	-	-	4,641,031
Improvements	244,808	-	-	-	244,808
Equipment	361,692	-	-	-	361,692
Total capital assets being depreciated:	5,247,531	-	-	-	5,247,531
Less accumulated depreciation for:					
Buildings	1,814,065	154,353	-	-	1,968,418
Improvements	151,504	16,321	-	-	167,825
Equipment	269,280	21,859	-	-	291,139
Total accumulated depreciation	2,234,849	\$ 192,533	\$ -	\$ -	2,427,382
Total capital assets being depreciated, net	3,012,682				2,820,149
Total Civic Center Fund capital assets, net	5,651,351				5,458,818
Business-type activities capital assets, net	\$ 87,431,811				\$ 96,017,943

Construction Commitments:

The government has active construction projects as of June 30, 2015. At year end, the government's commitments with contractors are as follows:

Vendor	Description of Construction Project	Project to Date	Amount
Adams-Robinson Enterprises, Inc.	Third Creek WWTP Construction	\$ 21,973,377	\$ 68,575
Maymead, Inc	Street/other paving	44,532.00	502,330.52
McGill Associates PA	Water and Sewer Engineering	4,340.00	220,254.00
M.B. Kahn Co., Inc	Fourth Creek WWTP Improvement	613,551.00	2,900,048.00
R. Joe Harris and Associates, Inc.	I-77 Sewer Oversize Line-Engineering	8,647.00	168,325.00
	Total	\$22,644,447	\$ 3,859,533

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

A. Assets (cont'd)

d. Capital Assets (cont'd)

Discretely Presented Component Units

Activity for the ABC Board for the year ended June 30, 2015 was as follows:

	<u>7/1/2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>06/30/15</u>
Capital assets not being depreciated:					
Land	\$ 235,050	\$ -	\$ -	\$ -	\$ 235,050
Total assets not being depreciated	<u>235,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,050</u>
Capital assets being depreciated:					
Buildings	1,667,134	-	-	-	1,667,134
Furniture and equipment	348,700	3,463	-	-	352,163
Total capital assets being depreciated:	<u>2,015,834</u>	<u>3,463</u>	<u>-</u>	<u>-</u>	<u>2,019,297</u>
Less accumulated depreciation for:					
Buildings	428,812	41,123	-	-	469,935
Furniture and equipment	227,981	20,928	-	-	248,909
Total accumulated depreciation	<u>656,793</u>	<u>\$ 62,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>718,844</u>
Total ABC capital assets, net	<u>\$ 1,594,091</u>				<u>\$ 1,535,503</u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2015 were as follows:

	Vendors & IBNR	Salaries & Benefits	Total
All governmental activities	\$1,181,612	\$595,943	\$1,777,555
Business-type activities:			
Electric	\$4,768,345	\$46,458	\$4,814,803
Water & sewer	1,557,593	64,686	1,622,279
Civic Center	7,098	8,781	15,879
Total business-type activities	\$6,333,036	\$119,925	\$6,452,961

2. Pension Plan Obligations

a. North Carolina Local Government Employees' Retirement System

- 1) *Plan Description.* The City of Statesville and the ABC Board is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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) *Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters).

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

B. Liabilities (cont'd)

2. Pension Plan Obligations (cont'd)

a. North Carolina Local Government Employees' Retirement System (cont'd)

Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Statesville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Statesville's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Statesville were \$552,083 for the year ended June 30, 2015.

Refunds of Contributions – City employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2015, the City reported an asset of \$1,659,191 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an At

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

B. Liabilities (cont'd)

2. Pension Plan Obligations (cont'd)

a. North Carolina Local Government Employees' Retirement System (cont'd)

June 30, 2015, the City reported an asset of \$1,659,191 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions.

The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the City's proportion was 0.029%, which was a decrease of 0.001% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$96,671. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 181,295
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments.	-	3,862,562
Changes in proportion and differences between City contributions and proportionate share of contributions	-	29,336
City contributions subsequent the measurement date	552,083	-
	\$ 552,083	\$ 4,073,193

\$552,083 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (1,018,430)
2017	(1,018,430)
2018	(1,018,430)
2019	(1,017,902)
2020	-
Thereafter	-
	\$ (4,073,192)

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

B. Liabilities (cont'd)

2. Pension Plan Obligations (cont'd)

a. North Carolina Local Government Employees' Retirement System (cont'd)

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases including inflation and productivity factor	4.25 to 8.55 percent
Investment rate of return, net of pension plan investment expense, including inflation	7.25 percent

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
	100.0%	

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

B. Liabilities (cont'd)

2. Pension Plan Obligations (cont'd)

a. North Carolina Local Government Employees' Retirement System (cont'd)

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (-6.25%)	Discount Rate (-7.25%)	1% Increase (-8.25%)
City's proportionate share of the net pension liability (asset)	\$ 5,632,015	\$ (1,659,191)	\$ (7,798,153)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

- 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, 2014, the Separation Allowance's membership consisted of:

	<u>City</u>	<u>ABC Board</u>
Retirees receiving benefits	7	1
Active plan members	<u>81</u>	<u>1</u>
Total	<u>88</u>	<u>2</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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. 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 \$22,683 in benefits. The ABC Board has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- a) Contributions to the pension plan and earnings on those contributions are irrevocable.
- b) Pension plan assets are dedicated to providing benefits to plan members.
- c) Pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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)

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.

- 3) *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, 2014 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, 2014 was 16 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	\$159,719
Interest on net pension asset	(37,055)
Adjustment to annual required contribution	62,604
Annual pension cost	185,268
Employer contributions made for fiscal year	121,581
Increase (decrease) in net pension obligation	63,687
Net pension assets, July 1, 2014	(741,096)
Net pension liability (assets), June 30, 2015	\$(677,409)

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

B. Liabilities (cont'd)

2. Pension Plan Obligations (cont'd)

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

Three-Year Trend Information	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset at End of Year
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset at End of Year
June 30, 2013	\$152,220	75.77%	\$792,405
June 30, 2014	\$163,707	68.66%	\$741,096
June 30, 2015	\$185,268	81.41%	\$677,409

5) *Funded Status and Funding Progress.*

As of December 31 2014, 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 \$1,056,034. The covered payroll (annual payroll of active employees covered by the plan) was \$3,662,945, and the ratio of the UAAL to the covered payroll was 28.83 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) *Contributions.* 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, 2015, were \$373,811, which consisted of \$182,453 from the City and \$191,358 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, 2015 was \$16,545.

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

B. Liabilities (cont'd)

2. Pension Plan Obligations (cont'd)

d. Firefighter'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 Firefighter'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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighter'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) *Contributions.* 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, 2015, the City has recognized on-behalf-of payments for pension contributions made by the state as revenue and an expenditure of \$346 for 24 fire department employees who perform firefighting duties for the City's fire department.
- 3) *Benefits Provided.* FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.
- 4) *Refunds of Contributions* – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

B. Liabilities (cont'd)

2. Pension Plan Obligations (cont'd)

d. Firefighter's and Rescue Squad Workers' Pension Fund (cont'd)

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

At June 30, 2015, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$5,192. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2014 and at June 30, 2013 was 0%.

For the year ended June 30, 2015, the City recognized pension expense of \$8,306 and revenue of \$8,306 for support provided by the State. At June 30, 2015, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent
Investment rate of return	7.25 percent

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

B. Liabilities (cont'd)

2. Pension Plan Obligations (cont'd)

d. Firefighter's and Rescue Squad Workers' Pension Fund (cont'd)

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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, 2013 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, 2013, a participant must be eligible and approved to receive retirement benefits in accordance with the regulations of the North Carolina Local Governmental Employees' Retirement System (NCLGERS) and have thirty (30) years of service or attain age fifty-five (55) with twenty (20) years of service. Participating retired employees are required to pay for coverage based on the City's current funding rates for the group as determined by the third party administrator. Health care and prescription drug coverage are available to eligible retirees under age 65. Dental coverage is available at the retirees' expense. The retiree may continue dependent coverage (and pay the full cost of this coverage) if enrolled in dependent coverage at the time of retirement. Dependent coverage terminates upon the spouse becoming eligible for Medicare, upon the retiree becoming eligible for Medicare, or upon the retirees' death, whichever comes first. Retired employee members are 13 and active employee's membership of the HCB Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

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>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

B. Liabilities (cont'd)

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

a. Healthcare Benefits (cont'd)

Contributions. 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 06/30/2015:

Employer annual required contribution	\$	79,624
Valuation Discount Rate		4.00%
Interest on Net OPEB Obligation:		65,761
Amortization Factor		26.1695
Adjustment to Annual Required Contribution:		62,822
 Annual OPEB Cost:		 82,563
Employer Contributions for Fiscal Year Ending 06/30/2015		-
 Increase (decrease in Net OPEB Obligation:	 \$	 82,563
Net OPEB Obligation Beginning of Fiscal Year		1,644,032
 Net OPEB Obligation End of Fiscal Year:	 \$	1,726,595

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

B. Liabilities (cont'd)

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

a. Healthcare Benefits (cont'd)

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
2014	\$299,029	0.00%	\$ 1,644,032
2015	\$82,563	0.00%	\$ 1,726,595

Funded Status and Funding Progress. As of December 31, 2013, 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, 2013 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, 2013, was 30 years.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

B. Liabilities (cont'd)

4. 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, 2015, 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 death benefit payment will resume for fiscal year 2016. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

5. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at June 30, 2015 is comprised of the following:

Contributions to pension plan in current fiscal year	<u>\$ 552,083</u>
Total outflow of resources	<u><u>\$ 552,083</u></u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

B. Liabilities (cont'd)

5. Deferred Outflows and Inflows of Resources (cont'd)

Deferred inflows of resources at June 30, 2015 is comprised of the following:

Prepaid taxes (General Fund)	\$ 5,874
Taxes receivable (General Fund)	617,189
Prepaid enterprise revenues	304,031
Pension deferrals	<u>4,073,193</u>
 Total inflow of resources	 <u>\$ 5,000,287</u>

6. Risk Management

1. *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 \$105,879,205 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.

2. *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 \$383,914 reported in the fund at June 30, 2015 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 \$383,914 claims liability represents total estimated claims incurred but not reported (IBNR), as provided by the plan administrator's actuary.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

B. Liabilities (cont'd)

6. Risk Management (cont'd)

	June 30	
	2015	2014
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 376,638	\$ 373,306
Add:		
Incurring claims and claim adjustment expenses:		
Provision for insured events of current year including IBNR	2,804,103	3,606,298
Less:		
Claims and adjustment expenses attributable to insured events current and prior years	2,796,827	3,602,966
Total Claims Liability	\$ 383,914	\$ 376,638

3. *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 \$220,771 reported in the fund at June 30, 2015 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 \$220,287 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.

	June 30	June 30
	2015	2014
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 200,524	\$ 82,237
Add:		
Incurring claims and claim adjustment expenses:		
Provision for insured events of current year including IBNR	403,830	479,443
Less:		
Claims and adjustment expenses attributable to insured events current and prior years	383,583	361,156
Total Claims Liability	\$ 220,771	\$ 200,524

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

B. Liabilities (cont'd)

7. Claims and Judgments

At June 30, 2015, 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.

8. 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 no general obligation bonds.

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, 2014. 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 has been reduced by 15.6% to the current rate of 38 percent. The sequestration reduction rate will be applied until the end of the Federal fiscal year (September 30, 2014) or intervening Congressional action, at which time the sequestration rate is subject to change.

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" two loans in the amount of \$20,933,900 on May 28, 2014 at an interest rate of 2.00% and \$4,800,000 on August 15, 2014 with a no interest rate to be used for sewer treatment plant expansion and improvements. Total amount borrowed as of June 30, 2015 is \$9,111,758. 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 currently receives a subsidy of 38 percent of interest cost from the Federal Government reducing the effective interest rate to 2.17 percent. The note is secured by a Deed of Trust. \$4,200,000

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 currently receives a subsidy of 38 percent of interest cost from the Federal Government reducing the effective interest rate to 3.12 percent. The note is secured by a Deed of Trust. 973,500

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

B. Liabilities (cont'd)

8. Long-Term Obligations (cont'd)

Total Serviced by the General Fund:

Total general governmental notes payable 5,173,500

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. 1,050,000

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. 987,222

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. 8,009,395

2.00% 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. 18,813,773

No interest rate 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. 820,754

Total North Carolina Drinking Water State Revolving 29,681,144

Total Outstanding Debt \$34,854,644

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

B. Liabilities (cont'd)

8. Long-Term Obligations (cont'd)

As of June 30, 2015 the City does not have any outstanding general obligation bonds with the final redemption occurring in fiscal year 2015. The following table summarizes the annual requirements to amortize all long-term debt outstanding:

	Notes Payable		Total Debt Payment
	Principal	Interest	
<u>Governmental activities:</u>			
2016	\$ 894,700	\$ 183,717	\$ 1,078,417
2017	894,700	149,424	1,044,124
2018	894,700	115,130	1,009,830
2019	894,700	80,837	975,537
2020	894,700	46,543	941,243
2021	700,000	12,250	712,250
Total Governmental	<u>5,173,500</u>	<u>587,901</u>	<u>5,761,401</u>
<u>Business-type activities - Water and Sewer Fund:</u>			
2016	2,048,225	654,096	2,702,321
2017	2,048,225	639,617	2,687,842
2018	2,048,225	591,874	2,640,098
2019	2,048,225	544,130	2,592,355
2020	2,048,225	496,386	2,544,611
2021	2,048,225	448,643	2,496,867
2022	2,048,225	400,899	2,449,123
2023	1,898,225	353,155	2,251,380
2024	1,774,822	309,311	2,084,133
2025	1,774,822	269,009	2,043,831
2026	1,774,822	228,707	2,003,529
2027-2035	<u>9,420,255</u>	<u>942,026</u>	<u>10,362,281</u>
Total Business-type	<u>30,980,518</u>	<u>5,877,854</u>	<u>36,858,371</u>
TOTAL DEBT	<u>\$ 36,154,018</u>	<u>\$ 6,465,755</u>	<u>\$ 42,619,772</u>

Amount of the state revolving loans can change depending on the total cost of the construction and improvements. Individual debt schedules is the amount that has been drawn down.

The ABC Board's annual report dated June 30, 2015 reported the following outstanding long-term debt: The ABC Board has a note payable with a bank secured by real estate. At June 30, 2015 the outstanding balance was \$771,827. 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:

2016	\$771,813
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CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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

B. Liabilities (cont'd)

8. Long-Term Obligations (cont'd)

The ABC Board's accumulated vacation at June 30, 2015 was \$43,484. The current portion of vacation pay is not considered material. The CVB's accumulated vacation at June 30, 2015 was \$650.

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, 2015:

	Balances 07/01/14 (Restated)	Additions	Decreases	Balances 06/30/15	Current Portion of Balance	Long-term Portion of Balance
Governmental activities:						
Notes Payable	\$ 6,398,200	\$ -	\$ 1,224,700	\$ 5,173,500	\$ 894,700	\$ 4,278,800
Compensated absences	2,262,565	1,702,315	1,761,639	2,203,241	1,731,977	471,264
Net pension liability	2,747,666		2,747,666	-	-	-
OPEB Obligation	1,249,967	62,970		1,312,937	-	1,312,937
Total governmental activities:	\$ 12,658,398	\$ 1,765,285	\$ 5,734,005	\$ 8,689,678	\$ 2,626,677	\$ 6,063,001
Business-type activities:						
Electric Fund:						
Compensated absences	\$ 194,812	\$ 155,322	\$ 136,151	\$ 213,983	\$ 145,737	\$ 68,247
Net pension liability	337,807		337,807	-	-	-
OPEB Obligation	133,014	6,672		139,686	-	139,686
Total Electric Fund	\$ 665,633	\$ 161,994	\$ 136,151	\$ 353,669	\$ 145,737	\$ 207,933
Water and Sewer Fund						
Notes payable	\$ 21,630,458	\$ 10,522,769	\$ 2,472,082	\$ 29,681,145	\$ 2,048,225	\$ 27,632,920
Compensated absences	304,193	239,984	258,632	285,545	249,308	36,237
Net pension liability	313,611		313,611	-	-	-
OPEB Obligation	233,203	11,466		244,669	-	244,669
Monofill closure	191,268		191,268	-	-	-
Total Water and Sewer Fund	\$ 22,672,733	\$ 10,774,219	\$ 3,235,593	\$ 30,211,359	\$ 2,297,533	\$ 27,913,826
Civic Center Fund						
Compensated absences	\$ 23,577	\$ 25,142	\$ 20,666	\$ 28,053	\$ 22,904	\$ 5,149
Net pension liability	59,163		59,163	-	-	-
OPEB Obligation	27,852	1,459		29,311	-	29,311
Total Civic Center Fund	\$ 110,592	\$ 26,601	\$ 20,666	\$ 57,364	\$ 22,904	\$ 34,460
Total business-type activities:	\$ 23,448,958	\$ 10,962,814	\$ 3,392,410	\$ 30,622,392	\$ 2,466,173	\$ 28,156,219

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

The payments to the DOT for utility adjustment is considered short term and not part of this schedule.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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. Currently the General Fund loaned the Domestic Violence Grant Fund \$1,024 at no interest rate.

Transfers to/from at June 30, 2015 consist of the following:

From the Electric Fund to the General Fund for payment in lieu of taxes.	\$ 281,764
From the Water & Sewer Fund to the General Fund for payment in lieu of taxes.	502,427
From the Civic Center Fund to the General Fund for payment in lieu of taxes.	23,965
From Occupancy Tax Fund to the General Fund for Administration	18,100
From Occupancy Tax Fund to the Civic Center Fund	617,404
From the Drug Enforcement Fund to the General Fund	33,471
From General Capital Reserve to General Fund debt service	1,014,606
From General Capital Reserve to General Fund recycling truck and capital	659,147
From the General Fund to Airport Improvement Fund	21,642
From the General Fund to Home Consortium/CDBG Fund	24,164
From Health Insurance Fund to the Property & Casualty Liability Fund	135,000
From Electric Fund to the Electric Stabilization Fund	117,467
From the Water & Sewer Fund to the Water & Sewer Capital Reserve	625,025
From the Water & Sewer Fund to the Fourth Creek WWTP Capital	94,899
	<hr/>
	\$ 4,169,081

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

D. Revenue, Expenditures and Expenses

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

For the fiscal year ended June 30, 2015, the City has recognized on-behalf-of payments for pension contributions made by the state as revenue and an expenditure of \$346 for 24 fire department employees who perform firefighting duties for the City's fire department. The employees elected to be members of the Firefighter's and Rescue Squad Workers' Pension Fund, a cost-sharing, multiple-employer public retirement system established and administered by the state of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member (of which the City paid \$5 in the most current year), investment income, and a state appropriation.

III. JOINTLY GOVERNED ORGANIZATIONS

1. 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, 2014 was \$1,314,455,000. The City of Statesville, in the event of payment default by other members, would be liable for a pro rata share of the increase, not to exceed 125% of the originally agreed-upon share. Therefore, the City's share would never exceed 12.3299% of the total operating expenses (including debt service) of the Agency. The Agency is currently authorized to refinance their current debt. At this time the result of the refinance is not known.

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, 2015 totaled \$41,571,134.

2. 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 \$5,888 to the COG during the fiscal year ended June 30, 2015.

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 Firefighter'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 Firefighter'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, 2015. The Firefighter's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firefighter'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, 2015

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. As of September 30, 2015, the City was relieved of the reporting requirements.

VII. NET INVESTMENT IN CAPITAL ASSETS

	Governmental	Business-Type
Capital assets	\$ 75,065,135	\$ 96,017,943
less: long-term debt	5,173,800	29,681,148
	<hr/>	<hr/>
Net investment in capital assets	<u>\$ 69,891,335</u>	<u>\$ 66,336,798</u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

VIII. FUND BALANCE

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, 2015, the General Fund, excluding project funds, had outstanding encumbrances of \$1,190,050. Project had \$1,364,894 in outstanding encumbrances and the enterprise funds outstanding encumbrances of \$2,006,475. 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.

Total fund balance - General Fund	\$ 27,141,416
Less:	
Inventory	47,630
Prepaid items	6,909
Stabilization by state statue	3,879,522
Subsequent year's appropriations	1,838,714
Unassigned-available for appropriation	21,368,641

IX. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

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

X. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The City implemented Governmental Accounting Standards Board (GASB) statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$1,479,340 and \$382,576, respectively.

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CITY OF STATESVILLE, NORTH CAROLINA
REQUIRED SUPPLEMENTARY
FINANCIAL INFORMATION
For the Fiscal Year Ended June 30, 2015

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.
- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of contributions to Local Government Employees' Retirement System
- Schedule of Proportions Share of Net Pension Liability for Firefighters and Rescue Squad Workers' Pension Plan

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CITY OF STATESVILLE, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2015

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%
12/31/2013	181,811	1,270,807	1,088,996	14.31%	3,459,616	31.48%
12/31/2014	210,710	1,266,744	1,056,034	16.63%	3,662,945	28.83%

CITY OF STATESVILLE, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
June 30, 2015

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Annual Percentage Contributed</u>	<u>City Actual</u>
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
2014	163,707	91.44%	149,697

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, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	17 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, 2015**

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%
12/31/2014	\$ -	\$ 1,086,831	\$ 1,086,831	0.00%	\$ 16,345,261	6.65%

**CITY OF STATESVILLE, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFIT OBLIGATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
June 30, 2015**

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%	\$ -
2014	\$ 79,624	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, 2014
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	7.50%-5.00%
Year of Ultimate trend rate	2020
*Includes inflation at	3.00%

City does not set aside assets that are legally held exclusively for retiree health benefits.

Updated actuary required for fiscal year ending June 30, 2017

CITY OF STATESVILLE, NORTH CAROLINA
CITY'S PROPORTIONATE SHARE OF NET LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
For the Last Two Fiscal Years

Local government Employees' Retirement System

	June 30	
	2015	2014
Proportionate Share of Net Pension Liability (Asset) (%)	0.28690%	0.28134%
Proportionate Share of Net Pension Liability (Asset) (\$)	(1,659,191)	3,458,247
City's covered employee payroll	\$ 16,309,609	\$ 16,030,322
Proportionate Share of Net Pension Liability (Asset) (%) as a percentage of its covered employee payroll	-10.17%	21.57%
Plan fiduciary net pension as a percentage of the total pension liability	102.64%	94.35%

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

CITY OF STATESVILLE, NORTH CAROLINA
CITY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
For the Last Two Fiscal Years

Local government Employees' Retirement System

	June 30	
	2015	2014
Contractually required contribution	\$ 1,165,415	\$ 1,140,919
Contributions in relation to the contractually required contribution	1,165,415	1,140,919
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 16,309,609	\$ 16,030,322
Contributions as a percentage of covered employee payroll	7.15%	7.12%

CITY OF STATESVILLE, NORTH CAROLINA
CITY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
For the Last Fiscal Year

Firefighters' and Rescue Squad Worker's Pension

	<u>June 30</u> <u>2015</u>
City's proportionate share of net pension liability (%)	0.00000%
City's proportionate share of net pension liability (\$)	\$ -
State proportionate share of net pension liability associated with the City	<u>8,306</u>
Total	<u>\$ 8,306</u>
City's covered employee payroll	\$ 179,800
City's proportionate share of net pension liability as percentage of its covered employee payroll	4.62%
Plan fiduciary net pension as a percentage of the total pension liability	93.42%

The amounts presented for the fiscal year ending June 30, 2015 were determined as of June 30, 2014.

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MAJOR GOVERNMENTAL FUND

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

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CITY OF STATESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Ad valorem property taxes:			
Ad valorem taxes (city-wide)	\$ 11,280,576	\$ 11,810,407	\$ 529,831
Prior year ad valorem taxes (city-wide)	345,000	358,088	13,088
Ad valorem taxes (special district)	99,322	106,380	7,058
Penalties and interest	95,000	132,202	37,202
Total ad valorem property taxes	<u>11,819,898</u>	<u>12,407,077</u>	<u>587,179</u>
Other taxes and licenses:			
Gross receipt tax	30,000	35,941	5,941
Total other taxes and licenses	<u>30,000</u>	<u>35,941</u>	<u>5,941</u>
Unrestricted intergovernmental revenues:			
Local sales tax	5,575,000	6,016,074	441,074
Electric/natural gas tax	1,445,000	1,989,498	544,498
Payments in lieu of taxes	25,000	28,205	3,205
State beer and wine tax	112,000	119,144	7,144
Telecommunication tax	310,000	293,005	(16,995)
Video programming tax	143,000	148,652	5,652
ABC Liquor by the drink	85,000	65,508	(19,492)
ABC profit distribution	45,000	27,112	(17,888)
Total unrestricted intergovernmental	<u>7,740,000</u>	<u>8,687,198</u>	<u>947,198</u>
Restricted intergovernmental:			
Powell Bill allocation	734,000	748,175	14,175
Solid waste tax	16,000	16,120	120
State recycling grant	30,000	30,000	-
On-behalf-of-payments - fire	25,000	8,306	(16,694)
Governor's crime commission grant	60,000	60,000	-
COPS grant	93,400	75,445	(17,955)
Other state and federal grants	14,697	23,336	8,639
Federal interest subsidy for debt interest	98,104	91,187	(6,917)
Total restricted intergovernmental	<u>1,071,201</u>	<u>1,052,569</u>	<u>(18,632)</u>
Permits and fees:			
Recycling Revenue	-	11,541	11,541
Street cut permits	100	75	(25)
Planning and zoning fees	15,000	18,501	3,501
Court fees	10,000	3,118	(6,882)
Grave fees	80,000	79,250	(750)
Parking violations	50,000	27,891	(22,109)
Civil citations	10,000	5,175	(4,825)
Nuisance abatements	10,000	17,686	7,686
Tipping fees	148,000	142,810	(5,190)
Fire inspection fees	75,000	78,023	3,023
Appearance Commission	-	3,690	3,690
Business Registration Fee	377,000	343,527	(33,473)
Total permits and fees	<u>775,100</u>	<u>731,287</u>	<u>(43,813)</u>

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES (Continued):			
Sales and services:			
Sale of capital assets	25,000	10,473	(14,527)
Assessment revenues	8,200	9,109	909
Internal charges	7,400	7,835	435
Statesville Housing Authority police protection	53,756	39,019	(14,737)
School System resource police officers	86,000	85,197	(803)
Recreation-General	98,930	107,727	8,797
Recreation-Fitness/Activity Center	355,000	389,610	34,610
Recreation-Pool sales	141,500	177,349	35,849
Civic Center sales	15,000	14,885	(115)
SFAC employee membership	25,000	8,588	(16,412)
Airport rent	219,200	215,682	(3,518)
Iredell County-debt sharing airport	167,744	167,745	1
Fueling flow fees	123,000	156,727	33,727
Sale of cemetery lots	55,000	58,875	3,875
Sale of material and labor	-	2,991	2,991
Total sales and services	1,380,730	1,451,812	71,082
Investment earnings:			
Earned interest	125,000	166,307	41,307
Total investment earnings	125,000	166,307	41,307
Miscellaneous:			
Insurance proceeds	36,919	39,475	2,556
Donations - Carolina Threat Trail	41,000	41,190	190
Donations	10,500	10,500	-
Miscellaneous other	20,000	61,401	41,401
Total miscellaneous	108,419	152,566	44,147
Total revenues	23,050,348	24,684,757	1,634,409
EXPENDITURES:			
General government:			
Mayor and council:			
Salaries and employee benefits	91,067	89,983	
Professional services	30,200	-	
Operating expenditures	91,648	77,474	
Capital	6,000	5,539	
Reimbursement from other funds	-	(64,802)	
Total Mayor and council	154,113	108,194	45,919
City manager			
Salaries and employee benefits	295,843	293,152	
Professional services	12,713	10,192	
Operating expenditures	17,888	11,188	
Reimbursement from other funds	-	(145,601)	
Total City manager	183,156	168,931	14,225

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, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
General government (continued):			
City clerk:			
Salaries and employee benefits	57,141	56,989	
Operating expenditures	79,710	66,766	
Reimbursement from other funds	-	(47,167)	
Total City clerk	89,684	76,588	13,096
Finance department:			
Salaries and employee benefits	1,311,490	1,275,631	
Professional services	118,404	111,229	
Operating expenditures	961,680	682,805	
Capital outlay	63,600	58,851	
Reimbursement from other funds	-	(1,422,966)	
Total Finance department	812,199	705,550	106,649
Human resources:			
Salaries and employee benefits	379,293	315,933	
Professional services	20,600	18,906	
Operating expenditures	111,702	86,357	
Reimbursement from other funds	-	(145,095)	
Total Personnel	366,500	276,101	90,399
Legal:			
Professional services	98,200	89,661	
Reimbursement from other funds	-	(16,863)	
Total Legal	81,337	72,798	8,539
Planning and zoning:			
Salaries and employee benefits	500,970	475,618	
Professional services	217,872	67,681	
Operating expenditures	241,108	158,677	
Capital outlay	119,413	19,029	
Total Planning and zoning	1,079,363	721,005	358,358
Main Street:			
Operating expenditures	149,649	144,566	
Total Main Street	149,649	144,566	5,083

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, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
General government (continued):			
Public works and engineering:			
Salaries and employee benefits	332,987	276,691	
Professional services	14,696	9,445	
Operating expenditures	83,464	81,748	
Reimbursement from other funds	-	(78,699)	
Total Public works and engineering	<u>359,948</u>	<u>289,185</u>	<u>70,763</u>
Garage:			
Salaries and employee benefits	480,708	453,033	
Operating expenditures	104,891	88,606	
Reimbursement from other funds	-	(323,033)	
Total Garage	<u>262,566</u>	<u>218,606</u>	<u>43,960</u>
Warehouse:			
Operating expenditures	80,604	75,601	
Reimbursement from other funds		(47,027)	
Total Warehouse	<u>33,577</u>	<u>28,574</u>	<u>5,003</u>
General expense:			
Professional services	143,236	68,236	
Miscellaneous	24,979	11,911	
Capital outlay land	27,067	27,067	
Total General expense	<u>195,282</u>	<u>107,214</u>	<u>88,068</u>
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	<u>82,786</u>	<u>69,476</u>	<u>13,310</u>
Total general government	<u>3,850,160</u>	<u>2,986,788</u>	<u>863,372</u>

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
Public safety:			
Police:			
Salaries and employee benefits		5,980,760	
Professional services		11,905	
Operating expenditures		841,459	
Capital outlay		338,566	
Total Police	7,699,680	7,172,690	526,990
Fire service:			
Salaries and employee benefits		4,144,915	
Professional services		9,835	
Operating expenditures		553,372	
Capital outlay		166,379	
Total Fire service	4,963,072	4,874,501	88,571
Total public safety	12,662,752	12,047,191	615,561
Transportation:			
Street department:			
Salaries and employee benefits		793,998	
Operating expenditures		890,796	
Capital outlay		52,536	
Reimbursement from other funds		(101,849)	
Total Street department	1,775,243	1,635,481	139,762
Street construction:			
Operating expenditures		52,764	
Capital outlay		491,711	
Total Street construction	1,153,885	544,475	609,410
Airport:			
Salaries and employee benefits		41,749	
Professional services		72,986	
Operating expenditures		96,812	
Total Airport	420,821	211,547	209,274
Total transportation	3,349,949	2,391,503	958,446

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, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
Economic and physical development:			
Operating expenditures	967,939	571,667	
Total economic and physical development	967,939	571,667	396,272
Environmental protection:			
Sanitation:			
Salaries and employee benefits		1,229,649	
Operating expenditures		611,524	
Capital outlay		291,751	
Total environmental protection	2,408,100	2,132,924	275,176
Cultural and recreation:			
Recreation - administration:			
Salaries and employee benefits		193,777	
Operating expenditures		215,451	
Total administration	533,365	409,228	124,137
Recreation - athletics:			
Salaries and employee benefits		98,748	
Operating expenditures		90,226	
Total athletics	196,457	188,974	7,483
Recreation - programs:			
Salaries and employee benefits		194,252	
Operating expenditures		76,097	
Capital		94,352	
Total programs	382,411	364,701	17,710
Recreation - fitness center:			
Salaries and employee benefits		279,568	
Operating expenditures		153,232	
Total fitness center	504,489	432,800	71,689
Recreation - leisure pool:			
Salaries and employee benefits		95,972	
Operating expenditures		90,878	
Total leisure pool	193,486	186,850	6,636

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
Recreation - parks			
Salaries and employee benefits		683,634	
Operating expenditures		471,287	
Capital outlay		18,788	
Reimbursement from other funds		(41,460)	
Total park maintenance	1,217,715	1,132,249	85,466
Recreation - public grounds and cemetery:			
Salaries and employee benefits		324,145	
Operating expenditures		247,813	
Reimbursement from other funds		(7,916)	
Total public grounds and cemetery	608,749	564,042	44,707
Total recreation and culture	3,636,672	3,278,844	357,828
Debt service:			
Principal payment		894,700	
Interest payment		553,500	
Total debt service	1,448,201	1,448,200	1
Contingency:			
Contingency	573	-	573
Total expenditures	28,324,346	24,857,117	3,467,229
Revenues over (under) expenditures	(5,273,998)	(172,360)	5,101,638
OTHER FINANCING SOURCES (USES):			
Transfers in:			
Internal PILOT - Electric	281,764	281,764	-
Internal PILOT - Water and Sewer	502,427	502,427	-
Internal PILOT - Civic Center	23,965	23,965	-
Reimbursement - occupancy tax	18,100	18,100	-
From Drug Enforcement Fund	33,471	33,471	-
From General Capital Reserve	1,735,001	1,673,753	(61,248)
Total transfers in	2,594,728	2,533,480	(61,248)

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, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
Transfers (out):			
To Airport Improvement Fund	(21,642)	(21,642)	-
To Home Consortium Fund	(24,164)	(24,164)	-
Total transfers out	(45,806)	(45,806)	-
Fund balance appropriated	2,725,076	-	(2,725,076)
Total other financing sources (uses)	5,273,998	2,487,674	(2,786,324)
Revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	2,315,314	<u>\$ 2,315,314</u>
Fund balance at beginning of year		24,825,738	
Fund balance at end of year		<u>\$ 27,141,052</u>	

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.

Domestic Violence Grant Fund - accounts for presentation and support for victims of domestic violence.

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

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

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.

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CITY OF STATESVILLE, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Home Program Project Fund	1997-1998 Home Consortium Fund	Home Consortium CDBG Fund	Drug Enforcement Fund	Occupancy Tax Fund	Domestic Violence Grant
ASSETS:						
Cash and cash equivalents	\$ 246,921	\$ 85,956	\$ 42,985	\$ 41,341	\$ 282,799	\$ -
Accounts receivable, net	-	83,996	-	-	-	-
Interest receivable	289	101	50	61	330	32
Due from other governments	-	-	-	-	-	4,825
Total assets	\$ 247,210	\$ 170,053	\$ 43,035	\$ 41,402	\$ 283,129	\$ 4,857
LIABILITIES AND FUND EQUITY:						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,319
Due from other funds	-	-	-	-	-	1,024
Deferred revenues	-	83,996	-	-	-	-
Total liabilities	-	83,996	-	-	-	2,343
Fund Equity:						
Stabilization by state statute	289	84,097	50	61	330	2,514
Restricted	246,921	1,960	42,985	41,341	282,799	-
Committed	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	247,210	86,057	43,035	41,402	283,129	2,514
Total liabilities and fund balances	\$ 247,210	\$ 170,053	\$ 43,035	\$ 41,402	\$ 283,129	\$ 4,857

Economic Development Fund	Total Nonmajor Special Revenue Funds	Warehouse Construction Fund	Streetscape Fund	Airport Improvement Fund	General Equipment Capital Reserve Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ 700,002	\$ 105,071	\$ 379,072	\$ 904,666	\$ 2,006,457	\$ 3,395,266	\$ 4,095,268
-	83,996	-	-	-	-	-	83,996
-	863	123	444	1,059	2,348	3,974	4,837
-	4,825	-	18,400	325,525	-	343,925	348,750
<u>\$ -</u>	<u>\$ 789,686</u>	<u>\$ 105,194</u>	<u>\$ 397,916</u>	<u>\$ 1,231,250</u>	<u>\$ 2,008,805</u>	<u>\$ 3,743,165</u>	<u>\$ 4,532,851</u>
\$ -	\$ 1,319	\$ -	\$ 14,979	\$ 20,745	\$ -	\$ 35,724	\$ 37,043
-	1,024	-	-	-	-	-	1,024
-	83,996	-	-	-	-	-	83,996
-	86,339	-	14,979	20,745	-	35,724	122,063
-	87,341	123	18,844	326,584	2,348	347,899	435,240
-	616,006	-	364,093	883,921	-	1,248,014	1,864,020
-	-	105,071	-	-	2,006,457	2,111,528	2,111,528
-	-	-	-	-	-	-	-
-	703,347	105,194	382,937	1,210,505	2,008,805	3,707,441	4,410,788
<u>\$ -</u>	<u>\$ 789,686</u>	<u>\$ 105,194</u>	<u>\$ 397,916</u>	<u>\$ 1,231,250</u>	<u>\$ 2,008,805</u>	<u>\$ 3,743,165</u>	<u>\$ 4,532,851</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, 2015

	Home Program Project Fund	1997-1998 Home Consortium Fund	Home Consortium CDBG Fund	Drug Enforcement Fund	Occupancy Tax Fund	Domestic Violence Grant
REVENUES:						
Other taxes and licenses	\$ -	\$ -	\$ -	\$ -	\$ 915,685	\$ -
Restricted intergovernmental	-	-	-	29,732	-	43,435
Repayment of loans	-	1,139	-	-	-	-
Investment earnings	1,696	587	121	466	1,222	14
Miscellaneous	-	-	-	-	727	-
Total revenues	1,696	1,726	121	30,198	917,634	43,449
EXPENDITURES:						
Public safety						
Operating expenditures	-	-	-	16,050	-	58,151
Transportation						
Capital outlay	-	-	-	-	-	-
Economic and physical development:						
Operating expenditures	-	-	-	-	179,093	-
Capital outlay	-	-	-	-	-	-
Total expenditures	-	-	-	16,050	179,093	58,151
Revenue over (under) expenditures	1,696	1,726	121	14,148	738,541	(14,702)
OTHER FINANCING SOURCES (USES):						
Transfers in:						
General Fund	-	-	24,164	-	-	-
Electric Fund	-	-	-	-	-	-
Transfers out:						
General Fund	-	-	-	(33,471)	(18,100)	-
Civic Center	-	-	-	-	(617,404)	-
Total other financing sources (uses)	-	-	24,164	(33,471)	(635,504)	-
Revenues and other sources over (under) expenditures and other (uses)	1,696	1,726	24,285	(19,323)	103,037	(14,702)
Fund balance at beginning of year	245,514	84,331	18,750	60,725	180,092	17,216
Fund balance at end of year	\$ 247,210	\$ 86,057	\$ 43,035	\$ 41,402	\$ 283,129	\$ 2,514

Economic Development Fund	Total Nonmajor Special Revenue Funds	Warehouse Construction Fund	Streetscape Fund	Airport Improvement Fund	General Equipment Capital Reserve Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ 915,685	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 915,685
37,500	110,667	-	-	450,955	-	450,955	561,622
-	1,139	-	-	-	-	-	1,139
-	4,106	721	4,917	8,191	18,413	32,242	36,348
-	727	-	-	-	3,600	3,600	4,327
37,500	1,032,324	721	4,917	459,146	22,013	486,797	1,519,121
-	-	-	-	-	-	-	-
-	74,201	-	-	-	-	-	74,201
-	-	-	-	476,588	-	476,588	476,588
37,500	216,593	-	-	-	-	-	216,593
-	-	-	2,392,459	-	-	2,392,459	2,392,459
37,500	290,794	-	2,392,459	476,588	-	2,869,047	3,159,841
-	741,530	721	(2,387,542)	(17,442)	22,013	(2,382,250)	(1,640,720)
-	24,164	-	-	21,642	-	21,642	45,806
-	-	-	-	-	-	-	-
-	(51,571)	-	-	-	(1,673,753)	(1,673,753)	(1,725,324)
-	(617,404)	-	-	-	-	-	(617,404)
-	(644,811)	-	-	21,642	(1,673,753)	(1,652,111)	(2,296,922)
-	96,719	721	(2,387,542)	4,200	(1,651,740)	(4,034,361)	(3,937,642)
-	606,628	104,473	2,770,479	1,206,305	3,660,545	7,741,802	8,348,430
\$ -	\$ 703,347	\$ 105,194	\$ 382,937	\$ 1,210,505	\$ 2,008,805	\$ 3,707,441	\$ 4,410,788

CITY OF STATESVILLE, NORTH CAROLINA
HOME PROGRAM PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2015

	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	274,729	-	274,729
Investment earnings	-	83,111	1,696	84,807
Total revenues	873,743	1,112,971	1,696	1,114,667
EXPENDITURES:				
Economic and physical development				
Home program grant activity	873,743	867,457	-	867,457
Total expenditures	873,743	867,457	-	867,457
Revenues over expenditures	\$ -	\$ 245,514	1,696	\$ 247,210
FUND BALANCES:				
Fund balance at beginning of year			245,514	
Fund balance at end of year			\$ 247,210	

CITY OF STATESVILLE, NORTH CAROLINA
1997-1998 HOME CONSORTIUM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2015

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental	\$ 102,978	\$ 102,977	\$ -	\$ 102,977
Repayment of loans	-	73,580	1,139	74,719
Investment earnings	-	10,090	587	10,677
Total revenues	102,978	186,647	1,726	188,373
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)	59,331	1,726	61,057
OTHER FINANCING SOURCES:				
Transfer in - General Fund	25,000	25,000	-	25,000
Revenues and other financing sources over expenditures	\$ -	\$ 84,331	1,726	\$ 86,057
FUND BALANCES:				
Fund balance at beginning of year			84,331	
Fund balance at end of year			\$ 86,057	

CITY OF STATESVILLE, NORTH CAROLINA
HOME CONSORTIUM/CDBG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2015

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
REVENUES:				
Restricted intergovernmental-Home Program	\$ 1,680,161	\$ 1,577,699	\$ -	\$ 1,577,699
Restricted intergovernmental - other	750,000	750,000	-	750,000
Restricted intergovernmental - CDBG	250,000	249,079	-	249,079
Investment earnings	-	17,765	121	17,886
Total revenues	2,680,161	2,594,543	121	2,594,664
EXPENDITURES:				
Economic and physical development				
Home program grant activity	2,069,587	1,941,976	-	1,941,976
Restricted intergovernmental - other	750,000	750,000	-	750,000
Restricted intergovernmental - CDBG	250,000	249,079	-	249,079
Total expenditures	3,069,587	2,941,055	-	2,941,055
Revenues over (under) expenditures	(389,426)	(346,512)	121	(346,391)
OTHER FINANCING SOURCES:				
Transfer in - General Fund	389,426	365,262	24,164	389,426
Revenues and other financing sources over expenditures	\$ -	\$ 18,750	24,285	\$ 43,035
FUND BALANCES:				
Fund balance at beginning of year			18,750	
Fund balance at end of year			\$ 43,035	

CITY OF STATESVILLE, NORTH CAROLINA
DRUG ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2015

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
REVENUES:				
Restricted intergovernmental:				
Adoptive forfeitures	\$ 609,464	\$ 613,975	\$ 10,526	\$ 624,501
DARE revenues	2,000	926	-	926
Controlled substance tax	323,139	313,134	19,206	332,340
Investment earnings	63,455	67,051	466	67,517
Total revenues	998,058	995,086	30,198	1,025,284
EXPENDITURES:				
Public safety:				
Accreditation - CALEA	19,000	-	16,050	16,050
Drug enforcement	103,692	97,125	-	97,125
DARE expenditures	2,000	926	-	926
Total expenditures	124,692	98,051	16,050	114,101
Revenues over expenditures	873,366	897,035	14,148	911,183
OTHER FINANCING USES:				
Transfer out:				
General Fund	(855,490)	(818,434)	(33,471)	(851,905)
SIGI Grant	(17,876)	(17,876)	-	(17,876)
Total transfers (out)	(873,366)	(836,310)	(33,471)	(869,781)
Revenues over (under) expenditures and other financing (uses)	\$ -	\$ 60,725	(19,323)	\$ 41,402
FUND BALANCES:				
Fund balance at beginning of year			60,725	
Fund balance at end of year			\$ 41,402	

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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Other taxes and licenses:			
5% hotel/motel occupancy tax	\$ 815,000	\$ 915,685	\$ 100,685
Investment earnings	-	1,222	1,222
Miscellaneous income	-	727	727
	<u>815,000</u>	<u>917,634</u>	<u>102,634</u>
Total revenues	<u>815,000</u>	<u>917,634</u>	<u>102,634</u>
EXPENDITURES:			
Economic and physical development	<u>179,446</u>	<u>179,093</u>	<u>353</u>
Total expenditures	<u>179,446</u>	<u>179,093</u>	<u>353</u>
Revenues over expenditures	<u>635,554</u>	<u>738,541</u>	<u>102,987</u>
OTHER FINANCING USES:			
Transfers out:			
General Fund	(18,150)	(18,100)	(50)
Civic Center Fund	<u>(617,404)</u>	<u>(617,404)</u>	<u>-</u>
Total other financing (uses)	<u>(635,554)</u>	<u>(635,504)</u>	<u>(50)</u>
Revenues over expenditures and other financing (uses)	<u>\$ -</u>	<u>103,037</u>	<u>\$ 103,037</u>
FUND BALANCES:			
Fund balance at beginning of year		<u>180,092</u>	
Fund balance at end of year		<u>\$ 283,129</u>	

CITY OF STATESVILLE, NORTH CAROLINA
DOMESTIC VIOLENCE GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2015

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental:				
Federal grant	\$ 93,719	\$ 45,210	\$ 43,435	\$ 88,645
Investment earnings	-	(14)	14	-
Total revenues	<u>93,719</u>	<u>45,196</u>	<u>43,449</u>	<u>88,645</u>
EXPENDITURES:				
Public safety:				
First year grant	63,945	57,368	2,702	60,070
Second year grant	59,162	-	55,449	55,449
Total expenditures	<u>123,107</u>	<u>57,368</u>	<u>58,151</u>	<u>115,519</u>
Revenues (under) expenditures	<u>(29,388)</u>	<u>(12,172)</u>	<u>(14,702)</u>	<u>(26,874)</u>
OTHER FINANCING SOURCES:				
Transfer in:				
General Fund	29,388	29,388	-	29,388
Total transfers	<u>29,388</u>	<u>29,388</u>	<u>-</u>	<u>29,388</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 17,216</u>	<u>(14,702)</u>	<u>\$ 2,514</u>
FUND BALANCES:				
Fund balance at beginning of year			<u>17,216</u>	
Fund balance at end of year			<u>\$ 2,514</u>	

CITY OF STATESVILLE, NORTH CAROLINA
ECONOMIC DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2015

	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 - Pate-Dawson Company	150,000	112,500	-	112,500
CDBG -Pate-Dawson Bldg Reuse	466,000	466,000	-	466,000
Rural Center - Abundant Mfg (administration)	10,000	10,000	-	10,000
Highland Industrial	70,000	-	-	-
Total revenues	<u>752,000</u>	<u>644,500</u>	<u>-</u>	<u>644,500</u>
EXPENDITURES:				
Economic development:				
One NC Fund phase I - Providencia	56,000	56,000	-	56,000
One NC Fund - Pate-Dawson Company	150,000	112,500	-	112,500
CDBG -Pate-Dawson Bldg Reuse	466,000	466,000	-	466,000
Rural Center - Abundant Mfg (administration)	10,000	10,000	-	10,000
Highland Industrial	70,000	-	-	-
Total expenditures	<u>752,000</u>	<u>644,500</u>	<u>-</u>	<u>644,500</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCES:				
Fund balance at beginning of year			<u>-</u>	
Fund balance at end of year			<u>\$ -</u>	

CITY OF STATESVILLE, NORTH CAROLINA
WAREHOUSE CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2015

	Actual			
	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ -	\$ 4,473	\$ 721	\$ 5,194
Total revenues	-	4,473	721	5,194
EXPENDITURES:				
General Government:				
Capital Outlay	350,000	-	-	-
Total expenditures	350,000	-	-	-
Revenues over (under) expenditures	(350,000)	4,473	721	5,194
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 financing sources over expenditures	<u>\$ -</u>	<u>\$ 104,473</u>	721	<u>\$ 105,194</u>
FUND BALANCES:				
Fund balance at beginning of year			<u>104,473</u>	
Fund balance at end of year			<u>\$ 105,194</u>	

CITY OF STATESVILLE, NORTH CAROLINA
STREETSCAPE CAPITAL PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2015

	Actual			
	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES:				
Unrestricted intergovernmental	\$ 195,727	\$ 195,727	\$ -	\$ 195,727
Investment earnings	7,000	2,015	4,917	6,932
Total revenues	202,727	197,742	4,917	202,659
EXPENDITURES:				
Economic and physical development:				
Debt issuance costs	26,133	26,133	-	26,133
Capital outlay professional services	450,357	424,386	-	424,386
Capital outlay construction	7,939,297	5,531,825	2,300,545	7,832,370
Capital outlay - miscellaneous	87,492	55,283	22,008	77,291
Capital outlay - other improvement	160,943	11,852	46,741	58,593
Professional services	279,750	208,467	23,166	231,633
Contingency	26,138	-	-	-
Total expenditures	8,970,110	6,257,946	2,392,459	8,650,405
Revenues (under) expenditures	(8,767,383)	(6,060,204)	(2,387,542)	(8,447,746)
OTHER FINANCING SOURCES:				
Transfers in:				
General Fund	2,349,505	2,349,505	-	2,349,505
Electric Fund	846,512	846,512	-	846,512
Water and Sewer Fund	610,024	610,024	-	610,024
City Hall Renovation Fund	111,000	111,000	-	111,000
Miscellaneous Revenue	7,642	7,642	-	7,642
Proceeds from debt	4,906,000	4,906,000	-	4,906,000
Total other financing sources	8,830,683	8,830,683	-	8,830,683
Revenues and other financing sources over (under) expenditures	<u>\$ 63,300</u>	<u>\$ 2,770,479</u>	(2,387,542)	<u>\$ 382,937</u>
FUND BALANCES:				
Fund balance at beginning of year			<u>2,770,479</u>	
Fund balance at end of year			<u>\$ 382,937</u>	

CITY OF STATESVILLE, NORTH CAROLINA
AIRPORT IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2015

	Actual			
	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ 8,333	\$ 49,565	\$ 8,191	\$ 57,756
NCDOT land	1,450,000	1,368,561	-	1,368,561
Iredell County land	80,555	76,031	-	76,031
DOT Grants	1,292,553	438,525	425,950	864,475
Iredell County	71,808	23,022	25,005	48,027
Total revenues	2,903,249	1,955,704	459,146	2,414,850
EXPENDITURES:				
Transportation:				
Capital Outlay- land	1,144,444	7,220	3,310	10,530
Airport improvements	1,436,171	488,033	473,278	961,311
Capital Outlay - grant land	1,611,111	1,520,981	-	1,520,981
Total expenditures	4,191,726	2,016,234	476,588	2,492,822
Revenues (under) expenditures	(1,288,477)	(60,530)	(17,442)	(77,972)
OTHER FINANCING SOURCES:				
Transfers in:				
General Fund	1,288,477	1,266,835	21,642	1,288,477
Total other financing sources	1,288,477	1,266,835	21,642	1,288,477
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 1,206,305</u>	4,200	<u>\$ 1,210,505</u>
FUND BALANCES:				
Fund balance at beginning of year			<u>1,206,305</u>	
Fund balance at end of year			<u>\$ 1,210,505</u>	

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL EQUIPMENT CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2015

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ 390,516	\$ 1,079,251	\$ 18,413	\$ 1,097,664
Sidewalk and curbs	-	88,722	3,600	92,322
Total revenues	390,516	1,167,973	22,013	1,189,986
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Fund	3,953,217	3,249,482	-	3,249,482
General Fund - debt service Fire Station#4	2,243,251	2,243,251	-	2,243,251
General Fund - debt service Streetscape	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	28,489	153,778	-	153,778
Business Park Capital Project Fund	153,777	28,489	-	28,489
Total transfers in	10,417,734	9,714,000	-	9,714,000
Transfers out:				
General Fund - Fire Station #4	(1,949,597)	(729,532)	(165,770)	(895,302)
General Fund - Streetscape	(4,039,000)	(2,510,989)	(787,587)	(3,298,576)
General Fund - Police	(49,056)	(49,056)	-	(49,056)
General Fund - Fire	(575,000)	(575,000)	-	(575,000)
Statesville Park Fund	(712,096)	(615,467)	-	(615,467)
General Fund - undesignated	(3,108,501)	(2,378,062)	(720,396)	(3,098,458)
General Fund - Fire station land acquisition	(375,000)	(363,322)	-	(363,322)
Total transfers out	(10,808,250)	(7,221,428)	(1,673,753)	(8,895,181)
Total other financing sources (uses)	(390,516)	2,492,572	(1,673,753)	818,819
Revenues and other financing sources over (under) expenditures and other financing (uses)	\$ -	\$ 3,660,545	(1,651,740)	\$ 2,008,805
FUND BALANCES:				
Fund balance at beginning of year			3,660,545	
Fund balance at end of year			\$ 2,008,805	

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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.

I-77 Rest Area Project – accounts for the construction of a Highway Safety Rest Area and sewer improvements in Iredell County.

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CITY OF STATESVILLE, NORTH CAROLINA
MAJOR ENTERPRISE FUND
CITY OF STATESVILLE ELECTRIC FUND- SCHEDULE OF
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2015

	Amended Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Electric sales	\$ 46,000,000	\$ 46,311,527	\$ 311,527
Other operating revenues	1,015,700	1,093,852	78,152
Total operating revenues	47,015,700	47,405,379	389,679
Non-operating revenues:			
State utility tax	3,220,000	2,479,920	(740,080)
NCMPA1 revenues	200,000	22,500	(177,500)
Investment earnings	100,000	103,440	3,440
Pole attachment fees	146,000	74,185	(71,815)
Bad debt recovery	45,000	49,072	4,072
Sale of materials and capital assets	55,000	62,688	7,688
Miscellaneous Revenues	48,900	56,811	7,911
Total non-operating revenues	3,814,900	2,848,616	(966,284)
Total revenues	50,830,600	50,253,995	(576,605)
EXPENDITURES:			
Salaries and employee benefits	2,206,231	2,034,213	172,018
Electrical power purchases	41,575,217	41,571,134	4,083
Professional services	81,678	31,662	50,016
State utility tax	2,720,490	2,478,713	241,777
Reimbursements	1,071,081	1,071,081	-
Operating expenditures	1,517,443	1,235,645	281,798
Capital outlay	2,765,408	1,735,497	1,029,911
Total expenditures	51,937,548	50,157,945	1,779,603
Revenues over (under) expenditures	(1,106,948)	96,050	1,202,998
OTHER FINANCING SOURCES (USES):			
Transfer (out) General Fund - PILOT	(281,764)	(281,764)	-
Transfer (out) General Fund - other	(117,467)	(117,467)	-
Appropriated fund balance	1,506,179	-	(1,506,179)
Total other financing sources (uses)	1,106,948	(399,231)	(1,506,179)
Total revenues and other financing sources under other financing uses and expenditures	\$ -	(303,181)	\$ (303,181)

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, 2015

Reconciliation from budgetary basis (modified accrual) to full accrual:

From modified accrual revenues over expenditures	(303,181)
Capital outlay	1,595,030
Capitalization labor, equipment, and overhead	624,136
Loss on disposition of capital assets	(163,351)
Depreciation	(1,297,996)
Change in accrued compensated absences	(19,171)
Change in other postemployment benefits	(6,672)
Rate Stabilization transfer	117,467
Deferred outflow for contributions made to plan current year	53,928
Pension expense	(9,443)
Interest earnings from Project Funds	<u>1,968</u>
Change in net position	<u>895,896</u>
	<u><u>\$ 592,715</u></u>

CITY OF STATESVILLE, NORTH CAROLINA
ELECTRIC UTILITY CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2015

	Actual			
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ 100,000	\$ 198,065	\$ 1,420	\$ 199,485
Total revenues	100,000	198,065	1,420	199,485
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Electric Fund	900,000	281,884	-	281,884
Transfers out:				
Electric Fund	(1,000,000)	(274,300)	-	(274,300)
Total other financing sources (uses)	(100,000)	7,584	-	7,584
Revenues and other sources over expenditures and other financing (uses)	\$ -	\$ 205,649	\$ 1,420	\$ 207,069

CITY OF STATESVILLE, NORTH CAROLINA
ELECTRIC RATE STABILIZATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2015

	Actual			
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ 120,000	\$ 754,931	\$ 547	\$ 755,478
Total revenues	120,000	754,931	547	755,478
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Electric Fund	4,000,000	2,474,335	117,467	2,591,802
Transfers out:				
Electric Fund	(4,120,000)	(3,150,036)	-	(3,150,036)
Total other financing sources (uses)	(120,000)	(675,701)	117,467	(558,234)
Revenues and other sources over expenditures and other financing	\$ -	\$ 79,230	\$ 118,014	\$ 197,244

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, 2015

	Amended Budget	Actual	Favorable (Unfavorable)
OPERATING REVENUES:			
Charges for services:			
Water sales	\$ 3,755,100	\$ 3,812,861	\$ 57,761
Sewer charges	5,865,600	5,911,549	45,949
Water and Sewer System Development Fees	310,000	275,025	(34,975)
Total operating revenues	9,930,700	9,999,435	68,735
Non-operating revenue:			
Reimbursement	13,755	13,755	-
Interest on investments	80,000	80,117	117
Miscellaneous	130,742	133,100	2,358
Total non-operating revenues	224,497	226,972	2,475
Total revenues	10,155,197	10,226,407	71,210
EXPENDITURES:			
Sewer collection line maintenance:			
Salaries and employee benefits	342,751	317,477	25,274
Professional services	1,500	-	1,500
Operating expenditures	204,976	135,304	69,672
Capital outlay	686,304	236,928	449,376
Total	1,235,531	689,709	545,822
Water distribution line maintenance:			
Salaries and employee benefits	813,920	767,026	46,894
Operating expenditures	217,703	170,130	47,573
Capital outlay	1,620,148	946,377	673,771
Total	2,651,771	1,883,533	768,238
Water purification:			
Salaries and employee benefits	727,574	715,302	12,272
Professional services	28,000	17,974	10,026
Reimbursements	1,234,663	1,234,663	-
Operating expenditures	693,512	622,726	70,786
Operating chemicals and supplies	104,211	97,253	6,958
Capital outlay	312,805	68,728	244,077
Total	3,100,765	2,756,646	344,119
Waste water treatment - Third Creek:			
Salaries and employee benefits	387,411	386,800	611
Professional services	42,380	35,109	7,271
Operating expenditures	358,707	302,119	56,588
Operating chemicals and supplies	104,806	101,720	3,086
Capital outlay	16,000	13,300	2,700
Total	909,304	839,048	70,256

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, 2015

	Amended Budget	Actual	Favorable (Unfavorable)
Waste water treatment - Fourth Creek:			
Salaries and employee benefits	803,824	761,931	41,893
Professional services	55,400	44,658	10,742
Operating expenditures	767,702	702,536	65,166
Operating chemicals and supplies	176,976	174,221	2,755
Capital outlay	-	-	-
Total	<u>1,803,902</u>	<u>1,683,346</u>	<u>120,556</u>
Principal and interest	<u>1,297,023</u>	<u>1,297,023</u>	-
Total	<u>1,297,023</u>	<u>1,297,023</u>	-
Total expenditures	<u>10,998,296</u>	<u>9,149,305</u>	<u>1,848,991</u>
Revenues over (under) expenditures	<u>(843,099)</u>	<u>1,077,102</u>	<u>1,920,201</u>
OTHER FINANCING SOURCES (USES):			
Transfers in (out):			
Fourth Creek waste water treatment project	(94,899)	(94,899)	-
General Fund - PILOT	(502,427)	(502,427)	-
Water and Sewer Capital Reserve	(660,000)	(625,025)	34,975
Fund balance appropriated	<u>2,100,425</u>	<u>-</u>	<u>(2,100,425)</u>
Total other financing sources (uses)	<u>843,099</u>	<u>(1,222,351)</u>	<u>(2,065,450)</u>
Revenues and other sources (under) expenditures and other sources	<u>\$ -</u>	<u>(145,249)</u>	<u>\$ (145,249)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Depreciation Expense		(2,599,789)	
Gain/Loss Capital		(11,922)	
Capital Outlay-Equipment		201,059	
Project Fund Capital -CWIP net		750,574	
Principal Loan Iredell		(91,157)	
Monofill Write Off		191,268	
Compensated absences		18,648	
OPEB		(11,466)	
Interest Payable		(65,969)	
DOT		735,276	
Principal DNER 2005		728,127	
Principal DNER 2003		123,403	
Principal DNER 2002		150,000	
Deferred outflow for contributions made to plan current year		50,066	
Pension expense		<u>(8,767)</u>	
Total reconciling items		<u>159,348</u>	
Change in net position		<u>\$ 14,099</u>	

CITY OF STATESVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2015

	Actual			
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ 2,512,695	\$ 2,505,374	\$ 29,204	\$ 2,534,578
Total revenues	2,512,695	2,505,374	29,204	2,534,578
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Water and Sewer Fund - water SDF	200,000	567,289	54,116	621,405
Water and Sewer Fund - sewer SDF	800,000	2,449,890	220,909	2,670,799
Sewer Line Rehabilitation	-	150,000	125,000	275,000
Sewer Improvements	-	150,000	-	150,000
Water Line Rehabilitation	-	100,000	100,000	200,000
Water Improvements	-	125,000	125,000	250,000
General Fund	500,000	500,000	-	500,000
Electric Fund	3,200,000	3,200,000	-	3,200,000
Water and Sewer Fund	4,743,254	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	-	238,932
Lookout Shoals Capital Project Fund	-	123,869	-	123,869
Total transfers in	11,082,064	13,748,113	625,025	14,373,138
Transfers out:				
Reserved for Water & Sewer Capital	(10,427,248)	(9,092,413)	-	(9,092,413)
Statesville Business Park Fund	(118,576)	(60,223)	-	(60,223)
Water Interconnect Capital Project Fund	(2,238,200)	(2,238,200)	-	(2,238,200)
Water Plant Improvements Fund	(579,988)	(579,988)	-	(579,988)
Raw Water Capital Project Fund	(227,480)	(43,424)	-	(43,424)
Fourth Creek Wastewater Fund	(3,267)	(3,267)	-	(3,267)
Total transfers out	(13,594,759)	(12,017,515)	-	(12,017,515)
Total other financing sources and other (uses)	(2,512,695)	1,730,598	625,025	2,355,623
Revenues and other sources over (under) expenditures and other financing (uses)	\$ -	\$ 4,235,972	\$ 654,229	\$ 4,890,201

CITY OF STATESVILLE, NORTH CAROLINA
I-77 REST AREA PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2015

	Actual			Total to Date
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ -	\$ -	\$ -	\$ -
NCDOT Reimbursement	2,671,114	-	172,766	172,766
Total revenues	2,671,114	-	172,766	172,766
EXPENDITURES:				
Economic and physical development:				
Capital Outlay - professional Services	257,350	-	172,766	172,766
Capital Outlay - construction	2,150,924	-	-	-
Capital Outlay - Right Of Way	56,350	-	-	-
Contingency	206,490	-	-	-
Total expenditures	2,671,114	-	172,766	172,766
Revenues (under) expenditures	-	-	-	-

CITY OF STATESVILLE, NORTH CAROLINA
THIRD CREEK WWTP EXPANSION CONSTRUCTION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2015

	Actual			Total to Date
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ 115,200	\$ 122,562	\$ 1,446	\$ 124,008
Total revenues	115,200	122,562	1,446	124,008
EXPENDITURES:				
Economic and physical development:				
Debt Issuance Costs	418,678	418,678	-	418,678
Capital Outlay - Professional Services	2,949,000	2,417,799	393,127	2,810,927
Capital Outlay - Construction	19,882,971	9,548,542	9,195,230	18,743,773
Capital Outlay - Miscellaneous	19,700	-	-	-
Contingency	911,229	-	-	-
Total expenditures	24,181,578	12,385,020	9,588,358	21,973,377
Revenues (under) expenditures	(24,066,378)	(12,262,457)	(9,586,912)	(21,849,369)
OTHER FINANCING SOURCES:				
Proceeds revolving loan	20,933,900	9,111,758	9,702,012	18,813,770
Transfers in:				
Water and Sewer Operating Fund	3,132,478	3,132,478	-	3,132,478
Total other financing sources	24,066,378	12,244,236	9,702,012	21,946,248
Revenues and other sources over (under) expenditures	\$ -	\$ (18,221)	\$ 115,101	\$ 96,879

CITY OF STATESVILLE, NORTH CAROLINA
FOURTH CREEK WWTP CAPITAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2015

	Actual			Total to Date
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Economic and physical development:				
Debt Issuance Costs	94,899	-	94,899	94,899
Capital Outlay - Professional Services	558,200	297,410	97,018	394,428
Capital Outlay - Contractor Services	3,966,615	-	478,456	478,456
Contingency	248,330	-	-	-
Total expenditures	4,868,044	297,410	670,373	967,783
Revenues (under) expenditures	(4,868,044)	(297,410)	(670,373)	(967,783)
OTHER FINANCING SOURCES:				
Proceeds revolving loan	4,744,945	-	820,754	820,754
Transfers in:				
Water and Sewer Operating Fund	123,099	28,200	94,899	123,099
Total other financing sources	4,868,044	28,200	915,653	943,853
Revenues and other sources over expenditures	\$ -	\$ (269,210)	\$ 245,280	\$ (23,930)

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, 2015

	Amended Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Charges for services:			
Fees	\$ 281,000	\$ 299,535	\$ 18,535
Total operating revenues	<u>281,000</u>	<u>299,535</u>	<u>18,535</u>
Non-operating revenues:			
Interest on investments	5,000	7,715	2,715
Total non-operating revenues	<u>5,000</u>	<u>7,715</u>	<u>2,715</u>
Total revenues	<u>286,000</u>	<u>307,250</u>	<u>21,250</u>
EXPENDITURES:			
Salaries and employee benefits	399,606	394,079	5,527
Operating expenditures	411,680	400,652	11,028
Capital outlay	73,000	-	73,000
Total expenditures	<u>884,286</u>	<u>794,731</u>	<u>89,555</u>
Total revenues over (under) expenditures	<u>(598,286)</u>	<u>(487,481)</u>	<u>110,805</u>
OTHER FINANCING SOURCES (USES):			
Fund balance appropriated	4,847	-	(4,847)
Transfers in:			
Occupancy Tax Fund	617,404	617,404	-
Transfers out:			
General Fund - PILOT	(23,965)	(23,965)	-
Total other financing sources (uses)	<u>598,286</u>	<u>593,439</u>	<u>(4,847)</u>
Total revenues and other financing sources (uses) other financing uses and expenditures	<u>\$ -</u>	<u>105,958</u>	<u>\$ 105,958</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Change in accrued compensated absences		(4,476)	
Change in other post employee benefits		(1,459)	
Depreciation		(192,534)	
Deferred outflow for contributions made to plan current year		9,445	
Pension expense		(1,654)	
Total reconciling items		<u>(190,678)</u>	
Change in net position		<u>\$ (84,720)</u>	

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INTERNAL SERVICE FUNDS

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

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

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

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CITY OF STATESVILLE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2015

	Health Insurance Fund	Property and Casualty Liability Insurance Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 862,778	\$ 477,559	\$ 1,340,337
Accounts receivables, net	80	-	80
Interest receivable	1,012	559	1,571
Total assets	\$ 863,870	\$ 478,118	\$ 1,341,988
LIABILITIES			
Accounts payable and accrued liabilities	\$ 37,645	\$ 20,228	\$ 57,873
Accrued IBNR	383,914	220,771	604,685
Total liabilities	421,559	240,999	662,558
NET POSITION	\$ 442,311	\$ 237,119	\$ 679,430

CITY OF STATESVILLE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the Year Ended June 30, 2015

	Health Insurance Fund	Property and Casualty Liability Insurance Fund	Totals
Operating revenues:			
Employer's Contributions	\$ 2,646,410	\$ -	\$ 2,646,410
Employee's Contributions	753,690	-	753,690
Insurance premiums charged to departments	-	696,924	696,924
Total operating revenues	3,400,100	696,924	4,097,024
Operating expenses:			
Health and dental claims	2,925,543		2,925,543
Worker's compensation claims	-	403,830	403,830
Administration and professional services	216,208	15,250	231,458
Property and liability insurance	-	456,015	456,015
Stop loss insurance	200,944	78,478	279,422
Wellness and other claim expenses	17,936	61,385	79,321
Total operating expenses	3,360,631	1,014,958	4,375,589
Total operating income (loss)	39,469	(318,034)	(278,565)
Nonoperating revenues:			
Insurance proceeds	-	15,000	15,000
Investment income	6,241	4,123	10,364
Total nonoperating income	6,241	19,123	25,364
Income (loss) before transfers	45,710	(298,911)	(253,201)
Other financing sources (uses):			
Transfers in (out):	(135,000)	135,000	-
Total other financing sources	(135,000)	135,000	-
Change in net position	(89,290)	(163,911)	(253,201)
Net position, beginning of year	531,601	401,030	932,631
Net position, end of year	\$ 442,311	\$ 237,119	\$ 679,430

CITY OF STATESVILLE, NORTH CAROLINA
HEALTH INSURANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-financing PLAN AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2015

	Financing Plan	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Contributions from employer	\$ 2,833,564	\$ 2,646,410	\$ (187,154)
Contributions from employees	736,352	649,220	(87,132)
Contributions from retired employees and COBRA	92,000	104,470	12,470
Wellness revenue	-	-	-
Total operating revenues	3,661,916	3,400,100	(261,816)
Non operating revenues:			
Investment earnings	3,000	6,241	3,241
Total nonoperating revenues	3,000	6,241	3,241
Total revenues	3,664,916	3,406,341	(258,575)
Expenditures:			
Operating expenditures:			
Wellness and other expenses	20,000	17,936	2,064
Third party administration	217,000	216,208	792
Stop loss insurance	253,000	200,944	52,056
Health claims	3,049,916	2,796,827	253,089
Dental claims	125,000	121,440	3,560
Total expenditures	3,664,916	3,353,355	311,561
Other financing sources (uses):			
Appropriated Fund Balance	135,000	-	(135,000)
Transfers (out):	(135,000)	(135,000)	-
Total other financing uses	-	(135,000)	(135,000)
Revenues (under) expenditures and other sources (uses)	\$ -	(82,014)	\$ (82,014)
Reconciliation from financing plan (modified accrual) to full accrual:			
Increase in incurred claims but not reported (IBNR)		7,276	
Change in net position		\$ (89,290)	

CITY OF STATESVILLE, NORTH CAROLINA
PROPERTY AND CASUALTY LIABILITY INSURANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-financing PLAN AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2015

	Financing 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:			
Insurance proceeds	15,000	15,000	-
Investment earnings	4,000	4,123	123
Total nonoperating revenues	19,000	19,123	123
Total revenues	715,924	716,047	123
Expenditures:			
Operating expenditures:			
Insurance premiums	456,020	455,975	45
Property loss claims	62,500	61,425	1,075
Worker's compensation claims	415,424	383,583	31,841
Worker's compensation Administration	15,500	15,250	250
Worker's compensation stop loss insurance	78,480	78,478	2
Appraisals	10,000	-	10,000
Total expenditures	1,037,924	994,711	43,213
Revenues over (under) expenditures	(322,000)	(278,664)	43,336
Other financing sources:			
Transfer in	135,000	135,000	-
Fund balance appropriated	187,000	-	(187,000)
Total other sources	322,000	135,000	(187,000)
Revenues and other sources (under) expenditures	\$ -	(143,664)	\$ (143,664)
Reconciliation from financing plan (modified accrual) to full accrual:			
Increase in incurred claims but not reported (IBNR)		(20,247)	
Change in net position		\$ (163,911)	

CITY OF STATESVILLE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

	Health Insurance Fund	Property and Casualty Liability Insurance Fund	Totals
Cash flows from operating activities:			
Cash received from employer and employees	\$ 3,400,100	\$ 696,924	\$ 4,097,024
Cash paid for claims and insurance	(3,336,845)	(989,005)	(4,325,850)
Net cash (used) by operating activities	63,255	(292,081)	(228,826)
Cash flows from investing activities operating activities:			
Interest on investments and miscellaneous	6,241	19,123	25,364
Net increase (decrease) in cash and cash equivalents	69,496	(272,958)	(203,462)
Cash and cash equivalents:			
Beginning of year, July 1	928,075	615,269	1,543,344
End of year, June 30	\$ 997,571	\$ 342,311	\$ 1,339,882
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating Income (loss)	\$ 39,469	\$ (318,034)	\$ (278,565)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Changes in assets and liabilities:			
Increase in prepaid items	17,052	-	17,052
Decrease in accounts receivable	(66)	-	(66)
Decrease in accounts payable and accrued liabilities	6,800	25,953	32,753
Net cash (used) by operating activities	\$ 63,255	\$ (292,081)	\$ (228,826)

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ADDITIONAL FINANCIAL DATA

This section contains additional information on property taxes.

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

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CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
GENERAL FUND - CITY-WIDE
For the Year Ended June 30, 2015

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
Tax and Tag	\$ -	\$ 694,127	\$ 694,127	\$ -
2014	-	11,374,967	11,151,767	223,200
2013	373,605	1	235,386	138,220
2012	174,923	-	60,897	114,026
2011	127,429	-	24,567	102,862
2010	99,302	-	14,810	84,492
2009	80,774	-	12,443	68,331
2008	63,385	-	6,588	56,797
2007	52,440	-	2,882	49,558
2006	45,945	-	2,573	43,372
2005	47,569	-	2,371	45,198
2004	32,780	-	32,780	-
	<u>\$ 1,098,152</u>	<u>\$ 12,069,095</u>	<u>\$ 12,241,191</u>	926,056
				Less allowance for uncollectible accounts - city-wide <u>316,008</u>
				Ad valorem taxes receivable, net <u>\$ 610,048</u>
				RECONCILIATION WITH REVENUES:
				\$ 12,300,697
				Reconciling items:
				Interest (59,334)
				Penalty (172)
				<u>Total collections and credits \$ 12,241,191</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, 2015

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
Tax and Tag	\$ -	\$ 5,536	\$ 5,536	\$ -
2014	-	101,903	98,375	3,528
2013	3,479	-	1,638	1,841
2012	1,797	-	544	1,253
2011	1,988	-	261	1,727
2010	788	-	112	676
2009	467	-	15	452
2008	400	-	10	390
2007	438	-	9	429
2006	318	-	-	318
2005	332	-	106	226
2004	358	-	358	-
	<u>\$ 10,365</u>	<u>\$ 107,439</u>	<u>\$ 106,964</u>	10,840
				Less allowance for uncollectible accounts - Downtown
				<u>3,699</u>
				Ad valorem taxes receivable, net
				<u>\$ 7,141</u>
RECONCILIATION WITH REVENUES:				
				Reconciling items:
				\$ 106,380
				Discoveries and adjustments
				<u>584</u>
				Total collections and credits
				<u>\$ 106,964</u>

CITY OF STATESVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND - CITY-WIDE LEVY
For the Year Ended June 30, 2015

	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	\$ 2,749,850,412	0.4100	\$ 11,274,387	\$ 11,274,387	\$ -
Tax and Tag	169,299,268		694,127	-	694,127
Penalties	-		12,612	12,612	-
TOTAL ORIGINAL LEVY	2,919,149,680		11,981,126	11,286,999	694,127
DISCOVERIES:					
Current year rate and taxes	24,694,066	0.4100	101,246	101,246	-
Penalties	-		20,518	20,518	-
TOTAL DISCOVERIES	24,694,066		121,764	121,764	-
RELEASES/TAX AND TAG UNCOLLECTED:					
Current year rate	(8,145,456)	0.4100	(33,396)	(33,396)	-
Penalties	-		(400)	(400)	-
TOTAL RELEASES	(8,145,456)		(33,796)	(33,796)	-
Net assessed valuation	<u>\$ 2,935,698,290</u>				
Net Levy			12,069,094	11,374,967	694,127
Uncollected taxes , June 30			(223,200)	(223,200)	-
Current year's taxes collected			<u>\$ 11,845,894</u>	<u>\$ 11,151,767</u>	<u>\$ -</u>
Current levy collection percentage rate			<u>98.15%</u>	<u>98.04%</u>	<u>0.00%</u>

CITY OF STATESVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND - DOWNTOWN STATESVILLE SPECIAL TAX DISTRICT
For the Year Ended June 30, 2015

	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	\$ 101,627,196	0.1000	\$ 101,627	\$ 101,627	\$ -
Tax and Tag	5,545,000		5,545	-	5,545
Penalties	-		336	336	-
TOTAL ORIGINAL LEVY	107,172,196		107,508	101,963	5,545
DISCOVERIES:					
Current year rate and taxes	78,550	0.1000	79	79	-
Penalties	-		14	14	-
TOTAL DISCOVERIES	78,550		93	93	-
RELEASES/TAX AND TAG UNCOLLECTED:					
Current year rate	(148,240)	0.1000	(148)	(148)	-
Penalties	-		(15)	(15)	-
TOTAL RELEASES	(148,240)		(163)	(163)	-
Net assessed valuation	<u>\$ 107,102,506</u>				
Net Levy			107,438	101,893	5,545
Uncollected taxes , June 30			(3,528)	(3,528)	-
Current year's taxes collected			<u>\$ 103,910</u>	<u>\$ 98,365</u>	<u>\$ 5,545</u>
Current levy collection percentage rate			<u>96.72%</u>	<u>96.54%</u>	<u>100.00%</u>

STATISTICAL SECTION

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

Contents	Page
Financial Trends	143
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	153
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	164
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	168
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	171
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.	

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

	2005-2006	2006-2007	2007-2008	2008-2009
Governmental activities				
Invested in capital asset, net of related debt	\$ 36,058,271	\$ 44,949,061	\$ 48,001,180	\$ 53,828,159
Restricted for:				
Stabilization by state statute	-	-	-	-
Public safety	1,181,165	1,883,567	2,135,787	3,360,512
Transportation	181,156	874,768	216,563	78,736
Economic development	615,050	734,392	402,664	331,342
Debt service	-	-	-	-
Capital outlay	-	7,487,250	4,005,386	1,142,748
Unrestricted	29,538,254	27,095,084	31,399,891	29,392,370
Total governmental activities net assets	67,573,896	83,024,122	86,161,471	88,133,867
Business-type activities				
Invested in capital asset, net of related debt	60,561,045	64,506,624	83,614,851	66,982,354
Unrestricted	33,438,825	34,850,320	18,104,041	34,085,581
Total business-type activities net assets	93,999,870	99,356,944	101,718,892	101,067,935
Primary government				
Invested in capital asset, net of related debt	96,619,316	109,455,685	131,616,031	120,810,513
Restricted for:				
Stabilization by state statute	-	-	-	-
Public Safety	181,156	874,768	216,563	78,736
Transportation	1,181,165	1,883,567	2,135,787	3,360,512
Economic development	615,050	734,392	402,664	331,342
Debt service	-	-	-	-
Capital projects	-	7,487,250	4,005,386	1,142,748
Unrestricted	62,977,079	61,945,404	49,503,932	35,717,074
Total primary government net assets	\$ 161,573,766	\$ 182,381,066	\$ 187,880,363	\$ 161,440,925

Notes:

- (1) Accounting standards require that net assets be reported in three components in the financing 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.
- (2) GASB 68 Pension reporting has been reported in fiscal year 2015.

Table 1

2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
\$ 60,880,399	\$ 59,908,456	\$ 66,160,070	\$ 67,394,632	\$ 68,264,801	\$ 69,891,335
-	-	5,565,574	5,124,143	6,282,769	4,314,762
2,610,583	6,276,092	337,206	77,821	60,645	41,341
1,695,694	383,871	1,332,646	771,303	1,315,672	1,248,014
319,743	885,021	324,831	353,599	444,247	574,665
-	-	-	293,653	61,249	-
1,133,887	8,524,131	6,470,958	5,144,063	3,659,885	2,111,528
30,087,302	24,885,268	19,242,685	21,397,924	21,496,485	21,477,035
96,727,608	100,862,839	99,433,970	100,557,138	101,585,753	99,658,680
65,435,328	65,578,645	65,215,357	65,470,169	67,271,906	66,336,798
35,717,074	34,648,769	35,113,541	35,885,077	33,761,094	34,680,765
101,152,402	100,227,414	100,328,898	101,355,246	101,033,000	101,017,563
126,315,727	125,487,101	131,375,427	132,864,801	135,536,707	136,228,133
-	-	5,565,574	5,124,143	6,282,769	4,314,762
1,695,694	383,871	1,332,646	771,303	1,315,672	41,341
2,610,583	6,276,092	337,206	77,821	60,645	1,248,014
319,743	885,021	324,831	353,599	444,247	574,665
-	-	-	293,653	61,249	-
1,133,887	8,524,131	6,470,958	5,144,063	3,659,885	2,111,528
65,804,376	59,534,037	54,356,226	57,283,001	55,257,579	56,157,800
<u>\$ 197,880,010</u>	<u>\$ 201,090,253</u>	<u>\$ 199,762,868</u>	<u>\$ 201,912,384</u>	<u>\$ 202,618,753</u>	<u>\$ 200,676,243</u>

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

	2005-2006	2006-2007	2007-2008	2008-2009
Expenses by Functions/Programs				
Governmental Activities:				
General government	\$ 3,666,728	\$ 5,025,649	\$ 4,570,260	\$ 3,390,680
Public safety	8,954,959	9,507,613	9,912,303	10,439,606
Transportation	1,784,873	3,429,782	2,552,709	3,370,012
Economic and physical development	422,002	1,027,971	687,943	900,469
Environmental protection	1,937,472	1,957,790	2,043,845	2,159,733
Cultural and recreation	2,034,064	2,357,781	2,860,402	2,996,956
Interest on long-term debt	108,644	97,303	85,272	72,823
Subtotal governmental activities	<u>18,908,742</u>	<u>23,403,889</u>	<u>22,712,734</u>	<u>23,330,279</u>
Business-Type Activities:				
Electric	34,325,012	34,781,756	36,808,447	37,157,603
Water and sewer	8,758,206	8,699,578	8,539,967	9,857,896
Civic Center	795,543	789,198	743,029	825,678
Subtotal business-type activities	<u>43,878,761</u>	<u>44,270,532</u>	<u>46,091,443</u>	<u>47,841,177</u>
Total primary government expenses	<u>\$ 62,787,503</u>	<u>\$ 67,674,421</u>	<u>\$ 68,804,177</u>	<u>\$ 71,171,456</u>
Program Revenues by Functions				
Governmental Activities:				
Charges for Services:				
General government	\$ 240,129	\$ 240,129	\$ 211,811	\$ 129,936
Public safety	381,205	323,180	238,714	265,811
Transportation	390,138	477,950	470,080	469,067
Economic and physical development	-	-	-	-
Environmental protection	309,051	477,523	311,923	309,651
Cultural and recreation	175,506	236,072	342,981	511,747
Operating grants and contributions	1,396,861	653,592	291,176	330,505
Capital grants and contributions	1,938,558	4,513,373	1,493,538	1,224,679
Total governmental activities program activ	<u>4,831,448</u>	<u>6,921,819</u>	<u>3,360,223</u>	<u>3,241,396</u>
Business-Type Activities:				
Charges for Services:				
Electric	34,434,669	35,581,680	37,804,704	36,661,251
Water and sewer	9,416,655	9,896,796	9,882,339	9,508,110
Civic Center	225,489	276,547	284,148	300,010
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	700,000	-	-
Total business-type activities	<u>44,076,813</u>	<u>46,455,023</u>	<u>47,971,191</u>	<u>46,469,371</u>
Total primary government program rev	<u>\$ 48,908,261</u>	<u>\$ 53,376,842</u>	<u>\$ 51,331,414</u>	<u>\$ 49,710,767</u>

2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
\$ 3,259,010	\$ 3,346,041	\$ 3,274,004	\$ 3,240,212	\$ 3,432,347	\$ 3,254,999
11,206,823	11,408,145	11,994,709	12,299,585	12,410,000	12,398,238
3,409,944	3,412,045	3,468,402	3,540,251	4,246,210	4,345,239
798,806	806,305	965,655	1,332,542	947,827	750,760
2,077,498	2,085,049	2,130,549	1,846,780	1,715,643	1,978,958
3,145,451	3,367,653	3,417,745	3,481,787	3,354,153	3,594,906
91,868	275,735	352,859	306,561	264,534	212,823
<u>23,989,400</u>	<u>24,700,973</u>	<u>25,603,923</u>	<u>26,047,718</u>	<u>26,370,714</u>	<u>26,535,923</u>
38,513,061	40,589,432	41,532,781	44,304,027	46,952,145	46,952,145
9,440,556	9,286,106	9,502,048	9,389,629	9,713,190	9,713,190
817,270	861,917	848,125	948,560	999,189	999,189
<u>48,770,887</u>	<u>50,737,455</u>	<u>51,882,954</u>	<u>54,642,216</u>	<u>57,664,524</u>	<u>57,664,524</u>
<u>\$ 72,760,287</u>	<u>\$ 75,438,428</u>	<u>\$ 77,486,877</u>	<u>\$ 80,689,934</u>	<u>\$ 84,035,238</u>	<u>\$ 84,200,447</u>
\$ 69,423	\$ 96,614	\$ 379,335	\$ -	\$ 46,977	\$ 355,432
287,186	337,832	198,223	308,753	336,183	342,107
506,981	473,426	322,757	678,516	791,434	-
70,045	4,511	-	802,655	45	-
328,217	293,688	288,090	448,057	165,632	162,236
751,559	816,694	831,655	820,940	819,739	836,284
917,021	865,836	501,593	834,006	615,180	345,739
8,508,250	3,116,406	1,493,194	2,103,132	946,690	1,240,320
<u>11,438,682</u>	<u>6,005,007</u>	<u>4,014,847</u>	<u>5,996,059</u>	<u>3,721,880</u>	<u>3,282,118</u>
39,102,390	41,973,877	41,334,097	44,989,787	47,531,836	47,646,058
9,348,940	9,146,995	8,973,284	9,464,072	9,468,112	10,033,066
293,019	277,414	254,004	259,388	294,701	299,535
-	-	560,534	977,497	13,400	-
-	-	-	-	-	-
<u>48,744,349</u>	<u>51,398,286</u>	<u>51,121,919</u>	<u>55,690,744</u>	<u>57,308,049</u>	<u>57,978,659</u>
<u>\$ 60,183,031</u>	<u>\$ 57,403,293</u>	<u>\$ 55,136,766</u>	<u>\$ 61,686,803</u>	<u>\$ 61,029,929</u>	<u>\$ 61,260,777</u>

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

	2005-2006	2006-2007	2007-2008	2008-2009
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes				
Ad valorem taxes	\$ 9,297,047	\$ 9,493,505	\$ 10,872,577	\$ 11,574,508
Local sales tax option	5,846,223	6,310,405	6,416,272	5,628,740
Other taxes	1,319,265	1,216,733	1,128,731	1,057,366
Unrestricted intergovernmental revenues	1,544,840	1,930,374	2,096,956	2,147,614
Interest earned on investments	998,645	1,779,224	1,592,528	1,217,313
Pension revenue	-	-	-	-
Miscellaneous	275,829	224,245	83,313	101,969
Gain (loss) on sale of capital assets	(53,947)	24,823	-	-
Transfers in (out)	122,336	185,084	299,483	409,899
Total governmental activities	19,350,238	21,164,393	22,489,860	22,137,409
Business-Type Activities:				
Interest earned on investments	1,081,479	1,776,861	1,461,297	1,130,748
Pension revenue	-	-	-	-
Miscellaneous	-	868,462	(679,614)	-
Gain (loss) on sale of capital assets	-	(199,208)	-	-
Transfer (out)	(122,336)	(185,084)	(299,483)	(409,899)
Total business-type activities	959,143	2,261,031	482,200	720,849
Total primary government	20,309,381	23,425,424	22,972,060	22,858,258
Changes in Net Assets				
Governmental activities	2,868,168	1,811,882	2,400,977	9,586,691
Business-type activities	3,143,634	4,140,779	(889,606)	694,311
Total primary government	\$ 6,011,802	\$ 5,952,661	\$ 1,511,371	\$ 10,281,002

(1) GASB 68 Pension reporting has been reported in fiscal year 2015.

Table 2 (cont'd)
Page 2 of 2

2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
\$ 11,602,821	\$ 11,760,600	\$ 11,316,717	\$ 12,144,774	\$ 12,329,641	\$ 12,252,525
5,113,327	5,452,410	5,105,479	5,269,457	5,491,152	6,016,074
1,208,289	1,273,835	1,321,032	809,850	1,626,638	3,284,650
2,023,140	2,139,048	2,116,304	2,608,519	2,316,788	681,625
554,901	105,840	263,126	(149,740)	311,881	150,345
-	-	-	-	-	438,644
175,648	268,874	195,157	238,313	175,411	153,294
-	-	-	-	-	-
470,151	1,830,590	(157,608)	253,654	1,425,938	190,752
<u>21,148,277</u>	<u>22,831,197</u>	<u>20,160,207</u>	<u>21,174,827</u>	<u>23,677,449</u>	<u>23,167,909</u>
593,605	244,771	256,414	(103,514)	375,522	223,891
-	-	-	-	-	113,439
-	-	448,497	334,988	-	-
-	-	-	-	-	-
(470,151)	(1,830,590)	157,608	(253,654)	(1,425,938)	(190,752)
<u>123,454</u>	<u>(1,585,819)</u>	<u>862,519</u>	<u>(22,180)</u>	<u>(1,050,416)</u>	<u>146,578</u>
<u>21,271,731</u>	<u>21,245,378</u>	<u>21,022,726</u>	<u>21,152,647</u>	<u>22,627,033</u>	<u>23,314,487</u>
2,452,311	1,242,121	108,548	1,123,168	1,028,615	(85,896)
784,285	(2,346,854)	1,911,047	1,026,348	(1,406,891)	460,713
<u>\$ 3,236,596</u>	<u>\$ (1,104,733)</u>	<u>\$ 2,019,595</u>	<u>\$ 2,149,516</u>	<u>\$ (378,276)</u>	<u>\$ 374,817</u>

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

	2005-2006	2006-2007	2007-2008	2008-2009
General Fund				
Non Spendable				
Reserved for inventories	\$ 27,224	\$ 26,732	\$ 27,406	\$ 27,689
Prepaid items	2,019	827	15,096	6,940
Restricted				
Stabilization by State Statute	2,343,075	2,392,401	2,554,149	2,349,570
Debt service	-	-	-	-
¹ Reserved for encumbrances	1,547,264	2,944,359	5,109,820	5,733,866
Committed	-	-	-	-
Assigned				
Subsequent year's appropriation	-	2,890,000	2,100,000	-
Unassigned	22,192,320	15,142,878	15,205,365	17,389,011
Subtotal governmental activities	26,111,902	23,397,197	25,011,836	25,507,076
All Other Governmental Funds				
Reserved for:				
¹ Reserved for encumbrances	1,079,484	7,688,381	5,700	1,070,032
Restricted, reported in:				
Stabilization by state statute	1,256,886	212,246	511,713	363,922
Special revenue funds	2,383,200	2,122,202	2,010,816	1,948,930
Committed	-	-	-	-
Capital project funds (deficit)	(1,027,252)	1,470,188	5,645,881	4,203,385
Unassigned (deficit)	-	-	-	-
Subtotal other governmental activities	3,692,318	11,493,017	8,174,110	7,586,269
Total governmental fund balance	\$ 29,804,220	\$ 34,890,214	\$ 33,185,946	\$ 33,093,345
General Fund unassigned fund balance as a percent of expenditures (including transfer out)	103.39%	52.97%	65.99%	63.26%

Notes:

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

Table 3

2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
\$ 16,790	\$ 26,091	\$ 26,497	\$ 28,182	\$ 31,027	\$ 47,630
4,510	320	2,470	2,985	4,290	6,909
2,730,658	3,139,241	3,384,316	3,971,056	3,414,788	3,879,522
-	-	-	293,653	61,249	-
4,188,338	-	-	-	-	-
-	750,940	-	-	-	-
652,150	1,847,967	270,292	286,323	998,745	1,838,714
17,401,057	18,218,742	19,403,631	21,017,856	20,315,639	21,368,277
24,993,503	23,983,301	23,087,206	25,600,055	24,825,738	27,141,052
2,479,753	-	-	-	-	-
561,960	79,991	2,181,258	1,153,086	2,867,981	435,240
4,099,157	955,625	1,994,683	1,202,723	1,820,564	1,864,020
-	1,342,079	6,470,958	-	-	-
2,666,400	13,691,420	-	5,144,063	3,659,885	2,111,528
-	-	(85,676)	-	-	-
9,807,270	16,069,115	10,561,223	7,499,872	8,348,430	4,410,788
\$ 34,800,773	\$ 40,052,416	\$ 33,648,429	\$ 33,099,927	\$ 33,174,168	\$ 31,551,840
67.97%	67.54%	76.15%	82.47%	73.40%	85.96%

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)

	2005-2006	2006-2007	2007-2008	2008-2009
Revenues (by source):				
Ad valorem taxes	\$ 9,229,195	\$ 9,534,403	\$ 10,962,849	\$ 11,487,668
Sales Tax	5,846,223	6,310,405	6,416,272	5,628,740
Other taxes and licenses	1,204,561	1,151,378	1,128,730	1,072,667
Unrestricted intergovernmental	1,814,360	1,986,661	2,096,957	2,147,614
Restricted intergovernmental	3,125,282	5,165,415	1,780,407	1,555,184
Permits and fees	750,002	670,787	622,716	544,248
Sales and services	840,747	1,066,972	1,007,280	1,347,115
Investment earnings	943,604	1,682,542	1,489,005	1,090,462
Miscellaneous	167,876	127,491	114,952	101,971
Total revenues	23,921,850	27,696,054	25,619,168	24,975,669
Expenditures (by function):				
General government	3,465,145	4,783,022	4,425,289	3,113,999
Public safety	8,385,296	8,825,199	9,401,987	9,860,172
Transportation	1,694,167	1,673,689	1,011,510	2,158,865
Economic and physical development	408,044	1,038,429	687,942	900,468
Environmental protection	1,769,566	1,793,815	1,918,679	1,946,932
Cultural and recreation	1,878,769	2,116,144	2,680,000	5,795,858
Capital outlay	5,897,977	2,109,107	7,053,833	1,194,515
Debt service:				
Principal	355,000	355,000	355,000	355,000
Interest on long-term debt	112,950	100,710	88,679	76,230
Total expenditures	23,966,914	22,795,115	27,622,919	25,402,039
Excess of revenues over (under) expenditures	(45,064)	4,900,939	(2,003,751)	(426,370)
Other Financing Sources (Uses)				
Transfers in	2,645,939	11,172,263	1,245,064	3,446,361
Transfers out	(2,523,603)	(10,987,208)	(945,581)	(3,036,462)
Transfer from component unit	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Total other financing sources (uses)	122,336	185,055	299,483	409,899
Net change in fund balance	\$ 77,272	\$ 5,085,994	\$ (1,704,268)	\$ (16,471)
Debt service as a percentage of noncapital expenditures	2.59%	2.20%	2.16%	1.78%

⁽²⁾ As of June 30, 2015, the State Treasurer has reclassified many of the previous taxes as unrestricted state share revenues.

Table 4

2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
\$ 11,515,195	\$ 11,603,732	\$ 11,310,155	\$ 12,139,952	\$ 12,403,940	\$ 12,407,077
5,113,327	5,452,410	5,105,479	5,269,457	5,491,152	6,016,074
1,208,289	1,271,879	1,321,032	1,631,962	1,626,638	951,626
2,023,140	2,139,049	2,116,304	2,608,519	2,316,788	2,671,124
9,396,440	3,724,998	2,078,787	2,951,620	1,539,487	1,614,191
526,627	542,334	554,325	439,269	447,208	731,287
1,393,927	1,502,159	1,457,941	1,788,988	1,679,939	1,452,951
466,568	235,024	253,517	(121,635)	347,082	202,655
134,024	468,319	206,288	449,217	138,603	156,893
<u>31,777,537</u>	<u>26,939,904</u>	<u>24,403,828</u>	<u>27,157,349</u>	<u>25,990,837</u>	<u>26,203,878</u>
3,057,326	3,114,368	3,025,762	3,537,203	3,134,239	2,986,788
10,514,864	10,863,716	11,309,003	11,990,414	11,576,160	12,121,392
1,751,549	1,786,894	1,781,557	2,007,509	1,739,707	2,868,091
797,915	806,305	1,021,655	2,212,781	947,827	788,260
1,934,002	1,960,189	1,979,079	1,918,623	1,593,054	2,132,924
2,974,884	2,965,898	2,974,985	3,264,938	2,921,604	3,278,844
11,037,173	8,199,597	6,597,977	1,489,469	3,936,559	2,392,459
355,000	549,700	1,249,700	1,249,700	1,224,700	894,700
63,990	272,184	360,490	288,867	268,684	553,500
<u>32,486,703</u>	<u>30,518,851</u>	<u>30,300,208</u>	<u>27,959,504</u>	<u>27,342,534</u>	<u>28,016,958</u>
(709,166)	(3,578,947)	(5,896,380)	(802,155)	(1,351,697)	(1,813,080)
4,950,672	6,849,267	2,266,764	4,532,958	5,458,684	2,579,286
(4,480,521)	(5,018,677)	(2,774,371)	(4,279,305)	(4,032,746)	(2,388,534)
-	-	-	-	-	-
1,947,000	7,000,000	-	-	-	-
<u>2,417,151</u>	<u>8,830,590</u>	<u>(507,607)</u>	<u>253,653</u>	<u>1,425,938</u>	<u>190,752</u>
<u>\$ 1,707,985</u>	<u>\$ 5,251,643</u>	<u>\$ (6,403,987)</u>	<u>\$ (548,502)</u>	<u>\$ 74,241</u>	<u>\$ (1,622,328)</u>
1.95%	3.68%	6.79%	5.81%	6.38%	5.65%

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
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	5,269,457	341,000	733,086	17,660,260
2013	12,144,774	5,269,457	687,341	803,829	18,905,401
2014	12,329,641	5,491,152	665,357	818,512	19,304,662
2015	12,252,525	6,016,074 ⁽¹⁾	343,527	915,685	19,527,811

⁽¹⁾ The City as of July 1, 2015 is not authorized to levy privilege licenses.

Table 6

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

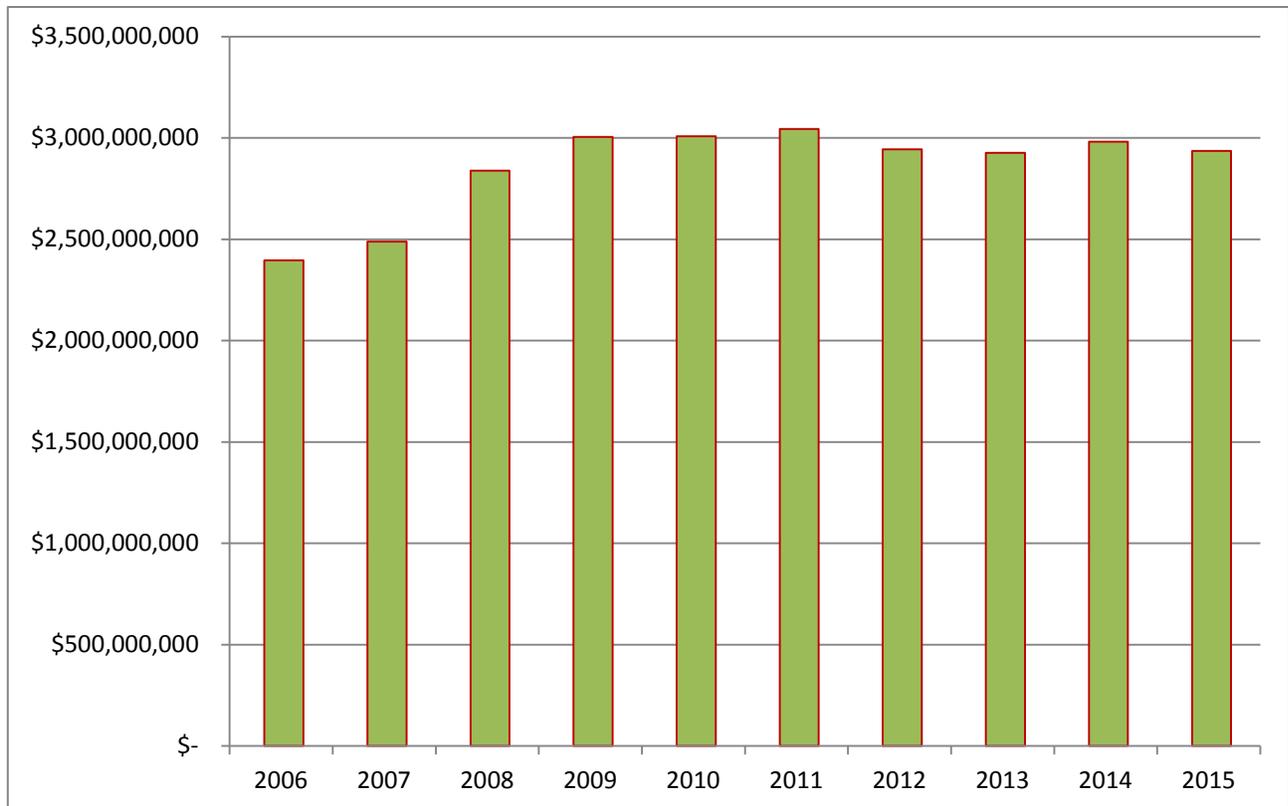
Fiscal Year Ended June 30	Property Tax	Sales Tax	Privilege License Tax	Occupancy Tax	Total
2006	\$ 9,541,219	\$ 5,500,018	\$ 373,492	\$ 633,046	\$ 16,047,775
2007	9,229,195	5,846,223	377,283	618,589	16,840,680
2008	9,534,403	6,310,405	381,277	679,213	16,905,298
2009	10,962,849	6,416,272	367,858	729,640	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	12,139,952	5,269,457	341,000	733,086	18,483,495
2013	12,139,952	5,269,457	687,341	803,829	18,900,579
2014	12,403,940	5,491,152	665,357	818,512	19,378,961
2015	12,407,077	6,016,074 ⁽¹⁾	343,527	915,685	19,682,363

⁽¹⁾ The City as of July 1, 2015 is not authorized to levy privilege licenses.

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

Fiscal Year Ended June 30	Tax Year	Real Property	Motor Vehicle and Personal Property	Public Service Companies	Total Assessed Value	Total Direct Tax Rate
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
2014	2013	2,036,899,857	898,217,364	46,105,962	2,981,223,183	0.4135
2015	2014	2,034,349,011	853,846,103	47,503,176	2,935,698,290	0.4137

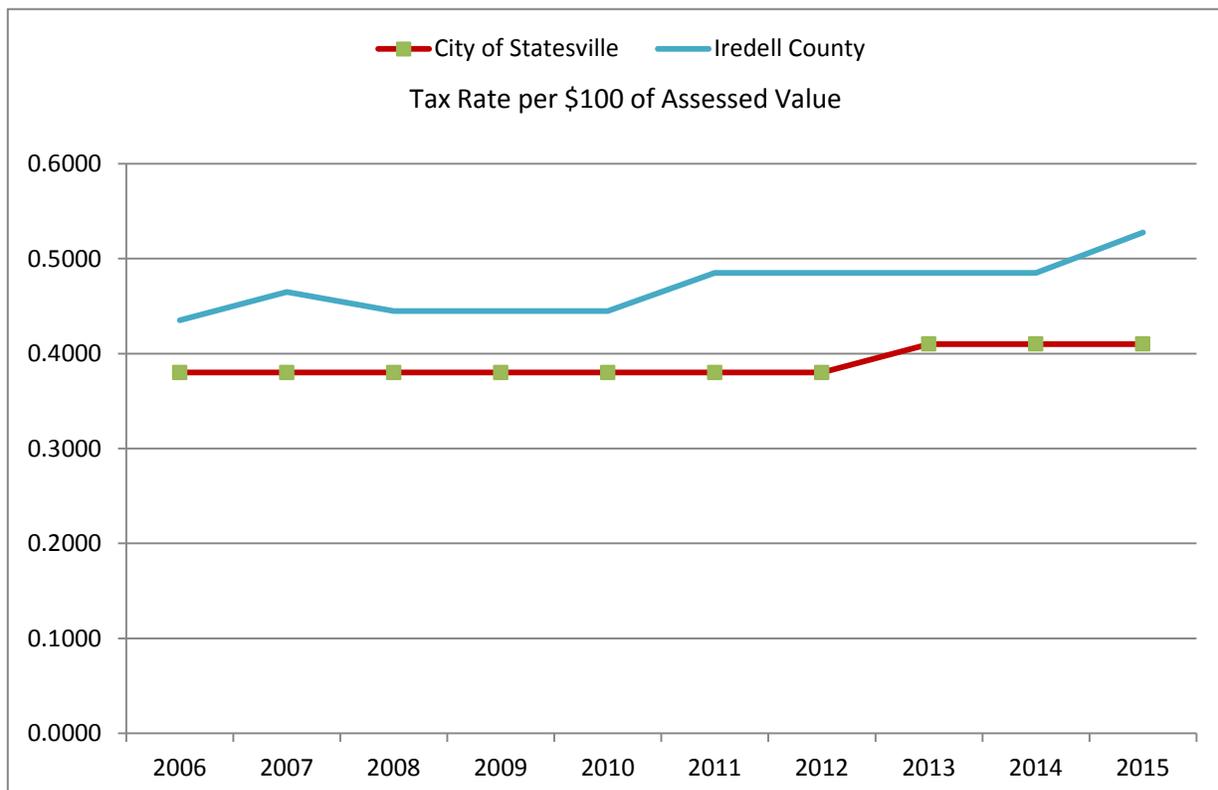
⁽¹⁾ Assessed valuations are established by the Board of County Commissioners at 100 percent of estimated market value. A revaluation of real property is required by the North Carolina General Statutes at least every eight years. The last revaluation was completed in tax year 2011, levied for fiscal year ending 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**

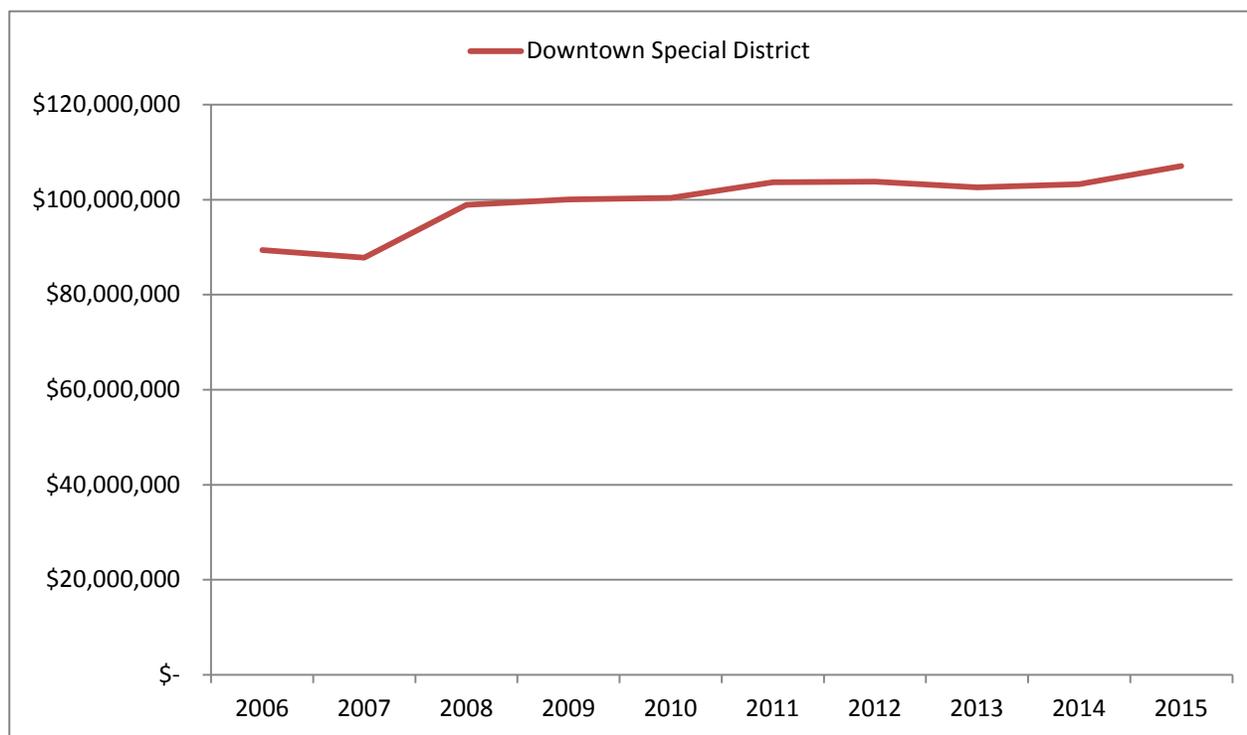
Fiscal Year Ended June 30	City of Statesville City -wide Tax Rate	Downtown Tax Rate	City of Statesville Direct ⁽¹⁾Tax Rate	Iredell County Tax Rate	City of Statesville Direct Tax Rate Plus County Tax Rate
2006	0.3800	0.1000	0.3837	0.4350	0.8187
2007	0.3800	0.1000	0.3835	0.4650	0.8485
2008	0.3800	0.1000	0.3835	0.4450	0.8285
2009	0.3800	0.1000	0.3833	0.4450	0.8283
2010	0.3800	0.1000	0.3833	0.4450	0.8283
2011	0.3800	0.1000	0.3833	0.4850	0.8683
2012	0.3800	0.1000	0.3835	0.4850	0.8685
2013	0.4100	0.1000	0.4135	0.4850	0.8985
2014	0.4100	0.1000	0.4135	0.4850	0.8985
2015	0.4100	0.1000	0.4137	0.5275	0.9412

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



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

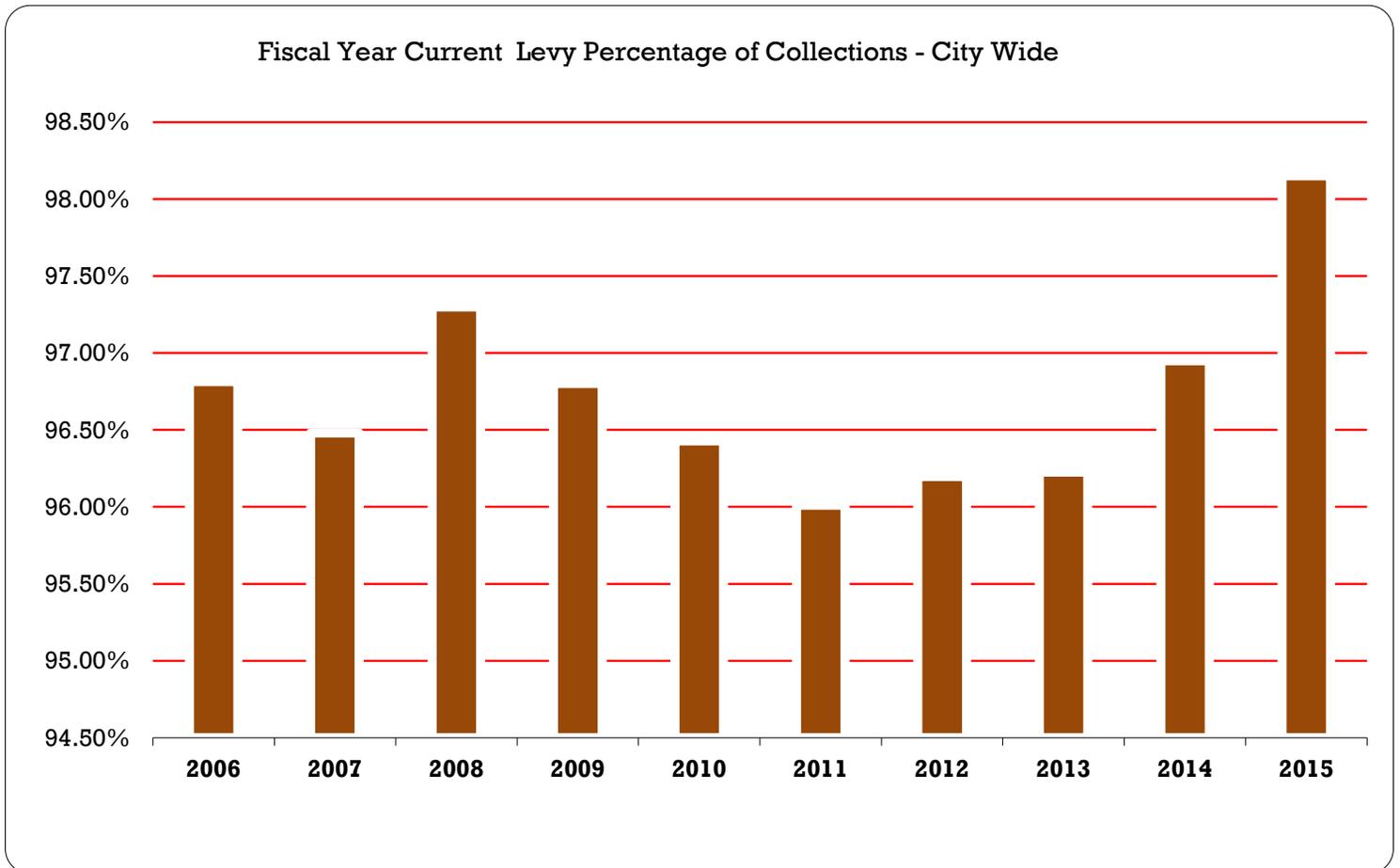
Fiscal Year Ended June 30	Assessed Value	Appraised Value	Ratio of Total Assessed Value to Total Appraised Value
2006	\$ 89,420,820	\$ 89,420,820	100%
2007	87,813,703	87,813,703	100%
2008	98,942,000	98,942,000	100%
2009	100,043,730	100,043,730	100%
2010	100,360,997	100,360,997	100%
2011	101,690,327	103,654,000	100%
2012	103,785,047	103,785,047	100%
2013	102,596,150	102,596,150	100%
2014	103,256,921	103,256,921	100%
2015	107,102,506	107,102,506	100%



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

Fiscal Year Ended June 30	Tax Year	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
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	99.48%	1,134,351	9.44%
2014	2013	12,244,494	11,870,889	96.95%	356,284	12,227,173	99.86%	1,098,152	8.97%
2015	2014	12,069,094	11,845,894	98.15%	359,943	12,205,837	101.13%	1,098,152	9.10%

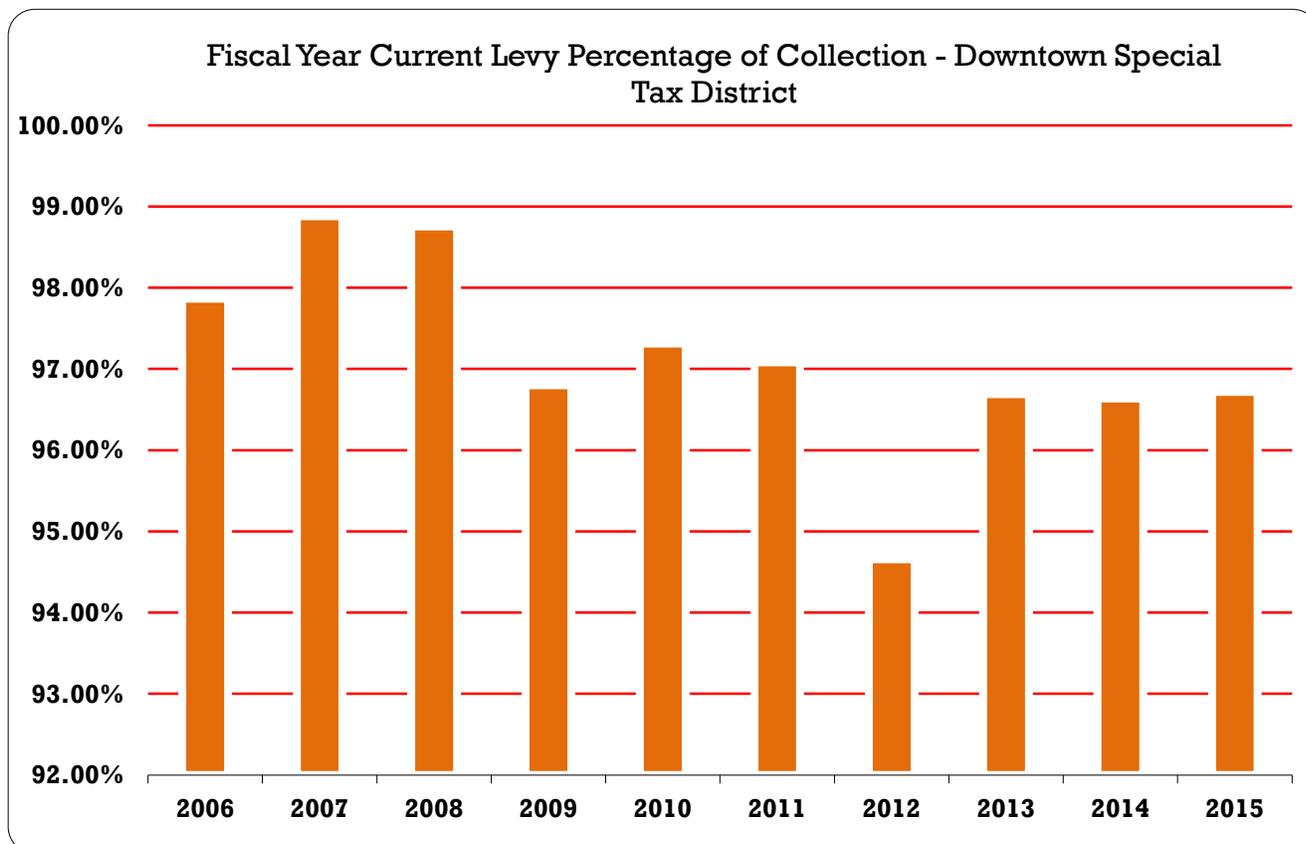
Note: Ratio of Total Tax Collections to Total Tax Levy includes only the current levy.



**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	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
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%
2014	2013	103,426	99,947	96.64%	2,617	102,564	99.17%	10,365	10.02%
2015	2014	107,438	103,910	96.72%	2,805	106,715	99.33%	10,365	9.65%

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



CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS - CITY WIDE (UNAUDITED)
June 30, 2015 and June 30, 2006

In accordance with GASB No. 44, the following tables present information for the City's principal property taxpayers as of June 30, 2015 and June 30, 2006 for City wide only.

June 30, 2015		Percentage of	Assessed	
Taxpayer	Type of Business	Total Assessed Valuation	Valuation	Tax Levy
Lowe's	Home Improvement Retailer	3.34%	\$ 98,061,312	\$ 402,051
Providencia USA, Inc.	Non-Woven Plastic Materials Mfg.	3.26%	95,638,322	\$ 392,117
Asmo NC, Inc.	Electric Motor Mfg.	1.83%	53,818,114	\$ 220,654
GS Statesville Green Land	Real Estate	0.93%	27,320,310	\$ 112,013
Clark Equipment Company	Heavy Equipment Manufacturer	0.72%	21,266,808	\$ 86,136
Statesville HMA, Inc.	Health Care Facility	0.71%	20,733,700	\$ 85,008
Pratt (Jett Corr) Inc	Corrugated Container Mfg.	0.61%	17,984,152	\$ 73,735
Centro NP Holdings	Real Estate	0.60%	17,620,150	\$ 72,243
Newell Rubbermaid	Home & Office Products, Tool Mfg.	0.53%	15,476,888	\$ 63,455
Venture Properties I LLC	Commerical Development	0.52%	15,205,560	\$ 62,343
	Ten largest taxpayers	13.05%	383,125,316	1,569,755
	All other taxpayers	86.95%	2,552,572,974	10,674,739
	Total:	100.00%	\$ 2,935,698,290	\$ 12,244,494

June 30, 2006		Percentage of	Assessed	
Taxpayer	Type of Business	Total Assessed Valuation	Valuation	Tax Levy
Lowe's	Home Improvement Retailer	5.28%	\$ 126,479,307	\$ 480,621
Asmo NC, Inc.	Electric Motor Mfg.	1.53%	36,573,257	138,978
Dana Corporation	Off-Highway Equipment	1.20%	28,822,597	109,526
Statesville HMA, Inc.	Health Care Facility	1.15%	27,666,439	105,132
Excel Realty Trust of NC	Shopping Center	0.98%	23,546,720	89,478
Commscope, Inc.	Cable Manufacturer	0.91%	21,692,523	82,432
Hexcel Reinforcement Corp.	Fiberglass Manufacturing	0.69%	16,640,345	63,233
C & J Associates	Real Estate	0.67%	16,002,260	60,809
Kewaunee Scientific	Scientific Equipment	0.66%	15,811,154	60,082
Goodyear Tire & Rubber Co.	Tire Manufacturing	0.60%	14,397,288	54,710
	Ten largest taxpayers	13.67%	327,631,890	1,245,001
	All other taxpayers	86.33%	2,068,671,465	7,161,715
	Total:	100.00%	\$ 2,396,303,355	\$ 8,406,716

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL ELECTRIC CUSTOMERS
June 30, 2015 and June 30, 2006

Electric Customer	Type of Business	Dollar Amount of Annual Electric Charges	Percentage of Total Electric Charges for Services
June 30, 2015			
Providencia USA	Non-Woven Plastic Materials	2,609,045	5.7%
City of Statesville	Municipal Corporation	1,622,230	3.5%
Commscope	Cable Manufacturer	1,369,603	3.0%
Kewaunee Scientific	Scientific Equipment	1,112,114	2.4%
Iredell Memorial Hospital	Health Care Facility	1,012,856	2.2%
International Paper	Wood/Veneers	891,169	1.9%
Accuma Corporation	Plastics/Batteries	852,373	1.9%
Statesville Housing Authority	Housing Authority	641,086	1.4%
Hunt-Bienfang Manufacturing	Art Supply	627,860	1.4%
J C Steele & Sons	Manufacture	561,680	1.2%
	Ten largest electric users	11,300,016	24.6%
	All other electric users	34,619,142	75.4%
	Total electric charges	<u>\$ 45,919,158</u>	<u>100.0%</u>
June 30, 2006			
Commscope	Cable Manufacturer	\$ 1,558,622	4.8%
Kewaunee Scientific	Scientific Equipment	661,113	2.0%
Accuma Corporation	Plastics/Batteries	597,968	1.9%
Mocar Industries/Finishing	Knit Fibers	576,575	1.8%
Hunt Manufacturing	Art Supply	527,364	1.6%
Armstrong Hardwood	Flooring	398,399	1.2%
Iredell Memorial Hospital	Health Care Facility	381,495	1.2%
Statesville Housing Authority	Public Housing	337,224	1.0%
City of Statesville	Municipal Corporation	333,601	1.0%
ASC Colamco	Automobile Parts	332,338	1.0%
	Ten largest electric users	5,704,699	17.7%
	All other electric users	26,562,721	82.3%
	Total electric charges	<u>\$ 32,267,420</u>	<u>100.0%</u>

Source: City of Statesville's utility billing records.

Table 14

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL WATER CUSTOMERS
June 30, 2015 and June 30, 2006

Water Customer	Type of Business	Dollar Amount of Annual Water Charges	Percentage of Total Water Charges for Services
June 30, 2015			
Statesville Housing Authority	Housing Authority	\$ 84,600	2.2%
West Iredell Water Corp.	Utility	81,453	2.1%
Mocaro Industries/Finishing	Knit Fabrics	70,043	1.8%
City of Statesville	Municipal Corporation	62,874	1.6%
Iredell Memorial Hospital	Health Care Facility	55,401	1.5%
Iredell Water Corporation	Utility	50,663	1.3%
Mariner Post Acute	Health Care Facility	45,356	1.2%
Clark-Schwebel Fiber	Textile Manufacturer	36,093	0.9%
Kewaunee Scientific	Scientific Equipment	29,421	0.8%
Rental Uniform Svc. Inc.	Apparel Rental	27,534	0.7%
	Ten largest water users	543,438	14.3%
	All other water users	3,269,423	85.7%
	Total water charges	<u><u>\$ 3,812,861</u></u>	<u><u>100.0%</u></u>
June 30, 2006			
Mocaro Industries/Finishing	Knit Fabrics	\$ 151,388	4.7%
Statesville Housing Authority	Housing Authority	80,325	2.5%
Town of Troutman	Municipal Corporation	69,728	2.2%
West Iredell Water Corp.	Utility	49,860	1.6%
Iredell Memorial Hospital	Health Care Facility	40,346	1.3%
Iredell Water Corporation	Utility	38,651	1.2%
Rental Uniform Svc. Inc.	Apparel Rental	21,469	0.7%
City of Statesville	Municipal Corporation	19,057	0.6%
Clark-Schwebel Fiber	Fiberglass	16,353	0.5%
Kewaunee Scientific	Scientific Equipment	15,482	0.4%
	Ten largest water users	502,659	15.7%
	All other water users	2,708,750	84.3%
	Total water charges	<u><u>\$ 3,211,409</u></u>	<u><u>100.0%</u></u>

Source: City of Statesville's utility billing records.

Table 15

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL SEWER CUSTOMERS
June 30, 2015 and June 30, 2006

<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, 2015			
Mocaro Industries/Finishing	Knit Fabrics	\$ 351,304	6.2%
Town of Troutman	Utility	290,415	5.1%
Statesville Housing Authority	Housing Authority	136,980	2.4%
Iredell Memorial Hospital	Health Care Facility	88,402	1.5%
Mariner Post Acute	Health Care Facility	50,854	0.9%
Iredell-Statesville School Adm	School System	48,730	0.9%
Rental Uniform	Apparel Rental	44,884	0.8%
Kewaunee Scientific	Scientific Equipment	43,229	0.8%
Clark-Schwebel Fiber	Fiberglass	42,837	0.8%
Muellers CIR Holdings, LLC		35,070	0.6%
	Ten largest sewer users	1,132,705	19.8%
	All other sewer users	4,577,793	80.2%
	Total sewer charges	<u>\$ 5,710,498</u>	<u>100.0%</u>
June 30, 2006			
Mocaro Industries/Finishing	Knit Fabrics	\$ 386,288	8.3%
Town of Troutman	Municipal Corporation	184,050	4.0%
Statesville Housing Authority	Housing Authority	130,353	2.8%
Iredell Memorial Hospital	Health Care Facility	66,030	1.4%
Rental Uniform	Apparel Rental	34,985	0.8%
City of Statesville	Municipal Corporation	31,138	0.7%
Davis Hospital	Health Care Facility	30,563	0.7%
Clark-Schwebel Fiber	Fiberglass	26,813	0.6%
Kewaunee Scientific	Scientific Equipment	25,384	0.5%
Artcraft Foxcroft	Apartment Complex	27,279	0.6%
	Ten largest sewer users	942,883	20.4%
	All other sewer users	3,685,843	79.6%
	Total sewer charges	<u>\$ 4,628,726</u>	<u>100.0%</u>

Source: City of Statesville's utility billing records.

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

Fiscal Year Ended June 30,	Governmental Activities		Business-type Activities		Total Primary Government	Percent of Personal Income	^{2.} Per Capita
	General Obligation Bonds	Notes Payable	General Obligation Bonds	Notes Payable			
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	120,000	14,052,736	24,350,036	0.10% ⁽¹⁾	988.51
2012	25,000	8,847,600	120,000	13,051,207	24,350,036	0.10% ⁽¹⁾	988.51
2013	-	7,622,900	80,000	12,049,677	19,752,577	0.12% ⁽¹⁾	796.14
2014	-	6,398,200	-	20,159,905	26,558,105	0.10% ⁽¹⁾	1,063.13
2015	-	5,173,500	-	29,681,145	34,854,645	0.06% ⁽¹⁾	1,395.25

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 2014 for Statesville was \$22,188.

^{2.} From the North Carolina Office of Management and Budget. For the report fiscal year are projections from the For fiscal year 2013 the population projections are from the North Carolina Office of Management and Budget as of July 1, 2013. Estimate population for fiscal year 2013: 24,981

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		
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%	-
2014	-	-	-	-	0.00%	-
2015	-	-	-	-	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.

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

Fiscal Years 2010 to 2014:	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Debt Limit	\$ 243,574	\$ 235,459	\$ 235,459	\$ 232,880	\$ 234,856
Total net debt applicable to limit	<u>25</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 243,549</u>	<u>\$ 235,459</u>	<u>\$ 235,459</u>	<u>\$ 232,880</u>	<u>\$ 234,856</u>
Total net debt applicable to the limit as a percentage of debt limit	0.01%	0.00%	0.00%	0.00%	0.00%
Legal Debt Margin Calculation for the current Fiscal Year:					
Total assessed value					\$ 2,919,150
Less current year abatements					<u>(8,145)</u>
Assessed value of taxable property					2,911,004
Debt limit - eight percent (8%) of assessed value					<u>232,880</u>
Amount of debt applicable to debt limit:					
Total bonded debt					<u>-</u>
Legal debt margin					<u>\$ 232,880</u>
 Fiscal Years 2005 to 2009:					
	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Debt Limit	\$ 195,000	\$ 200,010	\$ 227,057	\$ 240,336	\$ 240,695
Total net debt applicable to limit	<u>2,195</u>	<u>1,450</u>	<u>1,125</u>	<u>800</u>	<u>475</u>
Legal debt margin	<u>\$ 192,805</u>	<u>\$ 198,560</u>	<u>\$ 225,932</u>	<u>\$ 239,536</u>	<u>\$ 240,220</u>
Total net debt applicable to the limit as a percentage of debt limit	1.13%	0.72%	0.50%	0.33%	0.20%

CITY OF STATESVILLE, NORTH CAROLINA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT (UNAUDITED)
June 30, 2015

Jurisdiction	Principal	Allocated Amount	Total
Direct debt:			
City of Statesville	(1) \$ 5,173,500	100%	\$ 5,173,500
Overlapping debt:			
Iredell County	(1) <u>189,047,177</u>	15%	<u>28,626,253</u>
	<u>\$ 194,220,677</u>		<u>\$ 33,799,753</u>

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

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

Fiscal Year Ended June 30,	Population Estimate ⁽¹⁾	Per Capita Personal Income ⁽²⁾	Unemployment Rate ⁽³⁾	Median Age ⁽⁴⁾	School Enrollment ⁽⁵⁾
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	21,199
2014	24,981	26,031	6.5%	40.00	20,863
2015	24,981	20,188	5.9%	40.00	20,967

Sources:

- ¹. From the North Carolina Office of Management and Budget. For the report fiscal year are projections from the North Carolina Office of Management and Budget. The population estimates are determined as of July 1 of each year. Estimate 2014 of 24,981 was the basis for allocating sales tax for fiscal year 2015. Revised estimates were not available at this time.
- ². Information for fiscal year 2014 for Statesville was \$22,188.
- 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, 2015 and June 30, 2006

<u>Company or Organization</u> ⁽¹⁾	<u>6/30/2015</u>			<u>6/30/2006</u>		
	<u>Employees</u> ⁽²⁾	<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	2,600	1	3.35%	3,169	1	5.80%
Iredell Memorial Hospital	1,550	2	2.00%	1,650	2	3.02%
Iredell County Government	1,326	3	1.71%	824	4	1.51%
Lowe's Regional Distribution	823	4	1.06%	992	3	1.81%
Piedmont Healthcare	815	5	1.05%	N/A		
JC Penney Distribution	620	6	0.80%	600	6	1.10%
ASMO of NC, Inc.	510	7	0.66%	457	10	0.84%
Davis Regional Medical Center	505	8	0.65%	640	5	1.17%
Doosan Infracore	500	9	0.64%	N/A		
Engineered Sintered Componer	475	10	0.61%	N/A		
Statesville Auto Auction				584	7	1.07%
Kewaunee Scientific				475	8	0.87%
Walmart				470	9	0.86%
All other	<u>67,938</u>		<u>87.48%</u>	<u>44,801</u>		<u>81.96%</u>
Total Employed	<u><u>77,662</u></u>		<u><u>100.00%</u></u>	<u><u>54,662</u></u>		<u><u>100.00%</u></u>

Sources:

- (1) Greater Statesville Development Corporation.
- (2) Total Iredell County employed from the North Carolina Department of Commerce as of June 2015.
- (3) June 30, 2006 are estimates based on previous data.

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

Function/Program	2005-2006	2006-2007	2007-2008	2008-2009
General Government Activities:				
General government:				
Personnel				
Number of new hires-full time & part-time (1)	48	40	50	43
Number of new hires-temporary (1)	74	90	80	70
Turnover rate (1)	10.30%	10.00%	9.00%	8.50%
Public Safety:				
Police				
UCR Part 1 Violent Crime (1)	N/A	322	278	222
Vehicle Crashes Investigated (1)	N/A	1991	1986	1818
Number of incoming calls (1)	110,013	109,569	116,349	104,514
Fire				
Fire emergency responses	1,463	1,419	1,450	1,709
City-wide fire loss	\$ 807,595	\$ 1,040,425	\$ 1,849,593	\$ 1,132,213
Number of fire inspections	1711	1754	850	792
Investigations	18	23	15	17
Transportation:				
Street Department				
Miles of street resurfacing (1)	3.00	3.00	3.00	2.85
Environmental protection:				
Sanitation				
Number of household collection points	9,500	9,700	9,700	9,900
Cost per ton collected	\$ 54.00	\$ 54.00	\$ 61.00	\$ 52.00
Cemeteries				
Number of burials	325	247	230	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) Estimates from the 2015-16 Budget

(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.

(4) Fire responses increased because policy change of responding to ambulance calls.

Table 22

<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
33	43	23	20	26	33
97	110	80	96	117	100
6.00%	8.00%	8.20%	9.60%	7.80%	10.86%
274	119	123	123	126	159
1932	1725	1690	1690	1665	1665
109,351	58,060	93,590	93,590	89,679	94,603
1,644	1,822	1,890	1,890	2,197	4,015
\$ 942,350	\$ 488,735	\$ 1,373,470	\$ 1,462,225	\$ 713,190	\$ 412,525
816	863	777	777	987	985
34	15	22	9	20	20
6.11	4.54	3.22	4.11	4.10	3.71
9,700	9,546	9,546	9,546	9,342	9,700
\$ 53.00	\$ 63.00	\$ 60.00	\$ 60.00	\$ 78.00	\$ 84.00
325	230	230	230	239	219
N/A	N/A	262	262	288	260
N/A	N/A	428	428	402	420

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

Function/Program	2005-2006	2006-2007	2007-2008	2008-2009
Business-type activities:				
Electric:				
⁽²⁾ Kwh purchased	501,159,266	498,061,811	495,329,967	458,127,075
Purchased power cost	\$29,802,373	\$30,115,860	\$31,545,275	\$31,427,382
⁽²⁾ Cost per kwh	0.0595	0.0605	0.0637	0.0686
⁽²⁾ Kwh sold	480,322,435	472,258,240	476,017,550	438,703,511
Kwh billed	\$32,669,230	\$34,581,935	\$36,638,668	\$35,710,561
⁽²⁾ Sold per kwh	0.0680	0.0732	0.0770	0.0814
Accounting/line kwh loss	20,836,831	25,803,571	19,312,417	19,423,564
Loss as a percent of billed kwh	4.34%	5.46%	4.06%	4.43%
Average number of customers	12,715	12,802	12,856	13,046
Average days in billed/unbilled receivable	47.97	48.21	44.90	45.92
Water:				
⁽³⁾ Water MG average annually treated	1404.67	1,429	1,378	1,186
⁽⁴⁾ Sold Water to Customers MG	N/A	N/A	1,323	1,048
Accounting/line loss	N/A	N/A	55	138
⁽⁴⁾ Loss as a percent of billed water	N/A	N/A	3.99%	11.60%
⁽⁴⁾ Average number of water customers	11,315	11,228	11,282	11,472
Amount billed to water customers	\$3,611,757	\$3,899,180	\$3,804,882	\$3,437,267
Average days in billed/unbilled receivable	44.11	48.35	42.29	47.30
Sewer:				
⁽³⁾ 3rd Creek treated- average daily MGD	1.54	1.54	1.30	1.31
⁽³⁾ 4th Creek treated - average daily MGD	2.88	2.88	2.97	3.17
⁽⁴⁾ Average number of sewer customers	10,238	10,238	10,292	10,482
Amount billed to sewer customers	\$5,234,479	\$5,606,937	\$5,314,062	\$5,190,305
Average days in unbilled/billed receivable	44.44	47.64	44.66	48.34
Billed Sewer units in MG	N/A	N/A	N/A	N/A
Civic Center:				
Paid Bookings	400	423	557	607

⁽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

2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
451,517,939	464,051,769	461,666,247	469,944,924	479,643,199	474,477,005
\$32,503,039	\$34,847,545	\$36,560,241	\$38,639,838	\$40,826,057	\$41,571,134
0.0720	0.0751	0.0792	0.0822	0.0851	0.0876
431,589,090	444,968,375	447,066,312	453,300,014	461,546,534	449,547,013
\$38,700,180	\$41,410,332	\$40,248,347	\$43,927,172	\$45,919,158	\$46,311,527
0.0897	0.0931	0.0900	0.0969	0.0995	0.1030
19,928,849	19,083,394	14,599,935	16,644,910	18,096,665	24,929,992
4.62%	4.29%	3.27%	3.67%	3.92%	5.55%
12,928	12,897	12,941	12,824	12,829	12,937
43.29	44.28	44.88	44.45	44.22	45.05
1,169	1,189	1,143	1,172	1,141	1,153
956	954	953	950	903	642
213	235	190	222	238	511
18.25%	19.78%	16.59%	18.97%	20.86%	44.32%
11,354	11,323	11,308	11,366	11,397	117,166
\$3,378,505	\$3,448,842	\$3,432,791	\$3,663,166	\$3,626,264	\$ 3,812,861
51.92	49.70	51.43	49.91	47.86	48.61
1.58	1.12	0.84	0.92	1.07	0.87
3.23	2.83	2.16	2.21	2.48	2.03
10,364	10,333	10,318	10,376	10,399	10,399
\$5,162,382	\$5,381,251	\$5,292,768	\$5,710,498	\$5,628,097	\$ 5,911,549
45.97	48.06	49.91	50.41	49.96	49.26
N/A	954	954	963	959	958
572	624	563	502	620	665

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

Function/Program	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
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 police stations	4	4	4	4	2
Fire					
Number of fire stations	3	3	3	3	3
Transportation:					
Street miles	134.12	134.12	134.12	134.12	141.60
Airport - acres	389	389	388.78	388.78	390.41
Airport - terminals	1	1	1	1	1
Environmental protection:					
Sanitation - packers	9	9	9	8	9
Cemeteries					
⁽²⁾ Number of cemeteries	2	2	2	2	2
Cemeteries - acreage	52	52	52	60	60
Recreation:					
Parks - acreage	250	250	250	350	350
Number of Parks	20	20	20	20	20
Greenways/trails-miles	4.50	4.50	4.50	6.00	6.00
Soccer fields	7	7	7	7	7
Recreation Centers & Pool	2	2	2	2	4
Business-type activities:					
Electric:					
Miles of distribution lines	217	217	217	235	235
Number of substations	10	10	10	10	10
Water:					
Miles of distribution lines	202	202	202	272.29	272.29
Water treatment plants	1	1	1	1	1
⁽³⁾ Water plant capacity-MGD	15	15	15	15	15
Sewer:					
Miles of collection lines	244	244	244	274	274
Sewer treatment plants	2	2	2	2	2
⁽³⁾ 3rd Creek plant capacity-MGD	4	4	4	4	4
⁽³⁾ 4th Creek plant capacity-MGD	6	6	6	6	6
Civic Center:					
Civic Center	1	1	1	1	1

Notes:

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

Table 24

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
2	3	3	3	3
3	4	4	4	4
141.60	142.24	142.15	145.70	145.70
390.41	394	429.4	429.4	429.4
1	1	1	1	1
8	9	9	9	9
2	2	2	2	2
60	60	60	60	60
350	350	350	358	358
20	20	20	20	20
6.00	6.00	6.00	12.91	12.91
7	7	7	7	7
4	4	4	4	4
248.5	248.5	248.5	248.5	248.5
10	10	10	10	10
277	265	270	279	279
1	1	1	1	1
15	15	15	15	15
279	265	276	291	291
2	2	2	2	2
4	4	4	4	4
6	6	6	6	6
1	1	1	1	1

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

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
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	5	5	5	5	5	5	5
Information Technology	9	9	9	9	9	9	9	8	8	10
Purchasing	3	3	3	3	3	3	3	3	3	3
Human Resources	4	4	4	4	4	4	4	3	3	3
Planning	8	8	10	10	10	10	10	8	8	8
Public Works	6	6	6	6	6	6	6	4	4	4
Garage	9	9	9	9	9	9	9	9	9	9
Warehouse	1	1	1	1	1	1	1	-	-	-
Subtotal general government	<u>63</u>	<u>63</u>	<u>65</u>	<u>66</u>	<u>66</u>	<u>66</u>	<u>66</u>	<u>59</u>	<u>59</u>	<u>61</u>
Public Safety										
Police	89	90	94	98	99	99	101	96	96	97
Fire	55	55	55	71	59	59	74	73	73	72
Subtotal Public Safety	<u>144</u>	<u>145</u>	<u>149</u>	<u>169</u>	<u>158</u>	<u>158</u>	<u>175</u>	<u>169</u>	<u>169</u>	<u>169</u>
Transportation										
Street Department	21	21	21	21	21	21	21	17	17	17
Airport	-	-	1	1	1	1	1	1	1	1
Subtotal Transportation	<u>21</u>	<u>21</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>18</u>	<u>18</u>	<u>18</u>
Environmental protection										
Sanitation	28	28	28	31	31	31	31	28	28	26
Subtotal environmental protect	<u>28</u>	<u>28</u>	<u>28</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>28</u>	<u>28</u>	<u>26</u>
Recreation										
Recreation Administration	3	3	3	3	3	3	3	3	3	3
Athletics	2	2	2	2	2	2	2	1	1	1
Programs	6	6	6	7	3	3	3	3	3	3
Fitness & Activity Center	-	-	-	-	4	4	4	4	4	4
Parks	7	7	7	7	7	7	7	12	12	12
Urban Forestry	4	4	4	4	4	4	4	-	-	-
Public Grounds/Cemeteries:	8	8	8	8	8	8	8	5	5	5
Subtotal Recreation	<u>30</u>	<u>30</u>	<u>30</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>28</u>	<u>28</u>	<u>28</u>
Total Governmental	<u>286</u>	<u>287</u>	<u>294</u>	<u>319</u>	<u>308</u>	<u>308</u>	<u>325</u>	<u>302</u>	<u>302</u>	<u>302</u>
Business-type activities										
Electric	28	29	31	34	34	34	34	31	31	32
Sewer Maintenance	7	7	7	7	7	7	7	6	6	6
Water Maintenance	14	14	16	16	16	16	16	15	15	15
Water Purification	12	12	12	12	12	12	12	12	12	12
Sewer Treatment Plants	24	24	24	24	24	24	24	23	23	22
Civic Center	7	7	7	7	7	7	7	7	7	7
Subtotal Business-type	<u>92</u>	<u>93</u>	<u>97</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>94</u>	<u>94</u>	<u>94</u>
Total primary government	<u>378</u>	<u>380</u>	<u>391</u>	<u>419</u>	<u>408</u>	<u>408</u>	<u>425</u>	<u>396</u>	<u>396</u>	<u>396</u>

Source: City of Statesville's adopted operating budget.

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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, 2015, which collectively comprises the City of Statesville's basic financial statements, and have issued our report thereon dated November 10, 2015. 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 and Convention and Visitors Bureau were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

November 10, 2015
Mooreville, 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, 2015. 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, 2015.

**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.

November 10, 2015
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, 2015. 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, 2015.

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, P.A.

November 10, 2015
Mooresville, North Carolina

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2015

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
64.458

Names of Federal Programs or Cluster
Clean Water Revolving Fund

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, 2015

Schedule 33
(2 of 2)

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

State Awards

Internal control over major State Programs:

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

Noncompliance material to State awards. _____ Yes X No

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

Unqualified

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

_____ Yes X No

Identification of major State programs:

Program Name

Powell Bill

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State 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, 2015*

Schedule 34

here were no prior year findings.

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015

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 Partnership Program	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	36237.46.11.4	303,311	-
Airport Improvement Program	20.106	36237.46.13.2	14,422	-
Airport Improvement Program	20.106	36237.46.14.1	121,844	-
Governor's Highway Safety Program	20.600	K4-10-04-12	159	-
Highway Planning, Research & Construction Cluster	20.205-1CL	DOT-18	138,313	34,553
<u>U.S. Department of Justice</u>				
Justice Assistance Grant (JAG)	16.738	2014-DJ-BX-0251	14,697	-
The COPS Hiring Program	16.710	2013-UMWX-O154	75,445	-
Passed through N.C. Department of Public Safety:				
Governor Crime Commission:				
Domestic Violence Initiative	16.588	2013-WF-AX-0010	43,435	-
<u>U.S. Environmental Protection Agency</u>				
Passed through N.C. Department of Environment and Natural Resources:				
Clean Water Revolving Fund (CWSRF)(3rd Creek WWTP)	66.458	E-SRF-T-13-0326	9,588,358	-
Clean Water Revolving Fund (CWSRF)(4th Creek WWTP)	66.458	E-SRF-T-13-0361	575,474	-
<i>State Grants:</i>				
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-4 32570	-	748,175
<u>N. C. Department of Environment and Natural Resources</u>				
2014 Community Waste Reduction and Recycling Grant		1345	-	30,000
<u>N.C. Department of Public Safety</u>				
Governor's Crime Commission				
Communication Improvements		PROJ010057	-	60,000
Total federal grants			<u>\$ 10,875,458</u>	
Total state grants				<u>\$ 872,728</u>

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015

Schedule 35

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1. The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the City of Statesville and is presented on the modified accrual basis of accounting. 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 State Single Audit Implementation Act*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2. **Loans Outstanding**

The City of Statesville had the following loan balances outstanding at June 30, 2015. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	Pass-through <u>Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grant for State Revolving Fund	66.458	E-SRF- T-13-0326	\$9,588,358
Capitalization Grant for State Revolving Fund	66.458	E-SRF-T -13-0361	\$575,474