

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

***For Fiscal Year Ended
June 30, 2016***

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

***Ralph S. Staley
Finance Director***

CITY OF STATESVILLE, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016
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December 9, 2016

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, 2016. 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 2016.

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 Martin Starnes & Associates, CPAs, P.A. of Hickory, 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, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Statesville's financial statements for the fiscal year ended June 30, 2016 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.

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 24.19 square miles and a population of 25,096.

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; and general administration. In addition, the City owns and operates an airport, electric and water and sewer utilities, and a Civic Center. This report includes all of the City's financial activities in providing these services.

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.

Letter of Transmittal

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 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 a stable economic base. At June 30, 2016, the unemployment rate in Iredell County was down to 5.5%; a 0.3% decrease from the prior year.

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.

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.

The City wants to see Statesville develop and grow by continuing to visualize, prioritize, and execute overall improvement plans. In October 2015, the City purchased 22.68 acres of land for expansion of the Statesville Business Park to improve availability and to attract business, commercial, and industrial entities to the City. The City also acquired land in downtown adjacent to City owned property in May 2016 for future activities.

The City's local cultural side has come to downtown with the Statesville Sculpture Garden which features a permanent sculpture called "On Top of the Whirled" by Mike Roig. This garden is one of the latest attractions added to the downtown streetscape development. This year also saw the establishment of the City's first dog park that gave residents a convenient leash-free play area for their canine pets.

Letter of Transmittal

In 2016, a new grant was awarded to the Airport for \$761,000. This grant is being used to assist with the improvements of the safety features at the Airport. City leaders believe these Airport improvements will continue to create economic development opportunities for the City and Iredell County. 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.

Additionally, the City's Water and Sewer projects continue to amplify the City's growth. The City developed two projects in order to prepare for anticipated wastewater flows in a twenty year period. The Third Creek Wastewater Treatment Plant (WWTP) Expansion project was completed in April 2016 while the \$4.8 million Fourth Creek Wastewater Treatment Plant (WWTP) Expansion is still in progress and 91.22% complete as of June 30, 2016.

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, 2015. This was the twenty-sixth consecutive year that the City of Statesville has received this prestigious award.

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

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Statesville also received GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year beginning July 1, 2015. This was 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.

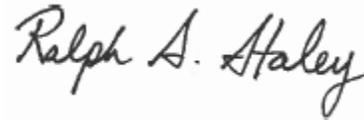
Letter of Transmittal

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

Respectfully submitted,



Larry P. Pressley
City Manager



Ralph S. Staley
Finance Director

CITY OF STATESVILLE, NORTH CAROLINA
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2016

LIST OF PRINCIPAL OFFICIALS

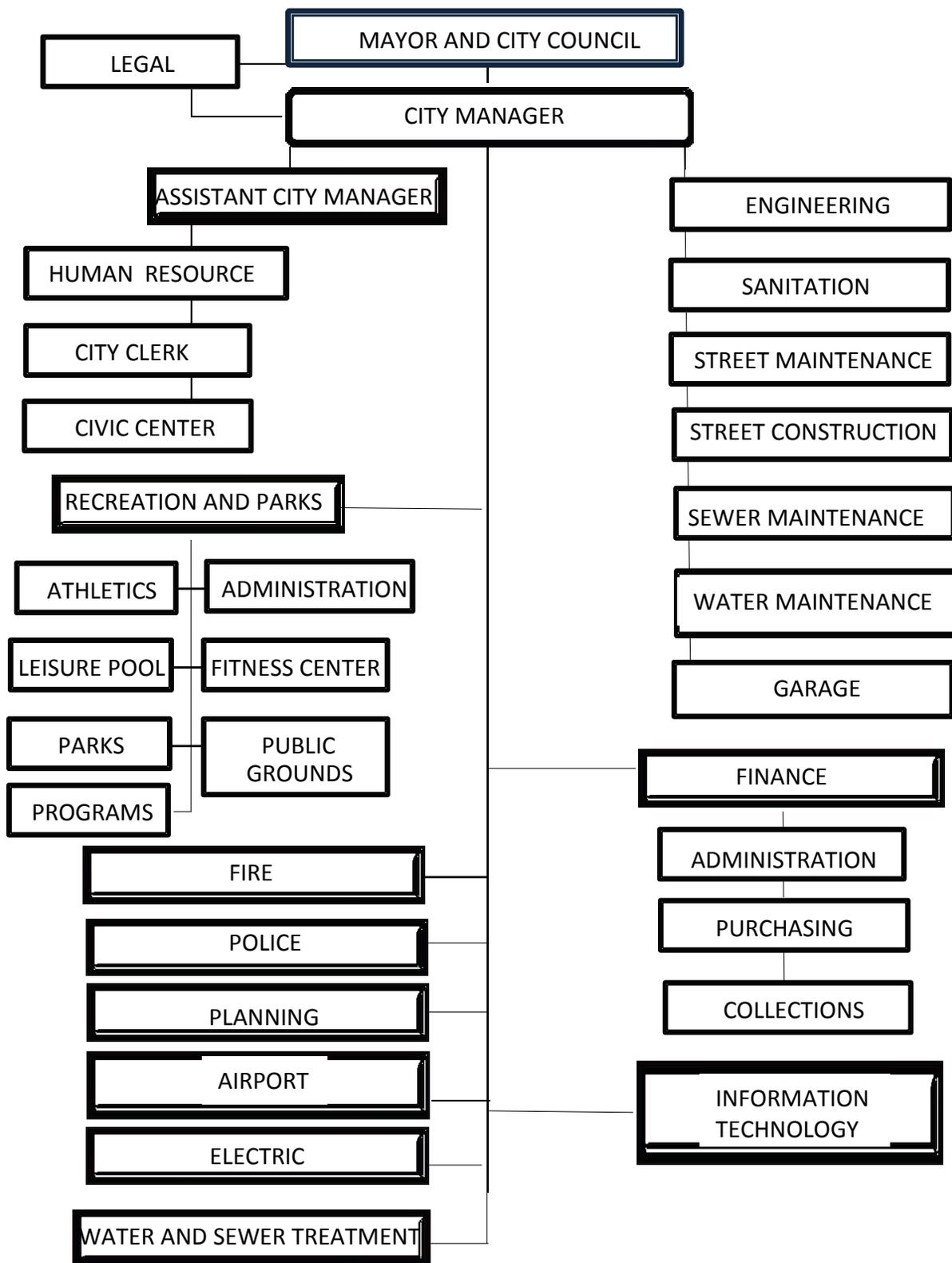
Elected Officials – City Council

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 Jarrod M. Phifer
Council Member – Ward 5 Arnold W. Watt
Council Member – Ward 6 G. Keith Williams

City Appointed Officials

City Manager Larry P. Pressley
Assistant City Manager R. Lynn Smyth
City Attorney Edmund L. Gaines
City Clerk Brenda J. Fugett
Interim Electric Utility Director Devon L. Shelton
Finance Director Ralph S. Staley
IT Director Nikki L. Gregory
Fire Chief Gary L. Styers
Recreation and Parks Director James Brent Cornelison
Planning Director David H. Currier
Airport Director John M. Ferguson
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

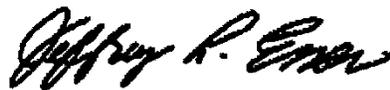
**Certificate of
Achievement for
Excellence in
Financial
Reporting**

Presented to

**City of Statesville
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015



Executive Director/CEO

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report On the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Statesville, North Carolina, as of and for the year ended June 30, 2016, 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, which represents 93.65 percent, 87.54 percent, and 96.91 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by another auditor, whose report has been furnished to us and, our opinion, insofar as it relates to the amounts included for the City of Statesville ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. The financial statements of the Statesville Convention & Visitors Bureau and the City of Statesville ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditor, 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, 2016, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress, Other Post-Employment Benefits Schedules of Funding Progress and Employer Contributions, the Firefighters and Rescue Squad Workers Pension Fund Schedule of the Proportionate Share of the Net Pension Liability (Asset) and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist 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's basic financial statements. The introductory section, combining and individual fund financial statements, budgetary schedules, other schedules, statistical tables, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual 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 by us and other auditors.

In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables 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 assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, on our consideration of the City of Statesville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the City of Statesville's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
December 9, 2016

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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, 2016. 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

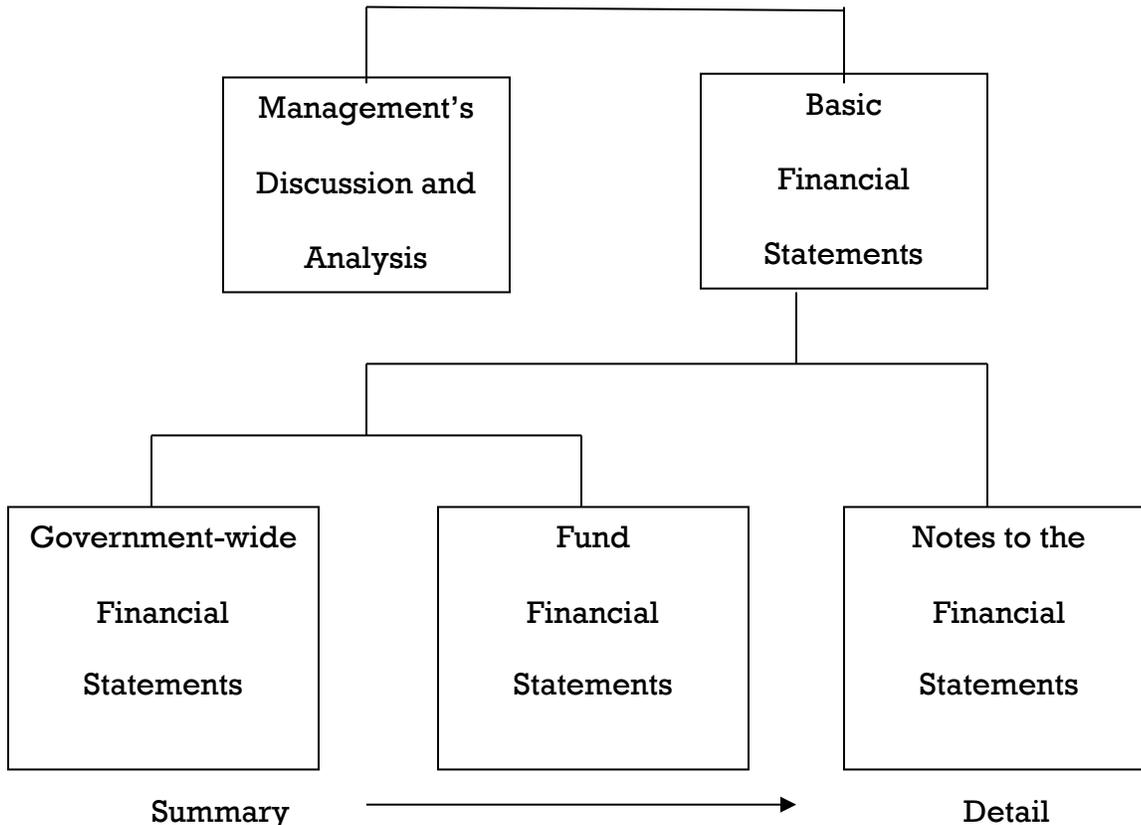
- The assets and deferred outflows of resources of the City of Statesville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$204,485,615 (*net position*).
- The City's total net position increased by \$3,809,372, primarily due to the operating results of the City's business activities of \$2,067,063 and a prior year restatement related to construction in progress at the Airport.
- As of the close of the current fiscal year, the City of Statesville's governmental funds reported combined ending fund balances of \$30,532,185, a decrease of \$1,238,137 in comparison with the prior year as a result of major construction projects nearing completion. Approximately 61.38% of this total amount or \$18,739,186 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 \$18,905,057 or 65.56% of total General Fund expenditures and transfers out.
- The City of Statesville's total debt increased by a net amount of \$1,214,718 (3.49%) during the current fiscal year. The increase is the result of the City's expansion of its two sewer treatment plants. The increased debt is with the State Revolving Fund.
- The City of Statesville maintained its A1 bond rating from Moody's Investor Service and its AA bond rating from Standard & Poor's Rating 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, 2016

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

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. 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. *Business-type Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses business-type funds to account for its water, sewer and electric services and for its civic center and airport 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 one fiduciary fund, a Donation Fund to account for City's customers who wish to donate funds to help those who are need of utility payment support. 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, 2016

City of Statesville's Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 35,203,738	\$ 37,886,031	\$ 47,261,224	\$ 44,937,312	\$ 82,464,962	\$ 82,823,343
Capital assets	47,033,017	75,065,135	125,571,720	96,017,943	172,604,737	171,083,078
Deferred outflow of resources	882,243	438,644	254,451	113,439	1,136,694	552,083
Total assets and deferred outflows of resources	<u>83,118,998</u>	<u>113,389,810</u>	<u>173,087,395</u>	<u>141,068,694</u>	<u>256,206,393</u>	<u>254,458,504</u>
Long-term liabilities outstanding	6,175,806	6,063,001	30,690,559	28,173,973	36,866,365	34,236,974
Other liabilities	4,980,156	4,425,999	9,184,298	10,736,190	14,164,454	15,162,189
Deferred inflows of resources	526,631	3,242,130	163,328	1,140,968	689,959	4,383,098
Total liabilities and deferred inflows of resources	<u>11,682,593</u>	<u>13,731,130</u>	<u>40,038,185</u>	<u>40,051,131</u>	<u>51,720,778</u>	<u>53,782,261</u>
Net position:						
Net invested in capital assets, net of related debt	42,754,217	69,891,335	93,781,157	66,336,798	136,535,374	136,228,133
Restricted	5,438,752	8,290,310	-	-	5,438,752	8,290,310
Unrestricted	<u>23,243,436</u>	<u>21,477,035</u>	<u>39,268,053</u>	<u>34,680,765</u>	<u>62,511,489</u>	<u>56,157,800</u>
Total net position	<u>\$ 71,436,405</u>	<u>\$ 99,658,680</u>	<u>\$ 133,049,210</u>	<u>\$ 101,017,563</u>	<u>\$ 204,485,615</u>	<u>\$ 200,676,243</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Statesville exceeded liabilities and deferred inflows by \$204,485,615 as of June 30, 2016. The City's net position increased by \$2,069,907 for the fiscal year ended June 30, 2016. However, the largest portion of net position (66.77%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items and restricted assets. The City of Statesville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Statesville's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Statesville's net position \$5,438,752 (2.66%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$62,511,489 (30.57%) is unrestricted.

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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

- Consistent collections of property tax revenues by attaining a tax collection percentage of 98.55%; this was mainly the result of the Tax and Tag program.
- Continued low cost of debt due to the City's high bond rating and current lending environment.
- Ad valorem tax revenues decreased 1.00% due to a slight assessed valuation decline and less collections from prior year's taxes as a result of "Tax and Tag".
- Sales taxes increased 4.44%, \$266,999, due primarily to continued economic recovery.
- Capital grants and contributions increased \$122,426 due primarily to airport grants and law enforcement grants.

City of Statesville Changes in Net Position
Figure 3

	Governmental	Governmental	Business-type	Business-type	Total	
	Activities	Activities	Activities	Activities	2016	2015
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 2,075,459	\$ 1,696,059	\$ 58,614,878	\$ 57,978,659	\$ 60,690,337	\$ 59,674,718
Operating grants and contributor	596,907	345,739	-	-	596,907	345,739
Capital grants and contributions	748,401	1,240,320	29,489,979	-	30,238,380	1,240,320
General revenues:						
Property taxes	12,130,575	12,252,525	-	-	12,130,575	12,252,525
Other taxes and fees	9,261,252	9,300,724	-	-	9,261,252	9,300,724
Grants and contributions not restricted to specific programs						
	-	681,625	-	-	-	681,625
Investment earnings, unrestricted	179,616	150,345	276,576	223,891	456,192	374,236
Miscellaneous	14,405	591,938	-	113,439	14,405	705,377
Total revenues	25,006,615	26,259,275	88,381,433	58,315,989	113,388,048	84,575,264
Expenses:						
General government	3,479,866	3,254,999	-	-	3,479,866	3,254,999
Public safety	12,234,390	12,398,238	-	-	12,234,390	12,398,238
Transportation	2,851,130	4,345,239	-	-	2,851,130	4,345,239
Economic development	931,213	750,760	-	-	931,213	750,760
Environmental protection	1,675,871	1,978,958	-	-	1,675,871	1,978,958
Cultural and recreation	3,506,190	3,594,906	-	-	3,506,190	3,594,906
Interest on long-term debt	179,568	212,823	659,649	361,463	839,217	574,286
Airport	-	-	1,786,329	-	-	-
Electric	-	-	44,245,966	46,952,145	44,245,966	46,952,145
Water and Sewer	-	-	9,672,433	9,351,727	9,672,433	9,351,727
Civic Center	-	-	968,734	999,189	968,734	999,189
Total expenses	24,858,228	26,535,923	57,333,111	57,664,524	80,405,010	84,200,447
Increase (decrease) in net position before transfers and special items	148,387	(276,648)	31,048,322	651,465	31,196,709	374,817
Transfers in (out)	(30,110,127)	190,752	983,325	(190,752)	(29,126,802)	-
Increase (decrease) in net position	(29,961,740)	(85,896)	32,031,647	460,713	2,069,907	374,817
Net position, beginning of year	99,658,680	101,585,753	101,017,563	101,033,001	200,676,243	202,618,754
Restatement	218,482	(1,841,177)	-	(476,151)	218,482	(2,317,328)
Net position, restated	69,915,422	-	-	-	69,915,422	-
Prior year adjustment	1,520,983	-	-	-	1,520,983	-
Net position, end of year	\$ 71,436,405	\$ 99,658,680	\$ 133,049,210	\$ 101,017,563	\$ 204,485,615	\$ 200,676,243

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Governmental Activities - The City's total net position decreased by \$29,961,740 primarily due to creating a business-type airport fund that had previously been included in the governmental activities.

- Property taxes decreased \$121,950 or 1.00% from the prior year.
- Sales tax increased \$266,999 or 4.44% from the prior year.
- Capital grants increased by \$122,426 from the prior year.
- Governmental expenses decreased by \$219,670.

Business-Type Activities - Business-type activities increased the City of Statesville's net position by \$32,031,647. Key elements of this increase are as follows:

- Charges for services exceeded operating expenses by \$1,643,968. Charges for services increased \$681,280 or 1.18%. This is the result of a rate study for the Electric Fund and a 3% rate increase for Water and Sewer services. Expenses decreased by 1.02% or \$585,605.
- The City created an airport business-type fund with all the General Fund assets being transferred to this newly created fund. The purpose of this fund is to ensure that all airport operations are in compliance with FAA regulations.

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 \$18,905,057 while total fund balance was \$24,453,576; a decrease of \$2,687,476 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 65.56% of total General Fund expenditures and transfers out, while total fund balance represents 84.04% of that same amount.

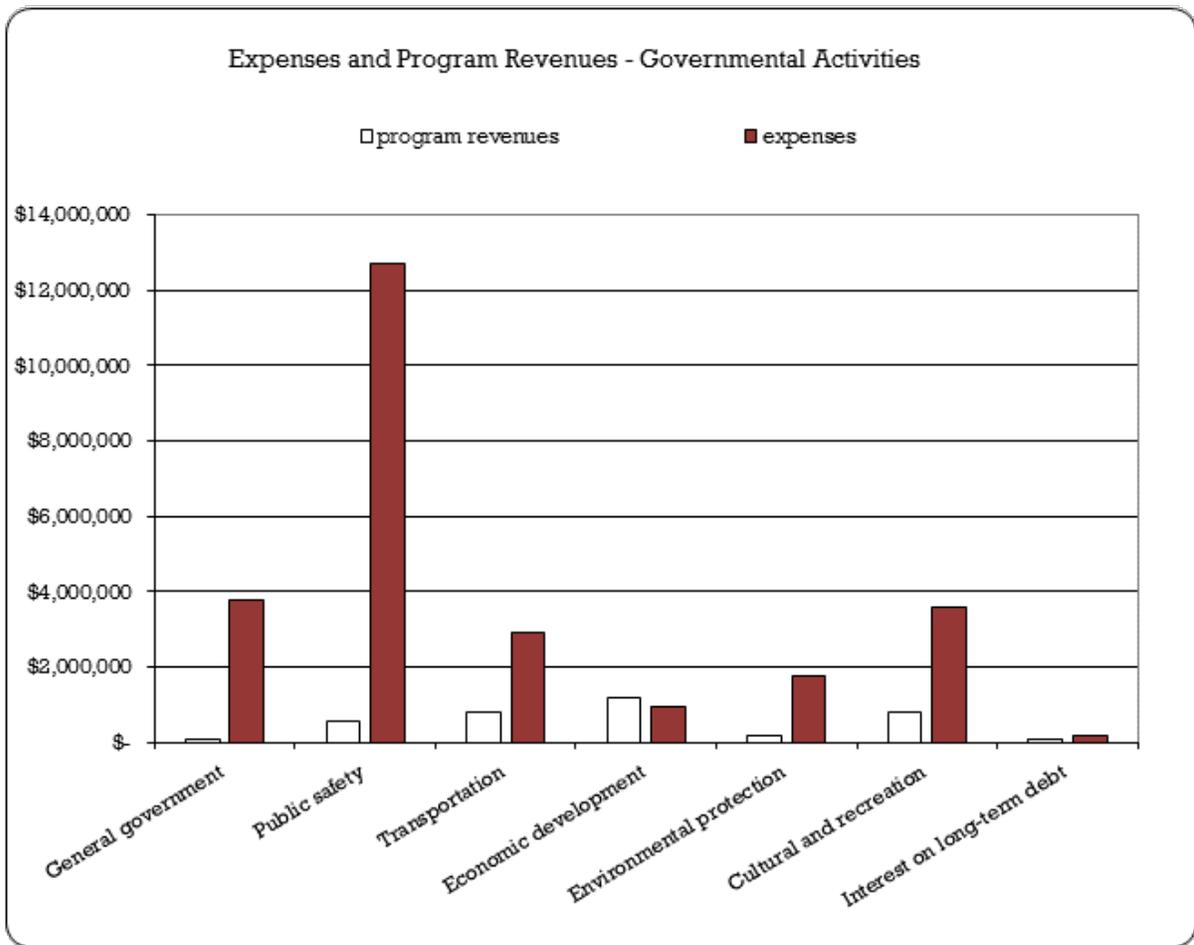
At June 30, 2016, the governmental funds of the City of Statesville reported a combined fund balance of \$30,532,185; a 3.90% decrease from last year.

- General Fund expenditures exceeded revenues by \$909,429; below the \$7,691,910 in fund balance appropriated.
- Transfers to other funds from the General Fund exceeded transfers in by \$1,996,529. This netted against the non-major funds net transfers in of \$1,013,204 results in a net decrease from transfers of \$983,325.
- The net change in fund balances of other governmental funds increased by \$1,667,821 due primarily to the transfer to the General Capital Reserve for future expenses.

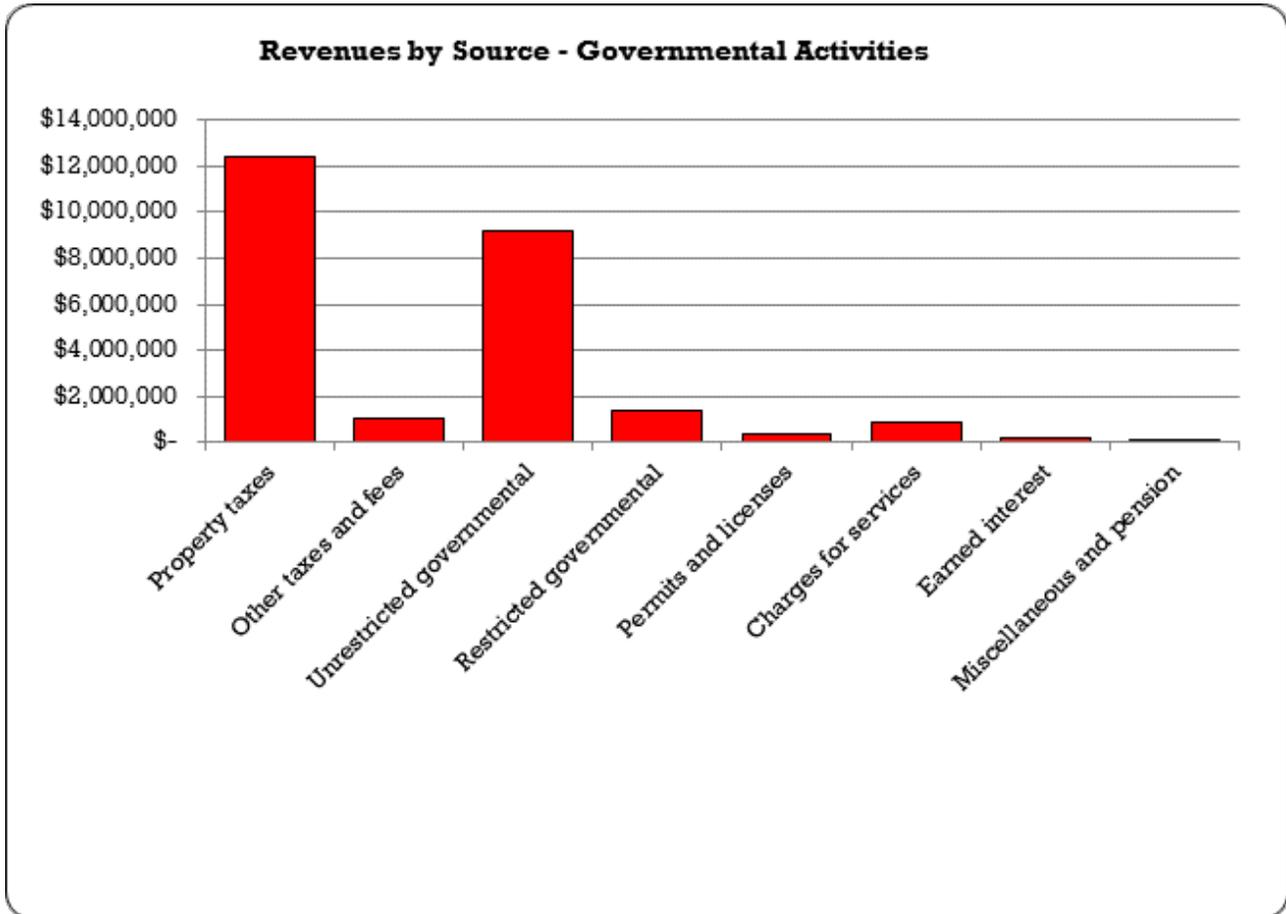
CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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 on a modified accrual basis are:

- Ad valorem tax revenues of \$12,372,681 exceeded budget estimates by \$573,795 or 4.64%.
- Sales taxes of \$6,283,073 exceeded budget estimates by \$156,573 or 2.49%.
- Unrestricted intergovernmental revenues of \$2,913,017 exceeded budget estimates by \$647,017 due primarily to the change in the utility sales tax.
- Investment earnings exceeded budget estimates by \$39,455 due to higher than expected market value gain of \$31,061.
- Expenditures were \$3,356,603 lower than budget appropriations due primarily to incomplete capital equipment purchases or capital improvement projects at year-end as follows: 1) \$945,939 police and fire and 2) \$948,363 in Transportation for street operations and paving.



**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**



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. At the end of the fiscal year the unrestricted net position of the Electric Fund is \$20,105,160 and the Water and Sewer Fund is \$17,605,403. For the year the net position of the Electric Fund increased by \$2,577,401 and the Water and Sewer Fund increased by \$315,197.

Capital Asset and Debt Administration

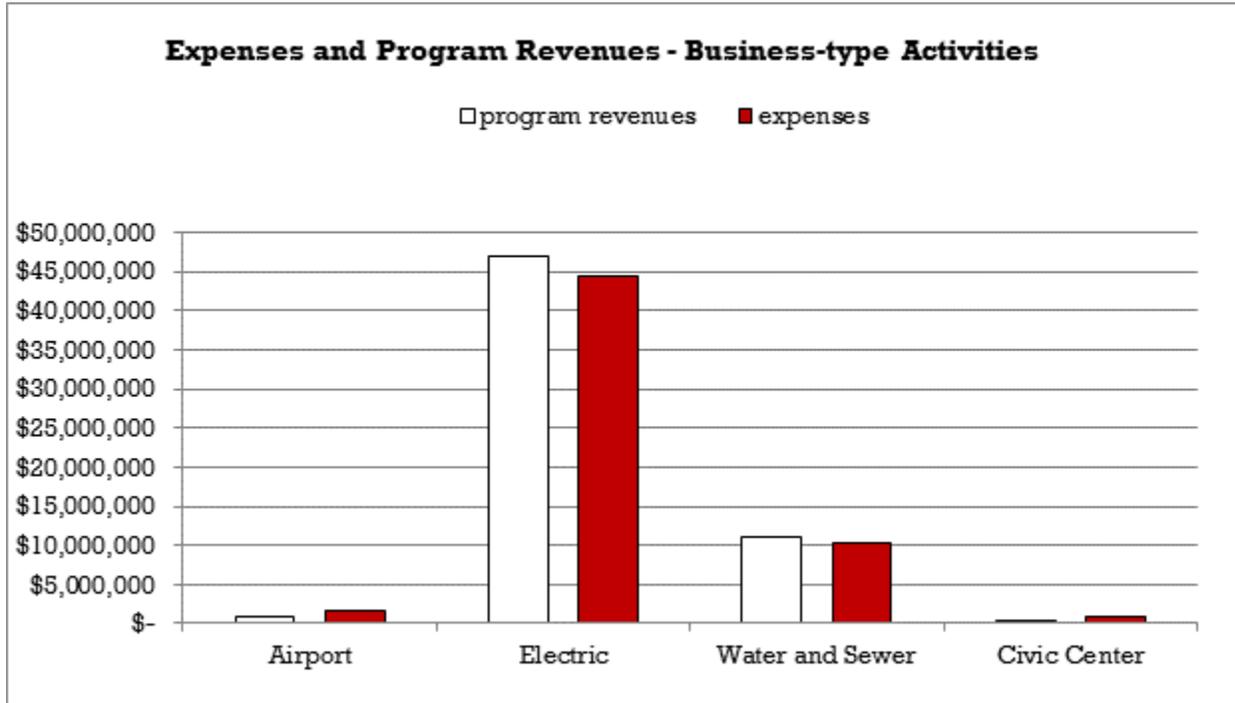
Capital Assets - The City of Statesville's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totals \$172,604,737 (net of accumulated depreciation). These assets include buildings, utility systems infrastructure, land, roads, machinery and equipment, park facilities, and vehicles.

**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

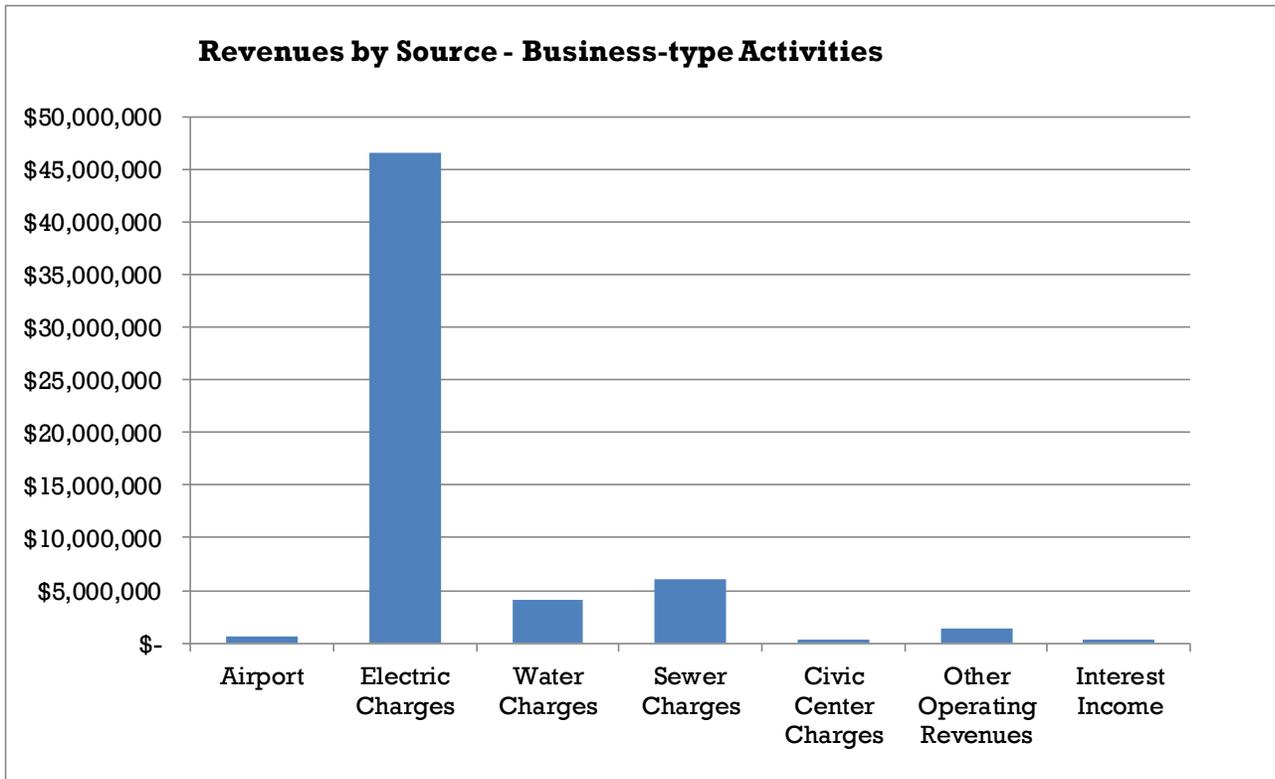
**City of Statesville's Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 11,132,925	\$ 21,736,554	\$ 14,756,952	\$ 3,832,156	\$ 25,889,877	\$ 25,568,710
Fresco	-	-	335,825	335,825	335,825	335,825
Buildings and other improvements	23,873,522	40,465,042	19,528,311	2,820,129	43,401,833	43,285,171
Utility plant in service	-	-	82,080,176	62,407,736	82,080,176	62,407,736
Vehicles	2,746,558	3,177,101	3,635,738	2,678,405	6,382,296	5,855,506
Construction in progress	<u>9,280,012</u>	<u>9,686,438</u>	<u>5,234,718</u>	<u>23,943,692</u>	<u>14,514,730</u>	<u>33,630,130</u>
Total	<u>\$ 47,033,017</u>	<u>\$ 75,065,135</u>	<u>\$ 125,571,720</u>	<u>\$ 96,017,943</u>	<u>\$ 172,604,737</u>	<u>\$ 171,083,078</u>

Figure 4 is net of accumulated depreciation. Additional information on the City's capital assets can be found in the notes.



**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**



Note: Does not include Airport capital contribution of \$29,126,802.

Long-Term Debt - As of June 30, 2016, the City of Statesville had no general obligation bonded debt outstanding. The remainder of the City's debt represents notes payable totaling \$36,069,363.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Notes payable	4,278,800	5,173,500	31,790,563	29,681,145	36,069,363	34,854,645
	<u>\$ 4,278,800</u>	<u>\$ 5,173,500</u>	<u>\$ 31,790,563</u>	<u>\$ 29,681,145</u>	<u>\$ 36,069,363</u>	<u>\$ 34,854,645</u>

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

The City of Statesville's increased its total debt by \$1,214,718 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, 2016 is \$232,915,356.

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.

Economic Factors and Next Year's Budget and Rates

- Revenue estimates contained in the City of Statesville's 2016-2017 operating and capital budget were developed on a conservative basis.
- The City's assessed valuation for property taxes in the 2016-2017 budget increased 2.57% or \$73 million from the prior year due primarily to an increase in business personal property values and motor vehicles. The City Council also approved a five cent tax increase. This is expected to increase ad valorem property tax revenues by approximately \$1,437,738. The City Council also approved a \$120 per year solid waste fee to offset the cost of the City sanitation department. This is expected to generate \$1,078,000 in additional revenue.
- The City appropriated funds in fiscal year 2016-2017 for a cost of service study for Water and Sewer operations.
- Water and sewer rates were increased by 3.0% effective July 1, 2016 to provide for operations, capital and debt service obligations in the coming years due to major expansion projects at the City's sewer plants. The City's 10 year financial analysis of the Water and Sewer Fund forecasts annual rate increases of 2%, in addition to a 1% growth in customer usage. This growth in revenues is required to meet the Water and Sewer debt service requirements.

Request 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, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Convention & Visitors Bureau	Alcoholic Control Board
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 29,666,180	\$ 37,401,325	\$ 67,067,505	\$ 181,165	\$ 619,037
Tax receivables, net	434,291	-	434,291	-	-
Receivables, net	357,455	7,518,799	7,876,254	-	-
Internal balances	901,259	(901,259)	-	-	-
Interest receivable	132,061	43,338	175,399	-	-
Due from other governments	2,937,529	420,198	3,357,727	-	-
Due from other component units	80,003	-	80,003	-	-
Inventories	32,006	1,683,215	1,715,221	-	581,396
Prepaid items	26,108	10,066	36,174	400	-
Restricted cash and cash equivalents	-	1,085,542	1,085,542	-	-
Total current assets	<u>34,566,892</u>	<u>47,261,224</u>	<u>81,828,116</u>	<u>181,565</u>	<u>1,200,433</u>
Net pension asset-separation allowance	636,846	-	636,846	-	-
Capital assets:					
Land and other nondepreciable assets	20,412,937	20,327,495	40,740,432	-	235,050
Depreciable assets, net	26,620,080	105,244,225	131,864,305	-	1,242,818
Total capital assets	<u>47,033,017</u>	<u>125,571,720</u>	<u>172,604,737</u>	<u>-</u>	<u>1,477,868</u>
Total assets	<u>82,236,755</u>	<u>172,832,944</u>	<u>255,069,699</u>	<u>181,565</u>	<u>2,678,301</u>
DEFERRED OUTFLOWS OF RESOURCES					
Contributions to pension plan	874,310	252,213	1,126,523	-	-
Pension deferral	7,933	2,238	10,171	-	3,783
Total deferred outflows of resources	<u>882,243</u>	<u>254,451</u>	<u>1,136,694</u>	<u>-</u>	<u>3,783</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	2,345,085	5,032,738	7,377,823	1,212	294,468
Accrued Interest payable	17,618	101,403	119,021	-	-
Due to primary government	-	-	-	-	80,003
Due to other governments	-	436,433	436,433	-	217,548
Prepaid revenues	-	82,791	82,791	-	-
Deposits payable	23,812	1,085,542	1,109,354	-	-
Current portion of long-term liabilities	2,593,641	2,445,391	5,039,032	313	59,245
Total current liabilities	<u>4,980,156</u>	<u>9,184,298</u>	<u>14,164,454</u>	<u>1,525</u>	<u>651,264</u>
Long-term liabilities:					
Net pension liability	897,163	363,322	1,260,485	-	18,131
Due in more than a year	5,278,643	30,327,237	35,605,880	940	754,558
Total long-term liabilities	<u>6,175,806</u>	<u>30,690,559</u>	<u>36,866,365</u>	<u>940</u>	<u>772,689</u>
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes	12,830	-	12,830	-	-
Pension deferrals	513,801	163,328	677,129	-	-
Total deferred inflows of resources	<u>526,631</u>	<u>163,328</u>	<u>689,959</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	42,754,217	93,781,157	136,535,374	-	734,910
Restricted for:					
Stabilization by state statute	4,644,547	-	4,644,547	-	-
Public safety	81,519	-	81,519	-	-
Economic development	712,686	-	712,686	-	-
Other functions	-	-	-	-	178,631
Unrestricted	23,243,436	39,268,053	62,511,489	179,100	344,590
Total net position	<u>\$ 71,436,405</u>	<u>\$ 133,049,210</u>	<u>\$ 204,485,615</u>	<u>\$ 179,100</u>	<u>\$ 1,258,131</u>

The accompanying notes are an integral part of this statement

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 3,479,866	\$ 66,083	\$ -	\$ -
Public safety	12,234,390	75,220	311,894	-
Transportation	2,851,130	49,846	-	748,401
Economic and physical development	931,213	981,530	185,017	-
Environmental protection	1,675,871	170,160	16,270	-
Cultural and recreation	3,506,190	732,620	-	-
Debt service:				
Interest on long-term debt	179,568	-	83,726	-
Total governmental activities	<u>24,858,228</u>	<u>2,075,459</u>	<u>596,907</u>	<u>748,401</u>
Business-Type Activities:				
Airport	1,786,329	559,951	-	216,507
Electric	44,245,966	46,939,813	-	-
Water and sewer	10,332,082	10,782,047	-	146,670
Civic Center	968,734	333,067	-	-
Total business-type activities	<u>57,333,111</u>	<u>58,614,878</u>	<u>-</u>	<u>363,177</u>
Total primary government	<u>\$ 82,191,339</u>	<u>\$ 60,690,337</u>	<u>\$ 596,907</u>	<u>\$ 1,111,578</u>
Component Units Activities:				
Convention & Visitors Bureau	\$ 146,461	\$ -	\$ 192,345	\$ -
Alcoholic Beverage Control Board	5,865,734	6,029,241	-	-
Total component units	<u>\$ 6,012,195</u>	<u>\$ 6,029,241</u>	<u>\$ 192,345</u>	<u>\$ -</u>
General Revenues:				
Ad valorem taxes				
Other taxes				
State share franchise, telecommunication, video and liquor taxes				
Interest earned on investments				
Miscellaneous revenue				
Total general revenues not including transfers				
Total transfers in (out)				
Change in net position				
Net position, beginning of year				
Restatement-Separation Allowance				
Prior period adjustment				
Net position, restated				
Net position, end of year				

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Convention & Visitors Bureau	Alcoholic Beverage Control Board
\$ (3,413,783)	\$ -	\$ (3,413,783)	\$ -	\$ -
(11,847,276)	-	(11,847,276)	-	-
(2,052,883)	-	(2,052,883)	-	-
235,334	-	235,334	-	-
(1,489,441)	-	(1,489,441)	-	-
(2,773,570)	-	(2,773,570)	-	-
(95,842)	-	(95,842)	-	-
(21,437,461)	-	(21,437,461)	-	-
	(1,009,871)	(1,009,871)	-	-
-	2,693,847	2,693,847	-	-
-	596,635	596,635	-	-
-	(635,667)	(635,667)	-	-
-	1,644,944	1,644,944	-	-
-	1,644,944	(19,792,517)	-	-
-	-	-	45,884	-
-	-	-	-	163,507
-	-	-	45,884	163,507
12,130,575	-	12,130,575	-	-
45,347	-	45,347	-	-
9,215,905	-	9,215,905	-	-
179,616	276,576	456,192	243	317
14,405	-	14,405	-	538
21,585,848	276,576	21,862,424	243	855
(30,110,127)	30,110,127	-	-	-
(29,961,740)	32,031,647	2,069,907	46,127	164,362
99,658,680	101,017,563	200,676,243	132,973	1,093,769
218,482	-	218,482	-	-
1,520,983	-	1,520,983	-	-
101,398,145	101,017,563	202,415,708	-	-
<u>\$ 71,436,405</u>	<u>\$ 133,049,210</u>	<u>\$ 204,485,615</u>	<u>\$ 179,100</u>	<u>\$ 1,258,131</u>

CITY OF STATESVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	Major <u>General</u>	Non-Major Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 22,871,795	\$ 5,931,713	\$ 28,803,508
Ad valorem taxes receivable, net	434,291	-	434,291
Accounts receivable, net	341,249	16,206	357,455
Interest receivable	25,850	6,689	32,539
Due from other funds	-	122,234	122,234
Due from other governments	2,745,782	185,017	2,930,799
Due from other component units	80,003	-	80,003
Inventories	32,006	-	32,006
Prepaid items	26,108	-	26,108
Total Assets	<u>\$ 26,557,084</u>	<u>\$ 6,261,859</u>	<u>32,818,943</u>
LIABILITIES			
Accounts payable and accrued liabilities	1,566,104	60,034	1,626,138
Due to other funds	-	122,234	122,234
Total Liabilities	<u>1,566,104</u>	<u>182,268</u>	<u>1,748,372</u>
Deferred Inflows of Resources			
Property taxes	434,291	-	434,291
Prepaid taxes	12,830	-	12,830
Deferred receivables	66,471	982	67,453
Other deposits	23,812	-	23,812
Total deferred inflows of resources	<u>537,404</u>	<u>982</u>	<u>538,386</u>
FUND BALANCES			
Non Spendable			
Inventory	32,006	-	32,006
Prepaid items	26,108	-	26,108
Restricted			
Stabilization by state statue	4,315,383	329,164	4,644,547
Public safety	-	81,519	81,519
Economic development	-	712,686	712,686
Committed			
Separation Allowance-law enforcement	220,560	-	220,560
Capital outlay	-	5,121,111	5,121,111
Assigned			
Subsequent year's appropriations	954,462	-	954,462
Unassigned	18,905,057	(165,871)	18,739,186
Total Fund Balances	<u>24,453,576</u>	<u>6,078,609</u>	<u>30,532,185</u>
Total Liabilities, deferred inflows of revenues and fund balances	<u>\$ 26,557,084</u>	<u>\$ 6,261,859</u>	

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

June 30, 2016

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

	Total fund balance continued from Exhibit 3	30,532,185
Capital assets used in governmental activities are not financing resources and are not reported in the funds.		
	Capital assets	79,513,673
	Accumulated depreciation	(41,760,668)
	Construction work in process	9,280,012
		<u>47,033,017</u>
The focus of governmental funds is on short-term financing; long-term assets are deferred in the funds.		
	Accrued property taxes	98,551
	Federal tax subsidy for debt	6,730
	Net pension asset-separation allowance	636,846
	Net pension liability-local government	(897,163)
		<u>(155,036)</u>
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in the governmental activities in the statement of net position.		
		1,045,954
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
	Deferred property taxes	434,291
	Other deferred revenues	67,453
	Deferred outflow-pension	882,243
	Deferred inflow-pension	(513,801)
		<u>870,186</u>
Not reported in the funds.		
	Interest payable	(17,617)
	Compensated absences	(2,209,987)
	OPEB payable	(1,383,497)
	Short-term debt	(894,700)
	Long-term debt	(3,384,100)
		<u>(7,889,901)</u>
Net position of governmental activities (Exhibit 1)		<u>\$ 71,436,405</u>

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Major General	Non-Major Other Governmental Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 12,372,681	\$ -	\$ 12,372,681
Other taxes and licenses	45,347	980,548	1,025,895
Unrestricted intergovernmental	9,196,090	-	9,196,090
Restricted intergovernmental	1,040,952	303,472	1,344,424
Permits and fees	401,633	-	401,633
Sales and services	846,146	14,606	860,752
Investment earnings	186,091	24,644	210,735
Miscellaneous	82,419	39,680	122,099
Total revenues	24,171,359	1,362,950	25,534,309
EXPENDITURES			
Current:			
General government	3,448,253	-	3,448,253
Public safety	11,681,378	132,620	11,813,998
Transportation	1,651,590	-	1,651,590
Economic and physical development	510,214	440,814	951,028
Environmental protection	1,557,336	-	1,557,336
Cultural and recreation	3,089,320	-	3,089,320
Capital outlay	2,064,280	134,899	2,199,179
Debt service:			
Principal	894,700	-	894,700
Interest and fiscal costs	183,717	-	183,717
Total expenditures	25,080,788	708,333	25,789,121
Revenues (under) expenditures	(909,429)	654,617	(254,812)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	1,759,027	3,755,556	5,514,583
Transfers to other funds	(3,755,556)	(2,742,352)	(6,497,908)
Total other financing sources and (uses)	(1,996,529)	1,013,204	(983,325)
Net change in fund balances	(2,905,958)	1,667,821	(1,238,137)
Fund balances at beginning of year	27,141,052	4,410,788	31,551,840
Restatement-Separation Allowance	218,482	-	218,482
Fund balances at beginning of year as restated	27,359,534	4,410,788	31,770,322
Fund balances at end of year	\$ 24,453,576	\$ 6,078,609	\$ 30,532,185

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, 2016

Fund Balances to the Statement of Activities:

Total net change in fund balances-governmental funds (continued) (1,238,137)

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	2,199,179	
	Depreciation expense	<u>(2,625,477)</u>	<u>(426,298)</u>

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	(242,106)	
	Change in other deferred revenues	(261,110)	
	Federal interest subsidy	6,730	
	Change in net pension asset-Separation Allowance	(40,563)	
	Change in net pension liability-local government employees	<u>950,621</u>	<u>413,572</u>

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	894,700	
	Accrued interest payable	<u>4,149</u>	<u>898,849</u>

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.

	Compensated absences	(6,747)	
	Other postemployment benefits	<u>(70,568)</u>	<u>(77,315)</u>

Capital contribution (29,126,803)

Net income (loss) of internal service funds determined to be governmental-type. (405,608)

Changes in net position of governmental activities \$ (29,961,740)

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, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 11,798,886	\$ 11,798,886	\$ 12,372,681	\$ 573,795
Other taxes and licenses	32,000	32,000	45,347	13,347
Unrestricted intergovernmental	8,411,500	8,392,500	9,196,090	803,590
Restricted intergovernmental	946,972	1,104,127	1,040,952	(63,175)
Permits and fees	362,100	362,100	401,633	39,533
Sales and services	857,448	876,448	846,146	(30,302)
Investment earnings	145,000	145,000	186,091	41,091
Miscellaneous	20,000	31,390	82,419	51,029
Total revenues	<u>22,573,906</u>	<u>22,742,451</u>	<u>24,171,359</u>	<u>1,428,908</u>
EXPENDITURES				
Current:				
General government	3,729,863	4,880,616	4,116,354	764,262
Public safety	13,122,254	13,323,379	12,376,998	946,381
Transportation	2,465,740	3,134,244	2,185,881	948,363
Economic and physical development	410,000	596,214	510,214	86,000
Environmental protection	1,686,243	1,689,188	1,557,336	131,852
Cultural and recreation	3,534,636	3,696,620	3,255,588	441,032
Debt service:				
Principal	894,700	894,700	894,700	-
Interest and fiscal costs	183,718	183,718	183,717	1
Contingency	125,000	39,154	-	39,154
Total expenditures	<u>26,152,154</u>	<u>28,437,833</u>	<u>25,080,788</u>	<u>3,357,045</u>
Revenues over (under) expenditures	<u>(3,578,248)</u>	<u>(5,695,382)</u>	<u>(909,429)</u>	<u>4,785,953</u>
OTHER FINANCING SOURCES (USES)				
Transfer - in	1,759,027	1,759,027	1,759,027	-
Transfer - (out)	(19,493)	(3,755,555)	(3,755,556)	(1)
Fund balance appropriated	1,838,714	7,691,910	-	(7,691,910)
Total other financing sources and (uses)	<u>3,578,248</u>	<u>5,695,382</u>	<u>(1,996,529)</u>	<u>(7,691,911)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(2,905,958)</u>	<u>\$ (2,905,958)</u>
Fund balances at beginning of year			<u>27,141,052</u>	
Restatement			218,482	
Fund balances at beginning of year as restated			27,359,534	
Fund balances at end of year			<u>\$ 24,453,576</u>	

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CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Enterprise Funds				Total Enterprise Funds	Governmental Activities- Internal Service
	Airport Fund	Major Electric Fund	Water and Sewer Fund	Other Civic Center Fund		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,292,342	\$ 17,172,118	\$ 17,670,681	\$ 1,266,184	\$ 37,401,325	\$ 862,671
Accounts receivable, net - billed	51,747	3,645,752	917,346	-	4,614,845	-
Accounts receivable, net-unbilled	-	2,386,371	517,583	-	2,903,954	-
Due from other governments	56,869	4,740	358,173	416	420,198	-
Interest receivable	1,397	20,587	19,926	1,428	43,338	972
Restricted cash, deposits	-	1,085,542	-	-	1,085,542	-
Inventories	-	1,514,304	168,911	-	1,683,215	-
Prepaid assets	-	3,100	6,960	6	10,066	-
Total current assets	<u>1,402,355</u>	<u>25,832,514</u>	<u>19,659,580</u>	<u>1,268,034</u>	<u>48,162,483</u>	<u>863,643</u>
Capital assets:						
Capital assets:						
Land and non-depreciable	10,924,796	18,100	1,511,212	2,638,669	15,092,777	-
Capital assets, net of depreciation	16,968,173	22,184,996	63,462,133	2,628,923	105,244,225	-
Construction work in progress	<u>86,800</u>	<u>-</u>	<u>5,147,918</u>	<u>-</u>	<u>5,234,718</u>	<u>-</u>
Total capital assets, net	<u>27,979,769</u>	<u>22,203,096</u>	<u>70,121,263</u>	<u>5,267,592</u>	<u>125,571,720</u>	<u>-</u>
Total assets	<u>29,382,124</u>	<u>48,035,610</u>	<u>89,780,843</u>	<u>6,535,626</u>	<u>173,734,203</u>	<u>863,643</u>
DEFERRED OUTFLOWS OF RESOURCES						
Contribution to pension plan	2,912	100,044	129,704	19,553	252,213	-
Pension deferrals	26	888	1,150	174	2,238	-
Total deferred outflows of resources	<u>2,938</u>	<u>100,932</u>	<u>130,854</u>	<u>19,727</u>	<u>254,451</u>	<u>-</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	21,539	4,212,554	782,892	15,753	5,032,738	99,957
Interest payable	-	-	101,403	-	101,403	-
Due to other governments	-	68,795	367,638	-	436,433	-
Payable from restricted assets:						
Customer deposits	-	1,085,542	-	-	1,085,542	-
Prepaid revenues	-	-	-	82,791	82,791	-
Current portion of long-term debt	<u>2,404</u>	<u>168,756</u>	<u>2,250,088</u>	<u>24,143</u>	<u>2,445,391</u>	<u>-</u>
Total current liabilities	<u>23,943</u>	<u>5,535,647</u>	<u>3,502,021</u>	<u>122,687</u>	<u>9,184,298</u>	<u>99,957</u>
Long-term liabilities:						
Net pension liability	14,672	72,675	253,009	22,966	363,322	-
Due in more than one year	<u>2,871</u>	<u>165,521</u>	<u>30,126,991</u>	<u>31,854</u>	<u>30,327,237</u>	<u>618,992</u>
Total long-term liabilities	<u>17,543</u>	<u>238,196</u>	<u>30,380,000</u>	<u>54,820</u>	<u>30,690,559</u>	<u>618,992</u>
Total liabilities	<u>41,486</u>	<u>5,773,843</u>	<u>33,882,021</u>	<u>177,507</u>	<u>39,874,857</u>	<u>718,949</u>
DEFERRED INFLOWS OF RESOURCES						
Pension deferral	3,403	54,443	93,573	11,909	163,328	-
Total deferred inflows of resources	<u>3,403</u>	<u>54,443</u>	<u>93,573</u>	<u>11,909</u>	<u>163,328</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	27,979,769	22,203,096	38,330,700	5,267,592	93,781,157	-
Unrestricted	<u>1,360,404</u>	<u>20,105,160</u>	<u>17,605,403</u>	<u>1,098,345</u>	<u>40,169,312</u>	<u>144,694</u>
Total net position	<u>\$ 29,340,173</u>	<u>\$ 42,308,256</u>	<u>\$ 55,936,103</u>	<u>\$ 6,365,937</u>	<u>133,950,469</u>	<u>\$ 144,694</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(901,259)	
Net position of business-type activities					<u>\$ 133,049,210</u>	

The accompanying notes are an integral part of this statement

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Enterprise Funds				Total Enterprise Funds	Governmental Activities- Internal Service
	Major		Other			
	Airport Fund	Electric Fund	Water and Sewer Fund	Civic Center Fund		
OPERATING REVENUES						
Charges for sales and services	\$ 559,951	\$ 45,543,138	\$ 10,196,807	\$ 333,067	\$ 56,632,963	\$ 4,156,384
Other operating revenues	-	991,962	417,835	-	1,409,797	-
Total operating revenues	559,951	46,535,100	10,614,642	333,067	58,042,760	4,156,384
OPERATING EXPENSES						
Airport operations	295,471	-	-	-	295,471	-
Electrical operations		3,697,752	-	-	3,697,752	-
Electrical power purchases		39,178,050	-	-	39,178,050	-
Water and sewer operations		-	7,014,742	-	7,014,742	-
Civic Center operations		-	-	768,793	768,793	-
Health expenses and insurance claims		-	-	-	-	4,727,944
Depreciation	1,486,530	1,327,485	2,584,286	191,226	5,589,527	-
Total operating expenses	1,782,001	44,203,287	9,599,028	960,019	56,544,335	4,727,944
Operating income (loss)	(1,222,050)	2,331,813	1,015,614	(626,952)	1,498,425	(571,560)
NONOPERATING REVENUES (EXPENSES)						
Interest income	8,409	125,143	133,559	9,465	276,576	9,446
Interest expense		-	(659,649)	-	(659,649)	-
Intergovernmental revenues	216,507	-	146,670	-	363,177	-
Pole attachment rental and leases		40,602	-	-	40,602	-
Contribution - capital assets	29,126,802	-	-	-	29,126,802	-
Sale of materials and miscellaneous		364,111	167,405	-	531,516	27,378
Total nonoperating revenues (expense)	29,351,718	529,856	(212,015)	9,465	29,679,024	36,824
Income (loss) before transfers	28,129,668	2,861,669	803,599	(617,487)	31,177,449	(534,736)
TRANSFERS IN (OUT)						
Transfers - in	1,210,505	-	-	569,791	1,780,296	-
Transfers - (out)	-	(284,268)	(488,402)	(24,301)	(796,971)	-
Total transfers	1,210,505	(284,268)	(488,402)	545,490	983,325	-
Change in net position (loss)	29,340,173	2,577,401	315,197	(71,997)	32,160,774	(534,736)
Net position, beginning of year	-	39,730,855	55,620,906	6,437,934	101,789,695	679,430
Net position, end of year	\$ 29,340,173	\$ 42,308,256	\$ 55,936,103	\$ 6,365,937	\$ 133,950,469	\$ 144,694
Change of net position shown above					\$ 32,160,774	
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds					(129,127)	
Change in net position - business-type activities					\$ 32,031,647	

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Airport Fund	Major Electric Fund	Water and Sewer Fund	Other Civic Center Fund		
Cash flows from operating activities:						
Cash received from customers	\$ 724,711	\$ 46,748,528	\$ 10,572,706	\$ 353,093	\$ 58,399,038	\$ 4,183,764
Cash paid for goods and services	(182,682)	(40,277,976)	(5,326,712)	(348,023)	(46,135,393)	(4,671,473)
Cash paid to employees for services	(127,706)	(3,152,067)	(4,577,000)	(386,271)	(8,243,044)	-
Customer deposits received	-	3,307,685	-	-	3,307,685	-
Customer deposits returned	-	(3,225,879)	-	-	(3,225,879)	-
Non-operating income	-	404,713	-	-	404,713	-
Net cash provided (used) by operating activities	414,323	3,805,004	668,994	(381,201)	4,507,120	(487,709)
Cash flows from noncapital financing activities:						
Transfers from other funds	1,210,505	-	-	569,791	1,780,296	-
Transfers to other funds	-	(284,268)	(488,402)	(24,301)	(796,971)	-
Net cash provided (used) by noncapital Financing activities	1,210,505	(284,268)	(488,402)	545,490	983,325	-
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(339,498)	(1,599,104)	(2,529,632)	-	(4,468,234)	-
Proceeds from capital debt	-	-	4,157,643	-	4,157,643	-
Principal paid on long-term debt	-	-	(2,415,863)	-	(2,415,863)	-
Interest paid on long-term debt	-	-	(654,096)	-	(654,096)	-
Deferral	-	-	-	(59,730)	(59,730)	-
Due from other governments	-	-	1,960,197	-	1,960,197	-
Net cash used by capital and related financing activities	(339,498)	(1,599,104)	518,249	(59,730)	(1,480,083)	-
Cash flows from investing activities:	7,012	125,143	133,363	9,386	274,904	10,043
Net increase (decrease) in cash and cash equivalents	1,292,342	2,046,775	832,204	113,945	4,285,266	(477,666)
Cash and cash equivalents, July 1	-	16,210,885	16,838,477	1,152,239	34,201,601	1,340,337
Cash and cash equivalents, June 30	\$ 1,292,342	\$ 18,257,660	\$ 17,670,681	\$ 1,266,184	\$ 38,486,867	\$ 862,671

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Enterprise Funds			Other Civic Center Fund	Total Enterprise Funds	Internal Service Funds
	Airport Fund	Major Electric Fund	Water and Sewer Fund			
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ (1,201,581)	\$ 2,331,813	\$ 1,015,614	\$ (626,952)	\$ 1,518,894	\$ (571,560)
Add non-operating income	216,507	404,713	314,075	-	935,295	-
Adjusted operating income	(985,074)	2,736,526	1,329,689	(626,952)	2,454,189	(571,560)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	1,486,530	1,327,485	2,584,286	191,226	5,589,527	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(51,747)	128,122	(188,556)	51,352	(60,829)	-
Decrease (increase) in interest receivable	(1,397)	(1,612)	(196)	-	(3,205)	80
Decrease (increase) in inventory	-	(110,692)	(8,665)	-	(119,357)	-
Decrease (increase) in prepaids	-	121,240	(6,960)	(1)	114,279	-
(Increase) decrease due to other governments	(56,869)	63,602	(598,585)	3,090	(588,762)	-
Increase in accounts payable	17,067	(245,068)	(802,850)	(26,602)	(1,057,453)	83,771
(Increase) decrease from to other governments	-	68,795	(1,602,024)	-	(1,533,229)	-
Increase (decrease) in customer deposits	-	81,807	-	-	81,807	-
Increase (decrease) in accrued compensation absences	5,813	(365,201)	(37,145)	26,686	(369,847)	-
Total adjustments	1,399,397	1,068,478	(660,695)	245,751	2,052,931	83,851
Net cash provided (used) by operating activities	\$ 414,323	\$ 3,805,004	\$ 668,994	\$ (381,201)	\$ 4,507,120	\$ (487,709)
Non-cash Transactions:						
Contributed capital from general fund	\$ 29,126,802	\$ -	\$ -	\$ -	\$ 29,126,802	\$ -

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	Utility Donation Fund
ASSETS	
Cash and cash equivalents	\$ 997
Donation receivable	372
Interest receivable	1
	<hr/>
Total assets	\$ 1,370
	<hr/> <hr/>
LIABILITIES	
Accounts payable	\$ 100
	<hr/>
Total liabilities	100
	<hr/>
NET POSITION	
Reserved for utility donations	\$ 1,270
	<hr/> <hr/>

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2016

	Utility Donation Fund
Additions	
Utility Donations	\$ 4,092
Investment income	9
Total additions	4,101
Deductions	
Customer Assistance	4,378
Total Deductions	4,378
OTHER FINANCING SOURCES:	
Change in net position	(277)
Net position, beginning of year	1,547
Net position, end of year	\$ 1,270

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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 28677.

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, 2016

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

B. Basis of Presentation (cont'd)

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The effects of interfund activity have been eliminated from the government-wide financial statements.

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

The City reports the following major governmental funds:

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

Airport Fund – The Airport Fund is used to account for the City's airport operations. For additional information, see financial note regarding change in accounting principles.

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 ten non-major funds. They are Home Program Project Fund, 1997-1998 Home Consortium Fund, Home Consortium/CDBG Fund, Drug Enforcement Fund, Occupancy Tax Fund, Domestic Violence Fund, Economic Development Grant Fund, Warehouse Construction Fund, Streetscape Fund, and General Equipment Capital Reserve Fund.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Basis of Presentation (cont'd)

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

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, police 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 – 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 except for the agency fund which no 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. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. 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 and certain intergovernmental revenues, such as beer and wine tax, 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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have satisfied. 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 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 Tax Fund, and Enterprise Funds. All annual appropriations lapse at fiscal yearend. 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

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

D. Budgetary Data *(cont'd)*

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.

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, 2016, the General Fund, excluding project funds, had outstanding encumbrances of \$1,188,971. The enterprise funds outstanding encumbrances of \$1,419,979 and project funds had \$599,125 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

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 City's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT - Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

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

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

Cash and 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.

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 \$1,085,542 held by the Electric Fund.

Ad Valorem Taxes Receivable

In accordance with State Law G.S. §105-347 and G.S. §159-13(a), the City levies and creates a lien for ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. These taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. The taxes levied are based on the assessed values as of January 1, 2015.

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.

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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

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

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 received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network 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. The Statesville Convention and Visitors Bureau had no capital assets at June 30, 2016. Capital assets are depreciated using the straight-line method over the following estimated useful lives for City assets:

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

Deferred outflows/inflows of resources

In addition to assets, the statement of net 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. The City has two items, deferral related to pension and contribution to the pension plan in the current year that meet this criterion. 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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt. In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

The vacation 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 has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. 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 earn 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.

Net position/Fund Balances

Net position in government-wide and proprietary fund financial statements are classified as net invested in capital assets, 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:

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

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

Net position/Fund Balances (cont'd)

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 – Portion of fund balance that is restricted for drug seizure funds and police grants.

Restricted for Economic Development – Portion of 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 committed \$220,560 for the funding of the Law Enforcement Officers' Special Separation Allowance pension. The City Council also has committed \$5,121,111 for the funding of capital outlay within various capital projects.

Assigned Fund Balance – Portion of fund balance that the City of Statesville's governing board 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 has not been restricted, committed, or assigned to specific purposes or other funds. Only the General Fund may report a positive unassigned fund balance.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

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

Net position/Fund Balances *(cont'd)*

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of 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.

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

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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

A. Assets (cont'd)

Deposits (cont'd)

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, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016 the City's deposits had a carrying amount of \$2,262,380 and a bank balances of \$1,009,508. Certificate of deposits of \$1,000,000 are included in the City's carrying amount of \$2,262,380. The City maintained \$3,975 in petty cash and other funds. Of the bank balance, \$500,000 was covered by federal depository insurance, and the excess funds was covered by collateral held by the State Treasurer's "Pooling Method".

At June 30, 2016, the Statesville Convention and Visitors Bureau's deposits had a carrying amount of \$57,941 and a bank balance of \$57,941 all of which was covered by federal depository insurance.

At June 30, 2016 the ABC Board's deposits had a carrying amount of \$619,037 and a bank balance of \$604,870. Of the bank balance, \$250,000 was covered by federal depository insurance. Amounts in excess of FIDC insurance are collateralized under the Pooling Method.

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

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

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. The City's governing board enacted a formal investment policy that provides for diversification and minimizes credit risks by varying the investment's maturity dates.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

II. DETAIL NOTES ON ALL FUNDS

A. Assets (cont'd)

Investments

As of June 30, 2016, the City's investment balances were as follows:

<u>Investment Type</u>	Valuation Measurement Method	Book Value at 06/30/16	Maturity	Rating
US Government Treasuries	Fair Value Level 1	\$ 1,001,040	11/15/16	AAA
US Government Treasuries	Fair Value Level 1	2,000,740	02/28/17	AAA
US Government Treasuries	Fair Value Level 1	1,004,300	11/15/17	AAA
US Government Agencies:				
Federal Farm Credit Bank	Fair Value Level 1	3,000,060	04/11/17	AAA
Federal Farm Credit Bank	Fair Value Level 1	2,000,020	12/16/17	AAA
Federal Farm Credit Bank	Fair Value Level 1	4,000,120	01/22/18	AAA
Federal Farm Credit Bank	Fair Value Level 1	2,000,840	09/21/18	AAA
Federal Farm Credit Bank	Fair Value Level 1	1,000,020	10/15/18	AAA
Federal Farm Credit Bank	Fair Value Level 1	2,001,260	10/26/18	AAA
Federal Farm Credit Bank	Fair Value Level 1	2,000,100	07/08/19	AAA
Federal Home Loan Bank	Fair Value Level 1	1,001,330	06/19/18	AAA
Federal Home Loan Bank	Fair Value Level 1	1,010,210	06/26/18	AAA
Federal Home Loan Bank	Fair Value Level 1	2,000,840	10/29/20	AAA
Federal Mortgage Assoc	Fair Value Level 1	1,000,110	04/30/18	AAA
Federal Mortgage Assoc	Fair Value Level 1	1,000,530	04/26/19	AAA
Federal National Mortgage	Fair Value Level 1	1,004,270	10/03/17	AAA
Federal National Mortgage	Fair Value Level 1	1,000,130	04/30/18	AAA
Commercial Paper:				
DCAT LLC	Cost	999,098	07/06/16	A1/P1
DCAT LLC	Cost	998,567	08/03/16	A1/P1
COCA-COLA	Cost	997,788	09/21/16	A1/P1
CREDIT SUISSE	Cost	996,728	10/11/16	A1/P1
CREDIT AGRICOLE	Cost	995,581	11/14/16	A1/P1
CREDIT SUISSE	Cost	993,937	12/27/16	A1/P1
CREDIT SUISSE	Cost	992,680	01/26/17	A1/P1
JP MORGAN	Cost	992,138	02/24/17	A1/P1
NATIXIS	Cost	991,960	03/01/17	A1/P1
NCCMT - Cash Portfolio	<u>Amortized Cost</u>	<u>28,903,293</u>	N/A	AAAm
Total:		<u>\$65,887,689</u>		

Credit Risk. To reduce credit risk, the City's adopted investment policy provides that 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. The City's and CVB's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2016.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

A. Assets (cont'd)

Investments (cont'd)

Concentration of Credit Risk. The City's investment policy limits the amount that the City may invest in any one issuer. Federal agencies are unlimited on fixed security with no more than 20% of portfolio in a single agency. More than 41.94% of the City's investments are in Federal Farm Credit Bank-13.47%, Federal Home Loan Bank-12.01%, Federal Home Loan Mortgage Corporation-4.49%, and Federal National Mortgage Association-11.97%. Percentage for the remaining portfolio is as follows; sweep checking account-.99%, North Carolina Capital Management Trust-17.51%, certificate of deposit-12.72%, commercial paper-20.87%, and U.S. Treasuries-5.97%. At June 30, 2016, the Statesville Convention and Visitors Bureau had \$123,224 invested with the North Carolina Capital Management Trust's Cash Portfolio. The City of Statesville ABC Board had no investments.

Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the statement of Net Position for the ended June 30, 2016 is net of the following allowances for doubtful accounts:

	Accounts Receivable	Taxes Receivable	Due from Other Governments	Total
Governmental activities:				
General Fund	\$ 1,088,030	\$ 789,990	2,752,512	\$ 4,630,532
Non-Major and Home Program	62,955	-	185,017	247,972
Total receivables	<u>1,150,985</u>	<u>789,990</u>	<u>2,937,529</u>	<u>4,878,504</u>
Allowance for doubtful accounts	(793,530)	(355,699)	-	(1,149,229)
Total governmental activities	<u>\$ 357,455</u>	<u>\$ 434,291</u>	<u>\$ 2,937,529</u>	<u>\$ 3,729,275</u>
Business-type activities:				
Airport	\$ 51,747	\$ -	\$ 56,869	\$ 108,616
Electric	6,518,979	-	4,740	6,523,719
Water and Sewer	1,976,044	-	358,173	2,334,217
Civic Center	-	-	416	416
Total receivables	<u>8,546,770</u>	<u>-</u>	<u>420,198</u>	<u>8,966,968</u>
Allowance for doubtful accounts	(1,027,971)	-	-	(1,027,971)
Total business-type activities:	<u>\$ 7,518,799</u>	<u>\$ -</u>	<u>\$ 420,198</u>	<u>\$ 7,938,997</u>
Amounts due from governmental agencies consist of the following:				
		Other Govt	State	Total
Governmental activities:				
Sales tax refund and use tax distribution		\$ -	\$ 1,974,927	\$ 1,974,927
Utility tax, telecommutations, video programming		-	601,313	601,313
Grants receivable		-	245,015	245,015
Other government		116,274	-	116,274
Total governmental activities		<u>\$ 116,274</u>	<u>\$ 2,821,255</u>	<u>\$ 2,937,529</u>
Business-type activities:				
Sales tax refund		\$ -	\$ 54,860	\$ 54,860
Grants receivable		-	365,338	365,338
Total business-type activities:		<u>\$ -</u>	<u>\$ 420,198</u>	<u>\$ 420,198</u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

A. Assets (cont'd)

Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2016, was as follows:

	June 30, 2015	Additions	Retirements	Transfers	June 30, 2016
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 21,736,554	\$ 515,799	\$ 11,119,428	\$ -	11,132,925
Construction in progress	9,686,436	565,416	971,840	-	9,280,012
Total capital assets not being depreciated	31,422,990	1,081,215	12,091,268	-	20,412,937
Capital assets being depreciated:					
Buildings	19,820,626	37,240	-	-	19,857,866
Computers and radios	314,510	23,186	29,423	-	308,273
Infrastructure	52,911,993	-	22,597,148	-	30,314,845
Equipment and furniture	365,853	-	10,248	-	355,605
Other improvements	4,661,427	914,525	91,723	-	5,484,229
Radios and communications	365,131	-	-	-	365,131
Vehicles	11,595,377	143,013	43,591	-	11,694,799
Total capital assets being depreciated:	90,034,917	1,117,964	22,772,133	-	68,380,748
Less accumulated depreciation for:					
Buildings	6,872,679	500,734	-	-	7,373,413
Computers and radios	254,866	13,928	29,423	-	239,371
Infrastructure	27,557,757	1,086,481	7,095,921	-	21,548,317
Equipment and furniture	348,291	3,669	10,248	-	341,712
Other improvements	2,635,273	444,349	81,638	-	2,997,984
Radios and communications	305,630	6,000	-	-	311,630
Vehicles	8,418,276	570,316	40,351	-	8,948,241
Total accumulated depreciation	46,392,772	\$ 2,625,477	\$ 7,257,581	\$ -	41,760,668
Total capital assets being depreciated, net	43,642,145				26,620,080
Governmental activity capital assets, net	\$ 75,065,135				\$ 47,033,017

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

Governmental Functions:

General government	\$ 256,072
Public safety	625,787
Transportation	1,203,045
Environmental protection	114,203
Culture and recreation	426,370

Total depreciation expense governmental functions \$ 2,625,477

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

A. Assets (cont'd)

Capital Assets (cont'd)

	June 30, 2015	Additions	Retirements	Transfers	June 30, 2016
Airport					
Capital assets not being depreciated:					
Land	\$ -	\$ 9,327,160	\$ -	\$ 1,597,636	\$ 10,924,796
Construction in progress	-	2,813,833	-	(2,727,033)	86,800
Total assets not being depreciated	-	12,140,993	-	(1,129,397)	11,011,596
Capital assets being depreciated:					
Buildings	-	1,792,268	-	-	1,792,268
Airport improvements	-	21,672,423	-	1,129,397	22,801,820
Other	-	1,029,548	-	-	1,029,548
Vehicles and equipment	-	34,037	-	-	34,037
Total capital assets being depreciated:	-	24,528,276	-	1,129,397	25,657,673
Less accumulated depreciation for:					
Buildings	-	1,085,360	-	-	1,085,360
Airport improvements	-	6,932,314	-	-	6,932,314
Other	-	656,573	-	-	656,573
Vehicles and equipment	-	15,253	-	-	15,253
Total accumulated depreciation	-	8,689,500	-	-	8,689,500
Total capital assets being depreciated, net	-				16,968,173
Total Airport Fund capital assets, net	-				27,979,769
Electric Fund:					
Capital assets not being depreciated:					
Land	18,100	-	-	-	18,100
Construction work in progress	810,266	226,047	-	(1,036,313)	-
Total assets not being depreciated	828,366	226,047	-	(1,036,313)	18,100
Capital assets being depreciated:					
Plant in service	39,594,739	1,043,137	364,491	-	40,273,385
Vehicles and equipment	2,786,868	329,919	-	1,036,313	4,153,100
Total capital assets being depreciated:	42,381,607	1,373,056	364,491	1,036,313	44,426,485
Less accumulated depreciation for:					
Plant in service	19,664,507	1,097,793	197,481	-	20,564,819
Vehicles and equipment	1,446,978	229,692	-	-	1,676,670
Total accumulated depreciation	21,111,485	1,327,485	197,481	-	22,241,489
Total capital assets being depreciated, net	21,270,122				22,184,996
Total Electric Fund capital assets, net	22,098,488				22,203,096

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

A. Assets (cont'd)

Capital Assets (cont'd)

Water and Sewer Fund:

Capital assets not being depreciated:					
Land	1,511,212	-	-	-	1,511,212
Construction work in progress	23,133,426	4,608,473	-	(22,593,981)	5,147,918
Total assets not being depreciated	24,644,638	4,608,473	-	(22,593,981)	6,659,130
Capital assets being depreciated:					
Plant in service - Water System	48,325,357	-	-	-	48,325,357
Plant in service - Sewer System	48,133,774	40,665	9,278,110	22,593,981	61,490,310
Vehicles and equipment	4,222,961	50,115	131,166	-	4,141,910
Total capital assets being depreciated:	100,682,092	90,780	9,409,276	22,593,981	113,957,577
Less accumulated depreciation for:					
Plant in service - Water System	22,594,855	1,162,486	-	-	23,757,341
Plant in service - Sewer System	31,386,772	1,199,678	8,899,734	-	23,686,716
Vehicles and equipment	2,884,466	222,123	55,202	-	3,051,387
Total accumulated depreciation	56,866,093	2,584,287	8,954,936	-	50,495,444
Total capital assets being depreciated, net	43,815,999				63,462,133
Total Water and Sewer Fund capital assets, net	68,460,637				70,121,263

	June 30, 2015	Additions	Retirements	Transfers	June 30, 2016
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
Vehicles and equipment	361,692	-	-	-	361,692
Total capital assets being depreciated:	5,247,531	-	-	-	5,247,531
Less accumulated depreciation for:					
Buildings	1,968,418	154,353	-	-	2,122,771
Improvements	167,825	16,321	-	-	184,146
Vehicles and equipment	291,139	20,552	-	-	311,691
Total accumulated depreciation	2,427,382	191,226	-	-	2,618,608
Total capital assets being depreciated, net	2,820,149				2,628,923
Total Civic Center Fund capital assets, net	5,458,818				5,267,592
Business-type activities capital assets, net	\$ 96,017,943				\$ 125,571,720

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

A. Assets (cont'd)

Capital Assets (cont'd)

Airport Operating Fund Transferred to an Enterprise Fund

The City Council enacted Ordinance 19-15 to establish an airport enterprise fund to ensure Federal Aviation Administration requirement that all airport revenues are applied to airport operations. Previously airport revenues were reported with General Fund revenues. The enterprise fund recorded contributed capital and in the governmental and business-type activities it was treated as a transfer out of \$29,126,802.

Construction Commitments:

The government has active construction projects as of June 30, 2016. At year end, the government's commitments with contractors are as follows:

Vendor	Description	Authorization	Y-T-D
R. Joe Harris	Engineering - Sewer Oversize	\$ 433,842	\$ 319,801
J T Russell	Street Paving	\$ 493,530	\$ -
Tyler Software	Police software application	\$ 558,000	\$ 430,517
M.B. Kahn, Co., Inc	Construction Fourth Creek WWTP	\$ 4,082,107	\$ 3,902,010
McGill Associates PA	Engineering Fourth Creek WWTP	\$ 558,200	\$ 544,400

Discretely Presented Component Units

Activity for the ABC Board for the year ended June 30, 2016 was as follows:

	June 30, 2015	Additions	Retirements	Transfers	June 30, 2016
Capital assets not being depreciated:					
Land	\$ 235,050	\$ -	\$ -	\$ -	\$ 235,050
Total assets not being depreciated	235,050	-	-	-	235,050
Capital assets being depreciated:					
Buildings	1,667,134	-	-	-	1,667,134
Furniture and equipment	352,163	-	-	-	352,163
Total capital assets being depreciated:	2,019,297	-	-	-	2,019,297
Less accumulated depreciation for:					
Buildings	469,935	39,479	-	-	509,414
Furniture and equipment	248,909	18,155	-	-	267,064
Total accumulated depreciation	718,844	\$ 57,634	\$ -	\$ -	776,478
Total ABC capital assets, net	\$ 1,535,503				\$ 1,477,869

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2016 were as follows:

	Vendors IBNR	Salaries & Benefits	Total
All governmental activities	\$1,631,597	\$713,488	\$2,345,085
Business-type activities:			
Airport	\$17,067	\$4,472	\$21,539
Electric	4,151,629	60,925	4,212,554
Water and Sewer	697,558	85,334	782,892
Civic Center	4,245	11,508	15,753
Total business-type activities	\$4,870,499	\$162,239	\$5,032,738

Pension Plan Obligations

a. North Carolina Local Government Employees' Retirement System

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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters).

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities (cont'd)

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, 2016, was 6.76% of compensation for law enforcement officers and 7.15% 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 \$1,126,523 for the year ended June 30, 2016.

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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities (cont'd)

Pension Plan Obligations (cont'd)

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

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

At June 30, 2016, the City reported a liability of \$1,260,485 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions.

The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the City's proportion was .028%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$570,798. At June 30, 2016, 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	\$ -	\$ 296,287
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	358,857
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,171	21,985
Employer contributions subsequent to the measurement date	1,126,523	-
Total	\$ 1,136,694	\$ 677,129

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities (cont'd)

Pension Plan Obligations (cont'd)

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

\$1,126,523 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (422,819)
2018	(422,819)
2019	(422,292)
2020	600,972
2021	-
Thereafter	-
	<u>\$ (666,958)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 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, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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, 2014 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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities (cont'd)

Pension Plan Obligations (cont'd)

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

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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
	Total	100.0%

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities (cont'd)

Pension Plan Obligations (cont'd)

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

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25 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)	\$ 8,789,524	\$ 1,260,485	\$ (5,082,567)

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.

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, 2015, the Separation Allowance's membership consisted of:

	<u>City</u>	<u>ABC Board</u>
Retirees receiving benefits	8	0
Active plan members	<u>76</u>	<u>1</u>
Total	<u>84</u>	<u>1</u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities (cont'd)

Pension Plan Obligations (cont'd)

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

2) *Summary of Significant Accounting Policies:*

Basis of Accounting – The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The 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 \$16,418 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.

Method Used to Value Investments –The City and the ABC Board had no funds set aside to pay benefits and administrative costs. These expenditures are paid as they come due.

Contributions – The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities (cont'd)

Pension Plan Obligations (cont'd)

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

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.

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	\$164,177
Interest on net pension asset	(33,870)
Adjustment to annual required contribution	59,528
Annual pension cost	189,835
Benefit payments made for fiscal year	149,272
Increase in net pension obligation	40,563
Net pension (assets), Beginning of year	(677,409)
Net pension (assets), End of year	\$(636,846)

Three-Year Trend Information	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset at End of Year
Fiscal Year Ended			
June 30, 2014	\$163,707	68.66%	\$741,096
June 30, 2015	\$185,268	65.62%	\$677,409
June 30, 2016	\$189,835	78.63%	\$636,846

Funded Status and Funding Progress.

As of December 31 2015, 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 \$1,937,151. The covered payroll (annual payroll of active employees covered by the plan) was \$3,735,880, and the ratio of the UAAL to the covered payroll was 51.85 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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities (cont'd)

Pension Plan Obligations (cont'd)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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.

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. The City's contribution for the year ended June 30, 2016, was \$179,441. The City provides a Section 401(k) plan for this purpose. The ABC Board's contributions for the year ended June 30, 2016 was \$16,321.

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

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, or at www.osc.nc.gov.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities (cont'd)

Pension Plan Obligations (cont'd)

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

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.

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, 2016, the City has recognized on-behalf-of payments for pension contributions made by the state as revenue and an expenditure of \$5,846 for 15 fire department employees who perform firefighting duties for the City's fire department. For fiscal year ending June 30, 2015, the State contributed \$13,900,000 to the plan.

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.

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

At June 30, 2016, 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 \$12,644. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015 and at June 30, 2014 was 0%.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities (cont'd)

Pension Plan Obligations (cont'd)

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

For the year ended June 30, 2016, the City recognized pension expense of \$1,012 and revenue of \$1,012 for support provided by the State. At June 30, 2016, 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, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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.

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.

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, 2014 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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities (cont'd)

Other Postemployment Benefits (OPEB) (cont'd)

a. Healthcare Benefits (cont'd)

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 and active employee's membership in the HCB Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

Description	General Government	Business-type Activities	Law Enforcement
Retirees	10	0	0
Active plan members	<u>210</u>	<u>97</u>	<u>81</u>
Total	<u>220</u>	<u>97</u>	<u>81</u>

Funding Policy. The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by City Council. The City's members pay \$182.70 per month for dependent coverage. The City has chosen to fund the healthcare benefits on a pay as you go basis.

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 .54% of annual covered payroll. The City's obligation to contribute to the HCB plan is established and may be amended by the City Council. For the current year the City made no contribution. There were no contributions made by employees.

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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities (cont'd)

Other Postemployment Benefits (OPEB) (cont'd)

a. Healthcare Benefits (cont'd)

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 June 30, 2016

Employer annual required contribution	\$93,000
Value Discount Rate	4.00%
Interest on the Net OPEB Obligation	69,064
Amortization Factor	26.1695
Adjustment to Annual Required Contribution	69,064
 Annual OPEB Cost:	 93,000
Employer contributions made for fiscal year	-
 Increase in net OPEB obligation	 93,000
Net OPEB Obligation liability beginning of fiscal year	1,726,595
 Net OPEB Obligation end of fiscal year	 \$1,819,595

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
2014	\$299,029	0.00%	\$ 1,644,032
2015	\$82,563	0.00%	\$ 1,726,595
2016	\$93,000	0.00%	\$ 1,819,595

Funded Status and Funding Progress. As of December 31, 2014, 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 \$1,086,831. The covered payroll (annual payroll of active employees covered by the plan) was \$16,345,261, and the ratio of the UAAL to the covered payroll was 6.54 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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities (cont'd)

Other Postemployment Benefits (OPEB) (cont'd)

a. Healthcare Benefits (cont'd)

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, 2014 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 7.50 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, 2014, was 30 years.

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 the \$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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities (cont'd)

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.

Deferred Outflows and Inflows of Resources

The City has several deferred outflows of resources. Deferred outflows of resources are comprised of the following:

Deferred outflows of resources at year-end are comprised of the following:

Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 10,171
Employer contributions subsequent to the measurement date	<u>1,126,523</u>
Total	<u>\$ 1,136,694</u>

Deferred Inflows of Resources

Property taxes	\$ 434,291
Prepaid taxes	12,830
Deferred receivables	67,453
Other deposits	23,812
Differences between expected and actual experience	
Changes of assumptions	296,287
Net difference between projected and actual earnings on pension plan investments	358,857
Changes in proportion and defereces between employer and proportionate share of contributions	<u>21,985</u>
Total	<u>\$ 1,215,515</u>

Risk Management

- a. *General Liability, Surety Bonds, Property Insurance and Auto Liability.* The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases various insurance policies, including general liability and auto liability coverage of \$4 million per occurrence, property coverage of \$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. In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The Finance Director and the Tax Collector are bonded for \$250,000 and \$50,000 respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

C. Liabilities (cont'd)

Risk Management (cont'd)

- b. *Self-funded - Group Health.* The City is exposed to various risks of loss related to medical and illness needs of employees. The City and employees participate in a cost-share plan for group health insurance. The City established the Health Insurance Fund (Internal Service Fund) to account for its self-insurance plan. The City has contracted with the Aetna to administer the plan. The City is responsible for claims up to \$150,000 per covered employee/dependent per policy term. Claims greater than \$150,000 per covered employee/dependent per policy term, and those in excess of the aggregate stop loss of 125% of expected net claims, are insured by the private insurance carrier. All employees of the City are eligible to 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 \$358,082 reported in the fund at June 30, 2016 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 \$358,082 claims liability represents total estimated claims incurred but not reported (IBNR), as provided by the plan administrator's actuary.
- c. *Self-funded Worker's Compensation.* The City is self-funded for worker's compensation. Through this self-funded workers compensation program, the City obtains workers' compensation coverage up to the statutory limits, with no deductible. The worker's compensation program is administered by a third party administrator. The fund is reinsured through an insurance company for single occurrence losses of \$400,000 for all City employees. The claims liability of \$260,910 reported in the fund at June 30, 2016 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 \$260,910 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.

Claims and Judgments

At June 30, 2016, 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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities (cont'd)

Long-Term Obligations

a. *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 was reduced by 8.7%. The sequestration reduction rate will be applied until intervening Congressional action, at which time the sequestration rate is subject to change.

b. *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" for one loan in the amount of \$4,800,000 on August 15, 2014 with a 0% interest rate to be used for sewer treatment plant improvements. Total amount borrowed as of June 30, 2016 is \$4,418,211. The maximum loan term is 20 years.

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

The ABC Board's annual report dated June 30, 2016 reported the following outstanding long-term debt:

The ABC Board has a note payable with a bank secured by real estate. At June 30, 2016 the outstanding balance was \$742,958. Monthly payments of principal and interest are \$5,539 per month. The note bears interest rate of 3.25% per annum. Maturity is a balloon payment on May 24, 2021. Maturities are as follows:

2017	\$38,227
2018	\$40,463
2019	\$41,817
2020	\$43,162
Balloon	\$579,289

The ABC Board has a line of credit with a bank that is unsecured. At June 30, 2016 the outstanding balance was \$20,972. The note bears interest at 4.125% per annum and matures on October 22, 2016.

The ABC Board's accumulated vacation at June 30, 2016 was \$49,873. The current portion of the accumulated vacation pay is not considered material. The CVB's accumulated vacation at June 30, 2016 was \$1,254.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities (cont'd)

Long-Term Obligations (cont'd)

Serviced by the General Fund:

Original issue \$7,000,000, Recovery Zone Economic Development bonds payable to Branch Banking & Trust Company in 10 annual installments of \$700,000 beginning in December 16, 2011 through 2020 plus interest at 3.50%. The City had received a subsidy of 45% of interest cost from the Federal Government; however, the subsidy has been reduced to 38% as a result of the Federal sequester. The note is secured by a Deed of Trust. \$ 3,500,000

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 had received a subsidy of 45% of interest cost from the Federal Government; however, the subsidy has been reduced to 38% as a result of the Federal sequester. The note is secured by a Deed of Trust. 778,800

Total Serviced by the General Fund: \$ 4,278,800

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. \$ 900,000

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. 863,819

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. 7,281,269

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. 18,327,264

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, plus applicable interest. Current outstanding balance, project loan not completed. 4,418,211

Total clean water state revolving funds \$ 31,790,563

Total Outstanding Debt \$ 36,069,363

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities (cont'd)

Long-Term Obligations (cont'd)

As of June 30, 2016 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>			
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>4,278,800</u>	<u>404,184</u>	<u>4,682,984</u>
<u>Business-type activities - Water and Sewer Fund:</u>			
2017	2,048,225	608,419	2,656,643
2018	2,146,105	563,795	2,709,900
2019	2,146,105	517,611	2,663,716
2020	2,146,105	471,427	2,617,532
2021	2,146,105	425,243	2,571,348
2022-2026	10,067,165	1,467,485	11,534,650
2027-2035	11,090,754	871,828	11,962,582
Total Business-type	<u>31,790,563</u>	<u>4,925,809</u>	<u>36,716,372</u>
TOTAL DEBT	<u>\$ 36,069,363</u>	<u>\$ 5,329,993</u>	<u>\$ 41,399,356</u>

Amount of the state revolving loan can change depending on the total cost of the construction and improvements. Individual debt schedules is the amount that has been drawn down. Assuming the entire authorized loan will be expended, the outstanding loan will be an additional \$326,734.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

B. Liabilities (cont'd)

Long-Term Obligations (cont'd)

The following is a summary of changes in general long-term debt for the fiscal year ended June 30, 2016

	Balances			Balances			Current	Long-term
	June 30, 2015	Additions	Decreases	June 30, 2016	Portion of	Balance	Portion of	
					Balance		Balance	
Governmental activities:								
Notes Payable	\$ 5,173,500	\$ -	\$ 894,700	\$ 4,278,800	\$ 894,700		\$ 3,384,100	
Compensated absences	2,203,241	1,702,315	1,695,568	2,209,988	1,698,941		511,046	
Net pension liability (LGERS)	-	897,163	-	897,163	-		897,163	
OPEB Obligation	1,312,929	70,568	-	1,383,497	-		1,383,497	
Total governmental activities:	\$ 8,689,670	\$ 2,670,046	\$ 2,590,268	\$ 8,769,448	\$ 2,593,641		\$ 6,175,806	
Business-type activities:								
Airport Fund:								
Compensated absences	\$ -	\$ 4,808	\$ -	\$ 4,808	\$ 2,404		\$ 2,404	
Net pension liability (LGERS)	-	14,672	-	14,672	-		14,672	
OPEB Obligation	-	467	-	467	-		467	
Total Airport Fund	\$ -	\$ 19,947	\$ -	\$ 19,947	\$ 2,404		\$ 17,543	
Electric Fund:								
Compensated absences	\$ 213,983	\$ 155,322	\$ 182,191	\$ 187,114	\$ 168,756		\$ 18,358	
Net pension liability (LGERS)	-	72,675	-	72,675	-		72,675	
OPEB Obligation	139,686	7,477	-	147,163	-		147,163	
Total Electric Fund	\$ 353,669	\$ 235,474	\$ 182,191	\$ 406,952	\$ 168,756		\$ 238,196	
Water and Sewer Fund								
Notes payable	\$ 29,681,145	\$ 4,157,643	\$ 2,048,225	\$ 31,790,563	\$ 2,048,225		\$ 29,742,338	
Compensated absences	304,193	239,984	215,182	328,995	201,863		127,132	
Net pension liability (LGERS)	-	253,009	-	253,009	-		253,009	
OPEB Obligation	244,669	12,852	-	257,521	-		257,521	
Total Water and Sewer Fund	\$ 30,230,007	\$ 4,663,488	\$ 2,263,407	\$ 32,630,088	\$ 2,250,088		\$ 30,380,000	
Civic Center Fund								
Compensated absences	\$ 28,053	\$ 25,142	\$ 28,145	\$ 25,050	\$ 24,143		\$ 907	
Net pension liability (LGERS)	-	22,966	-	22,966	-		22,966	
OPEB Obligation	29,311	1,636	-	30,947	-		30,947	
Total Civic Center Fund	\$ 57,364	\$ 49,744	\$ 28,145	\$ 78,963	\$ 24,143		\$ 54,820	
Total business-type activities:	\$ 30,641,040	\$ 4,968,653	\$ 2,473,743	\$ 33,135,950	\$ 2,445,391		\$ 30,690,559	

At June 30, 2016, the City of Statesville's legal debt margin is \$232,915,356.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

C. Interfund Balances and Activity

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

Transfers to/from at June 30, 2016 consist of the following:

From General Fund Airport Improvement to Airport Improvement Fund	1,210,505
From the Electric Fund to the General Fund for payment in lieu of taxes	284,268
From the Water & Sewer Fund to the General Fund for payment in lieu of taxes	488,402
From the Civic Center Fund to the General Fund for payment in lieu of taxes	24,301
From Occupancy Tax Fund to the Civic Center Fund	569,791
From the General Fund to Home Consortium/CDBG Fund	19,494
From the General Fund to Domestic Violence Grant Fund	66,624
From General Equipment Capital Reserve to General Fund	962,056
From General Fund to General Capital Reserve	3,669,438
	<hr/>
Total Transfers	<u>\$ 7,294,879</u>

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 as matching funds for various grant programs.

D. Revenue, Expenditures and Expenses

On-Behalf-of Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2016, the City has recognized on-behalf-of payments for pension contributions made by the state as revenue and an expenditure of \$322 for 15 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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

III. JOINTLY GOVERNED ORGANIZATIONS

North Carolina Municipal Power Agency Number 1

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

The Agency outstanding long-term debt as of December 31, 2015 was \$1,178,205,000. The City of Statesville, in the event of payment default by other members, would be liable for a pro rata share of the increase, not to exceed 125% of the originally agreed-upon share. Therefore, the City's share would never exceed 12.3299% of the total operating expenses (including debt service) of the Agency.

The City is billed monthly for 9.8639% of the operating expenditures (including debt service) of the Agency, and is obligated to purchase all bulk power supply requirements from the Agency. All payments to the Agency by the City must be made from operating revenues of the Electric Fund, and cannot, by law, be paid by other revenues earned or taxes levied by the City. The City agrees that it will fix and collect rates at a sufficient amount to provide for the pro rata costs and other operating expenses of its Electric Fund. Except for the power sales purchase requirements, no municipality has any obligation, entitlement, or residual interest. The City's purchase of power for the fiscal year ended June 30, 2016 totaled \$39,178,050.

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 \$5,995 to the COG during the fiscal year ended June 30, 2016.

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, 2016. 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, 2016

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.

VII. NET INVESTMENT IN CAPITAL ASSETS

	Governmental	Business-Type
Capital assets	\$ 47,033,017	\$ 125,571,720
less: long-term debt	4,278,800	31,790,563
Net investment in capital assets	\$ 42,754,217	\$ 93,781,157

VIII. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2016, group health claims expenditures exceeded its appropriation by \$124,551 that resulted in the Group Health Fund exceeding its authorized financial plan appropriations by \$94,224. This over expenditure occurred because of an unanticipated large health claim that occurred in late June 2016. The City will more closely monitor the group health claims to ensure that there is sufficient appropriation in the future.

Prior Period Adjustment

During the transfer from the General Fund to an airport enterprise fund that we noted \$1,520,983 of land acquisition was not reported in the annual report of June 30, 2015. The governmental activities net position was increased by \$1,520,983 as result of this transaction.

IX. CHANGE IN ACCOUNTING PRINCIPLES

The City implemented Governmental Accounting Standards Board (GASB) statement 68 as amended, that Law Enforcement Separation Allowance (LEOSSA) is not in an irrevocable trust and as such the LEOSSA has been consolidated in the General Fund with its equity reported as committed. The City intends to continue with the current practice of funding the LEOSSA in its own fund. As a result of this change, the net position for the governmental activities increased by \$218,482.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

X. FUND BALANCE

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

Total fund balance - General Fund	\$ 24,453,576
Less:	
Inventory	32,006
Prepaid items	26,108
Stabilization by state statute	4,315,383
Separation Allowance-law enforcement	220,560
Subsequent year's appropriations	954,462
Unassigned-available for appropriations	18,905,057

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, 2016, the General Fund, had outstanding encumbrances of \$1,188,971. The enterprise funds had outstanding encumbrances of \$1,419,979. 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.

XI. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

The City of Statesville could potentially have a liability due to water and sewer system development fees as of June 30, 2016 but this amount cannot be reasonably estimated or determined as of the report date of December 9, 2016. Therefore, a liability has not been reflected in the June 30, 2016 financial statements.

CITY OF STATESVILLE, NORTH CAROLINA
REQUIRED SUPPLEMENTARY
FINANCIAL INFORMATION
For the Fiscal Year Ended June 30, 2016

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 Funding Progress for OPEB Obligation.
- Schedule of Employer Contributions for OPEB Obligation.
- Notes to Required Schedules for the OPEB Obligation.
- City's proportionate Share of Net Pension Liability (Asset)
- City's Contributions for Local Government Employees' Retirement System
- City's proportionate Share of Net Pension Liability in Firefighters' and Rescue Squad Workers' Pension

CITY OF STATESVILLE, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
12/31/2006	\$ 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%
12/31/2015	-	1,937,151	1,937,151	0.00%	3,735,880	51.85%

CITY OF STATESVILLE, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

Valuation date	December 31, 2015
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	15 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, 2016

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, 2016

Fiscal Year Ending	Annual Required Contribution	Annual Percentage Contribution	City Actual
6/30/2010	\$ 227,882	0.00%	\$ -
6/30/2011	\$ 227,882	0.00%	\$ -
6/30/2012	\$ 289,319	0.00%	\$ -
6/30/2013	\$ 297,159	0.00%	\$ -
6/30/2014	\$ 79,624	0.00%	\$ -
6/30/2015	\$ 82,563	0.00%	\$ -
6/30/2016	\$ 93,000	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. 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, 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	5.00% - 7.50%
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.

City of Statesville
City's proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
For the Last Three Fiscal Years

	June 30		
	2016	2015	2014
Proportionate Share of Net Pension Liability (Asset) (%)	0.28086%	0.28690%	0.28690%
Proportionate Share of Net Pension Liability (Asset) (\$)	1,260,485	(1,659,191)	(1,659,191)
City's covered employee payroll	\$ 16,309,609	\$ 16,030,322	\$ 15,880,322
Proportionate Share of Net Pension Liability (Asset) (%) as a percentage of its covered employee payroll	7.73%	-10.35%	-10.45%
Plan fiduciary net pension as a percentage of the total pension liability	98.09%	102.64%	94.35%

City of Statesville
City's Contributions
Required Supplementary Information
For the Last Three Fiscal Years

Local government Employees' Retirement System

	June 30		
	2016	2015	2014
Contractually required contribution	\$ 1,126,523	\$ 1,165,415	\$ 1,140,919
Contributions in relation to the contractually required contribution	1,126,523	1,165,415	1,140,919
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 16,457,059	\$ 16,309,609	\$ 16,030,322
Contributions as a percentage of covered employee payroll	6.85%	7.15%	7.12%

City of Statesville
City's proportionate Share of Net Pension Liability
Required Supplementary Information
For the Last Two Fiscal Years

Firefighters' and Rescue Squad Workers' Pension

	June 30		
	2016	2015	2014
City's proportionate share of net pension liability (%)	0.00%	0.00%	N/A
City's proportionate share of net pension liability (\$)	\$ -	\$ -	N/A
State proportionate share of net pension liability associated with the City	12,644	8,306	N/A
Total	\$ 12,644	\$ 8,306	N/A
City's covered employee payroll	\$ 196,820	\$ 179,800	N/A
City's proportionate share of net pension liability as percentage of its covered employee payroll	6.42%	4.62%	N/A
Plan fiduciary net pension as a percentage of the total pension liability	93.42%	93.42%	N/A

The amounts presented for the fiscal year ending June 30, 2016 were determined as of June 30, 2015.

Note: Fiscal 2014 is not available

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, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Ad valorem property taxes:			
Ad valorem taxes (city-wide)	\$ 11,241,216	\$ 11,833,612	\$ 592,396
Prior years ad valorem taxes (city-wide)	345,000	271,708	(73,292)
Ad valorem taxes (special districts)	112,670	122,582	9,912
Penalties and interest	100,000	144,779	44,779
Total ad valorem property taxes	<u>11,798,886</u>	<u>12,372,681</u>	<u>573,795</u>
Other taxes and licenses:			
Gross receipt tax	30,000	43,280	13,280
Privilege licenses - beer and wine	2,000	2,067	67
Total other taxes and licenses	<u>32,000</u>	<u>45,347</u>	<u>13,347</u>
Unrestricted intergovernmental revenues:			
Local sales tax	6,126,500	6,283,073	156,573
Electric/natural gas tax	1,550,000	2,085,506	535,506
Payments in lieu of taxes	25,000	189,917	164,917
State beer and wine tax	108,000	110,423	2,423
Telecommunication tax	310,000	245,265	(64,735)
Video programming tax	143,000	143,165	165
ABC profit distribution	45,000	101,100	56,100
ABC liquor by the drink	85,000	37,641	(47,359)
Total unrestricted intergovernmental	<u>8,392,500</u>	<u>9,196,090</u>	<u>803,590</u>
Restricted intergovernmental:			
Powell Bill allocation	740,000	748,401	8,401
Solid waste tax	15,000	16,269	1,269
Federal interest subsidy for debt interest	82,672	76,997	(5,675)
On-behalf-of-payments - fire	25,000	5,846	(19,154)
Governor's crime commission grant	60,000	60,000	-
COPS grant	171,300	132,573	(38,727)
JAG grant	10,155	-	(10,155)
Police overtime Federal reimbursement	-	866	866
Total restricted intergovernmental	<u>1,104,127</u>	<u>1,040,952</u>	<u>(63,175)</u>
Permits and fees:			
Tipping fees	140,000	140,197	197
Recycling revenues	15,000	6,262	(8,738)
Fire inspection fees	75,000	80,503	5,503
Grave fees	80,000	79,500	(500)
Planning and zoning fees	15,000	27,660	12,660
Nuisance abatements	10,000	15,866	5,866
Court fees	2,000	20,826	18,826
Parking violations	20,000	28,994	8,994
Civil citations	5,000	1,700	(3,300)
Street cut permits	100	125	25
Total permits and fees	<u>362,100</u>	<u>401,633</u>	<u>39,533</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, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES (Continued):			
Sales and services:			
Statesville Housing Authority police protection	53,756	28,630	(25,126)
School System resource police officers	76,062	74,034	(2,028)
Recreation-general	98,930	103,358	4,428
Recreation-Fitness/Activity Center	360,000	311,863	(48,137)
Recreation-pool sales	145,000	189,598	44,598
Civic Center sales	15,000	15,040	40
SFAC employee membership	15,000	6,266	(8,734)
Sculpture garden art	-	200	200
Sale of cemetery lots	55,000	82,575	27,575
Internal charges	7,400	7,835	435
Sale of capital assets	25,000	45	(24,955)
Sale of material and labor	-	1,247	1,247
Administration charges - CVB	19,000	19,815	815
Assessment revenues	6,300	5,640	(660)
Total sales and services	876,448	846,146	(30,302)
Investment earnings:			
Earned interest	145,000	186,091	41,091
Total investment earnings	145,000	186,091	41,091
Miscellaneous:			
Insurance proceeds	5,390	25,631	20,241
Donations	6,000	6,000	-
Miscellaneous other	20,000	50,788	30,788
Total miscellaneous	31,390	82,419	51,029
Total revenues	22,742,451	24,171,359	1,428,908
EXPENDITURES:			
General government:			
Mayor and Council:			
Salaries and employee benefits		93,194	
Professional services		22,069	
Operating expenditures		91,349	
Reimbursement from other funds		(73,777)	
Total mayor and council	172,828	132,835	39,993
City Manager			
Salaries and employee benefits		299,738	
Professional services		50,786	
Operating expenditures		16,685	
Reimbursement from other funds		(133,811)	
Total city manager	265,502	233,398	32,104

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, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
General government (continued):			
City Clerk:			
Salaries and employee benefits		58,026	
Operating expenditures		69,288	
Reimbursement from other funds		(56,485)	
Total city clerk	83,228	70,829	12,399
Finance department:			
Salaries and employee benefits		1,260,587	
Professional services		154,364	
Operating expenditures		719,959	
Capital outlay		33,683	
Reimbursement from other funds		(1,370,625)	
Total finance department	979,584	797,968	181,616
Human Resources:			
Salaries and employee benefits		304,649	
Professional services		45,781	
Operating expenditures		82,824	
Reimbursement from other funds		(186,861)	
Total human resources	354,449	246,393	108,056
Legal:			
Professional services		85,869	
Reimbursement from other funds	-	(17,794)	
Total legal	79,706	68,075	11,631
Planning and Zoning:			
Salaries and employee benefits		522,493	
Professional services		153,995	
Operating expenditures		205,696	
Capital outlay		98,450	
Total planning and zoning	1,127,938	980,634	147,304
Main Street:			
Operating expenditures	182,530	177,720	
Total Main Street	182,530	177,720	4,810

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, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
General government (continued):			
Public Works and Engineering:			
Salaries and employee benefits		378,337	
Professional services		4,234	
Operating expenditures		102,994	
Capital outlay		6,680	
Reimbursement from other funds		(71,797)	
Total public works and engineering	487,240	420,448	66,792
Garage:			
Salaries and employee benefits		448,626	
Operating expenditures		76,340	
Reimbursement from other funds		(131,065)	
Total garage	456,990	393,901	63,089
Warehouse:			
Operating expenditures		89,141	
Capital outlay		13,488	
Reimbursement from other funds		(119,513)	
Total warehouse	1,891	(16,884)	18,775
General expense:			
Miscellaneous		9,000	
I-CATS transportation		13,452	
Capital outlay land		515,799	
Total general expense	615,944	538,251	77,693
Special appropriations:			
Arts council	3,325	3,325	
Children's Home of Iredell County	3,750	3,750	
Council on Aging	5,750	5,750	
Iredell County Rescue Squad	6,500	6,500	
Lifespan Vocational Workshop	25,000	25,000	
Elderly Nutrition Program	3,731	3,731	
Garfield Senior Citizens	1,000	1,000	
Golden Age Senior Citizens	1,000	1,000	
Happy Hour Senior Citizens	1,000	1,000	
Counseling Center	9,560	9,560	
Iredell Senior Center	4,600	4,600	
Fifth Street Ministry	4,000	4,000	
Iredell County Children's Museum	3,570	3,570	
Total special appropriation	72,786	72,786	-
Total general government	4,880,616	4,116,354	764,262

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, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
Public safety:			
Police:			
Salaries and employee benefits		5,861,869	
Professional services		9,185	
Operating expenditures		1,020,421	
Capital outlay		641,390	
Total police	8,407,784	7,532,865	874,919
Fire service:			
Salaries and employee benefits		4,172,654	
Professional services		22,121	
Operating expenditures		595,128	
Capital outlay		54,230	
Total fire service	4,915,595	4,844,133	71,462
Total public safety	13,323,379	12,376,998	946,381
Transportation:			
Street Department:			
Salaries and employee benefits		779,883	
Professional services		5,000	
Operating expenditures		919,878	
Capital outlay		36,722	
Reimbursement from other funds		(110,894)	
Total street department	1,811,274	1,630,589	180,685
Street Construction:			
Operating expenditures		57,723	
Capital outlay		497,569	
Total street construction	1,322,970	555,292	767,678
Total transportation	3,134,244	2,185,881	948,363
Economic and physical development:			
Operating expenditures	596,214	510,214	
Total economic and physical development	596,214	510,214	86,000
Environmental protection:			
Sanitation:			
Salaries and employee benefits		1,231,218	
Operating expenditures		326,118	
Total environmental protection	1,689,188	1,557,336	131,852

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, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
Cultural and recreation:			
Recreation - administration:			
Salaries and employee benefits		195,710	
Professional services		20,994	
Operating expenditures		219,406	
Capital outlay		29,566	
Total administration	565,057	465,676	99,381
Recreation - athletics:			
Salaries and employee benefits		105,948	
Operating expenditures		71,115	
Total athletics	190,048	177,063	12,985
Recreation - programs:			
Salaries and employee benefits		193,461	
Operating expenditures		86,541	
Capital		14,258	
Total programs	328,722	294,260	34,462
Recreation - fitness center:			
Salaries and employee benefits		305,573	
Operating expenditures		146,331	
Total fitness center	518,395	451,904	66,491
Recreation - leisure pool:			
Salaries and employee benefits		91,649	
Operating expenditures		95,080	
Total leisure pool	201,736	186,729	15,007
Recreation - parks			
Salaries and employee benefits		679,674	
Operating expenditures		395,956	
Capital outlay		94,044	
Reimbursement from other funds		(40,537)	
Total park maintenance	1,259,226	1,129,137	130,089
Recreation - public grounds and cemetery:			
Salaries and employee benefits		288,681	
Operating expenditures		247,914	
Capital outlay		28,400	
Reimbursement from other funds		(14,176)	
Total public grounds and cemetery	633,436	550,819	82,617
Total recreation and culture	3,696,620	3,255,588	441,032

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, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Debt service:			
Principal payment		894,700	
Interest payment		183,717	
Total debt service	1,078,418	1,078,417	1
Contingency:			
Contingency	39,154	-	39,154
Total expenditures	28,437,833	25,080,788	3,357,045
Revenues over (under) expenditures	(5,695,382)	(909,429)	4,785,953
OTHER FINANCING SOURCES (USES):			
Transfers in:			
Internal PILOT - Electric	284,268	284,268	-
Internal PILOT - Water and Sewer	488,402	488,402	-
Internal PILOT - Civic Center	24,301	24,301	-
From General Capital Reserve	962,056	962,056	-
Total transfers in	1,759,027	1,759,027	-
Transfers (out):			
To Home Consortium Fund	(19,493)	(19,494)	(1)
To Domestic Violence	(66,624)	(66,624)	-
To General Capital Reserve	(3,669,438)	(3,669,438)	-
Total transfers out	(3,755,555)	(3,755,556)	(1)
Fund balance appropriated	7,691,910	-	(7,691,910)
Total other financing sources (uses)	5,695,382	(1,996,529)	(7,691,911)
Net change in fund balance	\$ -	(2,905,958)	\$ (2,905,958)
Fund balances at beginning of year		27,141,052	
Restatement-Separation Allowance		218,482	
Fund balances at beginning of year as restated		27,359,534	
Fund balances at end of year		\$ 24,453,576	

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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 capital assets.

CITY OF STATESVILLE, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

	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	\$ 126,670	\$ 101,251	\$ -	\$ 73,307	\$ 484,765	\$ 12,609
Accounts receivable, net	-	982	-	-	-	15,224
Interest receivable	143	114	-	83	547	14
Due from other funds	122,234	-	-	-	-	-
Due from other governments	-	-	185,017	-	-	-
Total assets	\$ 249,047	\$ 102,347	\$ 185,017	\$ 73,390	\$ 485,312	\$ 27,847
LIABILITIES AND FUND EQUITY:						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 43,637	\$ -	\$ -	\$ 4,397
Due to other funds	-	-	122,234	-	-	-
Total current liabilities	-	-	165,871	-	-	4,397
DEFERRED INFLOW OF RESOURCES						
Deferred receivables	-	982	-	-	-	-
Total liabilities	-	982	165,871	-	-	4,397
Fund Equity:						
Stabilization by state statute	122,377	114	185,017	83	547	15,238
Restricted	126,670	101,251	-	73,307	484,765	8,212
Committed	-	-	-	-	-	-
Unassigned	-	-	(165,871)	-	-	-
Total fund balances	249,047	101,365	19,146	73,390	485,312	23,450
Total liabilities and fund balances	\$ 249,047	\$ 102,347	\$ 185,017	\$ 73,390	\$ 485,312	\$ 27,847

Economic Development Fund	Total Nonmajor Special Revenue Funds	Warehouse Construction Fund	Airport Improvement Fund	Streetscape Fund	General Equipment Capital Reserve Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ 798,602	\$ 105,864	\$ -	\$ 260,192	\$ 4,767,055	\$ 5,133,111	\$ 5,931,713
-	16,206	-	-	-	-	-	16,206
-	901	119	-	293	5,376	5,788	6,689
-	122,234	-	-	-	-	-	122,234
-	185,017	-	-	-	-	-	185,017
<u>\$ -</u>	<u>\$ 1,122,960</u>	<u>\$ 105,983</u>	<u>\$ -</u>	<u>\$ 260,485</u>	<u>\$ 4,772,431</u>	<u>\$ 5,138,899</u>	<u>\$ 6,261,859</u>

\$ -	\$ 48,034	\$ -	\$ -	\$ 12,000	\$ -	\$ 12,000	\$ 60,034
-	122,234	-	-	-	-	-	122,234
-	170,268	-	-	12,000	-	12,000	182,268
-	982	-	-	-	-	-	982
-	171,250	-	-	12,000	-	12,000	183,250
-	323,376	119	-	293	5,376	5,788	329,164
-	794,205	-	-	-	-	-	794,205
-	-	105,864	-	248,192	4,767,055	5,121,111	5,121,111
-	(165,871)	-	-	-	-	-	(165,871)
-	951,710	105,983	-	248,485	4,772,431	5,126,899	6,078,609
<u>\$ -</u>	<u>\$ 1,122,960</u>	<u>\$ 105,983</u>	<u>\$ -</u>	<u>\$ 260,485</u>	<u>\$ 4,772,431</u>	<u>\$ 5,138,899</u>	<u>\$ 6,261,859</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, 2016

	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	\$ -	\$ -	\$ -	\$ -	\$ 980,548	\$ -
Restricted intergovernmental	-	-	185,017	31,529	-	86,926
Repayment of loans	-	14,606	-	-	-	-
Investment earnings	1,837	702	254	459	2,439	6
Miscellaneous	-	-	-	-	1,147	-
Total revenues	1,837	15,308	185,271	31,988	984,134	86,932
EXPENDITURES:						
Public safety						
Operating expenditures	-	-	-	-	-	132,620
Economic and physical development:						
Operating expenditures	-	-	228,654	-	212,160	-
Capital outlay	-	-	-	-	-	-
Total expenditures	-	-	228,654	-	212,160	132,620
Revenue over (under) expenditures	1,837	15,308	(43,383)	31,988	771,974	(45,688)
OTHER FINANCING SOURCES (USES):						
Transfers in:						
General Fund	-	-	19,494	-	-	66,624
Transfers out:						
General Fund	-	-	-	-	-	-
Airport Improvement Fund	-	-	-	-	-	-
Civic Center	-	-	-	-	(569,791)	-
Total other financing sources (uses)	-	-	19,494	-	(569,791)	66,624
Net change in fund balance	1,837	15,308	(23,889)	31,988	202,183	20,936
Fund balances at beginning of year	247,210	86,057	43,035	41,402	283,129	2,514
Fund balances at end of year	<u>\$ 249,047</u>	<u>\$ 101,365</u>	<u>\$ 19,146</u>	<u>\$ 73,390</u>	<u>\$ 485,312</u>	<u>\$ 23,450</u>

Economic Development Fund	Total Nonmajor Special Revenue Funds	Warehouse Construction Fund	Airport Improvement Fund	Streetscape Fund	General Equipment Capital Reserve Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ 980,548	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 980,548
-	303,472	-	-	-	-	-	303,472
-	14,606	-	-	-	-	-	14,606
-	5,697	789	-	447	17,711	18,947	24,644
-	1,147	-	-	-	38,533	38,533	39,680
-	1,305,470	789	-	447	56,244	57,480	1,362,950
-	-	-	-	-	-	-	-
-	132,620	-	-	-	-	-	132,620
-	440,814	-	-	-	-	-	440,814
-	-	-	-	134,899	-	134,899	134,899
-	573,434	-	-	134,899	-	134,899	708,333
-	732,036	789	-	(134,452)	56,244	(77,419)	654,617
-	86,118	-	-	-	3,669,438	3,669,438	3,755,556
-	-	-	-	-	(962,056)	(962,056)	(962,056)
-	-	-	(1,210,505)	-	-	(1,210,505)	(1,210,505)
-	(569,791)	-	-	-	-	-	(569,791)
-	(483,673)	-	(1,210,505)	-	2,707,382	1,496,877	1,013,204
-	248,363	789	(1,210,505)	(134,452)	2,763,626	1,419,458	1,667,821
-	703,347	105,194	1,210,505	382,937	2,008,805	3,707,441	4,410,788
\$ -	\$ 951,710	\$ 105,983	\$ -	\$ 248,485	\$ 4,772,431	\$ 5,126,899	\$ 6,078,609

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, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental:				
Home program grant	\$ 755,810	\$ 755,131	\$ -	\$ 755,131
Repayment of loans	117,933	274,754	-	274,754
Investment earnings	-	84,782	1,837	86,619
Total revenues	<u>873,743</u>	<u>1,114,667</u>	<u>1,837</u>	<u>1,116,504</u>
EXPENDITURES:				
Economic and physical development				
Home program grant activity	<u>873,743</u>	<u>867,457</u>	<u>-</u>	<u>867,457</u>
Total expenditures	<u>873,743</u>	<u>867,457</u>	<u>-</u>	<u>867,457</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 247,210</u>	1,837	<u>\$ 249,047</u>
FUND BALANCES:				
Fund balances at beginning of year			<u>247,210</u>	
Fund balances at end of year			<u>\$ 249,047</u>	

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, 2016

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
REVENUES:				
Restricted intergovernmental	\$ 102,978	\$ 102,977	\$ -	\$ 102,977
Repayment of loans	-	74,719	14,606	89,325
Investment earnings	-	10,677	702	11,379
Total revenues	102,978	188,373	15,308	203,681
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)	61,057	15,308	76,365
OTHER FINANCING SOURCES:				
Transfer in - General Fund	25,000	25,000	-	25,000
Net change in fund balance	\$ -	\$ 86,057	15,308	\$ 101,365
FUND BALANCES:				
Fund balances at beginning of year			86,057	
Fund balances at end of year			\$ 101,365	

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, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental-Home Program	\$ 1,680,161	\$ 1,577,699	\$ 185,017	\$ 1,762,716
Restricted intergovernmental - other	750,000	750,000	-	750,000
Restricted intergovernmental - CDBG	250,000	249,079	-	249,079
Investment earnings	-	17,886	254	18,140
Total revenues	2,680,161	2,594,664	185,271	2,779,935
EXPENDITURES:				
Economic and physical development				
Home program grant activity	2,069,587	1,941,976	228,654	2,170,630
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	228,654	3,169,709
Revenues (under) expenditures	(389,426)	(346,391)	(43,383)	(389,774)
OTHER FINANCING SOURCES:				
Transfer in - General Fund	389,426	389,426	19,494	408,920
Net change in fund balance	\$ -	\$ 43,035	(23,889)	\$ 19,146
FUND BALANCES:				
Fund balances at beginning of year			43,035	
Fund balances at end of year			<u>\$ 19,146</u>	

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, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental:				
Adoptive forfeitures	\$ 609,464	\$ 624,501	\$ 16,507	\$ 641,008
Controlled substance tax	323,139	332,340	15,022	347,362
DARE revenues	2,000	926	-	926
Investment earnings	63,455	67,517	459	67,976
Total revenues	<u>998,058</u>	<u>1,025,284</u>	<u>31,988</u>	<u>1,057,272</u>
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	<u>124,692</u>	<u>114,101</u>	<u>-</u>	<u>114,101</u>
Revenues over expenditures	<u>873,366</u>	<u>911,183</u>	<u>31,988</u>	<u>943,171</u>
OTHER FINANCING USES:				
Transfer out:				
General Fund	(855,490)	(851,905)	-	(851,905)
SIGI Grant	(17,876)	(17,876)	-	(17,876)
Total transfers (out)	<u>(873,366)</u>	<u>(869,781)</u>	<u>-</u>	<u>(869,781)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 41,402</u>	<u>31,988</u>	<u>\$ 73,390</u>
FUND BALANCES:				
Fund balances at beginning of year			<u>41,402</u>	
Fund balances at end of year			<u>\$ 73,390</u>	

CITY OF STATESVILLE, NORTH CAROLINA
OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Other taxes and licenses:			
5% hotel/motel occupancy tax	\$ 900,000	\$ 980,548	\$ 80,548
Investment earnings	-	2,439	2,439
Miscellaneous income	-	1,147	1,147
	<u>900,000</u>	<u>984,134</u>	<u>84,134</u>
EXPENDITURES:			
Economic and physical development	176,200	192,345	(16,145)
General Fund - administration costs	19,000	19,815	(815)
	<u>195,200</u>	<u>212,160</u>	<u>(16,960)</u>
Total expenditures	<u>195,200</u>	<u>212,160</u>	<u>(16,960)</u>
Revenues over (under) expenditures	<u>704,800</u>	<u>771,974</u>	<u>67,174</u>
OTHER FINANCING USES:			
Transfers in:			
Civic Center Fund	569,791	569,791	-
Future capital and debt service	135,009	-	(135,009)
	<u>704,800</u>	<u>569,791</u>	<u>(135,009)</u>
Total other financing sources (uses)	<u>704,800</u>	<u>569,791</u>	<u>(135,009)</u>
Net change in fund balance	<u>\$ -</u>	<u>202,183</u>	<u>\$ 202,183</u>
FUND BALANCES:			
Fund balances at beginning of year		<u>283,129</u>	
Fund balances at end of year		<u>\$ 485,312</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, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental:				
Federal grant	\$ 293,591	\$ 88,645	\$ 86,926	\$ 175,571
Investment earnings	-	-	6	6
Total revenues	<u>293,591</u>	<u>88,645</u>	<u>86,932</u>	<u>175,577</u>
EXPENDITURES:				
Public safety:				
First year grant	63,945	60,070	1	60,071
Second year grant	59,162	55,449	882	56,331
Third year grant	266,496	-	131,737	131,737
Total expenditures	<u>389,603</u>	<u>115,519</u>	<u>132,620</u>	<u>248,139</u>
Revenues (under) expenditures	<u>(96,012)</u>	<u>(26,874)</u>	<u>(45,688)</u>	<u>(72,562)</u>
OTHER FINANCING SOURCES:				
Transfer in:				
General Fund	96,012	29,388	66,624	96,012
Total transfers	<u>96,012</u>	<u>29,388</u>	<u>66,624</u>	<u>96,012</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,514</u>	20,936	<u>\$ 23,450</u>
FUND BALANCES:				
Fund balances at beginning of year			<u>2,514</u>	
Fund balances at end of year			<u>\$ 23,450</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, 2016

	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>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES:				
Fund balances at beginning of year			<u>-</u>	
Fund balances 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, 2016

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ -	\$ 5,194	\$ 789	\$ 5,983
Total revenues	-	5,194	789	5,983
EXPENDITURES:				
General Government:				
Capital Outlay	350,000	-	-	-
Total expenditures	350,000	-	-	-
Revenues over (under) expenditures	(350,000)	5,194	789	5,983
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
Net change in fund balance	<u>\$ -</u>	<u>\$ 105,194</u>	789	<u>\$ 105,983</u>
FUND BALANCES:				
Fund balances at beginning of year			105,194	
Fund balances at end of year			<u>\$ 105,983</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, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Unrestricted intergovernmental	\$ 195,727	\$ 195,727	\$ -	\$ 195,727
Investment earnings	7,000	6,932	447	7,379
Total revenues	202,727	202,659	447	203,106
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	7,832,370	-	7,832,370
Capital outlay - miscellaneous	87,492	77,291	5,077	82,368
Capital outlay - other improvement	160,943	58,593	38,239	96,832
Professional services	279,750	231,633	4,023	235,656
Pocket Park	88,800	-	87,560	87,560
Contingency	638	-	-	-
Total expenditures	9,033,410	8,650,405	134,899	8,785,304
Revenues (under) expenditures	(8,830,683)	(8,447,746)	(134,452)	(8,582,198)
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
Net change in fund balance	\$ -	\$ 382,937	(134,452)	\$ 248,485
FUND BALANCES:				
Fund balances at beginning of year			382,937	
Fund balances at end of year			\$ 248,485	

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, 2016

	Actual			
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ 8,333	\$ 57,756	\$ -	\$ 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	864,475	-	864,475
Iredell County	71,808	48,027	-	48,027
Total revenues	2,903,249	2,414,850	-	2,414,850
EXPENDITURES:				
Transportation:				
Capital Outlay- land	1,144,444	10,530	-	10,530
Airport improvements	1,436,171	961,311	-	961,311
Capital Outlay - grant land	1,611,111	1,520,981	-	1,520,981
Total expenditures	4,191,726	2,492,822	-	2,492,822
Revenues (under) expenditures	(1,288,477)	(77,972)	-	(77,972)
OTHER FINANCING SOURCES:				
Transfers in:				
General Fund	1,288,477	1,288,477	-	1,288,477
Transfers (out)				
Airport project fund	-	-	(1,210,505)	(1,210,505)
Total other financing sources (uses)	1,288,477	1,288,477	(1,210,505)	77,972
Net change in fund balance	\$ -	\$ 1,210,505	(1,210,505)	\$ -
FUND BALANCES:				
Fund balances at beginning of year			1,210,505	
Fund balances at end of year			\$ -	

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, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ 390,516	\$ 1,097,664	\$ 17,711	\$ 1,115,375
Sidewalk and curbs	-	92,322	38,533	130,855
Total revenues	390,516	1,189,986	56,244	1,246,230
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	3,669,438	6,294,788
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	3,669,438	13,383,438
Transfers out:				
General Fund - Fire Station #4	(1,949,597)	(895,302)	(221,631)	(1,116,933)
General Fund - Streetscape	(4,039,000)	(3,298,576)	(740,425)	(4,039,001)
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)	(3,098,458)	-	(3,098,458)
General Fund - Fire station land acquisition	(375,000)	(363,322)	-	(363,322)
Total transfers out	(10,808,250)	(8,895,181)	(962,056)	(9,857,237)
Total other financing sources (uses)	(390,516)	818,819	2,707,382	3,526,201
Net change in fund balance	\$ -	\$ 2,008,805	2,763,626	\$ 4,772,431
FUND BALANCES:				
Fund balances at beginning of year			2,008,805	
Fund balances at end of year			\$ 4,772,431	

ENTERPRISE FUNDS

MAJOR ENTERPRISE FUNDS

Airport Operating – accounts for the airport activities.

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

Airport Improvement Fund – accounts for the airport capital expenditures.

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.

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

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.

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CITY OF STATESVILLE, NORTH CAROLINA
MAJOR ENTERPRISE FUND
AIRPORT OPERATING FUND- SCHEDULE OF
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Charges for services:			
Airport Rent	\$ 220,000	\$ 330,143	\$ 110,143
Iredell County Director Support	22,000	22,000	-
Fueling Flow Fees	125,000	185,198	60,198
Total operating revenues	367,000	537,341	170,341
Non-operating revenues:			
Sale of capital assets	-	22,609	22,609
Interest on investments	-	454	454
Total non-operating revenues	-	23,063	23,063
Total revenues	367,000	560,404	193,404
EXPENDITURES:			
Salaries and employee benefits	163,629	132,178	31,451
Operating expenditures	211,400	142,879	68,521
Capital outlay	22,000	18,487	3,513
Contingency	1,350	-	1,350
Total expenditures	398,379	293,544	104,835
OTHER FINANCING SOURCES:			
Fund balance appropriated	31,379	-	(31,379)
Total other financing sources	31,379	-	(31,379)
Total revenues and other financing sources over expenditures	\$ -	266,860	\$ 266,860
From modified accrual revenues over expenditures			
Depreciation		(1,486,530)	
Capital outlay		18,487	
Contributed capital		29,126,802	
Change in accrued compensated absences		(4,808)	
Change in other postemployment benefits		(467)	
Increase pension liability		(14,672)	
Increase pension outflow		2,938	
Decrease pension inflow		(3,404)	
Project revenues		216,507	
Transfer to the Airport Improvement Fund		1,210,505	
Interest earnings from project fund		7,955	
Total reconciling items		29,073,313	
Change in net position		<u>\$ 29,340,173</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, 2016

	Actual			
	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ 8,333	\$ 57,756	\$ 7,956	\$ 65,712
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	864,475	208,103	1,072,578
Iredell County	71,808	48,027	8,404	56,431
Total revenues	2,903,249	2,414,850	224,463	2,639,313
EXPENDITURES:				
Transportation:				
Capital Outlay- land	1,144,444	10,530	66,125	76,655
Airport improvements	1,436,171	961,311	254,886	1,216,197
Capital Outlay - grant land	1,611,111	-	1,520,983	1,520,983
Total expenditures	4,191,726	971,841	1,841,994	2,813,835
Revenues (under) expenditures	(1,288,477)	1,443,009	(1,617,531)	(174,522)
OTHER FINANCING SOURCES:				
Transfers in:				
General Fund	1,288,477	1,288,477	-	1,288,477
Airport project fund	-	-	1,210,505	-
Total other financing sources	1,288,477	1,288,477	1,210,505	1,288,477
Revenues and other financing sources over (under) expenditures	\$ -	\$ 2,731,486	\$ (407,026)	\$ 1,113,955

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CITY OF STATESVILLE, NORTH CAROLINA
MAJOR ENTERPRISE FUND
ELECTRIC FUND- SCHEDULE OF
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Electric sales	\$ 46,022,000	\$ 45,569,103	\$ (452,897)
Other operating revenues	868,975	913,947	44,972
Total operating revenues	46,890,975	46,483,050	(407,925)
Non-operating revenues:			
State utility tax	3,221,540	-	(3,221,540)
Renewable energy charges	176,000	163,324	(12,676)
Investment earnings	100,000	122,320	22,320
Pole attachment fees	146,000	40,602	(105,398)
Bad debt recovery	45,000	69,393	24,393
Sale of materials and capital assets	20,000	118,624	98,624
NC Power agency promotion	200,000	48,644	(151,356)
Miscellaneous Revenues	17,695	42,143	24,448
Total non-operating revenues	3,926,235	605,050	(3,321,185)
Total revenues	50,817,210	47,088,100	(3,729,110)
EXPENDITURES:			
Salaries and employee benefits	2,281,179	2,104,649	176,530
Electrical power purchases	41,310,000	39,178,050	2,131,950
Professional services	103,711	77,722	25,989
State utility tax	3,221,540	-	3,221,540
Operating expenditures	2,367,786	2,122,099	245,687
Capital outlay	2,270,101	1,026,421	1,243,680
Total expenditures	51,554,317	44,508,941	7,045,376
Revenues over (under) expenditures	(737,107)	2,579,159	3,316,266
OTHER FINANCING SOURCES (USES):			
Transfer (out) General Fund - PILOT	(284,268)	(284,268)	-
Transfer in Capital Reserve	27,943	27,943	-
Appropriated fund balance	993,432	-	(993,432)
Total other financing sources (uses)	737,107	(256,325)	(993,432)
Total revenues and other financing sources over expenditures and other financing uses	\$ -	2,322,834	\$ 2,322,834

CITY OF STATESVILLE, NORTH CAROLINA
MAJOR ENTERPRISE FUND
ELECTRIC FUND- SCHEDULE OF
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2016

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

From modified accrual revenues over expenditures	2,322,834
Depreciation	(1,327,485)
Capital outlay	1,026,421
Capitalization labor, equipment, and overhead	572,682
Loss on disposition of capital assets	(167,011)
Change in accrued compensated absences	26,869
Change in other postemployment benefits	(7,477)
Increase pension liability	(234,748)
Increase pension outflow	47,004
Decrease pension inflow	343,433
Project transfers	(27,943)
Interest earnings from project funds	<u>2,822</u>
Total reconciling items	<u>254,567</u>
Change in net position	<u>\$ 2,577,401</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, 2016

	Actual			Total to Date
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ 100,000	\$ 199,485	\$ 1,445	\$ 200,930
Total revenues	100,000	199,485	1,445	200,930
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Electric Fund	900,000	281,884	-	281,884
Transfers out:				
Electric Fund	(1,000,000)	(274,300)	(27,943)	(302,243)
Total other financing sources (uses)	(100,000)	7,584	(27,943)	(20,359)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 207,069	\$ (26,498)	\$ 180,571

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, 2016

	Actual			
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ 120,000	\$ 755,478	\$ 1,377	\$ 756,855
Total revenues	120,000	755,478	1,377	756,855
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Electric Fund	4,000,000	2,591,802	-	2,591,802
Transfers out:				
Electric Fund	(4,120,000)	(3,150,036)	-	(3,150,036)
Total other financing sources (uses)	(120,000)	(558,234)	-	(558,234)
Revenues and other sources over expenditures and other financing	\$ -	\$ 197,244	\$ 1,377	\$ 198,621

CITY OF STATESVILLE, NORTH CAROLINA
MAJOR ENTERPRISE FUND
WATER AND SEWER FUND- SCHEDULE OF
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2016

	Budget	Actual	Favorable (Unfavorable)
OPERATING REVENUES:			
Charges for services:			
Water sales	\$ 3,876,000	\$ 4,083,349	\$ 207,349
Sewer charges	5,775,000	6,134,494	359,494
Other operating revenue	40,000	67,683	27,683
Water and Sewer System Development Fees	475,000	496,771	21,771
Total operating revenues	10,166,000	10,782,297	616,297
Non-operating revenue:			
Interest on investments	75,000	95,768	20,768
Reimbursement	14,258	14,258	-
Iredell share of sewer line	45,600	45,606	6
Miscellaneous	8,000	6,499	(1,501)
Total non-operating revenues	142,858	162,131	19,273
Total revenues	10,308,858	10,944,428	635,570
EXPENDITURES:			
Sewer collection line maintenance:			
Salaries and employee benefits	349,256	253,000	96,256
Professional services	1,500	-	1,500
Operating expenditures	208,630	172,918	35,712
Capital outlay	145,652	41,920	103,732
Total	705,038	467,838	237,200
Water distribution line maintenance:			
Salaries and employee benefits	834,779	713,161	121,618
Operating expenditures	227,268	547,167	(319,899)
Capital outlay	681,624	-	681,624
Total	1,743,671	1,260,328	483,343
Water purification:			
Salaries and employee benefits	743,985	718,270	25,715
Professional services	40,175	21,351	18,824
Reimbursements	1,226,511	1,226,511	-
Operating expenditures	742,731	758,846	(16,115)
Capital outlay	283,500	242,848	40,652
Total	3,036,902	2,967,826	69,076
Waste water treatment - Third Creek:			
Salaries and employee benefits	400,573	391,780	8,793
Professional services	20,370	14,808	5,562
Operating expenditures	527,379	506,355	21,024
Capital outlay	19,600	8,195	11,405
Total	967,922	921,138	46,784

CITY OF STATESVILLE, NORTH CAROLINA
MAJOR ENTERPRISE FUND
WATER AND SEWER FUND- SCHEDULE OF
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2016

	Budget	Actual	Favorable (Unfavorable)
Waste water treatment - Fourth Creek:			
Salaries and employee benefits	833,020	732,994	100,026
Professional services	100,749	65,974	34,775
Operating expenditures	961,693	895,523	66,170
Capital outlay	-	-	-
Total	<u>1,895,462</u>	<u>1,694,491</u>	<u>200,971</u>
Principal and interest	<u>2,702,325</u>	<u>2,702,321</u>	<u>4</u>
Total	<u>2,702,325</u>	<u>2,702,321</u>	<u>4</u>
Total expenditures	<u>11,051,320</u>	<u>10,013,942</u>	<u>1,037,378</u>
Revenues over (under) expenditures	<u>(742,462)</u>	<u>930,486</u>	<u>1,672,948</u>
OTHER FINANCING SOURCES (USES):			
Transfers in (out):			
Close Fund #85 3rd Creek Expansion	36,489	36,513	24
General Fund - PILOT	(488,402)	(488,402)	-
Water and Sewer Capital Reserve	(725,000)	(746,771)	(21,771)
Water and Sewer Capital Reserve	115,000	115,000	-
Fund balance appropriated	<u>1,804,375</u>	<u>-</u>	<u>(1,804,375)</u>
Total other financing sources	<u>742,462</u>	<u>(1,083,660)</u>	<u>(1,826,122)</u>
Revenues and other financing sources (under) expenditures and other financing (uses)	<u>\$ -</u>	<u>(153,174)</u>	<u>\$ (153,174)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Depreciation		(2,584,286)	
Capital outlay		292,963	
Capital loss on disposal		(454,340)	
Increase pension liability		(403,473)	
Increase pension outflow		80,788	
Decrease pension inflow		275,805	
Change in accrued compensated absences		(43,451)	
Change in other postemployment benefits		(12,852)	
Long-term debt principal retirement		2,048,225	
Accrued interest expense		(5,553)	
Due to state for I-77/I40 utility relocation		367,638	
Principal loan received not income - County		(45,578)	
Project transfers and adjustments		768,024	
Project fund revenues		146,670	
Interest earnings from Water and Sewer project funds		<u>37,791</u>	
Total reconciling items		<u>468,371</u>	
Change in net position		<u>\$ 315,197</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, 2016

	Actual			
	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ 2,512,695	\$ 2,534,578	\$ 37,741	\$ 2,572,319
Total revenues	2,512,695	2,534,578	37,741	2,572,319
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Water and Sewer Fund - water SDF	200,000	621,405	97,901	719,306
Water and Sewer Fund - sewer SDF	800,000	2,670,799	398,870	3,069,669
Sewer line rehabilitation	-	275,000	-	275,000
Sewer improvements	-	150,000	-	150,000
Water line rehabilitation	-	200,000	-	200,000
Water improvements	-	250,000	-	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	250,000	4,993,254
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	14,373,138	746,771	15,119,909
Transfers out:				
Reserved for Water & Sewer Capital	(10,427,248)	(9,092,413)	(115,000)	(9,207,413)
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)	(115,000)	(12,132,515)
Total other financing sources and other (uses)	(2,512,695)	2,355,623	669,512	2,987,394
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 4,890,201	\$ 707,253	\$ 5,559,713

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, 2016

	Actual			Total to Date
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ -	\$ -	\$ -	\$ -
NCDOT Reimbursement	2,671,114	172,766	146,670	319,436
Total revenues	2,671,114	172,766	146,670	319,436
EXPENDITURES:				
Economic and physical development:				
Capital Outlay - professional Services	257,350	172,766	147,035	319,801
Capital Outlay - construction	2,150,924	-	-	-
Capital Outlay - Right Of Way	56,350	-	65,124	65,124
Contingency	206,490	-	-	-
Total expenditures	2,671,114	172,766	212,159	384,925
Revenues (under) expenditures	\$ -	\$ -	\$ (65,489)	\$ (65,489)

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, 2016

	Actual			
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ 115,200	\$ 124,008	\$ 51	\$ 124,059
Total revenues	115,200	124,008	51	124,059
EXPENDITURES:				
Economic and physical development:				
Debt issuance costs	418,678	418,678	-	418,678
Capital outlay - professional services	2,949,000	2,810,927	110,416	2,921,343
Capital outlay - construction	19,882,971	18,743,773	510,187	19,253,960
Capital outlay - miscellaneous	19,700	-	-	-
Contingency	911,229	-	-	-
Total expenditures	24,181,578	21,973,377	620,603	22,593,980
Revenues (under) expenditures	(24,066,378)	(21,849,369)	(620,552)	(22,469,921)
OTHER FINANCING SOURCES:				
Proceeds revolving loan	20,933,900	18,813,770	560,186	19,373,956
Transfers in (out):				
Water and Sewer Operating Fund	3,132,478	3,132,478	-	3,132,478
Water and Sewer Operating Fund	36,514	-	(36,513)	(36,513)
Fund balance appropriated	(36,514)	-	-	-
Total other financing sources	24,066,378	21,946,248	523,673	22,469,921
Revenues and other financing sources Over (under) expenditures and other financing uses	\$ -	\$ 96,879	\$ (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, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
EXPENDITURES:				
Economic and physical development:				
Debt issuance costs	\$ 94,899	\$ 94,899	\$ -	\$ 94,899
Capital outlay - professional services	558,200	394,428	149,972	544,400
Capital outlay - construction	3,966,615	478,456	3,423,555	3,902,011
Contingency	248,330	-	-	-
Total expenditures	<u>4,868,044</u>	<u>967,783</u>	<u>3,573,527</u>	<u>4,541,310</u>
OTHER FINANCING SOURCES:				
Proceeds revolving loan	4,744,945	820,754	3,597,457	4,418,211
Transfers in:				
Water and Sewer Operating Fund	<u>123,099</u>	<u>123,099</u>	<u>-</u>	<u>123,099</u>
Total other financing sources	<u>4,868,044</u>	<u>943,853</u>	<u>3,597,457</u>	<u>4,541,310</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (23,930)</u>	<u>\$ 23,930</u>	<u>\$ -</u>

CITY OF STATESVILLE, NORTH CAROLINA
NONMAJOR ENTERPRISE FUND
CIVIC CENTER FUND- SCHEDULE OF
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Charges for services:			
Fees	\$ 285,000	\$ 334,432	\$ 49,432
Total operating revenues	285,000	334,432	49,432
Non-operating revenues:			
Interest on investments	6,000	9,465	3,465
Total non-operating revenues	6,000	9,465	3,465
Total revenues	291,000	343,897	52,897
EXPENDITURES:			
Salaries and employee benefits	410,440	386,441	23,999
Operating expenditures	451,050	401,788	49,262
Capital outlay	38,000	-	38,000
Total expenditures	899,490	788,229	111,261
Total revenues over (under) expenditures	(608,490)	(444,332)	164,158
OTHER FINANCING SOURCES (USES):			
Fund balance appropriated	63,000	-	(63,000)
Transfers in:			
Occupancy Tax Fund	569,791	569,791	-
Transfers out:			
General Fund - PILOT	(24,301)	(24,301)	-
Total other financing sources	608,490	545,490	(63,000)
Revenues and other financing sources over expenditures and other financing uses	\$ -	101,158	\$ 101,158
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Depreciation		(191,226)	
Change in other employee benefits		(1,636)	
Change in compensated absences		3,002	
Increase pension liability		(51,351)	
Increase pension outflow		10,282	
Decrease pension inflow		57,774	
Total reconciling items		(173,155)	
Change in net position		\$ (71,997)	

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, 2016

	Health Insurance Fund	Property and Casualty Liability Insurance Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 556,046	\$ 306,625	\$ 862,671
Interest receivable	623	349	972
Total assets	<u>\$ 556,669</u>	<u>\$ 306,974</u>	<u>\$ 863,643</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 96,774	\$ 3,183	\$ 99,957
Accrued IBNR	358,082	260,910	618,992
Total liabilities	<u>454,856</u>	<u>264,093</u>	<u>718,949</u>
NET POSITION	<u>\$ 101,813</u>	<u>\$ 42,881</u>	<u>\$ 144,694</u>

CITY OF STATESVILLE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the Year Ended June 30, 2016

	Health Insurance Fund	Property and Casualty Liability Insurance Fund	Totals
Operating revenues:			
Employer's Contributions	\$ 2,606,244	\$ -	\$ 2,606,244
Employee's Contributions	624,707	-	624,707
Contributions from retired employees and COBRA	123,971	-	123,971
Insurance premiums charged to departments	-	801,462	801,462
Total operating revenues	3,354,922	801,462	4,156,384
Operating expenses:			
Health and dental claims	3,295,139	-	3,295,139
Worker's compensation claims	-	501,538	501,538
Administration and professional services	190,204	16,000	206,204
Property and liability insurance	-	448,620	448,620
Stop loss insurance	202,578	-	202,578
Wellness and other claim expenses	12,951	60,914	73,865
Total operating expenses	3,700,872	1,027,072	4,727,944
Total operating income (loss)	(345,950)	(225,610)	(571,560)
Nonoperating revenues:			
Insurance proceeds	-	27,378	27,378
Investment income	5,452	3,994	9,446
Total nonoperating income	5,452	31,372	36,824
Change in net position	(340,498)	(194,238)	(534,736)
Net position, beginning of year	442,311	237,119	679,430
Net position, end of year	\$ 101,813	\$ 42,881	\$ 144,694

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, 2016

	Financial Plan	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Contributions from employer	\$ 2,820,768	\$ 2,606,244	\$ (214,524)
Contributions from employees	704,828	624,299	(80,529)
Contributions from retired employees and COBRA	102,884	123,971	21,087
Wellness revenue	-	408	408
Total operating revenues	3,628,480	3,354,922	(273,558)
Non operating revenues:			
Investment earnings	4,000	5,452	1,452
Total nonoperating revenues	4,000	5,452	1,452
Total revenues	3,632,480	3,360,374	(272,106)
Expenditures:			
Operating expenditures:			
Wellness and other expenses	20,000	12,951	7,049
Third party administration	190,250	190,204	46
Stop loss insurance	209,750	202,578	7,172
Health claims	3,087,480	3,212,031	(124,551)
Dental claims	125,000	108,940	16,060
Total expenditures	3,632,480	3,726,704	(94,224)
Revenues (under) expenditures	\$ -	(366,330)	\$ (366,330)
Reconciliation from financing plan (modified accrual)			
to full accrual:			
Decrease in incurred claims but not reported (IBNR)		25,832	
Change in net position		\$ (340,498)	

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, 2016

	Financial Plan	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Insurance premiums charged to departments	\$ 801,462	\$ 801,462	\$ -
Total operating revenues	801,462	801,462	-
Non operating revenues:			
Insurance proceeds	-	27,379	27,379
Investment earnings	3,600	3,993	393
Total nonoperating revenues	3,600	31,372	27,772
Total revenues	805,062	832,834	27,772
Expenditures:			
Operating expenditures:			
Insurance premiums	465,000	448,620	16,380
Property loss claims	77,082	60,914	16,168
Worker's compensation claims	469,562	461,399	8,163
Worker's compensation Administration	16,000	16,000	-
Worker's compensation stop loss insurance	500	-	500
Total expenditures	1,028,144	986,933	41,211
Revenues over (under) expenditures	(223,082)	(154,099)	68,983
Other Financing Sources:			
Appropriated fund balance	223,082	-	(223,082)
Revenues (under) expenditures	-	(154,099)	(154,099)
Reconciliation from financing plan (modified accrual) to full accrual:			
Increase in incurred claims but not reported (IBNR)		(40,139)	
Change in net position		\$ (194,238)	

CITY OF STATESVILLE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

	Health Insurance Fund	Property and Casualty Liability Insurance Fund	Totals
Cash flows from operating activities:			
Cash received from employer and employees	\$ 3,354,923	\$ 828,841	\$ 4,183,764
Cash paid for claims and insurance	<u>(3,667,495)</u>	<u>(1,003,978)</u>	<u>(4,671,473)</u>
Net cash (used) by operating activities	<u>(312,572)</u>	<u>(175,137)</u>	<u>(487,709)</u>
Cash flows from Non-operating activities:			
Interest on investments and miscellaneous	<u>5,840</u>	<u>4,203</u>	<u>10,043</u>
Cash flows from investing activities operating activities:			
Interest on investments and miscellaneous	<u>5,840</u>	<u>4,203</u>	<u>10,043</u>
Net increase (decrease) in cash and cash equivalents	(306,732)	(170,934)	(477,666)
Cash and cash equivalents:			
Beginning of year, July 1	<u>862,778</u>	<u>477,559</u>	<u>1,340,337</u>
End of year, June 30	<u>556,046</u>	<u>306,625</u>	<u>862,671</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating Income (loss)	(345,950)	(225,610)	(571,560)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Changes in assets and liabilities:			
Decrease in accounts receivable	80	-	80
Decrease in accounts payable and accrued liabilities	<u>33,298</u>	<u>50,473</u>	<u>83,771</u>
Net cash (used) by operating activities	<u>\$ (312,572)</u>	<u>\$ (175,137)</u>	<u>\$ (487,709)</u>

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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
- Schedule of Ad Valorem Taxes Receivable – General Fund – Woods Dam Special Tax District
- Analysis of Current Tax Levy – General Fund – City-Wide
- Analysis of Current Tax Levy – General Fund – Downtown Statesville Special Tax District
- Analysis of Current Tax Levy – General Fund – Woods Dam 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, 2016

Fiscal Year	Uncollected Balance June 30, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
Tax and Tag	\$ -	\$ 733,971	\$ 733,971	\$ -
2015	-	11,340,721	11,166,229	174,492
2014	223,200	-	129,074	94,127
2013	138,220	-	51,400	86,820
2012	114,026	-	31,133	82,893
2011	102,862	-	22,809	80,053
2010	84,491	-	18,034	66,457
2009	68,331	-	12,993	55,338
2008	56,797	-	4,217	52,580
2007	49,558	-	1,589	47,969
2006	43,372	-	928	42,444
2005	45,197	-	45,197	-
	<u>\$ 926,056</u>	<u>\$ 12,074,692</u>	<u>\$ 12,217,575</u>	<u>\$ 783,173</u>
				Less allowance for uncollectible accounts - city-wide
				<u>352,639</u>
				Ad valorem taxes receivable, net
				<u>\$ 430,534</u>
				RECONCILIATION WITH REVENUES:
				12,250,099
				Reconciling items:
				Interest
				<u>(32,524)</u>
				Total collections and credits
				<u>12,217,575</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, 2016

Fiscal Year	Uncollected Balance June 30, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
Tax and Tag	\$ -	\$ 5,531	\$ 5,531	\$ -
2015	-	109,956	107,783	2,173
2014	3,528	-	2,795	733
2013	1,841	-	1,335	506
2012	1,253	-	823	430
2011	1,727	-	468	1,259
2010	676	-	315	361
2009	452	-	67	385
2008	390	-	63	327
2007	429	-	63	366
2006	318	-	40	277
2005	226	-	226	-
	<u>\$ 10,840</u>	<u>\$ 115,487</u>	<u>\$ 119,511</u>	\$ 6,817
				<u>3,060</u>
				<u>\$ 3,757</u>
RECONCILIATION WITH REVENUES:				\$ 119,088
Reconciling items:				
				384
				<u>39</u>
				<u>\$ 119,511</u>

CITY OF STATESVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND - CITY-WIDE LEVY
For the Year Ended June 30, 2016

	City-wide		Total Levy		
			Property exclusing Registered Motor Vehicles	Registered Motor Vehicles	
	Property Valuation	Rate per \$100	Amount of Levy		
ORIGINAL LEVY:					
Property taxed at current year's rate	\$ 2,750,340,442	0.4100	\$ 11,276,396	\$ 11,276,396	\$ -
Tax and Tag	179,017,351		733,971	-	733,971
Penalties	-		52,269	52,269	-
TOTAL ORIGINAL LEVY	2,929,357,793		12,062,636	11,328,665	733,971
DISCOVERIES:					
Current year rate and taxes	17,908,105	0.4100	73,423	73,423	-
Penalties			9,087	9,087	-
TOTAL DISCOVERIES	17,908,105		82,510	82,510	-
RELEASES/TAX AND TAG UNCOLLECTED:					
Current year rate	(17,146,105)	0.4100	(70,299)	(70,299)	-
Penalties			(155)	(155)	-
TOTAL RELEASES	(17,146,105)		(70,454)	(70,454)	-
Net assessed valuation	<u>\$ 2,930,119,793</u>				
Net Levy			12,074,692	11,340,720	733,971
Uncollected taxes , June 30			(174,492)	(174,492)	
Current year's taxes collected			<u>\$ 11,900,200</u>	<u>\$ 11,166,229</u>	<u>\$ 733,971</u>
Current levy collection percentage rate			<u>98.55%</u>	<u>98.46%</u>	<u>100.00%</u>

CITY OF STATESVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND - DOWNTOWN STATESVILLE SPECIAL TAX DISTRICT
For the Year Ended June 30, 2016

	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	\$ 110,014,901	0.1000	\$ 110,015	\$ 110,015	\$ -
Tax and Tag	5,530,920		5,531	-	5,531
Penalties			124	124	-
TOTAL ORIGINAL LEVY	115,545,821		115,670	110,139	5,531
DISCOVERIES:					
Current year rate and taxes	376,960	0.1000	377	377	-
Penalties			66	66	-
TOTAL DISCOVERIES	376,960		443	443	-
RELEASES/TAX AND TAG UNCOLLECTED:					
Current year rate	(624,930)	0.1000	(625)	(625)	-
Penalties			(1)	(1)	-
TOTAL RELEASES	(624,930)		(626)	(626)	-
Net assessed valuation	<u>\$ 115,297,851</u>				
Net Levy			115,487	109,956	5,531
Uncollected taxes , June 30			(2,173)	(2,173)	
Current year's taxes collected			<u>\$ 113,314</u>	<u>\$ 107,783</u>	<u>\$ 5,531</u>
Current levy collection percentage rate			<u>98.12%</u>	<u>98.02%</u>	<u>100.00%</u>

CITY OF STATESVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND - WOODS DAM TAX DISTRICT
For the Year Ended June 30, 2016

	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	\$ 1,663,678	0.2100	\$ 3,494	\$ 3,494	\$ -
Tax and Tag	-		-	-	-
Penalties	-		-	-	-
TOTAL ORIGINAL LEVY	1,663,678		3,494	3,494	-
DISCOVERIES:					
Current year rate and taxes	-	0.2100	-	-	-
Penalties	-		-	-	-
TOTAL DISCOVERIES	-		-	-	-
RELEASES/TAX AND TAG UNCOLLECTED:					
Current year rate	-	0.2100	-	-	-
Penalties	-		-	-	-
TOTAL RELEASES	-		-	-	-
Net assessed valuation	<u>\$ 1,663,678</u>				
Net Levy			3,494	3,494	-
Uncollected taxes , June 30			-	-	-
Current year's taxes collected			<u>\$ 3,494</u>	<u>\$ 3,494</u>	<u>\$ -</u>
Current levy collection percentage rate			<u>100.00%</u>	<u>100.00%</u>	<u>0.00%</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 These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	140
Revenue Capacity 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).	150
Debt Capacity 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.	163
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	167
Operating Information 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.	170

Table 1

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

	2006-2007	2007-2008	2008-2009	2009-2010
Governmental activities				
Net investment in capital assets	\$ 44,949,061	\$ 48,001,180	\$ 53,828,159	\$ 60,880,399
Restricted for:				
Stabilization by state statute	-	-	-	-
Public safety	1,883,567	2,135,787	3,360,512	2,610,583
Transportation	874,768	216,563	78,736	1,695,694
Economic development	734,392	402,664	331,342	319,743
Debt service	-	-	-	-
Capital outlay	7,487,250	4,005,386	1,142,748	1,133,887
Unrestricted	27,095,084	31,399,891	29,392,370	30,087,302
Total governmental activities net position	83,024,122	86,161,471	88,133,867	96,727,608
Business-type activities				
Net investment in capital assets	64,506,624	83,614,851	66,982,354	65,435,328
Unrestricted	34,850,320	18,104,041	34,085,581	35,717,074
Total business-type activities net position	99,356,944	101,718,892	101,067,935	101,152,402
Primary government				
Net investment in capital assets	109,455,685	131,616,031	120,810,513	126,315,727
Restricted for:				
Stabilization by state statute	-	-	-	-
Transportation	1,883,567	2,135,787	3,360,512	2,610,583
Public Safety	874,768	216,563	78,736	1,695,694
Economic development	734,392	402,664	331,342	319,743
Debt service	-	-	-	-
Capital projects	7,487,250	4,005,386	1,142,748	1,133,887
Unrestricted	61,945,404	49,503,932	35,717,074	65,804,376
Total governmental activities net position	\$ 182,381,066	\$ 187,880,363	\$ 161,440,925	\$ 197,880,010

Notes:

- ⁽¹⁾ Accounting standards require that net position be reported in three components in the financing statements: net investment in capital assets; restricted; and unrestricted. Net assets are considered restricted when 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulation of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

Table 1

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
\$ 59,908,456	\$ 66,160,070	\$ 67,394,632	\$ 68,264,801	\$ 69,891,335	\$ 42,754,217
-	5,565,574	5,124,143	6,282,769	4,314,762	4,644,547
6,276,092	337,206	77,821	60,645	41,341	81,519
383,871	1,332,646	771,303	1,315,672	1,248,014	-
885,021	324,831	353,599	444,247	574,665	712,686
-	-	293,653	61,249	-	-
8,524,131	6,470,958	5,144,063	3,659,885	2,111,528	-
24,885,268	19,242,685	21,397,924	21,496,485	21,477,035	23,243,436
100,862,839	99,433,970	100,557,138	101,585,753	99,658,680	71,436,405
65,578,645	65,215,357	65,470,169	67,271,906	66,336,798	93,781,157
34,648,769	35,113,541	35,885,077	33,761,094	34,680,765	39,268,053
100,227,414	100,328,898	101,355,246	101,033,000	101,017,563	133,049,210
125,487,101	131,375,427	132,864,801	135,536,707	136,228,133	136,535,374
-	5,565,574	5,124,143	6,282,769	4,314,762	4,644,547
6,276,092	337,206	77,821	60,645	41,341	81,519
383,871	1,332,646	771,303	1,315,672	1,248,014	-
885,021	324,831	353,599	444,247	574,665	712,686
-	-	293,653	61,249	-	-
8,524,131	6,470,958	5,144,063	3,659,885	2,111,528	-
59,534,037	54,356,226	57,283,001	55,257,579	56,157,800	62,511,489
<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>	<u>\$ 204,485,615</u>

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

	2006-2007	2007-2008	2008-2009	2009-2010
Expenses by Functions/Programs				
Governmental Activities:				
General government	\$ 5,025,649	\$ 4,570,260	\$ 3,390,680	\$ 3,259,010
Public safety	9,507,613	9,912,303	10,439,606	11,206,823
Transportation	3,429,782	2,552,709	3,370,012	3,409,944
Economic and physical development	1,027,971	687,943	900,469	798,806
Environmental protection	1,957,790	2,043,845	2,159,733	2,077,498
Cultural and recreation	2,357,781	2,860,402	2,996,956	3,145,451
Interest on long-term debt	97,303	85,272	72,823	91,868
Subtotal governmental activities	<u>23,403,889</u>	<u>22,712,734</u>	<u>23,330,279</u>	<u>23,989,400</u>
Business-Type Activities:				
Airport	-	-	-	-
Electric	34,781,756	36,808,447	37,157,603	38,513,061
Water and sewer	8,699,578	8,539,967	9,857,896	9,440,556
Civic Center	789,198	743,029	825,678	817,270
Subtotal business-type activities	<u>44,270,532</u>	<u>46,091,443</u>	<u>47,841,177</u>	<u>48,770,887</u>
Total primary government expenses	<u>\$ 67,674,421</u>	<u>\$ 68,804,177</u>	<u>\$ 71,171,456</u>	<u>\$ 72,760,287</u>
Program Revenues by Functions				
Governmental Activities:				
Charges for Services:				
General government	\$ 240,129	\$ 211,811	\$ 129,936	\$ 69,423
Public safety	323,180	238,714	265,811	287,186
Transportation	477,950	470,080	469,067	506,981
Economic and physical development	-	-	-	70,045
Environmental protection	477,523	311,923	309,651	328,217
Cultural and recreation	236,072	342,981	511,747	751,559
Operating grants and contributions	653,592	291,176	330,505	917,021
Capital grants and contributions	4,513,373	1,493,538	1,224,679	8,508,250
Total governmental activities program activities	<u>6,921,819</u>	<u>3,360,223</u>	<u>3,241,396</u>	<u>11,438,682</u>
Business-Type Activities:				
Charges for Services:				
Airport	-	-	-	-
Electric	35,581,680	37,804,704	36,661,251	39,102,390
Water and sewer	9,896,796	9,882,339	9,508,110	9,348,940
Civic Center	276,547	284,148	300,010	293,019
Operating grants and contributions	-	-	-	-
Capital grants and contributions	700,000	-	-	-
Total business-type activities	<u>46,455,023</u>	<u>47,971,191</u>	<u>46,469,371</u>	<u>48,744,349</u>
Total primary government program revenues	<u>\$ 53,376,842</u>	<u>\$ 51,331,414</u>	<u>\$ 49,710,767</u>	<u>\$ 60,183,031</u>

Table 2 (cont'd)
Page 1 of 2

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
\$ 3,346,041	\$ 3,274,004	\$ 3,240,212	\$ 3,432,347	\$ 3,254,999	\$ 3,479,866
11,408,145	11,994,709	12,299,585	12,410,000	12,398,238	12,234,390
3,412,045	3,468,402	3,540,251	4,246,210	4,345,239	2,851,130
806,305	965,655	1,332,542	947,827	750,760	931,213
2,085,049	2,130,549	1,846,780	1,715,643	1,978,958	1,675,871
3,367,653	3,417,745	3,481,787	3,354,153	3,594,906	3,506,190
275,735	352,859	306,561	264,534	212,823	179,568
<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>	<u>24,858,228</u>
-	-	-	-	-	1,786,329
40,589,432	41,532,781	44,304,027	44,245,966	46,952,145	44,245,966
9,286,106	9,502,048	9,389,629	10,332,082	9,713,190	10,332,082
861,917	848,125	948,560	968,734	999,189	968,734
<u>50,737,455</u>	<u>51,882,954</u>	<u>54,642,216</u>	<u>55,546,782</u>	<u>57,664,524</u>	<u>57,333,111</u>
<u>\$ 75,438,428</u>	<u>\$ 77,486,877</u>	<u>\$ 80,689,934</u>	<u>\$ 81,917,496</u>	<u>\$ 84,200,447</u>	<u>\$ 82,191,339</u>
\$ 96,614	\$ 379,335	\$ -	\$ 46,977	\$ 355,432	\$ 66,083
337,832	198,223	308,753	336,183	342,107	75,220
473,426	322,757	678,516	791,434	-	49,846
4,511	-	802,655	45	-	981,530
293,688	288,090	448,057	165,632	162,236	170,160
816,694	831,655	820,940	819,739	836,284	732,620
865,836	501,593	834,006	615,180	345,739	596,907
3,116,406	1,493,194	2,103,132	946,690	1,240,320	748,401
<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>	<u>3,420,767</u>
-	-	-	-	-	559,951
41,973,877	41,334,097	44,989,787	47,531,836	47,646,058	46,939,813
9,146,995	8,973,284	9,464,072	9,468,112	10,033,066	10,782,047
277,414	254,004	259,388	294,701	299,535	333,067
-	560,534	977,497	13,400	-	363,177
-	-	-	-	-	29,126,802
<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>88,104,857</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>	<u>\$ 91,525,624</u>

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

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes				
Ad valorem taxes	\$ 9,493,505	\$ 10,872,577	\$ 11,574,508	\$ 11,602,821
Local sales tax option	6,310,405	6,416,272	5,628,740	5,113,327
Other taxes	1,216,733	1,128,731	1,057,366	1,208,289
Unrestricted intergovernmental revenues	1,930,374	2,096,956	2,147,614	2,023,140
Interest earned on investments	1,779,224	1,592,528	1,217,313	554,901
Miscellaneous	249,068	83,313	101,969	175,648
Transfers in (out)	185,084	299,483	409,899	470,151
Total governmental activities	<u>21,164,393</u>	<u>22,489,860</u>	<u>22,137,409</u>	<u>21,148,277</u>
Business-Type Activities:				
Interest earned on investments	1,776,861	1,461,297	1,130,748	593,605
Miscellaneous	868,462	(679,614)	-	-
Gain (loss) on sale of capital assets	(199,208)	-	-	-
Transfer in (out)	(185,084)	(299,483)	(409,899)	(470,151)
Total business-type activities	<u>2,261,031</u>	<u>482,200</u>	<u>720,849</u>	<u>123,454</u>
Total primary government	<u>23,425,424</u>	<u>22,972,060</u>	<u>22,858,258</u>	<u>21,271,731</u>
Changes in Net Position				
Governmental activities	1,811,882	2,400,977	9,586,691	2,452,311
Business-type activities	4,140,779	(889,606)	694,311	784,285
Total primary government	<u>\$ 5,952,661</u>	<u>\$ 1,511,371</u>	<u>\$ 10,281,002</u>	<u>\$ 3,236,596</u>

Table 2 (cont'd)
Page 2 of 2

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
\$ 11,760,600	\$ 11,316,717	\$ 12,144,774	\$ 12,329,641	\$ 12,252,525	\$ 12,130,575
5,452,410	5,105,479	5,269,457	5,491,152	6,016,074	6,283,073
1,273,835	1,321,032	809,850	1,626,638	3,284,650	45,347
2,139,048	2,116,304	2,608,519	2,316,788	681,625	2,932,832
105,840	263,126	(149,740)	311,881	150,345	179,616
268,874	195,157	238,313	175,411	591,938	14,405
1,830,590	(157,608)	253,654	1,425,938	190,752	(30,110,127)
22,831,197	20,160,207	21,174,827	23,677,449	23,167,909	(8,524,279)
244,771	256,414	(103,514)	375,522	223,891	276,576
-	448,497	334,988	-	113,439	-
-	-	-	-	-	-
(1,830,590)	157,608	(253,654)	(1,425,938)	(190,752)	983,325
(1,585,819)	862,519	(22,180)	(1,050,416)	146,578	1,259,901
21,245,378	21,022,726	21,152,647	22,627,033	23,314,487	(7,264,378)
1,242,121	108,548	1,123,168	1,028,615	(85,896)	(30,107,282)
(2,346,854)	1,911,047	1,026,348	710,851	460,713	32,177,189
\$ (1,104,733)	\$ 2,019,595	\$ 2,149,516	\$ 1,739,466	\$ 374,817	\$ 2,069,907

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

	2006-2007	2007-2008	2008-2009	2009-2010
General Fund				
Non Spendable				
Inventories	\$ 26,732	\$ 27,406	\$ 27,689	\$ 16,790
Prepaid items	827	15,096	6,940	4,510
Restricted				
Stabilization by State Statute	2,392,401	2,554,149	2,349,570	2,730,658
Debt service	-	-	-	-
¹ Reserved for encumbrances	2,944,359	5,109,820	5,733,866	4,188,338
Committed	-	-	-	-
Assigned				
Subsequent year's appropriation	2,890,000	2,100,000	-	652,150
Unassigned	15,142,878	15,205,365	17,389,011	17,401,057
Subtotal governmental activities	<u>23,397,197</u>	<u>25,011,836</u>	<u>25,507,076</u>	<u>24,993,503</u>
All Other Governmental Funds				
Reserved for:				
¹ Reserved for encumbrances	7,688,381	5,700	1,070,032	2,479,753
Restricted, reported in:				
Stabilization by state statute	212,246	511,713	363,922	561,960
Special revenue funds	2,122,202	2,010,816	1,948,930	4,099,157
Committed	-	-	-	-
Capital project funds	1,470,188	5,645,881	4,203,385	2,666,400
Unassigned (deficit)	-	-	-	-
Subtotal other governmental activities	<u>11,493,017</u>	<u>8,174,110</u>	<u>7,586,269</u>	<u>9,807,270</u>
Total governmental fund balance	<u>\$ 34,890,214</u>	<u>\$ 33,185,946</u>	<u>\$ 33,093,345</u>	<u>\$ 34,800,773</u>
General Fund unassigned fund balance as a percent of expenditures (including transfer out)	52.97%	65.99%	63.26%	67.97%

Notes:

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

Table 3

<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
\$ 26,091	\$ 26,497	\$ 28,182	\$ 31,027	\$ 47,630	\$ 32,006
320	2,470	2,985	4,290	6,909	26,108
3,139,241	3,384,316	3,971,056	3,414,788	3,879,522	4,315,383
-	-	293,653	61,249	-	-
-	-	-	-	-	-
750,940	-	-	-	-	220,560
1,847,967	270,292	286,323	998,745	1,838,714	954,462
18,218,742	19,403,631	21,017,856	20,315,639	21,368,277	18,905,057
<u>23,983,301</u>	<u>23,087,206</u>	<u>25,600,055</u>	<u>24,825,738</u>	<u>27,141,052</u>	<u>24,453,576</u>
-	-	-	-	-	-
79,991	2,181,258	1,153,086	2,867,981	435,240	329,164
955,625	1,994,683	1,202,723	1,820,564	1,864,020	794,205
1,342,079	6,470,958	-	-	-	-
13,691,420	-	5,144,063	3,659,885	2,111,528	5,121,111
-	(85,676)	-	-	-	(165,871)
<u>16,069,115</u>	<u>10,561,223</u>	<u>7,499,872</u>	<u>8,348,430</u>	<u>4,410,788</u>	<u>6,078,609</u>
<u>\$ 40,052,416</u>	<u>\$ 33,648,429</u>	<u>\$ 33,099,927</u>	<u>\$ 33,174,168</u>	<u>\$ 31,551,840</u>	<u>\$ 30,532,185</u>
67.54%	76.15%	82.47%	73.40%	85.96%	65.56%

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

	2006-2007	2007-2008	2008-2009	2009-2010
Revenues (by source):				
Ad valorem taxes	\$ 9,534,403	\$ 10,962,849	\$ 11,487,668	\$ 11,515,195
Sales Tax	6,310,405	6,416,272	5,628,740	5,113,327
Other taxes and licenses	1,151,378	1,128,730	1,072,667	1,208,289
Unrestricted intergovernmental	1,986,661	2,096,957	2,147,614	2,023,140
Restricted intergovernmental	5,165,415	1,780,407	1,555,184	9,396,440
Permits and fees	670,787	622,716	544,248	526,627
Sales and services	1,066,972	1,007,280	1,347,115	1,393,927
Investment earnings	1,682,542	1,489,005	1,090,462	466,568
Miscellaneous	127,491	114,952	101,971	134,024
Total revenues	27,696,054	25,619,168	24,975,669	31,777,537
Expenditures (by function):				
General government	4,783,022	4,425,289	3,113,999	3,057,326
Public safety	8,825,199	9,401,987	9,860,172	10,514,864
Transportation	1,673,689	1,011,510	2,158,865	1,751,549
Economic and physical development	1,038,429	687,942	900,468	797,915
Environmental protection	1,793,815	1,918,679	1,946,932	1,934,002
Cultural and recreation	2,116,144	2,680,000	5,795,858	2,974,884
Capital outlay	2,109,107	7,053,833	1,194,515	11,037,173
Debt service:				
Principal	355,000	355,000	355,000	355,000
Interest on long-term debt	100,710	88,679	76,230	63,990
Total expenditures	22,795,115	27,622,919	25,402,039	32,486,703
Excess of revenues over (under) expenditures	4,900,939	(2,003,751)	(426,370)	(709,166)
Other Financing Sources (Uses)				
Transfers in	11,172,263	1,245,064	3,446,361	4,950,672
Transfers out	(10,987,208)	(945,581)	(3,036,462)	(4,480,521)
Proceeds from long-term debt	-	-	-	1,947,000
Total other financing sources (uses)	185,055	299,483	409,899	2,417,151
Net change in fund balance	\$ 5,085,994	\$ (1,704,268)	\$ (16,471)	\$ 1,707,985
Debt service as a percentage of noncapital expenditures	2.20%	2.16%	1.78%	1.95%

Table 4

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
\$ 11,603,732	\$ 11,310,155	\$ 12,139,952	\$ 12,403,940	\$ 12,407,077	\$ 12,372,681
5,452,410	5,105,479	5,269,457	5,491,152	6,016,074	6,283,073
1,271,879	1,321,032	1,631,962	1,626,638	951,626	45,347
2,139,049	2,116,304	2,608,519	2,316,788	2,671,124	2,913,017
3,724,998	2,078,787	2,951,620	1,539,487	1,614,191	1,040,952
542,334	554,325	439,269	447,208	731,287	401,633
1,502,159	1,457,941	1,788,988	1,679,939	1,452,951	846,146
235,024	253,517	(121,635)	347,082	202,655	186,091
468,319	206,288	449,217	138,603	156,893	82,419
<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>	<u>24,171,359</u>
3,114,368	3,025,762	3,537,203	3,134,239	2,986,788	3,448,253
10,863,716	11,309,003	11,990,414	11,576,160	12,121,392	11,681,378
1,786,894	1,781,557	2,007,509	1,739,707	2,868,091	1,651,590
806,305	1,021,655	2,212,781	947,827	788,260	510,214
1,960,189	1,979,079	1,918,623	1,593,054	2,132,924	1,557,336
2,965,898	2,974,985	3,264,938	2,921,604	3,278,844	3,089,320
8,199,597	6,597,977	1,489,469	3,936,559	2,392,459	2,064,280
549,700	1,249,700	1,249,700	1,224,700	894,700	894,700
272,184	360,490	288,867	268,684	553,500	183,717
<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>	<u>25,080,788</u>
(3,578,947)	(5,896,380)	(802,155)	(1,351,697)	(1,813,080)	
6,849,267	2,266,764	4,532,958	5,458,684	2,579,286	1,759,027
(5,018,677)	(2,774,371)	(4,279,305)	(4,032,746)	(2,388,534)	(3,755,556)
7,000,000	-	-	-	-	-
<u>8,830,590</u>	<u>(507,607)</u>	<u>253,653</u>	<u>1,425,938</u>	<u>190,752</u>	<u>(1,996,529)</u>
<u>\$ 5,251,643</u>	<u>\$ (6,403,987)</u>	<u>\$ (548,502)</u>	<u>\$ 74,241</u>	<u>\$ (1,622,328)</u>	<u>\$ (2,905,958)</u>
3.68%	6.79%	5.81%	6.38%	5.65%	4.49%

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
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	343,527	915,685	19,527,811
2016	12,130,575	6,283,073	2,067	980,548	19,396,263

The City as of July 1, 2015 is not authorized to levy privilege licenses. Amount shown is beer and wine privilege license that is still authorized.

Table 6

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

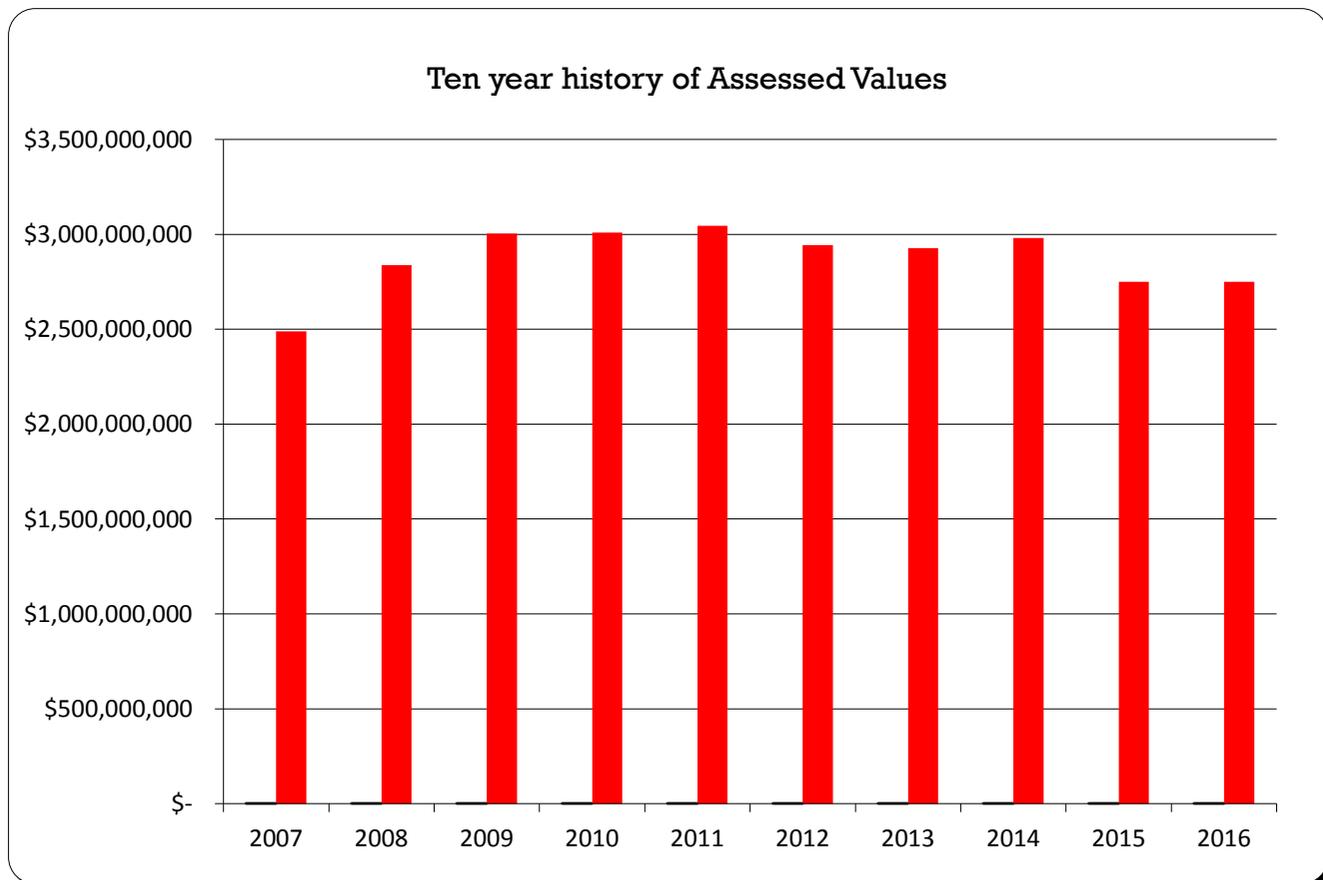
Fiscal Year Ended June 30	Property Tax	Sales Tax	Privilege License Tax	Occupancy Tax	Total
2007	\$ 9,229,195	\$ 5,846,223	\$ 377,283	\$ 618,589	\$ 16,840,680
2008	9,534,403	6,310,405	381,277	679,213	16,905,298
2009	10,962,849	6,416,272	367,858	729,640	18,476,619
2010	11,487,668	5,628,740	393,722	627,122	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	343,527	915,685	19,682,363
2016	12,372,681	6,283,073	2,067	980,548	19,638,369

The City as of July 1, 2015 is not authorized to levy privilege licenses. Amount shown is beer and wine privilege license that is still authorized.

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

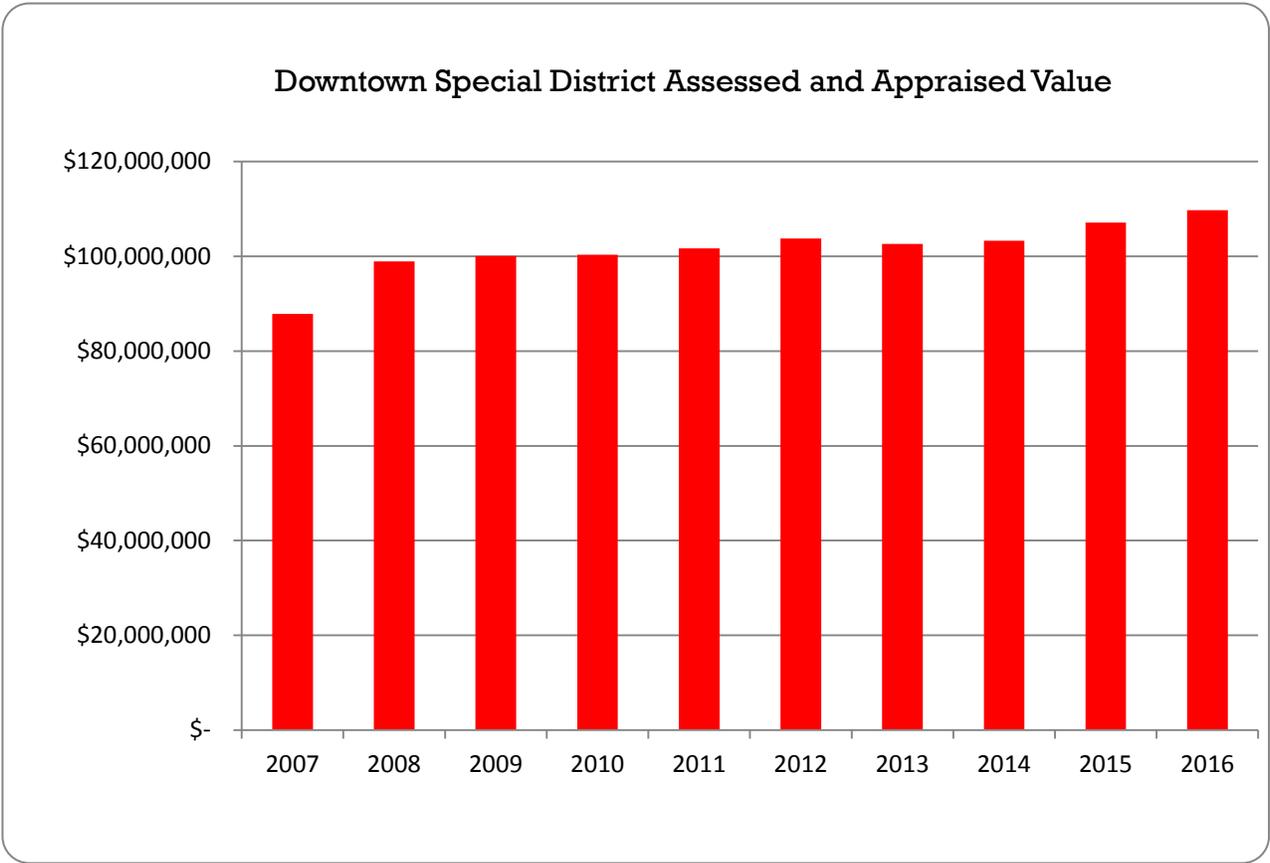
Fiscal Year Ended June 30	Tax Year	Real Property	Motor Vehicle and Personal Property	Public Service Companies	Total Assessed Value	Total Direct Tax Rate
2007	2006	\$ 1,734,842,543	\$ 715,624,404	\$ 37,638,962	\$ 2,488,105,909	\$ 90,913,527
2008	2007	2,032,493,274	767,214,046	38,508,312	2,838,215,632	102,395,076
2009	2008	2,074,554,266	891,189,760	38,461,549	3,004,205,575	103,375,186
2010	2009	2,099,286,384	867,458,395	41,940,666	3,008,685,445	103,713,054
2011	2010	2,135,719,487	865,558,609	43,397,510	3,044,675,606	105,152,371
2012	2011	2,046,476,967	851,682,471	45,081,888	2,943,241,326	107,448,659
2013	2012	2,035,371,098	844,746,172	46,805,285	2,926,922,555	106,197,275
2014	2013	2,036,899,857	898,217,364	46,105,962	2,981,223,183	106,829,610
2015	2014	2,034,349,011	667,998,225	47,503,176	2,749,850,412	111,268,793
2016	2015	2,020,695,223	681,250,767	48,394,452	2,750,340,442	114,212,492

⁽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 January 1, 2015, levied for fiscal year ending June 30, 2016. Next revaluation will be effective for January 1, 2019.



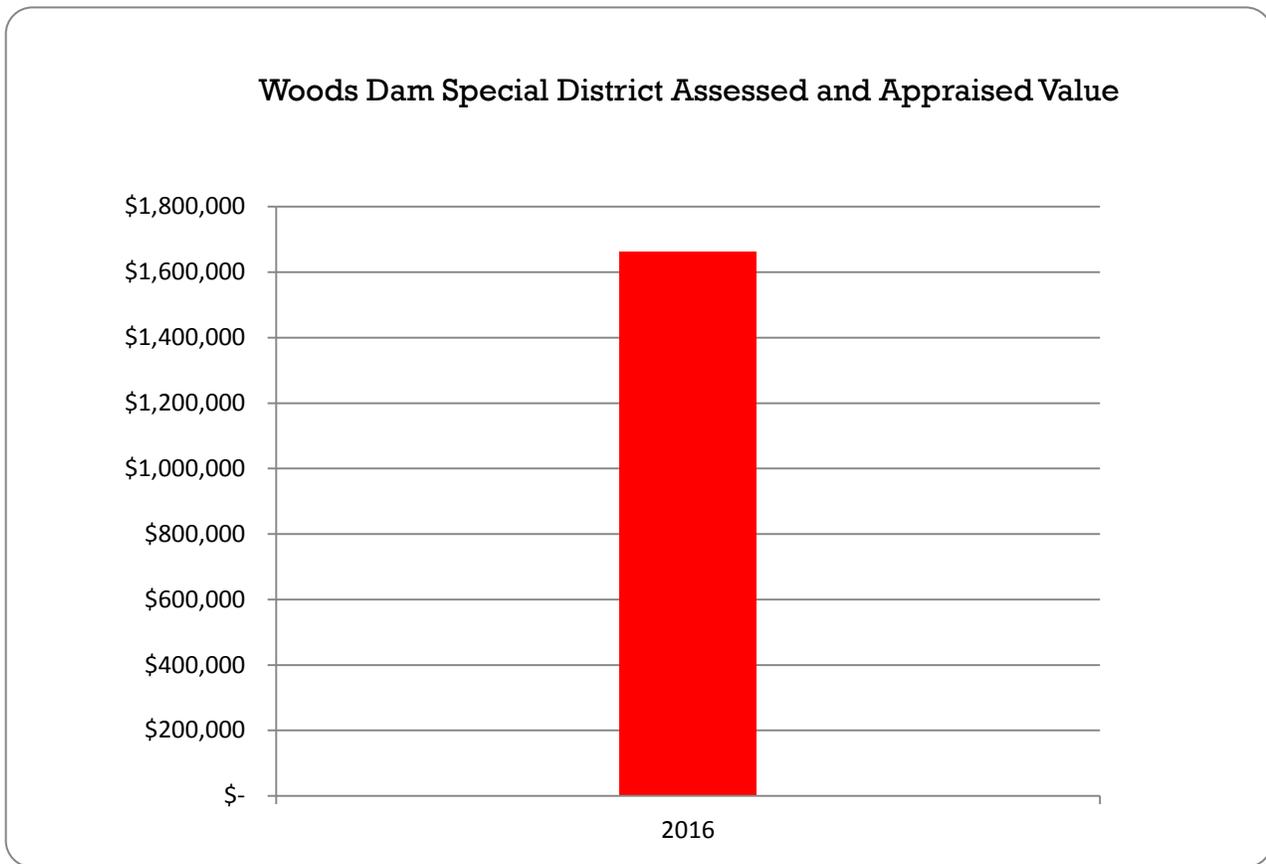
**CITY OF STATESVILLE, NORTH CAROLINA
 ASSESSED AND APPRAISED VALUE OF TAXABLE PROPERTY
 GENERAL FUND - DOWNTOWN SPECIAL TAX DISTRICT
 Last Ten Fiscal Years**

Fiscal Year Ended June 30	Assessed Value	Appraised Value	Ratio of Total Assessed Value to Total Appraised Value
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%
2016	109,766,931	109,766,931	100%



**CITY OF STATESVILLE, NORTH CAROLINA
 ASSESSED AND APPRAISED VALUE OF TAXABLE PROPERTY
 GENERAL FUND - WOODS DAM SPECIAL TAX DISTRICT**

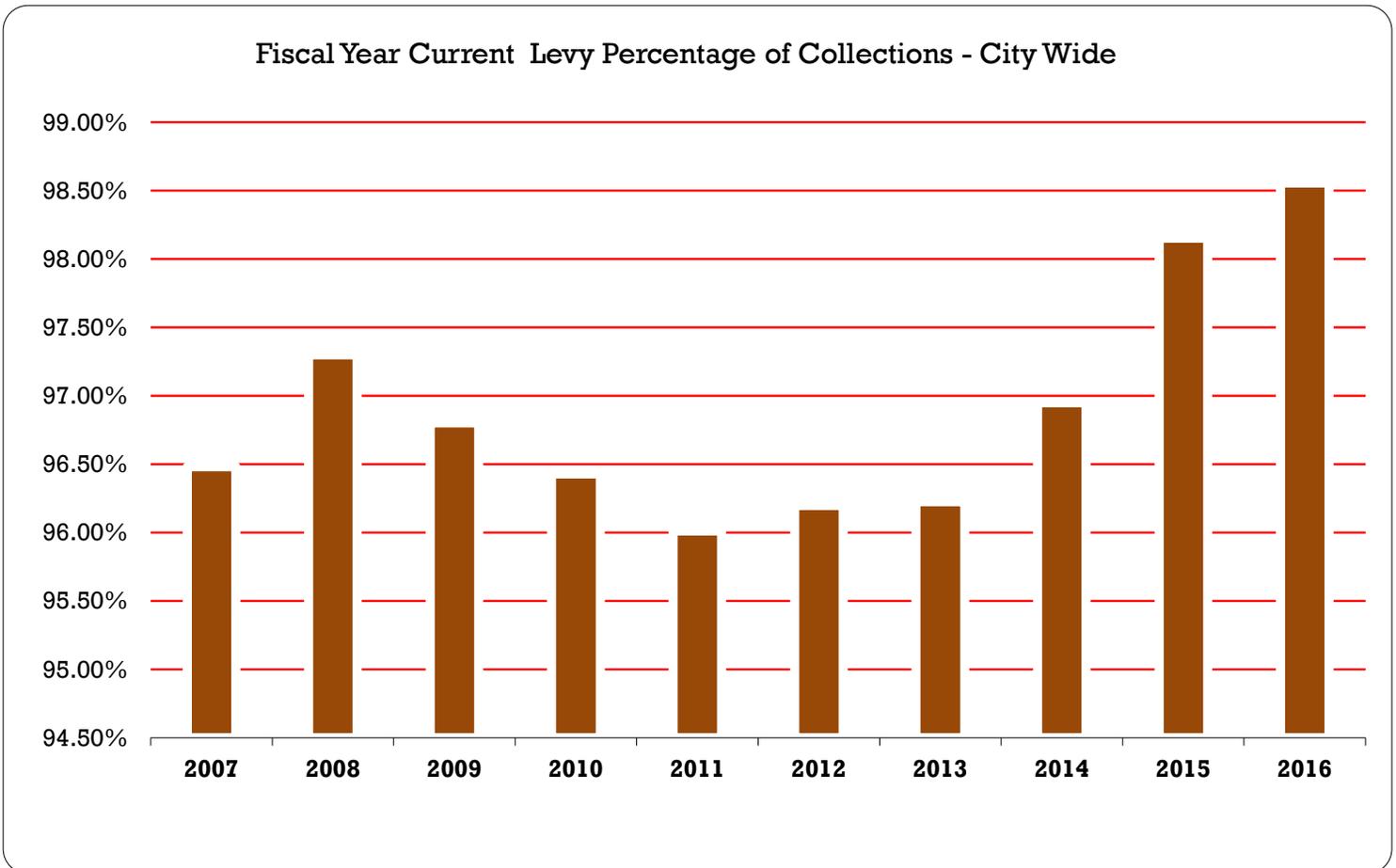
Fiscal Year Ended June 30	Assessed Value	Appraised Value	Ratio of Total Assessed Value to Total Appraised Value
2016	1,663,678	1,663,678	100%



**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
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%	223,200	12,069,094	100.00%	926,056	7.67%
2016	2015	12,074,692	11,900,200	98.55%	174,492	12,074,692	100.00%	783,173	6.49%

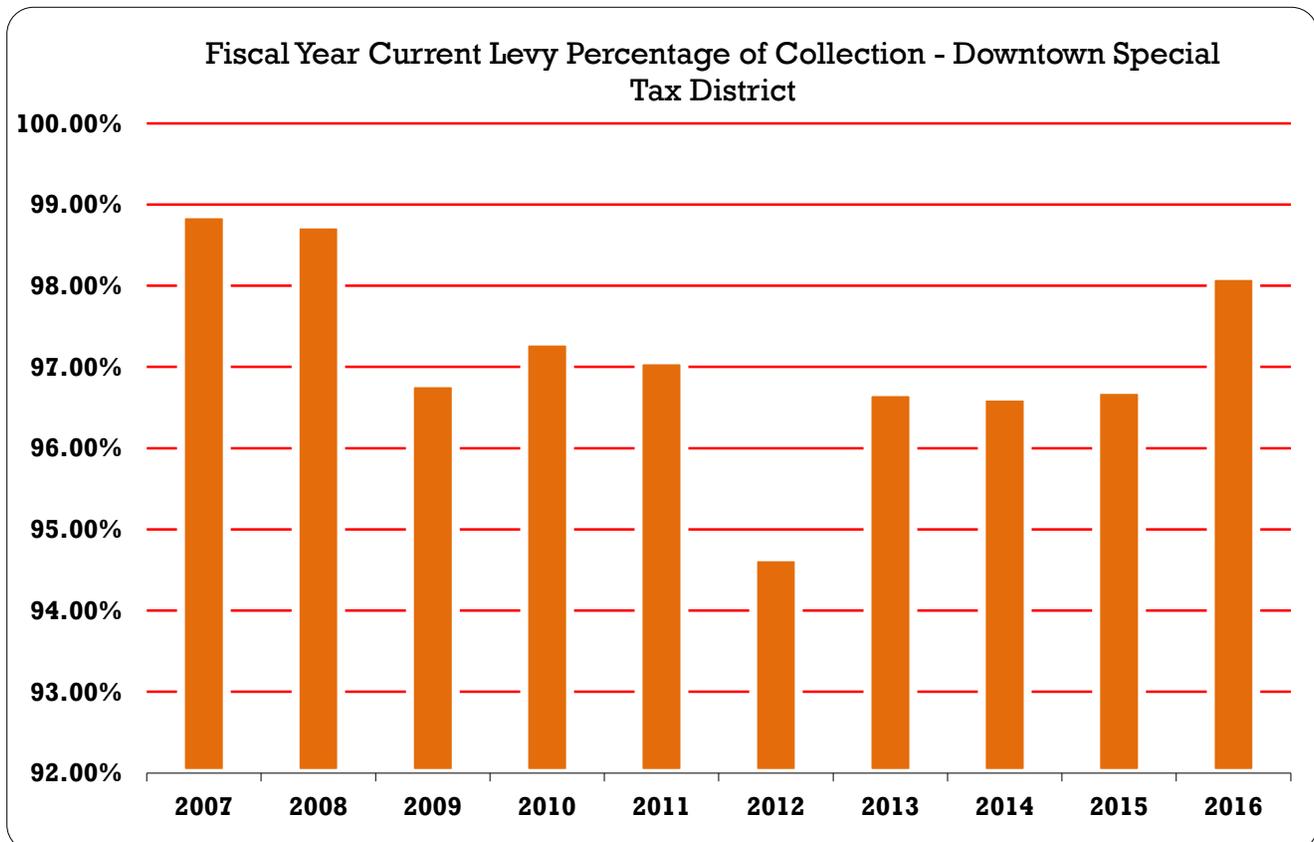
Note: Ratio of Total Tax Collections to Total Tax Levy includes only the current levy.



**CITY OF STATESVILLE, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
GENERAL FUND - DOWNTOWN 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
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%
2016	2015	115,487	113,314	98.12%	2,173	115,487	100.00%	6,817	5.90%

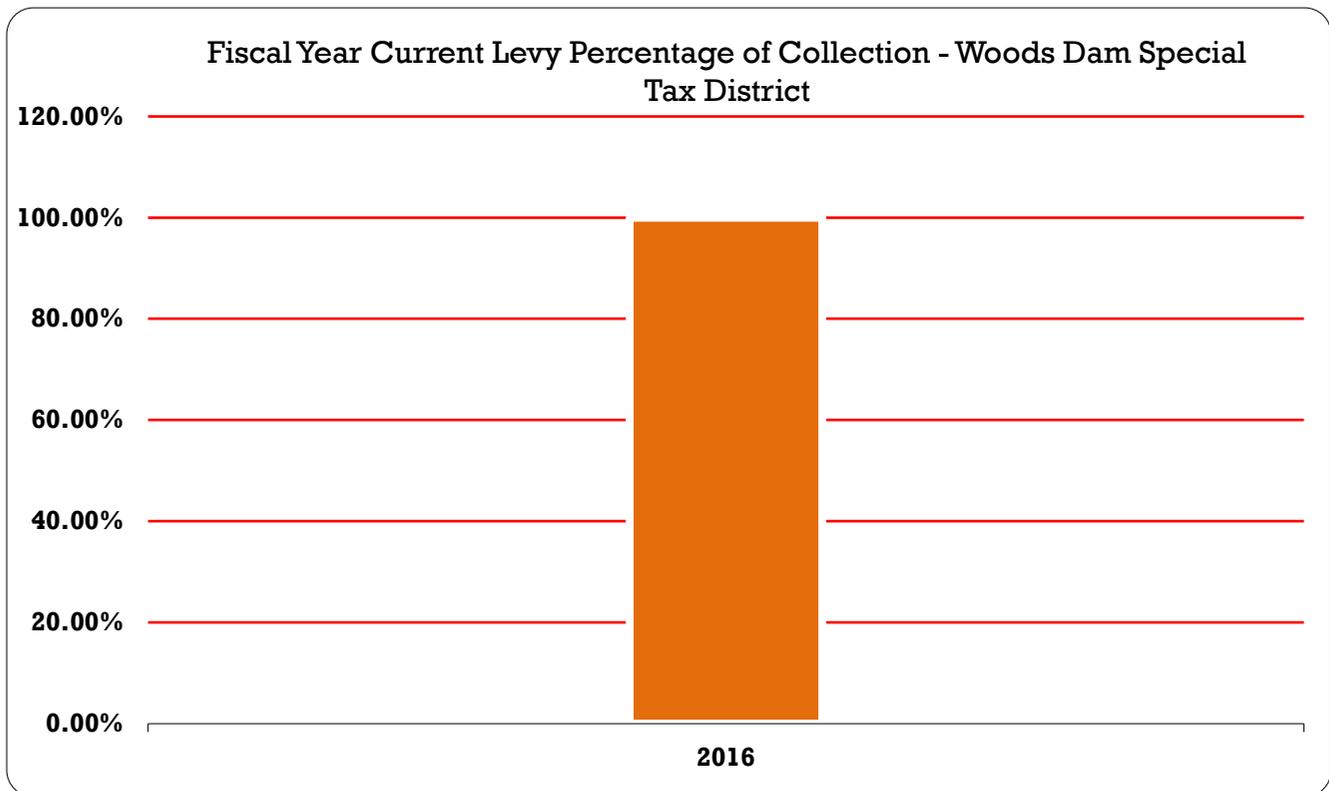
Note: Ratio of Total Tax Collections to Total Tax Levy includes only the current levy.



**CITY OF STATESVILLE, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
GENERAL FUND - WOODS DAM SPECIAL TAX DISTRICT**

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
2016	2015	\$ 3,494	\$ 3,494	100.00%	\$ -	\$ 3,494	100.00%	\$ -	0.00%

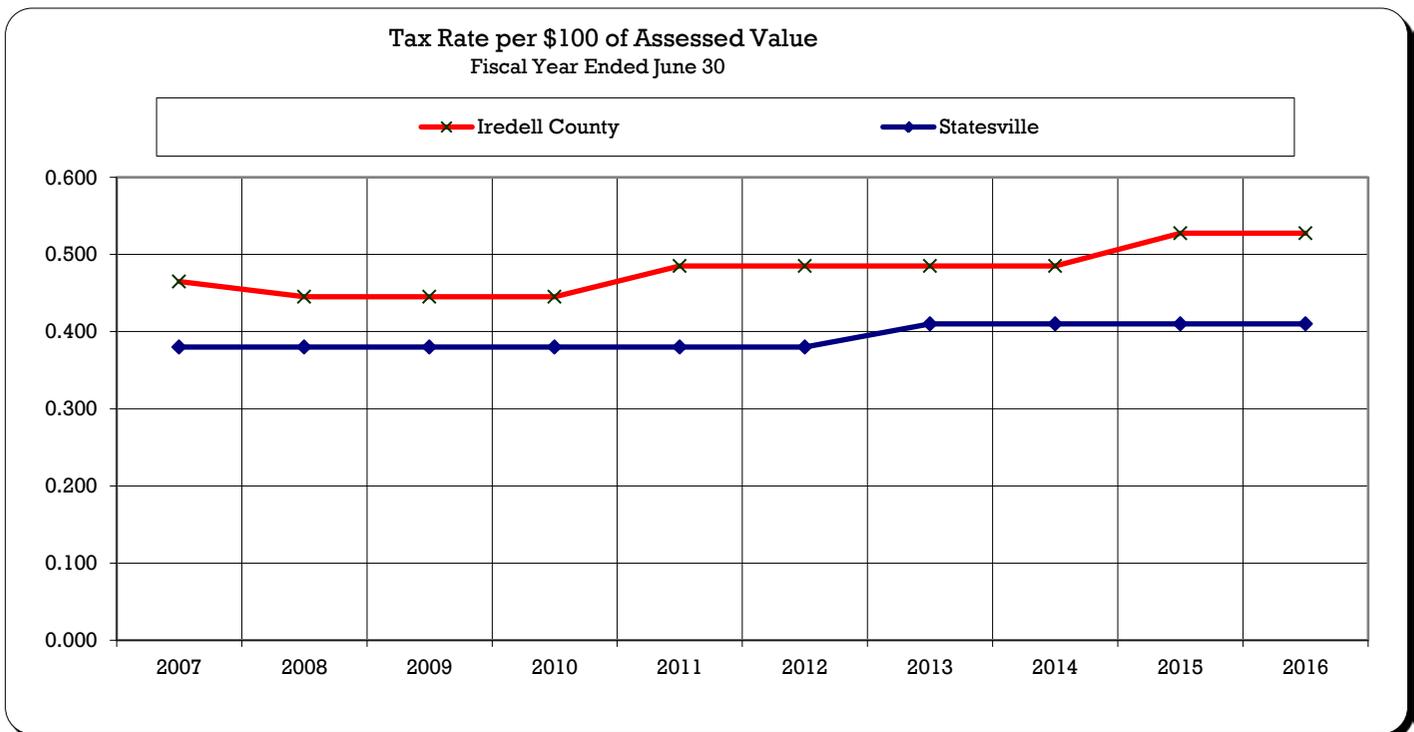
Note: Ratio of Total Tax Collections to Total Tax Levy includes only the current levy.



**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	Woods Dam Special District	City of Statesville Direct ⁽¹⁾Tax Rate	Iredell County Tax Rate	City of Statesville Direct Tax Rate Plus County Tax Rate
2007	0.380	0.100	-	0.384	0.465	0.849
2008	0.380	0.100	-	0.383	0.445	0.828
2009	0.380	0.100	-	0.383	0.445	0.828
2010	0.380	0.100	-	0.383	0.445	0.828
2011	0.380	0.100	-	0.384	0.485	0.869
2012	0.380	0.100	-	0.384	0.485	0.869
2013	0.410	0.100	-	0.414	0.485	0.899
2014	0.410	0.100	-	0.414	0.485	0.899
2015	0.410	0.100	-	0.414	0.528	0.941
2016	0.410	0.100	0.21	0.427	0.528	0.954

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



CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS - CITY WIDE (UNAUDITED)
June 30, 2016 and June 30, 2007

In accordance with GASB No. 44, the following tables present information for the City's principal property taxpayers as of June 30, 2016 and June 30, 2007 for City wide only.

June 30, 2016		Percentage of	Assessed	
Taxpayer	Type of Business	Total Assessed Valuation	Valuation	Tax Levy
Lowe's	Home Improvement Retailer	3.19%	\$ 93,417,795	\$ 383,013
Providencia USA, Inc.	Non-Woven Plastic Materials Mfg.	3.02%	88,506,414	\$ 362,876
Asmo NC, Inc.	Electric Motor Mfg.	2.27%	66,391,764	\$ 272,206
GS Statesville Green Land	Real Estate	0.93%	27,306,580	\$ 111,957
Clark Equipment Company	Heavy Equipment Manufacturer	0.91%	26,547,012	\$ 108,843
Statesville HMA, Inc.	Health Care Facility	0.75%	21,921,420	\$ 88,480
Bartlett Milling Company LP	Flour and Feed Milling	0.74%	21,667,095	\$ 88,835
Venture Properties I LLC	Commerical Development	0.65%	19,172,480	\$ 77,160
Centro NP Holdings	Real Estate	0.63%	18,417,090	\$ 75,510
RCC Shoppes At Broad St.	Merchandise Facility	0.54%	15,933,500	\$ 65,327
	Ten largest taxpayers	13.63%	399,281,150	1,634,207
	All other taxpayers	86.37%	2,530,838,643	10,440,485
	Total:	100.00%	\$ 2,930,119,793	\$ 12,074,692

June 30, 2007		Percentage of	Assessed	
Taxpayer	Type of Business	Total Assessed Valuation	Valuation	Tax Levy
Lowe's	Home Improvement Retailer	5.20%	\$ 129,311,374	\$ 491,383
Asmo NC, Inc.	Electric Motor Mfg.	2.32%	57,669,600	\$ 219,144
Statesville HMA, Inc.	Health Care Facility	1.14%	28,304,855	\$ 107,558
Excel Realty Trust of NC	Shopping Center	0.95%	23,546,720	\$ 89,478
Commscope, Inc.	Cable Manufacturer	0.75%	18,560,169	\$ 70,529
Wooten L.R.	Building and Storage	0.68%	16,955,250	\$ 64,430
Kewaunee Scientific	Scientific Equipment	0.64%	16,029,464	\$ 60,912
Hexcel Reinforcement Corp.	Fiberglass Manufacturing	0.59%	14,561,242	\$ 55,333
C & J Associates	Real Estate	0.62%	15,436,400	\$ 58,658
J.C. Penny	Distribution Center	0.61%	15,282,339	\$ 58,073
	Ten largest taxpayers	13.49%	335,657,413	1,275,498
	All other taxpayers	86.51%	2,152,448,496	7,851,800
	Total:	100.00%	\$ 2,488,105,909	\$ 9,127,298

Table 15

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL ELECTRIC CUSTOMERS
June 30, 2016 and June 30, 2007

Electric Customer	Type of Business	Dollar Amount of Annual Electric Charges	Percentage of Total Electric Charges for Services
June 30, 2016			
Providencia USA	Non-Woven Plastic Materials	2,982,278	6.5%
City of Statesville	Municipal Corporation	1,884,006	4.1%
Kewaunee Scientific	Scientific Equipment	1,177,514	2.6%
Iredell Memorial Hospital	Health Care Facility	983,879	2.2%
Accuma Corporation	Plastics/Batteries	816,198	1.8%
Hunt-Bienfang Manufacturing	Art Supply	605,606	1.3%
Statesville Housing Authority	Housing Authority	604,835	1.3%
Toter	Row out Bins	587,453	1.3%
International Paper	Wood/Veneers	491,182	1.1%
Uniwood Division	Manufacture	391,802	0.9%
	Ten largest electric users	10,524,753	23.1%
	All other electric users	35,044,350	76.9%
	Total electric charges	<u>\$ 45,569,103</u>	<u>100.0%</u>
June 30, 2007			
Commscope	Cable Manufacturer	\$ 1,503,439	4.3%
City of Statesville	Municipal Corporation	1,150,965	3.3%
Kewaunee Scientific	Scientific Equipment	748,262	2.2%
International Paper	Paper Products	746,590	2.2%
Hunt Manufacturing	Art Supply	721,984	2.1%
Accuma Corporation	Plastics/Batteries	697,988	2.0%
Iredell Memorial Hospital	Health Care Facility	669,964	1.9%
Mocar Industries/Finishing	Knit Fibers	567,767	1.6%
J C Steele & Sons	brick Making Machinery	493,415	1.4%
Bruce Hardwood Flooring	Wood Products	453,019	1.3%
	Ten largest electric users	7,753,393	22.4%
	All other electric users	26,890,041	77.6%
	Total electric charges	<u>\$ 34,643,434</u>	<u>100.0%</u>

Source: City of Statesville's utility billing records.

Table 16

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL WATER CUSTOMERS
June 30, 2016 and June 30, 2007

Water Customer	Type of Business	Dollar Amount of Annual Water Charges	Percentage of Total Water Charges for Services
June 30, 2016			
West Iredell Water Corp.	Utility	\$ 111,471	2.7%
Statesville Housing Authority	Housing Authority	89,075	2.2%
Iredell Memorial Hospital	Health Care Facility	53,630	1.3%
Iredell Water Corporation	Utility	46,995	1.2%
Rental Uniform Svc. Inc.	Apparel Rental	38,246	0.9%
Clark-Schwebel Fiber	Textile Manufacturer	35,800	0.9%
Sava Senior Care	Assistance Living	32,225	0.8%
Mocaro Industries/Finishing	Knit Fabrics	31,717	0.8%
Kewaunee Scientific	Scientific Equipment	30,311	0.7%
Watercrest Estates	Real Estate	23,277	0.6%
	Ten largest water users	492,747	12.1%
	All other water users	3,590,602	87.9%
	Total water charges	<u>\$ 4,083,349</u>	<u>100.0%</u>
June 30, 2007			
Mocaro Industries/Finishing	Knit Fabrics	\$ 268,998	7.0%
Town of Troutman	Municipal Corporation	119,337	3.1%
West Iredell Water Corp.	Utility	113,711	3.0%
Statesville Housing Authority	Housing Authority	92,631	2.4%
Iredell Water Corporation	Utility	86,842	2.3%
City of Statesville	Municipal Corporation	58,429	1.5%
Iredell Memorial Hospital	Health Care Facility	47,419	1.2%
Mariner Post Acute	Health Care Facility	36,325	0.9%
Clark-Schwebel Fiber	Fiberglass	35,356	0.9%
Rental Uniform Svc. Inc.	Apparel Rental	28,276	0.7%
	Ten largest water users	887,324	23.2%
	All other water users	2,937,756	76.8%
	Total water charges	<u>\$ 3,825,080</u>	<u>100.0%</u>

Source: City of Statesville's utility billing records.

Table 17

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL SEWER CUSTOMERS
June 30, 2016 and June 30, 2007

Sewer Customer	7865 Type of Business	Dollar Amount of Annual Sewer Charges	Percentage of Total Sewer Charges for Services
June 30, 2016			
Town of Troutman	Utility	\$ 280,060	4.6%
Mocaro Industries/Finishing	Knit Fabrics	268,138	4.4%
Statesville Housing Authority	Housing Authority	144,472	2.4%
Iredell-Statesville School Adm	School System	88,899	1.4%
Iredell Memorial Hospital	Health Care Facility	87,968	1.4%
Rental Uniform	Apparel Rental	67,547	1.1%
Clark-Schwebel Fiber	Fiberglass	58,811	1.0%
Sava Senior Care	Assistance Living	52,796	0.9%
Kewaunee Scientific	Scientific Equipment	49,793	0.8%
Watercrest Estates	Real Estate	37,865	0.6%
	Ten largest sewer users	1,136,349	18.5%
	All other sewer users	4,998,145	81.5%
	Total sewer charges	<u>\$ 6,134,494</u>	<u>100.0%</u>
June 30, 2007			
Mocaro Industries/Finishing	Knit Fabrics	\$ 480,194	8.6%
Town of Troutman	Municipal Corporation	188,475	3.4%
Millard Refrigeration	Processing Plant	162,101	2.9%
Statesville Housing Authority	Housing Authority	150,830	2.7%
Iredell Memorial Hospital	Health Care Facility	77,809	1.4%
Mariner Post Acute	Health Care Facility	59,639	1.1%
Clark-Schwebel Fiber	Fiberglass	58,162	1.0%
Rental Uniform	Apparel Rental	50,822	0.9%
Kewaunee Scientific	Scientific Equipment	39,819	0.7%
Davis Hospital	Health Care Facility	31,947	0.6%
	Ten largest sewer users	1,299,798	23.1%
	All other sewer users	4,315,782	76.9%
	Total sewer charges	<u>\$ 5,615,580</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			
2007	\$ 125,000	\$ 2,640,000	\$ 1,325,000	\$ 17,518,352	\$ 21,608,352	0.12%	\$ 828
2008	100,000	2,310,000	1,025,000	17,011,175	20,446,175	0.13%	765.66
2009	75,000	1,980,000	725,000	16,055,796	18,835,796 ⁽¹⁾	0.14% ⁽²⁾	696.62
2010	50,000	3,597,000	425,000	15,054,266	19,126,266 ⁽¹⁾	0.14% ⁽²⁾	700.03
2011	25,000	10,072,300	120,000	14,052,736	24,350,036 ⁽¹⁾	0.10% ⁽²⁾	988.51
2012	25,000	8,847,600	120,000	13,051,207	24,350,036 ⁽¹⁾	0.10% ⁽²⁾	988.51
2013	-	7,622,900	80,000	12,049,677	19,752,577 ⁽¹⁾	0.12% ⁽²⁾	796.14
2014	-	6,398,200	-	20,159,905	26,558,105 ⁽¹⁾	0.10% ⁽²⁾	1,063.13
2015	-	5,173,500	-	29,681,145	34,854,645 ⁽¹⁾	0.06% ⁽²⁾	1,395.25
2016	-	4,275,800	-	31,790,563	36,066,363 ⁽¹⁾	0.07% ⁽²⁾	1,436.79

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 Carolina Department of Commerce. Information for the year 2014 for Iredell County was \$26,392 per capita.

^{2.} From the North Carolina Office of Management and Budget. For the report fiscal year are projections from the For fiscal year 2016 the population projections are from the North Carolina Office of Management and Budget as of July 1, 2016. Estimate population for fiscal year 2017: 25,102

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		
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%	-
2016	-	-	-	-	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
Computation of Legal Debt Margin
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Years 2012 to 2016:	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Debt Limit	\$ 235,459	\$ 235,459	\$ 232,800	\$ 234,856	\$ 232,915
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 235,459</u>	<u>\$ 235,459</u>	<u>\$ 232,800</u>	<u>\$ 234,856</u>	<u>\$ 232,915</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%
Legal Debt Margin Calculation for the current Fiscal Year:					
Total assessed value					\$ 2,928,588
Less current year abatements					<u>(17,146)</u>
Assessed value of taxable property					2,911,442
Debt limit - eight percent (8%) of assessed value					<u>232,915</u>
Amount of debt applicable to debt limit:					
Total bonded debt					<u>-</u>
Legal debt margin					<u>\$ 232,915</u>
 Fiscal Years 2007 to 2011:					
	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Debt Limit	\$ 200,010	\$ 227,057	\$ 240,336	\$ 240,695	\$ 243,574
Total net debt applicable to limit	<u>1,450</u>	<u>1,125</u>	<u>800</u>	<u>475</u>	<u>25</u>
Legal debt margin	<u>\$ 198,560</u>	<u>\$ 225,932</u>	<u>\$ 239,536</u>	<u>\$ 240,220</u>	<u>\$ 243,549</u>
Total net debt applicable to the limit as a percentage of debt limit	0.72%	0.50%	0.33%	0.20%	0.01%

CITY OF STATESVILLE, NORTH CAROLINA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT (UNAUDITED)
June 30, 2016

Jurisdiction	Principal	Allocated Amount	Total
Direct debt:			
City of Statesville	(1) \$ 4,278,800	100%	\$ 4,278,800
Overlapping debt:			
Iredell County	(1) <u>207,634,049</u>	11%	<u>22,447,069</u>
	<u>\$ 211,912,849</u>		<u>\$ 26,725,869</u>

(1) Long-term includes general obligation bonds, commercial loans, lease purchase, and certificates of participation. Compensated absences, other post employee benefits, 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⁾
2007	26,094	\$ 26,399	4.6%	37.26	20,792
2008	26,704	26,818	6.1%	38.00	21,236
2009	27,039	25,743	12.9%	38.00	21,168
2010	27,322	26,641	12.6%	39.00	21,146
2011	24,532	25,018	11.6%	37.10	21,130
2012	24,633	24,559	10.1%	37.10	21,239
2013	24,710	24,633	9.2%	37.10	21,447
2014	24,981	26,031	6.5%	40.00	21,239
2014	24,981	26,031	6.5%	40.00	20,863
2015	24,981	20,188	5.9%	40.00	20,967
2016	25,102	26,392	4.9%	40.00	20,643

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 2016 of 25,102 was the basis for allocating sales tax for fiscal year 2017.

^{2.} Information on the City of Statesville alone is not available. The data presented are for Iredell County and were obtained from the North Carolina Department of Commerce. Information for fiscal year 2014 for Iredell County was \$26,392.

^{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).

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL EMPLOYERS
June 30, 2016 and June 30, 2007

<u>Company or Organization</u> ⁽¹⁾	<u>6/30/2016</u>			<u>6/30/2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total County Employment</u>
Iredell Statesville Schools	2,600	1	3.73%	2,600	1	3.47%
Iredell Memorial Hospital	1,550	2	2.22%	1,500	2	2.00%
Iredell County Government	1,357	3	1.95%	721	3	0.96%
Lowe's Regional Distribution	823	4	1.18%	500	7	0.67%
Piedmont Healthcare	815	5	1.17%	450		0.60%
JC Penney Distribution	620	6	0.89%	600	6	0.80%
ASMO of NC, Inc.	510	7	0.73%	606	5	0.81%
Davis Regional Medical Center	505	8	0.72%	640	4	0.85%
Doosan Infracore	500	9	0.72%			
Engineered Sintered Components	475	10	0.68%			
All other	<u>59,936</u>		<u>86.00%</u>	<u>67,326</u>		<u>89.84%</u>
Total Employed	<u>69,691</u>		<u>100.00%</u>	<u>74,943</u>		<u>100.00%</u>

Sources:

- (1) Greater Statesville Development Corporation.
- (2) Total Iredell County employed from the North Carolina Department of Commerce as of June 2014.
- (3) June 30, 2005 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	2006-2007	2007-2008	2008-2009	2009-2010
General Government Activities:				
General government:				
Personnel				
Number of new hires-full time	40	50	43	33
Number of new hires-part-time	90	80	70	97
Turnover rate	10.00%	9.00%	8.50%	6.00%
Public Safety:				
Police				
UCR Part 1 Violent Crime	322	278	222	274
Vehicle Crashes Investigated	1,991	1,986	1,818	1,932
Number of incoming calls	109,569	116,349	104,514	109,351
Fire				
Fire emergency responses	1,419	1,450	1,709	1,644
City-wide fire loss	\$ 1,040,425	\$ 1,849,593	\$ 1,132,213	\$ 942,350
Number of fire inspections	1754	850	792	816
Investigations	23	15	17	34
Transportation:				
Street Department				
Miles of street resurfacing	3.00	3.00	2.85	6.11
Environmental protection:				
Sanitation				
Number of household collection points	9,700	9,700	9,900	9,700
Cost per ton collected	\$ 54.00	\$ 61.00	\$ 52.00	\$ 53.00
Cemeteries				
Number of burials	247	230	230	325
Recreation:				
Fitness Center Avg. Daily Attendance (2)	N/A	N/A	N/A	N/A
Leisure Pool Avg. Daily Attendance (3)	N/A	N/A	N/A	N/A

(1) Source: Various City departments.

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

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

Table 24

<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
43	23	20	26	33	42
110	80	96	117	100	96
8.00%	8.20%	9.60%	7.80%	10.86%	11.67%
119	123	123	126	159	N/A
1,725	1,690	1,690	1,665	1,665	1,665
58,060	93,590	93,590	89,679	94,603	73,836
1,822	1,890	1,890	2,197	4,015	3,634
\$ 488,735	\$ 1,373,470	\$ 1,462,225	\$ 713,190	\$ 412,525	\$ 1,558,700
863	777	777	987	985	1099
15	22	9	20	20	23
4.54	3.22	4.11	4.10	3.71	4.00
9,546	9,546	9,546	9,342	9,700	9,700
\$ 63.00	\$ 60.00	\$ 60.00	\$ 78.00	\$ 84.00	\$ 84.00
230	230	230	239	219	213
N/A	262	262	288	260	204
N/A	428	428	402	420	424

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

Function/Program	2006-2007	2007-2008	2008-2009	2009-2010
Business-type activities:				
Electric:				
⁽²⁾ Kwh purchased	498,061,811	495,329,967	458,127,075	451,517,939
Purchased power cost	\$30,115,860	\$31,545,275	\$31,427,382	\$32,503,039
⁽²⁾ Cost per kwh	0.0605	0.0637	0.0686	0.0720
⁽²⁾ Kwh sold	472,258,240	476,017,550	438,703,511	431,589,090
Electric Billed	\$34,581,935	\$36,638,668	\$35,710,561	\$38,700,180
⁽²⁾ Sold per kwh	0.0732	0.0770	0.0814	0.0897
Accounting/line kwh loss	25,803,571	19,312,417	19,423,564	19,928,849
Loss as a percent of billed kwh	5.46%	4.06%	4.43%	4.62%
Average number of customers	12,802	12,856	13,046	12,928
Average days in billed/unbilled receivable	48.21	44.90	45.92	43.29
Water:				
⁽³⁾ Water MG average annually treated	1,429	1,378	1,186	1,169
⁽⁴⁾ Sold Water to Customers MG	N/A	1,323	1,048	956
Accounting/line loss	N/A	55	138	213
⁽⁴⁾ Loss as a percent of billed water	N/A	3.99%	11.60%	18.25%
⁽⁴⁾ Average number of water customers	11,228	11,282	11,472	11,354
Billed water customers	\$3,899,180	\$3,804,882	\$3,437,267	\$3,378,505
Average days in billed/unbilled receivable	48.35	42.29	47.30	51.92
Sewer:				
⁽³⁾ 3rd Creek treated- average daily MGD	1.54	1.30	1.31	1.58
⁽³⁾ 4th Creek treated - average daily MGD	2.88	2.97	3.17	3.23
⁽⁴⁾ Average number of water customers	10,238	10,292	10,482	10,364
Billed sewer customers	\$5,606,937	\$5,314,062	\$5,190,305	\$5,162,382
Average days in unbilled/billed receivable	47.64	44.66	48.34	45.97
Billed Sewer units in MG	N/A	N/A	N/A	N/A
Civic Center:				
⁽⁵⁾ Paid Bookings	423	557	607	572

⁽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.

⁽⁵⁾ This is a record number of event/bookings since the opening of the Civic Center.

Table 25

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
464,051,769	461,666,247	469,944,924	479,643,199	466,069,742	465,250,083
\$34,847,545	\$36,560,241	\$38,639,838	\$40,826,057	\$41,571,134	\$39,165,656
0.0751	0.0792	0.0822	0.0851	0.0892	0.0842
444,968,375	447,066,312	453,300,014	461,546,534	449,547,013	444,241,616
\$41,410,332	\$40,248,347	\$43,927,172	\$45,919,158	\$46,311,527	\$45,569,103
0.0931	0.0900	0.0969	0.0995	0.1030	0.1026
19,083,394	14,599,935	16,644,910	18,096,665	16,522,729	21,008,467
4.29%	3.27%	3.67%	3.92%	3.68%	4.73%
12,897	12,941	12,824	12,829	12,937	13,110
44.28	44.88	44.45	44.22	45.06	43.38
1,189	1,143	1,172	1,141	1,153	1,139
954	953	950	903	942	949
235	190	222	238	211	190
19.78%	16.59%	18.97%	20.86%	18.30%	16.69%
11,323	11,308	11,366	11,397	11,716	11,604
\$3,448,842	\$3,432,791	\$3,663,166	\$ 3,626,264	\$ 3,812,861	\$ 4,062,313
49.70	51.43	49.91	47.86	48.61	45.85
1.12	0.84	0.92	1.07	0.87	0.84
2.83	2.16	2.21	2.48	2.03	2.20
10,333	10,318	10,376	10,399	10,399	10,638
\$5,381,251	\$5,292,768	\$5,710,498	\$ 5,628,097	\$ 5,911,549	\$ 6,134,494
48.06	49.91	50.41	49.96	49.26	46.51
954	954	963	959	958	959
624	563	502	620	665	790

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

Function/Program	2006-2007	2007-2008	2008-2009	2009-2010
General Government Activities;				
General government:				
City hall	1	1	1	1
City office building	1	1	1	1
Garage	1	1	1	1
Warehouse	1	1	1	1
Public Safety:				
Police				
⁽⁴⁾ Number of police stations	4	4	4	2
Fire				
Number of fire stations	3	3	3	3
Transportation:				
Street miles	134.12	134.12	134.12	141.60
Airport - acres	389	388.78	388.78	390.41
Airport - terminals	1	1	1	1
Environmental protection:				
Sanitation - packers				
	9	9	8	9
Cemeteries				
⁽²⁾ Number of cemeteries	2	2	2	2
Cemeteries - acreage	52	52	60	60
Recreation:				
Parks - acreage	250	250	350	350
Number of Parks	20	20	20	20
Greenways/trails-miles	4.50	4.50	6.00	6.00
Soccer fields	7	7	7	7
Recreation Centers & Pool	2	2	2	4
Business-type activities:				
Electric:				
Miles of distribution lines	217	217	235	235
Number of substations	10	10	10	10
Water:				
Miles of distribution lines	202	202	272.29	272.29
Water treatment plants	1	1	1	1
⁽³⁾ Water plant capacity-MGD	15	15	15	15
Sewer:				
Miles of collection lines	244	244	274	274
Sewer treatment plants	2	2	2	2
⁽³⁾ 3rd Creek plant capacity-MGD	4	4	4	4
⁽³⁾ 4th Creek plant capacity-MGD	6	6	6	6
Civic Center:				
Civic Center	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 26

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
1	1	1	1	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	2
3	4	4	4	4	4
141.60	142.24	142.15	145.70	145.70	145.70
390.41	394	429.4	429.4	429.4	429.4
1	1	1	1	1	1
8	9	9	9	9	9
2	2	2	2	2	2
60	60	60	60	60	60
350	350	350	358	358	358
20	20	20	20	20	20
6.00	6.00	6.00	12.91	12.91	12.91
7	7	7	7	7	7
4	4	4	4	4	4
248.5	248.5	248.5	248.5	248.5	248.5
10	10	10	10	10	10
277	265	270	279	279	279
1	1	1	1	1	1
15	15	15	15	15	15
279	265	276	291	291	291
2	2	2	2	2	2
4	4	4	4	4	6
6	6	6	6	6	6
1	1	1	1	1	1

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

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
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	5	5	5	5	5	5	5	5
Information Technology	9	9	9	9	9	9	8	8	10	10
Purchasing	3	3	3	3	3	3	3	3	3	3
Human Resources	4	4	4	4	4	4	3	3	3	3
Planning	8	10	10	10	10	10	8	8	8	8
Public Works	6	6	6	6	6	6	4	4	4	4
Garage	9	9	9	9	9	9	9	9	9	9
Warehouse	1	1	1	1	1	1	-	-	-	-
Subtotal general government	63	65	66	66	66	66	59	59	61	61
Public Safety										
Police	90	94	98	99	99	101	96	96	97	97
Fire	55	55	71	59	59	74	73	73	72	70
Subtotal Public Safety	145	149	169	158	158	175	169	169	169	167
Transportation										
Street Department	21	21	21	21	21	21	17	17	17	17
Airport	-	1	1	1	1	1	1	1	1	-
Subtotal Transportation	21	22	22	22	22	22	18	18	18	17
Environmental protection										
Sanitation	28	28	31	31	31	31	28	28	26	26
Subtotal environmental protect	28	28	31	31	31	31	28	28	26	26
Recreation										
Recreation Administration	3	3	3	3	3	3	3	3	3	3
Athletics	2	2	2	2	2	2	1	1	1	1
Programs	6	6	7	3	3	3	3	3	3	3
Fitness & Activity Center	-	-	-	4	4	4	4	4	4	4
Parks	7	7	7	7	7	7	12	12	12	12
Urban Forestry	4	4	4	4	4	4	-	-	-	-
Public Grounds/Cemeteries	8	8	8	8	8	8	5	5	5	5
Subtotal Recreation	30	30	31	31	31	31	28	28	28	28
Total Governmental	287	294	319	308	308	325	302	302	302	299
Business-type activities										
Airport Operating	-	-	-	-	-	-	-	-	-	2
Electric	29	31	34	34	34	34	31	31	32	33
Sewer Maintenance	7	7	7	7	7	7	6	6	6	6
Water Maintenance	14	16	16	16	16	16	15	15	15	15
Water Plant	12	12	12	12	12	12	12	12	12	12
Third Creek WWTP	7	7	7	7	7	7	7	7	7	7
Sewer Treatment Plants	15	15	15	15	15	15	15	15	15	15
Civic Center	7	7	7	7	7	7	7	7	7	7
Subtotal Business-type	93	97	100	100	100	100	94	94	94	97
Total primary government	380	391	419	408	408	425	396	396	396	396

Source: City of Statesville's adopted operating budget.

COMPLIANCE SECTION

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CITY OF STATESVILLE NORTH CAROLINA

COMPLIANCE LETTERS

FOR THE YEAR ENDED JUNE 30, 2016

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

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

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Statesville as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Statesville's basic financial statements, and have issued our report thereon dated December 9, 2016. Our report includes a reference to other auditors who audited the financial statements of the City of Statesville ABC Board, as described in our report on the City of Statesville, North Carolina'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 the Statesville Convention and Visitors Bureau were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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.

730 13th Avenue Drive SE ♦ Hickory, North Carolina 28602 ♦ Phone 828-327-2727 ♦ Fax 828-328-2324
13 South Center Street ♦ Taylorsville, North Carolina 28681 ♦ Phone 828-632-9025 ♦ Fax 828-632-9085
Toll Free Both Locations 1-800-948-0585 ♦ Website: www.martinstarnes.com

Our consideration of 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2016-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Statesville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Statesville's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
December 9, 2016

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

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

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Uniform Guidance; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Statesville, North Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. The City of Statesville's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Statesville's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of 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, 2016.

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 each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Statesville's internal control over compliance.

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
December 9, 2016

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

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Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report On Compliance for Each Major State Program

We have audited the City of Statesville, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Statesville's major State programs for the year ended June 30, 2016. The City of Statesville's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with 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; applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of 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 of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2016.

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 each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with the Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Statesville's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
December 9, 2016

CITY OF STATESVILLE, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. Summary of Auditor's Results

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(s) identified? None reported

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

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

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

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
Clean Water State Revolving Fund Cluster	66.458

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? No

CITY OF STATESVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

State Awards

Internal control over major State programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

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

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

Identification of major State programs:

Program Name

Powell Bill

2. Financial Statement Findings

Material Weakness

Finding 2016-001

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

Condition: A prior period adjustment is required to correct material errors that occurred in periods prior to the current fiscal year under audit. The necessity of a prior period adjustment indicates that the City's system of controls did not detect and prevent a material error in financial reporting.

Context: Capital assets were understated for the year ended June 30, 2015. Beginning capital assets were restated to correct the error.

Effect: Errors in financial reporting occurred in governmental activities.

Cause: Failure to properly recognize capital asset acquisitions.

Recommendation: Care should be taken to ensure that capital assets are properly recognized and classified on the general ledger.

Contact Person: Ralph Staley

Views of Responsible Officials and Planned Corrective Actions: The City agrees with this finding and will adhere to the corrective action plan in the Corrective Action Plan section of this audit report.

CITY OF STATESVILLE, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

3. Federal Award Findings and Questioned Costs

None reported

4. State Award Findings and Questioned Costs

None reported

CITY OF STATESVILLE, NORTH CAROLINA

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016**

Finding: 2016-001

Name of Contact Person: Ralph Staley, Finance Director

Corrective Action: Management concurs and will place stringent internal controls on ensuring that all capital acquisitions are properly account for.

CITY OF STATESVILLE, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

No prior year findings

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2016

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant/WBS Number	Federal Direct Pass-Through Expenditures	State Expenditures
Federal Grants:				
<u>U.S. Department of Housing & Urban Development</u>				
Passed through Cabarrus/ Iredell/Rowan:				
Home Investment Partnership Program FY 2014-2015	14.239	M-01-DC370	126,508	-
Home Investment Partnership Program FY 2015-2016	14.239	M-01-DC370	- <u>102,146</u>	- -
Total U.S. Department of Housing & Urban Development			<u>228,654</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
Passed through N.C. Department of Transportation:				
Division of Aviation:				
Airport Improvement Program: LAYOUT PLAN	20.106	36237.46.14.1	168,087	-
Airport Improvement Program: TAXIWAY A LIGHTING REHABILITATION/PAPIS	20.106	36237.46.15.1	96,457	-
Highway Planning, & Construction Cluster: I-77 REST AREA PROJECT	20.205-1CL	DOT-18	- <u>169,727</u>	- <u>42,432</u>
Total U.S. Department of Transportation			<u>434,271</u>	<u>42,432</u>
<u>U.S. Department of Justice</u>				
Direct Program				
Public Safety Partnership and Community Policing Grant	16.710	2013-UM-WX-0154	142,975	-
Passed through N.C. Department of Public Safety: Violence Against Women Formula Grants	16.588	2015-WF-AX-0025	- <u>115,902</u>	- -
Total U.S. Department of Justice			<u>258,877</u>	<u>-</u>
<u>U.S. Environmental Protection Agency</u>				
Passed through N.C. Department of Environment and Natural Resources:				
Clean Water State Revolving Fund Cluster				
Capitalization Grants for Clean Water State Revolving Funds:				
3rd Creek Wastewater Treatment Plant	66.458	E-SRF-T-13-0326	19,373,959	-
4th Creek Wastewater Treatment Plant	66.458	E-SRF-T-13-0361	- <u>4,418,211</u>	- -
Total U.S. Environmental Protection Agency			<u>23,792,170</u>	<u>-</u>
State Grants:				
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-4 32570	-	<u>748,401</u>
Total N.C. Department of Transportation			<u>-</u>	<u>748,401</u>
<u>N.C. Department of Public Safety</u>				
Governor's Crime Commission:				
Communication Improvements		PROJ010057	-	<u>60,000</u>
Total N.C. Department of Public Safety			<u>-</u>	<u>60,000</u>
Total Federal Grants			<u>24,713,97</u>	
Total State Grants				<u>850,833</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Statesville under the program of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Statesville, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Statesville.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. City of Statesville has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Loans Outstanding

City of Statesville had the following loan balances outstanding at June 30, 2016 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2016 consist of:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Clean Water Revolving Fund	66.458	E-SRF-T-13-0326	\$ 18,327,264
Clean Water Revolving Fund	66.458	E-SRF-T-13-0361	4,418,211

The difference between the SEFSA balances and loan balances are the current year debt service payments