

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

***For Fiscal Year Ended
June 30, 2017***

***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, 2017
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November 20, 2017

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, 2017. 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 ended June 30, 2017.

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, 2017 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, 2017 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 225 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 25,363.

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, 2017, the unemployment rate in Iredell County reduced to 5.3%; a 0.2% 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 regional 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 September 2016, the City acquired land in downtown adjacent to City owned property for future endeavors. Additionally, the renovation of the Vance Hotel and parking deck is underway for future rental space and downtown parking availability.

In 2017, a new grant was awarded to the Airport for \$8,000,000. This grant is being used to construct a new southeast parallel taxiway. 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 99% complete as of June 30, 2017.

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 in most cases.

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, 2016. This was the twenty-seventh 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, 2016. This was the sixteenth 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.

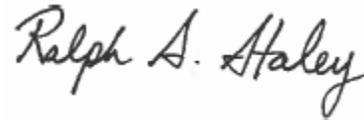
Letter of Transmittal

The preparation of this report could not have been accomplished without the assistance and dedication of the entire staff of the Finance Department. 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, 2017

LIST OF PRINCIPAL OFFICIALS

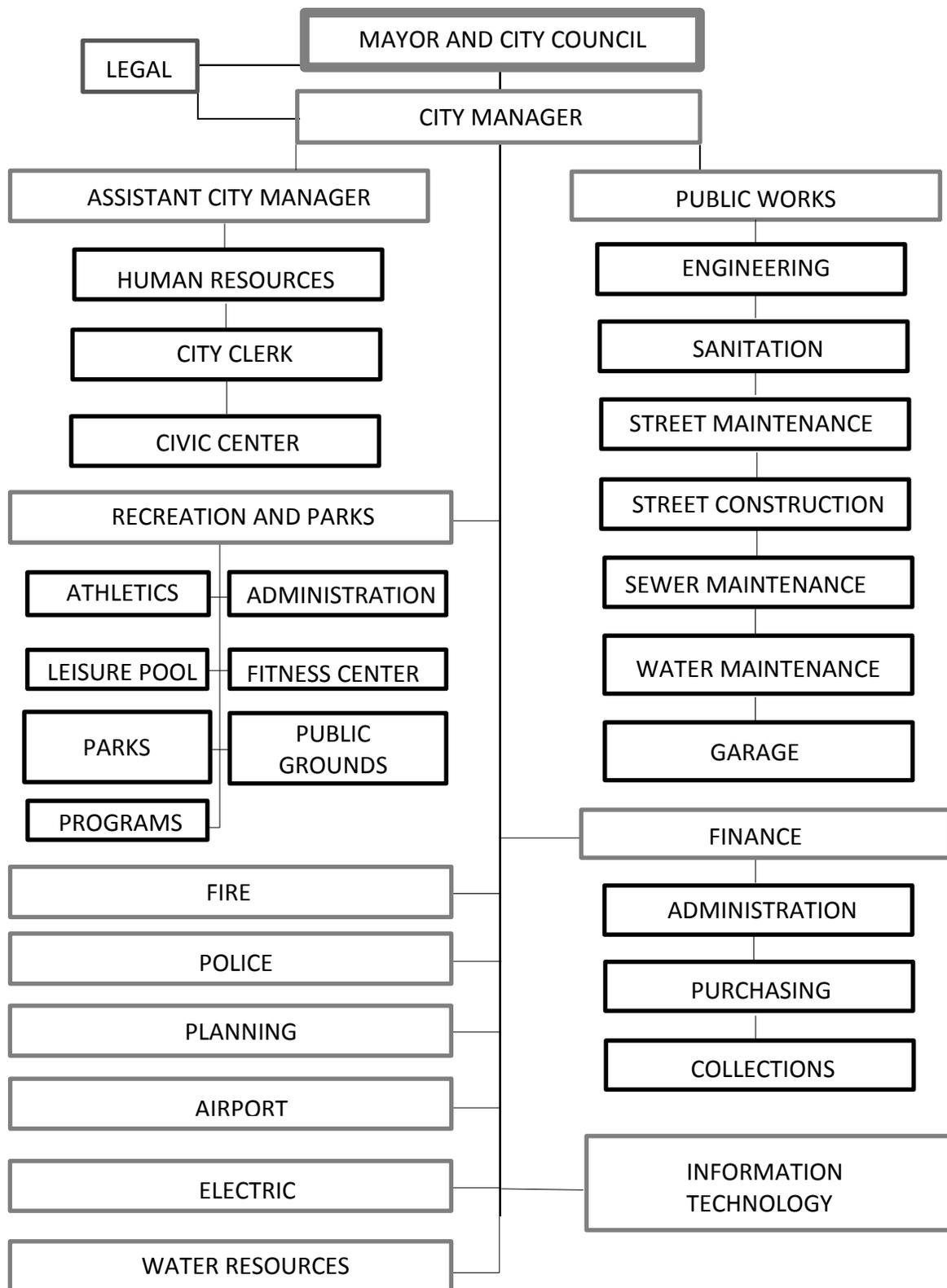
Elected Officials – City Council

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 Leah Gaines Messick
City Clerk Brenda J. Fugett
Electric Utility Director John M. Maclaga
Finance Director Ralph S. Staley
IT Director Nikki L. Gregory
Fire Chief Spencer E. Lee
Recreation and Parks Director James Brent Cornelison
Planning Director David H. Carrier
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, 2016

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, 2017, 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 93.52 percent, 87.42 percent, and 96.84 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 the other 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, 2017, 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.

Change in Accounting Principle

As discussed in Note X to the financial statements, for fiscal year ending June 30, 2017 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions, 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditor have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide 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 November 20, 2017, 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 solely 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 effectiveness of the City's 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
November 20, 2017

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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, 2017. 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

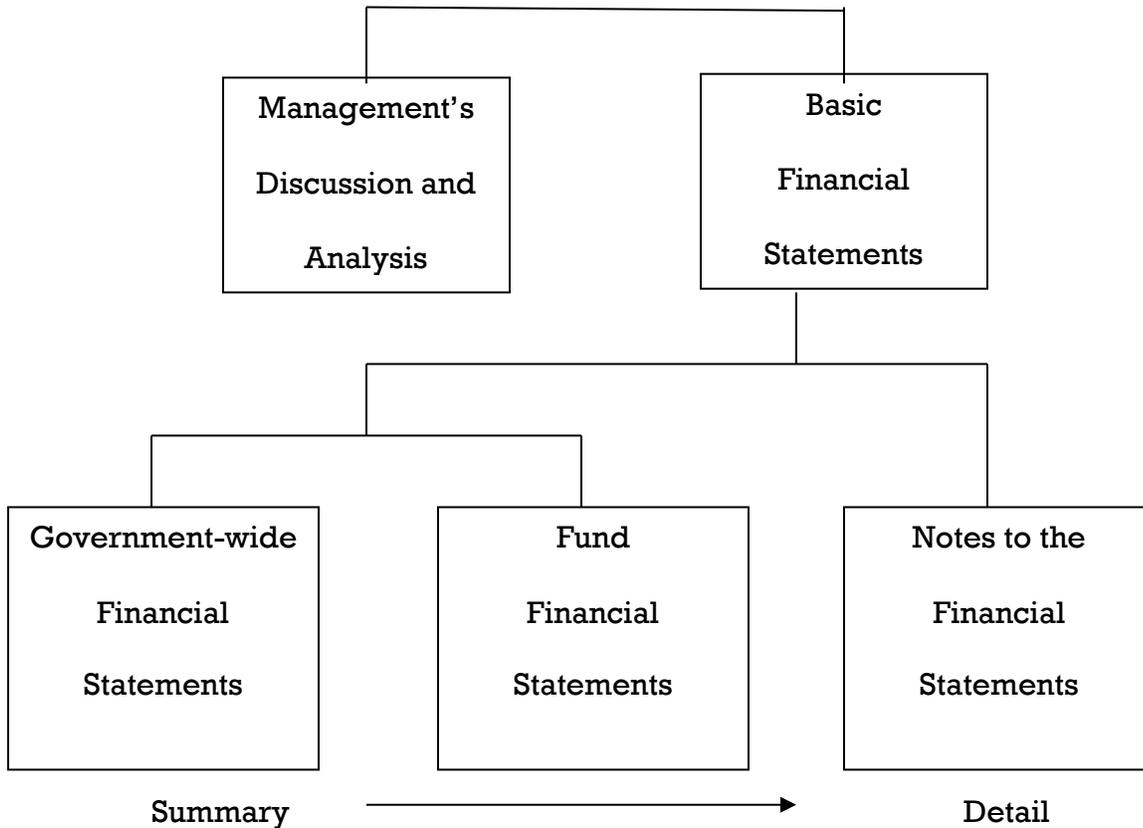
- The assets and deferred outflows of resources of the City of Statesville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$206,666,043 (*net position*).
- The City's total net position increased by \$4,626,460, this was due to the operating results of the City's governmental activities of \$646,538, business-type increase of \$3,979,922, and implementation of GASB 73.
- As of the close of the current fiscal year, the City of Statesville's governmental funds reported combined ending fund balances of \$31,985,200, an increase of \$1,453,015 in comparison with the prior year as a result of a household solid waste fee implementation, a five cent per \$100 of assessed valuation property tax rate increase, and sales tax revenue increases. Approximately 55.63% of this total amount or \$17,792,777 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 \$17,792,777 or 65.17% of total General Fund expenditures and transfers out.
- The City of Statesville's total debt decreased by a net amount of \$3,011,098 during the current fiscal year. The decrease is the result of the City's completion of its two sewer treatment plants improvements and expansion. The entire Water and Sewer Fund's debt is with the State Revolving Fund.
- The City of Statesville has no outstanding bonded debt and therefore has no current bond rating. The most recent rating was an A1 bond rating from Moody's Investor Service and an 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, 2017

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
June 30, 2017

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, 2017**

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 35,168,856	\$ 34,566,892	\$ 51,230,262	\$ 47,261,224	\$ 86,399,118	\$ 81,828,116
Capital assets	46,076,432	47,033,017	123,520,421	125,571,720	169,596,853	172,604,737
Total current assets	81,245,288	81,599,909	174,750,683	172,832,944	255,995,971	254,432,853
Deferred outflow of resources	3,938,600	1,519,089	1,216,420	254,451	5,155,020	1,773,540
	85,183,888					
Long-term liabilities outstanding	10,614,127	6,175,806	29,608,082	30,690,559	40,222,209	36,866,365
Other liabilities	4,688,699	4,980,156	9,266,701	9,184,298	13,955,400	14,164,454
Total current liabilities	15,302,826	11,155,962	38,874,783	39,874,857	54,177,609	51,030,819
Deferred inflows of resources	244,151	526,631	63,188	163,328	307,339	689,959
Net position:						
Net invested in capital assets, net of related debt	42,692,332	42,754,217	93,846,256	93,781,157	136,538,588	136,535,374
Restricted	6,877,891	5,438,752	-	-	6,877,891	5,438,752
Unrestricted	20,066,688	23,243,436	43,182,876	39,268,053	63,249,564	62,511,489
Total net position	\$ 69,636,911	\$ 71,436,405	\$ 137,029,132	\$ 133,049,210	\$ 206,666,043	\$ 204,485,615

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 \$206,666,043 as of June 30, 2017. The City's net position increased by \$7,787,938 for the fiscal year ended June 30, 2017. However, the largest portion of net position (66.01%) 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 \$6,877,891 (3.33%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$63,249,564 (30.60%) is unrestricted.

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

- Ad valorem tax revenues increased \$1,713,345 or 14.12% due primarily to a tax rate increase from \$.41 to \$.46 per \$100 of assessed value.
- Water and Sewer's System Development Fees increased \$147,462 or 29.68%.
- A residential solid waste fee was approved resulting in \$995,244 of additional revenues.
- Capital Grants increased by \$1,885,768 from the prior year.

**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

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

	Governmental	Governmental	Business-type	Business-type	Total	
	Activities	Activities	Activities	Activities	2017	2016
	2017	2016	2017	2016		
Revenues:						
Program revenues:						
Charges for services	\$ 2,321,537	\$ 2,075,459	\$ 60,273,892	\$ 58,614,878	\$ 62,595,429	\$ 60,690,337
Operating grants and contributions	1,364,069	596,907	-	-	1,364,069	596,907
Capital grants and contributions	838,388	748,401	2,158,958	363,177	2,997,346	1,111,578
General revenues:						
Property taxes	13,843,920	12,130,575	-	-	13,843,920	12,130,575
Other taxes and fees	9,206,615	9,261,252	-	-	9,206,615	9,261,252
Investment earnings, unrestricted	209,821	179,616	290,896	276,576	500,717	456,192
Miscellaneous	38,351	14,405	-	-	38,351	14,405
Total revenues	27,822,701	25,006,615	62,723,746	59,254,631	90,546,447	84,261,246
Expenses:						
General government	3,882,072	3,479,866	-	-	3,882,072	3,479,866
Public safety	13,338,272	12,234,390	-	-	13,338,272	12,234,390
Transportation	3,337,451	2,851,130	-	-	3,337,451	2,851,130
Economic development	427,733	931,213	-	-	427,733	931,213
Environmental protection	1,951,510	1,675,871	-	-	1,951,510	1,675,871
Cultural and recreation	3,871,413	3,506,190	-	-	3,871,413	3,506,190
Interest on long-term debt	145,274	179,568	-	-	145,274	179,568
Airport	-	-	1,931,556	1,786,329	1,931,556	1,786,329
Electric	-	-	44,955,862	44,245,966	44,955,862	44,245,966
Water and Sewer	-	-	11,108,611	10,332,082	11,108,611	10,332,082
Civic Center	-	-	970,233	968,734	970,233	968,734
Total expenses	26,953,725	24,858,228	58,966,262	57,333,111	85,919,987	82,191,339
Increase (decrease) in net position before transfers and special items	868,976	148,387	3,757,484	1,921,520	4,626,460	2,069,907
Transfers in (out)	(222,438)	(30,110,127)	222,438	30,110,127	-	-
Increase (decrease) in net position	646,538	(29,961,740)	3,979,922	32,031,647	4,626,460	2,069,907
Net position, beginning, previously reported	71,436,405	99,658,680	133,049,210	101,017,563	204,485,615	200,676,243
Restatement	(2,446,032)	218,482	-	-	(2,446,032)	218,482
Prior year adjustment	-	1,520,983	-	-	-	1,520,983
Net position, beginning of year restated	68,990,373	101,398,145	133,049,210	101,017,563	202,039,583	202,415,708
Net position, end of year	\$ 69,636,911	\$ 71,436,405	\$ 137,029,132	\$ 133,049,210	\$ 206,666,043	\$ 204,485,615

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Governmental Activities - The City's total net position increased by \$1,177,094 primarily due to a property tax rate increase and implementation of a solid waste fee.

- Property taxes increased \$1,713,345 from the prior year due in most part to a rate increase of five cent per hundred dollar assessed value.
- Sales tax increased \$261,660 or 4.16% from the prior year because of continued economic recovery.
- Governmental expenses increased by \$1,847,790. This increase was across all types except Economic Development and interest on long-term debt.

Business-Type Activities - Business-type activities increased the City of Statesville's net position by \$3,979,922. Key elements of this increase are as follows:

- Business-type revenues increased \$2,231,132 or 3.8%. This is the result of a 3% rate increase for Water and Sewer services and a revenue increase from system development fees.
- Business-type expenses increased by \$1,673,042 or 2.96%. This increase was across all activities.

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 \$17,792,777 while total fund balance was \$25,292,076; an increase of \$838,500 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 65.17% of total General Fund expenditures and transfers out, while total fund balance represents 92.64% of that same amount.

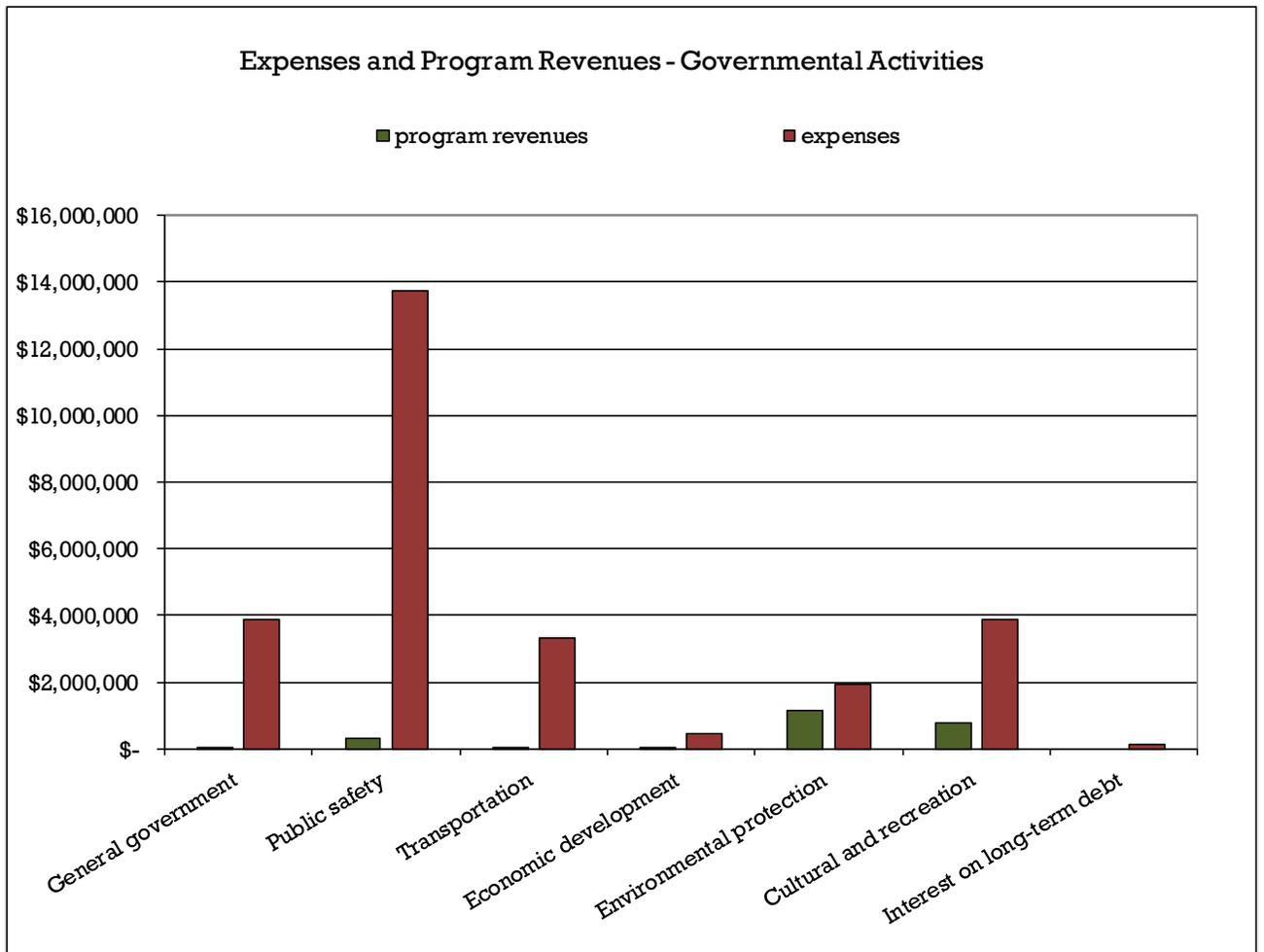
At June 30, 2017, the governmental funds of the City of Statesville reported a combined fund balance of \$31,985,200; a 4.76% increase from last year.

- General Fund revenues exceeded expenditures by \$838,500; below the \$4,665,656 in fund balance appropriated.
- Transfers from other funds to the General Fund were \$1,328,328. This netted against the non-major funds net transfers out of \$1,196,759 results in a net increase from transfers of \$131,569.
- The net change in fund balances of other governmental funds increased by \$614,515.

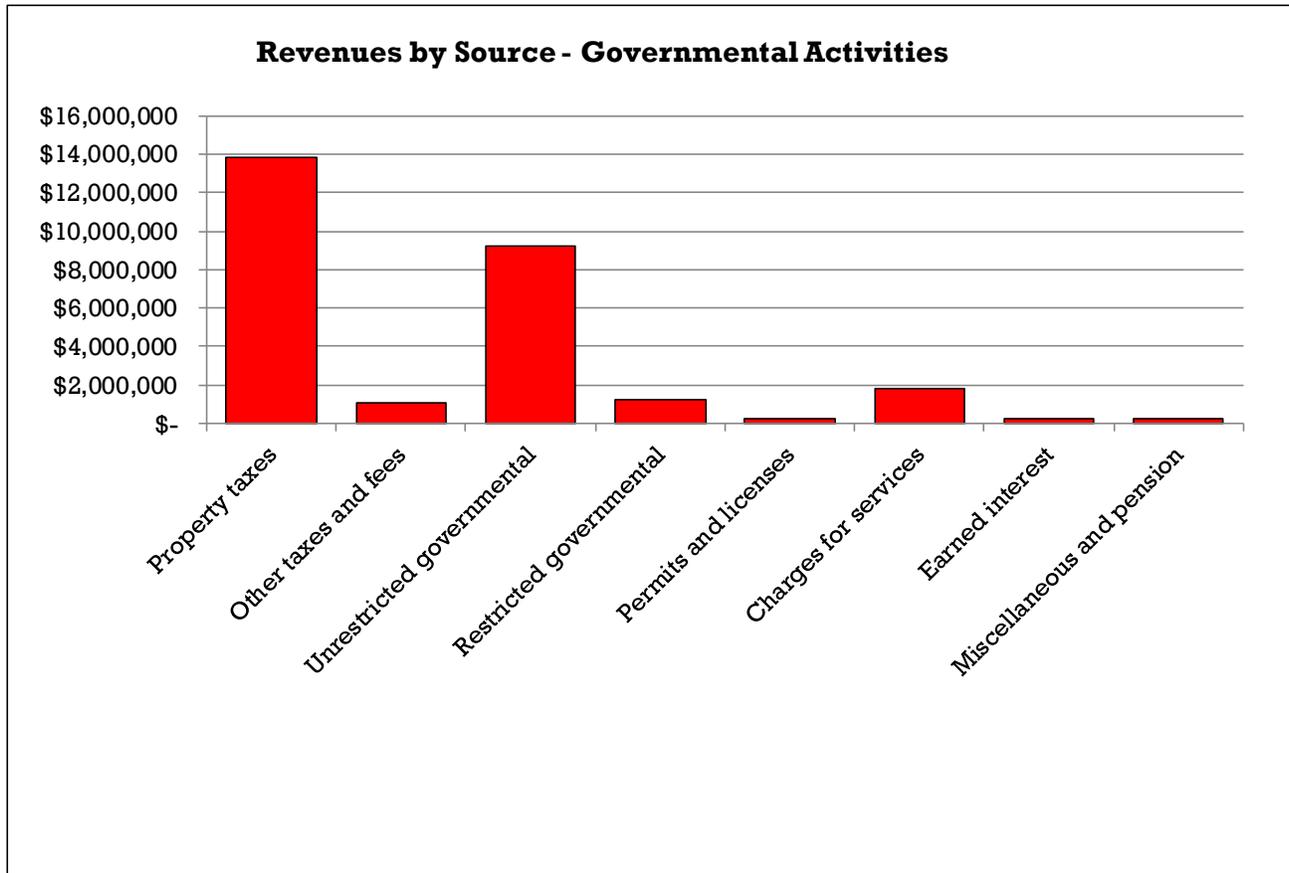
**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

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 \$13,906,520 exceeded budget estimates by \$222,814 or 1.63%.
- Sales tax (an unrestricted intergovernmental revenue) of \$6,564,336 exceeded budget estimates by \$364,336 or 5.88%.
- Other unrestricted intergovernmental revenues of \$2,642,279 exceeded budget estimates by \$44,199 or 1.70%.
- Investment earnings exceeded budget estimates by \$10,897.
- Expenditures were \$4,767,009 lower than budget appropriations due primarily to incomplete capital improvement projects at year-end and lapsed salaries.



**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**



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 for the Airport Fund is \$1,222,603; Electric Fund is \$23,213,360; the Water and Sewer Fund is \$18,589,103; and Civic Center is \$1,210,222. For the year the net position of the Airport Fund decreased by \$1,328,019; the Electric Fund increased by \$3,379,586; the Water and Sewer Fund increased by \$2,156,565; and the Civic Center decreased by \$77,057.

Capital Asset and Debt Administration

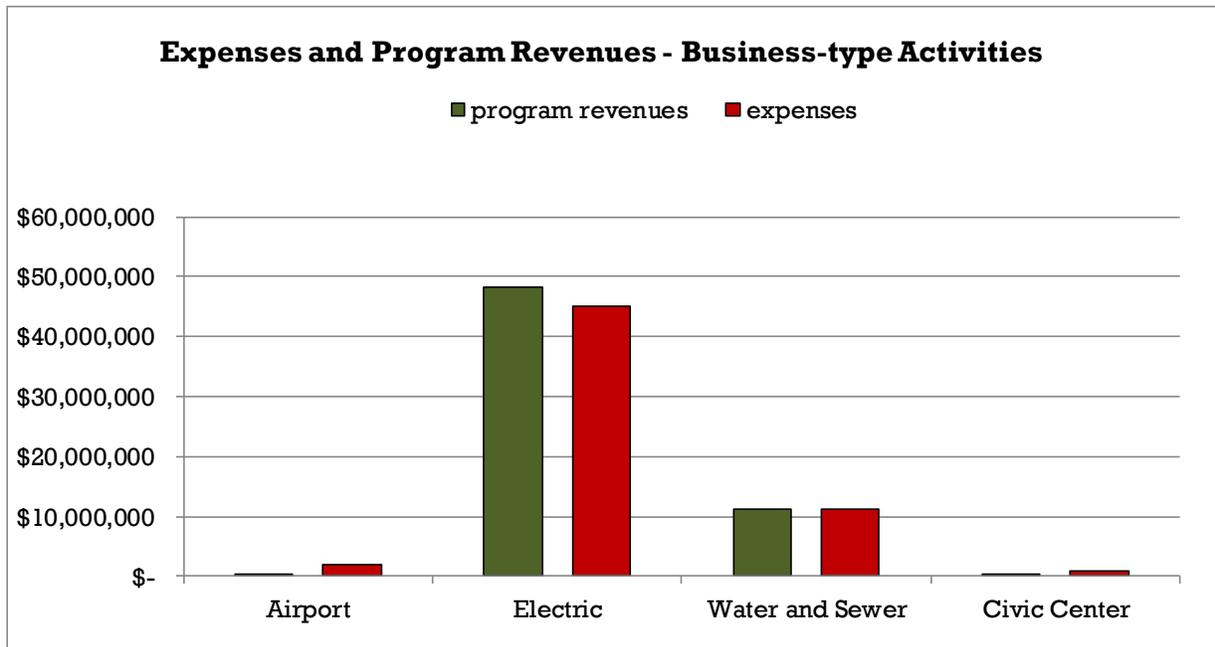
Capital Assets - The City of Statesville's investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$169,596,853 (net of accumulated depreciation). These assets include buildings, utility systems infrastructure, land, roads, machinery and equipment, park facilities, and vehicles.

**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

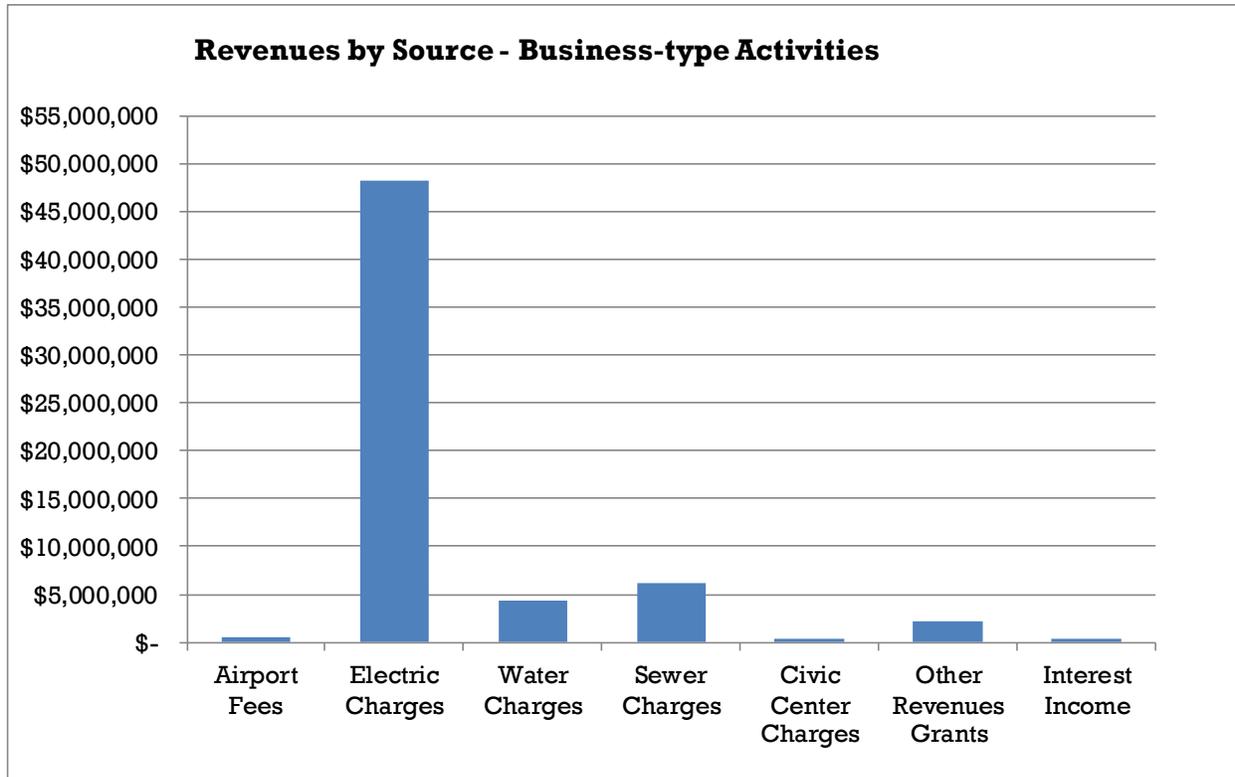
**City of Statesville's Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 11,225,522	\$ 11,132,925	\$ 14,767,019	\$ 14,756,952	\$ 25,992,541	\$ 25,889,877
Fresco	-	-	335,825	335,825	335,825	335,825
Buildings and other improvements	31,826,982	23,873,522	18,248,734	19,528,311	50,075,716	43,401,833
Utility plant in service	-	-	79,516,997	82,080,176	79,516,997	82,080,176
Vehicles	3,000,313	2,746,558	3,509,811	3,635,738	6,510,124	6,382,296
Construction in progress	23,615	9,280,012	7,142,035	5,234,718	7,165,650	14,514,730
Total	\$ 46,076,432	\$ 47,033,017	\$ 123,520,421	\$ 125,571,720	\$ 169,596,853	\$ 172,604,737

Figure 4 is net of accumulated depreciation. Additional information on the City's capital assets can be found in the financial notes on pages 47-50 .



**CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**



Long-Term Debt - As of June 30, 2017, the City of Statesville had no general obligation bonded debt outstanding. The remainder of the City's debt represents notes payable totaling \$33,058,265.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Notes payable	3,384,100	4,278,800	29,674,165	31,790,563	33,058,265	36,069,363
	<u>\$ 3,384,100</u>	<u>\$ 4,278,800</u>	<u>\$ 29,674,165</u>	<u>\$ 31,790,563</u>	<u>\$ 33,058,265</u>	<u>\$ 36,069,363</u>

CITY OF STATESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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, 2017 is \$234,880,608.

As stated earlier, the City of Statesville 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 financial notes on pages 67-69.

Economic Factors and Next Year's Budget and Rates

- Revenue estimates contained in the City of Statesville's 2017-2018 operating and capital budget were developed on a conservative basis.
- The City's assessed valuation for property taxes in the 2017-2018 budget increased 1.56% or \$45.8 million from the prior year due primarily to an increase in business personal property values and motor vehicles.
- The City's tax levy is estimated to increase by \$264,544 from the prior year.
- Water and sewer rates were increased by 3.0% effective July 1, 2017 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 approximately 3%. A water and sewer rate study will be completed in fiscal year 2018, to ensure that revenues will be sufficient to meet the required 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, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Convention & Visitors Bureau	Alcoholic Control Board
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 30,468,658	\$ 39,633,581	\$ 70,102,239	\$ 195,905	\$ 820,996
Tax receivables, net	352,747	-	352,747	-	-
Receivables, net	158,910	7,594,358	7,753,268	-	-
Internal balances	1,052,412	(1,052,412)	-	-	-
Interest receivable	130,763	63,768	194,531	-	-
Due from other governments	2,776,839	2,298,470	5,075,309	-	-
Due from other component units	141,242	-	141,242	-	-
Inventories	34,545	1,691,437	1,725,982	-	584,989
Prepaid items	-	-	-	400	-
Restricted cash and cash equivalents	52,740	1,001,060	1,053,800	-	-
Total current assets	<u>35,168,856</u>	<u>51,230,262</u>	<u>86,399,118</u>	<u>196,305</u>	<u>1,405,985</u>
Capital assets:					
Land and other nondepreciable assets	11,249,137	22,244,880	33,494,017	-	235,050
Depreciable assets, net	34,827,295	101,275,541	136,102,836	-	1,189,921
Total capital assets	<u>46,076,432</u>	<u>123,520,421</u>	<u>169,596,853</u>	<u>-</u>	<u>1,424,971</u>
Total assets	<u>81,245,288</u>	<u>174,750,683</u>	<u>255,995,971</u>	<u>196,305</u>	<u>2,830,956</u>
DEFERRED OUTFLOWS OF RESOURCES					
Contributions to pension plan	1,017,266	298,146	1,315,412	-	-
Pension deferral	2,921,334	918,274	3,839,608	-	60,592
Total deferred outflows of resources	<u>3,938,600</u>	<u>1,216,420</u>	<u>5,155,020</u>	<u>-</u>	<u>60,592</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	2,028,850	4,800,662	6,829,512	2,947	427,913
Accrued Interest payable	13,468	90,716	104,184	-	-
Due to primary government	-	-	-	-	141,242
Due to other governments	-	440,941	440,941	-	155,762
Prepaid revenues	-	328,681	328,681	-	-
Deposits payable	52,740	1,001,060	1,053,800	-	-
Current portion of long-term liabilities	2,593,641	2,604,641	5,198,282	398	40,991
Total current liabilities	<u>4,688,699</u>	<u>9,266,701</u>	<u>13,955,400</u>	<u>3,345</u>	<u>765,908</u>
Long-term liabilities:					
LEO total pension liability	1,929,764	-	1,929,764	-	-
LGERS net pension liability	4,399,854	1,488,777	5,888,631	-	79,377
Due in more than a year	4,284,509	28,119,305	32,403,814	1,193	713,061
Total long-term liabilities	<u>10,614,127</u>	<u>29,608,082</u>	<u>40,222,209</u>	<u>1,193</u>	<u>792,438</u>
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes	1,103	-	1,103	-	-
Pension deferrals	243,048	63,188	306,236	-	-
Total deferred inflows of resources	<u>244,151</u>	<u>63,188</u>	<u>307,339</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	42,692,332	93,846,256	136,538,588	-	723,615
Restricted for:					
Stabilization by state statue	5,704,049	-	5,704,049	-	-
Public safety	77,659	-	77,659	-	-
Economic development	1,096,183	-	1,096,183	-	181,501
Unrestricted	20,066,688	43,182,876	63,249,564	191,767	428,086
Total net position	<u>\$ 69,636,911</u>	<u>\$ 137,029,132</u>	<u>\$ 206,666,043</u>	<u>\$ 191,767</u>	<u>\$ 1,333,202</u>

CITY OF STATESVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2017

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 3,882,072	\$ 44,698	\$ 62,610	\$ 94,340
Public safety	13,338,272	299,242	276,240	-
Transportation	3,337,451	43,506	-	744,048
Economic and physical development	427,733	981	1,008,183	-
Environmental protection	1,951,510	1,139,748	17,036	-
Cultural and recreation	3,871,413	793,362	-	-
Debt service:				
Interest on long-term debt	145,274	-	-	-
Total governmental activities	<u>26,953,725</u>	<u>2,321,537</u>	<u>1,364,069</u>	<u>838,388</u>
Business-Type Activities:				
Airport	1,931,556	434,999	-	187,803
Electric	44,955,862	48,232,363	-	-
Water and sewer	11,108,611	11,265,287	-	1,971,155
Civic Center	970,233	341,243	-	-
Total business-type activities	<u>58,966,262</u>	<u>60,273,892</u>	<u>-</u>	<u>2,158,958</u>
Total primary government	<u>\$ 85,919,987</u>	<u>\$ 62,595,429</u>	<u>\$ 1,364,069</u>	<u>\$ 2,997,346</u>
Component Units Activities:				
Convention & Visitors Bureau	\$ 186,998	\$ 1,492	\$ 197,650	\$ -
Alcoholic Beverage Control Board	6,052,189	6,125,538	-	-
Total component units	<u>\$ 6,239,187</u>	<u>\$ 6,127,030</u>	<u>\$ 197,650</u>	<u>\$ -</u>

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

	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
Functions/Programs					
Primary Government:					
Governmental Activities:					
General government	\$ (3,680,424)	\$ -	\$ (3,680,424)	\$ -	\$ -
Public safety	(12,762,790)	-	(12,762,790)	-	-
Transportation	(2,549,897)	-	(2,549,897)	-	-
Economic and physical development	581,431	-	581,431	-	-
Environmental protection	(794,726)	-	(794,726)	-	-
Cultural and recreation	(3,078,051)	-	(3,078,051)	-	-
Debt service:					
Interest on long-term debt	(145,274)	-	(145,274)	-	-
Total governmental activities	(22,429,731)	-	(22,429,731)	-	-
Business-Type Activities:					
Airport	-	(1,308,754)	(1,308,754)	-	-
Electric	-	3,276,501	3,276,501	-	-
Water and sewer	-	2,127,831	2,127,831	-	-
Civic Center	-	(628,990)	(628,990)	-	-
Total business-type activities	-	3,466,588	3,466,588	-	-
Total primary government	-	3,466,588	(18,963,143)	-	-
Component Units Activities:					
Convention & Visitors Bureau	-	-	-	12,144	-
Alcoholic Beverage Control Board	-	-	-	-	73,349
Total component units	-	-	-	12,144	73,349
General Revenues:					
Ad valorem taxes	13,843,920	-	13,843,920	-	-
Other taxes	48,308	-	48,308	-	-
State share franchise, telecommunication video & liquor taxes	9,158,307	-	9,158,307	-	-
Interest earned on investments	209,821	290,896	500,717	523	1,376
Miscellaneous revenue	38,351	-	38,351	-	346
Total general revenues not including transfers	23,298,707	290,896	23,589,603	523	1,722
Total transfers in (out)	(222,438)	222,438	-	-	-
Change in net position	646,538	3,979,922	4,626,460	12,667	75,071
Net position, beginning, previously report	71,436,405	133,049,210	204,485,615	179,100	1,258,131
Restatement	(2,446,032)	-	(2,446,032)	-	-
Net position, beginning as restated	68,990,373	133,049,210	202,039,583	179,100	1,258,131
Net position, end of year	<u>\$ 69,636,911</u>	<u>\$ 137,029,132</u>	<u>\$ 206,666,043</u>	<u>\$ 191,767</u>	<u>\$ 1,333,202</u>

CITY OF STATESVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	Major <u>General</u>	Non-Major Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 23,569,158	\$ 6,642,482	\$ 30,211,640
Ad valorem taxes receivable, net	352,747	-	352,747
Accounts receivable, net	69,316	-	69,316
Interest receivable	37,065	10,424	47,489
Due from other funds	7,260	-	7,260
Due from other governments	2,718,632	52,563	2,771,195
Due from other component units	141,242	-	141,242
Inventories	34,546	-	34,546
Restricted cash and cash equivalents	52,740	-	52,740
Total Assets	<u>\$ 26,982,706</u>	<u>\$ 6,705,469</u>	<u>33,688,175</u>
LIABILITIES			
Accounts payable and accrued liabilities	1,200,158	5,085	1,205,243
Due to other funds	-	7,260	7,260
Total Liabilities	<u>1,200,158</u>	<u>12,345</u>	<u>1,212,503</u>
Deferred Inflows of Resources			
Property taxes	352,747	-	352,747
Prepaid taxes	1,103	-	1,103
Deferred receivables	83,882	-	83,882
Other deposits	52,740	-	52,740
Total deferred inflows of resources	<u>490,472</u>	<u>-</u>	<u>490,472</u>
FUND BALANCES			
Non Spendable			
Inventory	34,546	-	34,546
Restricted			
Stabilization by state statute	5,641,062	62,987	5,704,049
Public safety	-	77,659	77,659
Economic development	-	1,096,183	1,096,183
Committed			
Separation Allowance-law enforcement	239,891	-	239,891
Capital outlay	-	5,467,896	5,467,896
Assigned			
Subsequent year's appropriations	1,583,800	-	1,583,800
Unassigned	17,792,777	(11,601)	17,781,176
Total Fund Balances	<u>25,292,076</u>	<u>6,693,124</u>	<u>31,985,200</u>
Total Liabilities, deferred inflows of revenues and fund balances	<u>\$ 26,982,706</u>	<u>\$ 6,705,469</u>	

CITY OF STATESVILLE, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF NET POSITION TO
GOVERNMENTAL BALANCE SHEET
June 30, 2017

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

Total fund balance continued from Exhibit 3		31,985,200
Capital assets used in governmental activities are not financing resources and are not reported in the funds.		
Land and other nondepreciable assets	11,249,137	
Depreciable assets, net	<u>34,827,295</u>	<u>46,076,432</u>
The focus of governmental funds is on short-term financing; long-term assets are deferred in the funds.		
Accrued property taxes	82,875	
Federal tax subsidy for debt	5,643	
Contributions to local government pension plan	1,017,266	
Deferred pension-local government and LEO pension plan	<u>2,921,334</u>	<u>4,027,118</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.		
		575,817
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Deferred property taxes	387,369	
Other deferred revenues	49,260	
Deferred inflow-LEO pension plan	(40,900)	
Deferred inflow-LGERS pension plan	<u>(202,148)</u>	<u>193,581</u>
Not reported in the funds.		
Interest payable	(13,469)	
Compensated absences	(2,093,169)	
OPEB payable	(1,400,881)	
Short-term debt	(894,700)	
Long-term debt	(2,489,400)	
Net pension liability-local government pension plan	(4,399,854)	
Total pension liability-separation allowance pension plan	<u>(1,929,764)</u>	<u>(13,221,237)</u>
Net position of governmental activities (Exhibit 1)		<u>\$ 69,636,911</u>

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	Major	Non-Major	
	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 13,906,520	\$ -	\$ 13,906,520
Other taxes and licenses	48,308	1,008,183	1,056,491
Unrestricted intergovernmental	9,206,615	-	9,206,615
Restricted intergovernmental	1,064,509	134,635	1,199,144
Permits and fees	264,365	-	264,365
Sales and services	2,084,556	981	2,085,537
Investment earnings	165,897	38,356	204,253
Miscellaneous	71,432	159,799	231,231
	<u>26,812,202</u>	<u>1,341,954</u>	<u>28,154,156</u>
EXPENDITURES			
Current:			
General government	3,849,861	-	3,849,861
Public safety	12,937,458	129,094	13,066,552
Transportation	2,493,858	-	2,493,858
Economic and physical development	210,000	217,733	427,733
Environmental protection	2,140,089	-	2,140,089
Cultural and recreation	3,429,881	-	3,429,881
Capital outlay		46,688	46,688
Debt service:			-
Principal	894,700	-	894,700
Interest and fiscal costs	149,424	-	149,424
	<u>26,105,271</u>	<u>393,515</u>	<u>26,498,786</u>
Revenues (under) expenditures	<u>706,931</u>	<u>948,439</u>	<u>1,655,370</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	1,328,328	1,303,259	2,631,587
Transfers to other funds	(1,196,759)	(1,637,183)	(2,833,942)
	<u>131,569</u>	<u>(333,924)</u>	<u>(202,355)</u>
Net change in fund balances	838,500	614,515	1,453,015
Fund balances at beginning of year	24,453,576	6,078,609	30,532,185
Fund balances at end of year	<u>\$ 25,292,076</u>	<u>\$ 6,693,124</u>	<u>\$ 31,985,200</u>

CITY OF STATESVILLE, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

Fund Balances to the Statement of Activities:

Total net change in fund balances-governmental funds (continued) 1,453,015

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	2,102,003	
	Depreciation expense	<u>(3,056,476)</u>	<u>(954,473)</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	(62,600)	
	Change in other deferred revenues	42,166	
	Federal interest subsidy	(1,087)	
	Change in net pension liability-LGERS pension plan	(197,151)	
	Change in total pension asset-LEO pension plan	<u>(161,478)</u>	<u>(380,150)</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	116,819	
	Other postemployment benefits	<u>(17,385)</u>	<u>99,434</u>

Net income (loss) of internal service funds determined to be governmental-type. (470,137)

Changes in net position of governmental activities \$ 646,538

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 13,683,706	\$ 13,683,706	\$ 13,906,520	\$ 222,814
Other taxes and licenses	40,720	40,720	48,308	7,588
Unrestricted intergovernmental	8,798,080	8,798,080	9,206,615	408,535
Restricted intergovernmental	983,002	1,109,813	1,064,509	(45,304)
Permits and fees	227,326	227,326	264,365	37,039
Sales and services	2,021,650	2,021,650	2,084,556	62,906
Investment earnings	155,000	155,000	165,897	10,897
Miscellaneous	11,593	39,593	71,432	31,839
Total revenues	<u>25,921,077</u>	<u>26,075,888</u>	<u>26,812,202</u>	<u>736,314</u>
EXPENDITURES				
Current:				
General government	4,802,256	5,632,633	3,849,861	1,782,772
Public safety	13,325,457	14,176,368	12,937,458	1,238,910
Transportation	2,685,385	3,390,361	2,493,858	896,503
Economic and physical development	487,000	697,000	210,000	487,000
Environmental protection	2,086,207	2,151,897	2,140,089	11,808
Cultural and recreation	3,647,605	3,779,897	3,429,881	350,016
Debt service:				
Principal	894,700	894,700	894,700	-
Interest and fiscal costs	149,424	149,424	149,424	-
Contingency	125,000	-	-	-
Total expenditures	<u>28,203,034</u>	<u>30,872,280</u>	<u>26,105,271</u>	<u>4,767,009</u>
Revenues over (under) expenditures	<u>(2,281,957)</u>	<u>(4,796,392)</u>	<u>706,931</u>	<u>5,503,323</u>
OTHER FINANCING SOURCES (USES)				
Transfer - in	1,327,495	1,327,495	1,328,328	833
Transfer - (out)	-	(1,196,759)	(1,196,759)	-
Fund balance appropriated	954,462	4,665,656	-	(4,665,656)
Total other financing sources and (uses)	<u>2,281,957</u>	<u>4,796,392</u>	<u>131,569</u>	<u>(4,664,823)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	838,500	<u>\$ 838,500</u>
Fund balances at beginning of year			<u>24,453,576</u>	
Fund balances at end of year			<u>\$ 25,292,076</u>	

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CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Enterprise Funds				Total Enterprise Funds	Governmental Activities- Internal Service
	Airport Fund	Major Electric Fund	Water and Sewer Fund	Non-major Civic Center Fund		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,540,954	\$ 20,145,102	\$ 16,549,158	\$ 1,398,367	\$ 39,633,581	\$ 257,017
Accounts receivable, net - billed	36,703	3,720,743	880,028	-	4,637,474	89,593
Accounts receivable, net-unbilled	-	2,449,520	507,364	-	2,956,884	-
Due from other governments	105,414	-	2,193,056	-	2,298,470	-
Interest receivable	2,419	32,497	26,657	2,195	63,768	402
Restricted cash, deposits	-	1,001,060	-	-	1,001,060	-
Inventories	-	1,500,885	190,552	-	1,691,437	-
Total current assets	<u>1,685,490</u>	<u>28,849,807</u>	<u>20,346,815</u>	<u>1,400,562</u>	<u>52,282,674</u>	<u>347,012</u>
Capital assets:						
Capital assets:						
Land and non-depreciable	10,934,863	18,100	1,511,212	2,638,669	15,102,844	-
Capital assets, net of depreciation	15,854,688	22,241,376	60,739,488	2,439,989	101,275,541	-
Construction work in progress	-	215,006	6,927,030	-	7,142,036	-
Total capital assets, net	<u>26,789,551</u>	<u>22,474,482</u>	<u>69,177,730</u>	<u>5,078,658</u>	<u>123,520,421</u>	<u>-</u>
Total assets	<u>28,475,041</u>	<u>51,324,289</u>	<u>89,524,545</u>	<u>6,479,220</u>	<u>175,803,095</u>	<u>347,012</u>
DEFERRED OUTFLOWS OF RESOURCES						
Contribution to pension plan	3,849	115,980	155,483	22,834	298,146	-
Pension deferrals	18,721	318,696	515,252	65,605	918,274	-
Total deferred outflows of resources	<u>22,570</u>	<u>434,676</u>	<u>670,735</u>	<u>88,439</u>	<u>1,216,420</u>	<u>-</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	187,575	4,117,302	469,778	26,007	4,800,662	137,268
Interest payable	-	-	90,716	-	90,716	-
Due to other governments	-	73,249	367,638	54	440,941	-
Payable from restricted assets:						
Customer deposits	-	1,001,060	-	-	1,001,060	-
Prepaid revenues	250,000	-	-	78,681	328,681	-
Current portion of long-term debt	2,404	168,756	2,409,338	24,143	2,604,641	-
Total current liabilities	<u>439,979</u>	<u>5,360,367</u>	<u>3,337,470</u>	<u>128,885</u>	<u>9,266,701</u>	<u>137,268</u>
Long-term liabilities:						
Net pension liability	37,640	463,139	884,642	103,356	1,488,777	-
Due in more than one year	6,480	227,916	27,843,127	41,782	28,119,305	686,339
Total long-term liabilities	<u>44,120</u>	<u>691,055</u>	<u>28,727,769</u>	<u>145,138</u>	<u>29,608,082</u>	<u>686,339</u>
Total liabilities	<u>484,099</u>	<u>6,051,422</u>	<u>32,065,239</u>	<u>274,023</u>	<u>38,874,783</u>	<u>823,607</u>
DEFERRED INFLOWS OF RESOURCES						
Pension deferral	1,358	19,701	37,373	4,756	63,188	-
Total deferred inflows of resources	<u>1,358</u>	<u>19,701</u>	<u>37,373</u>	<u>4,756</u>	<u>63,188</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	26,789,551	22,474,482	39,503,565	5,078,658	93,846,256	-
Unrestricted	1,222,603	23,213,360	18,589,103	1,210,222	44,235,288	(476,595)
Total net position	<u>\$ 28,012,154</u>	<u>\$ 45,687,842</u>	<u>\$ 58,092,668</u>	<u>\$ 6,288,880</u>	<u>138,081,544</u>	<u>\$ (476,595)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(1,052,412)	-
Net position of business-type activities					<u>\$ 137,029,132</u>	-

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2017

	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	\$ 434,999	\$ 47,777,962	\$ 11,226,620	\$ 341,243	\$ 59,780,824	\$ 4,846,228
Other operating revenues	-	454,401	38,667	-	493,068	-
Total operating revenues	434,999	48,232,363	11,265,287	341,243	60,273,892	4,846,228
OPERATING EXPENSES						
Airport operations	419,353	-	-	-	419,353	-
Electrical operations		4,365,987	-	-	4,365,987	-
Electrical power purchases		39,120,860	-	-	39,120,860	-
Water and sewer operations		-	7,398,797	-	7,398,797	-
Civic Center operations		-	-	771,193	771,193	-
Health expenses and insurance claims		-	-	-	-	5,473,079
Depreciation	1,506,336	1,418,782	3,027,135	188,934	6,141,187	-
Total operating expenses	1,925,689	44,905,629	10,425,932	960,127	58,217,377	5,473,079
Operating income (loss)	(1,490,690)	3,326,734	839,355	(618,884)	2,056,515	(626,851)
NONOPERATING REVENUES (EXPENSES)						
Interest income	10,725	140,134	129,628	10,409	290,896	5,562
Interest expense		-	(597,732)	-	(597,732)	-
Intergovernmental revenues	187,803	-	1,971,155	-	2,158,958	-
Total nonoperating revenues (expense)	198,528	140,134	1,503,051	10,409	1,852,122	5,562
Income (loss) before transfers	(1,292,162)	3,466,868	2,342,406	(608,475)	3,908,637	(621,289)
TRANSFERS IN (OUT)						
Transfers - in	-	-	-	553,799	553,799	-
Transfers - (out)	(35,857)	(87,282)	(185,841)	(22,381)	(331,361)	-
Total transfers	(35,857)	(87,282)	(185,841)	531,418	222,438	-
Change in net position (loss)	(1,328,019)	3,379,586	2,156,565	(77,057)	4,131,075	(621,289)
Net position, beginning of year	29,340,173	42,308,256	55,936,103	6,365,937	133,950,469	144,694
Net position, end of year	<u>\$ 28,012,154</u>	<u>\$ 45,687,842</u>	<u>\$ 58,092,668</u>	<u>\$ 6,288,880</u>	<u>\$ 138,081,544</u>	<u>\$ (476,595)</u>
Change of net position shown above					\$ 4,131,075	
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds					(151,153)	
Change in net position - business-type activities					<u>\$ 3,979,922</u>	

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2017

	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	\$ 401,498	\$ 48,094,222	\$ 9,477,941	\$ 337,609	\$ 58,311,270	\$ 4,756,635
Cash paid for goods and services	(97,287)	(41,584,227)	(4,583,702)	(332,619)	(46,597,835)	(5,368,421)
Cash paid to employees for services	(151,130)	(1,637,643)	(3,115,555)	(413,867)	(5,318,195)	-
Customer deposits received	-	4,709,046	-	-	4,709,046	-
Customer deposits returned	-	(4,793,528)	-	-	(4,793,528)	-
Net cash provided (used) by operating activities	153,081	4,787,870	1,778,684	(408,877)	6,310,758	(611,786)
Cash flows from noncapital financing activities:						
Transfers from other funds	-	-	-	553,799	553,799	-
Transfers to other funds	(35,857)	(87,282)	(185,841)	(22,381)	(331,361)	-
Net cash provided (used) by noncapital financing activities	(35,857)	(87,282)	(185,841)	531,418	222,438	-
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(316,118)	(1,940,310)	(2,083,602)	-	(4,340,030)	-
Principal paid on long-term debt	-	-	(2,129,478)	-	(2,129,478)	-
Interest paid on long-term debt	-	-	(587,045)	-	(587,045)	-
Prepayment	250,000	-	-	-	250,000	-
Restricted governmental	187,803	-	1,971,155	-	2,158,958	-
Net cash used by capital and related financing activities	121,685	(1,940,310)	(2,828,970)	-	(4,647,595)	-
Cash flows from investing activities:	9,703	128,224	114,604	9,642	262,173	6,132
Net increase (decrease) in cash and cash equivalents	248,612	2,888,502	(1,121,523)	132,183	2,147,774	(605,654)
Cash and cash equivalents, July 1	1,292,342	18,257,660	17,670,681	1,266,184	38,486,867	862,671
Cash and cash equivalents, June 30	<u>\$ 1,540,954</u>	<u>\$ 21,146,162</u>	<u>\$ 16,549,158</u>	<u>\$ 1,398,367</u>	<u>\$ 40,634,641</u>	<u>\$ 257,017</u>

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2017

	Enterprise Funds			Total Enterprise Funds	Internal Service Funds	
	Airport Fund	Major Electric Fund	Water and Sewer Fund			Other Civic Center Fund
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ (1,490,690)	\$ 3,326,734	\$ 839,355	\$ (618,884)	\$ 2,056,515	\$ (626,851)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	1,506,336	1,418,782	3,027,135	188,934	6,141,187	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(33,501)	(138,140)	47,537	-	(124,104)	(89,594)
Decrease (increase) in inventory	-	263,561	(21,641)	-	241,920	-
Decrease (increase) in prepaids	-	3,100	6,960	(4,103)	5,957	-
Decrease due to other governments	-	9,194	-	-	9,194	-
Increase (decrease) in accounts payable	165,494	(117,525)	(325,720)	6,875	(270,876)	40,495
(Increase) decrease from to other governments	-	-	(1,834,883)	470	(1,834,413)	-
(Decrease) in customer deposits	-	(84,482)	-	-	(84,482)	-
Increase in deferred outflows of resources - pensions	(19,632)	(333,744)	(539,881)	(68,712)	(961,969)	
Increase in net pension liability	22,968	390,464	631,633	80,390	1,125,455	
(Decrease) in deferred inflows of resources - pensions	(2,045)	(34,742)	(56,200)	(7,153)	(100,140)	
Increase in wages payable	542	22,273	12,605	3,378	38,798	
Increase in OPEB and compensation absences	3,609	62,395	(8,216)	9,928	67,716	
Increase in IBNR - health	-	-	-	-	-	22,486
Increase in IBNR - worker's compensation	-	-	-	-	-	41,678
Total adjustments	1,643,771	1,461,136	939,329	210,007	4,254,243	15,065
Net cash provided (used) by operating activities	\$ 153,081	\$ 4,787,870	\$ 1,778,684	\$ (408,877)	\$ 6,310,758	\$ (611,786)

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2017

	Statesville Connects Fund
ASSETS	
Cash and cash equivalents	\$ 905
Donation receivable	342
Total assets	\$ 1,247
LIABILITIES	
Accounts payable	\$ -
Total liabilities	-
NET POSITION	
Reserved for utility donations	\$ 1,247

CITY OF STATESVILLE, NORTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2017

	<u>Statesville Connects Fund</u>
Additions	
Utility Donations	\$ 3,875
Investment income	<u>10</u>
Total additions	<u>3,885</u>
Deductions	
Customer Assistance	<u>3,908</u>
Total Deductions	<u>3,908</u>
OTHER FINANCING SOURCES:	
Change in net position	(23)
Net position, beginning of year	<u>1,270</u>
Net position, end of year	<u><u>\$ 1,247</u></u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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, 2017

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 non-major 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.

Proprietary 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 Operating Fund – The Airport Fund is used to account for the City's airport operations

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 twelve non-major funds. They are Home Program Project Fund, Home Program Fund, Home Consortium/CDBG Fund, Drug Enforcement Fund, Occupancy Tax Fund, Domestic Violence Grant Fund, Economic Development Fund, Warehouse Construction Fund, Streetscape Capital Fund, Transportation-TAP, Brookdale NC-21 Connector and General Equipment Capital Reserve Fund. During the course of the fiscal year, the following funds were closed and consolidated with similar funds. They are Warehouse Fund to the General Capital Reserve Fund and the two home program funds consolidated into one Home program fund.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

B. Basis of Presentation (cont'd)

Non-major Enterprise Fund – The Civic Center Fund is a non-major enterprise fund for civic center activities such as weddings, musical events, 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. During the course of the fiscal year, the City has consolidated the two internal service funds, the Property and Casualty Liability Insurance Fund was consolidated with the Health Fund and was renamed the Risk Management Fund. The Health Insurance accounts for the operations of the City's health insurance plan. The property and liability insurance 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 Statesville Connects 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 fiduciary 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, 2017

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 Risk Management Fund, internal service fund, 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, 2017

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. 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 - Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. Although the City did not participate in The NCCMT- Term Portfolio's securities as of June 30, 2017, subsequently in July 2017 the City invested \$10,000,000 in this portfolio. The Term portfolio is valued at fair value.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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 \$1,001,060 held by the Electric Fund and Planning deposits of \$52,740 held by the General 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, 2016.

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. As of June 30, 2017, the Statesville Convention and Visitor Bureau prepaid was \$400 for rent.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 is 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. 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, deferrals related to pensions and contributions 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, deferred receivables, other deposits and pension deferrals.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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, 2017

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.

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 \$239,891 for the funding of the Law Enforcement Officers' Special Separation Allowance pension. The City Council also has committed \$5,467,896 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. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned for those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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, 2017

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

A. Assets (cont'd)

Deposits (cont'd)

Investments

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, 2017 the City's deposits had a carrying amount of \$3,595,051 and a bank balance of \$3,914,915. The City maintained \$3,675 in petty cash. Of the bank balance, \$500,000 was covered by federal depository insurance, and the excess funds were covered by collateral held by the State Treasurer's "Pooling Method".

At June 30, 2017, the Statesville Convention and Visitors Bureau's deposits had a carrying amount of \$72,157 and a bank balance of \$78,450 all of which was covered by federal depository insurance.

At June 30, 2017 the ABC Board's deposits had a carrying amount of \$811,396 and a bank balance of \$792,294. Of the bank balance, \$250,000 was covered by federal depository insurance. The ABC Board maintained \$9,600 in petty cash and change funds. 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. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

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, 2017

II. DETAIL NOTES ON ALL FUNDS

A. Assets (cont'd)

Deposits (cont'd)

Investments (cont'd)

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 Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2017.

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 42.41% of the City's investments are in Federal Farm Credit Bank-16.84%, Federal Home Loan Bank-8.43%, Federal Home Loan Mortgage Corporation-7.32%, and Federal National Mortgage Association-9.82%. Percentage for the remaining portfolio is as follows; sweep checking account-5.06%, North Carolina Capital Management Trust-30.29%, commercial paper-20.85%, and U.S. Treasuries-1.41%. At June 30, 2017, the Statesville Convention and Visitors Bureau had \$123,748 invested with the North Carolina Capital Management Trust's Government Portfolio. The City of Statesville ABC Board had no investments.

As of June 30, 2017, the City's investment balances were as follows:

Investment Type	Valuation Measurement		Less 6 Months	6-12 Months	1-3 Years
	Method	Fair Value			
US Treasures	Fair Value Level 1	\$ 999,141	\$ 999,141	\$ -	\$ -
US Government Agencies	Fair Value Level 2	30,142,691	1,999,360	9,986,130	18,157,201
Commercial Paper	Fair Value Level 2	14,847,167	5,935,328	8,911,839	-
NCCMT - Governmental Portfolio	Amortized Cost	21,569,219	21,569,219	-	-
Total		\$67,558,218	\$30,503,048	\$18,897,969	\$18,157,201

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

A. Assets (cont'd)

Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the statement of Net Position for the ended June 30, 2017 is net of the following allowances for doubtful accounts:

Receivables at the government-wide level at June 30, 2017 were as follows;

	Accounts Receivable	Taxes Receivable	Due from Other Governments	Total
Governmental activities:				
General Fund	\$ 636,982	\$ 752,914	2,758,098	\$ 4,147,994
Non-Major funds/internal service	89,594	-	52,563	142,157
Total receivables	726,576	752,914	2,810,661	4,290,151
Allowance for doubtful accounts	(567,666)	(400,167)	(33,822)	(1,001,655)
Total governmental activities	\$ 158,910	\$ 352,747	\$ 2,776,839	\$ 3,288,496
Business-type activities:				
Airport	\$ 36,703	\$ -	\$ 105,414	\$ 142,117
Electric	6,644,021	-	-	6,644,021
Water and Sewer	2,002,431	-	2,193,056	4,195,487
Total receivables	8,683,155	-	2,298,470	10,981,625
Allowance for doubtful accounts	(1,088,797)	-	-	(1,088,797)
Total business-type activities:	\$ 7,594,358	\$ -	\$ 2,298,470	\$ 9,892,828

Amounts due from governmental agencies consist of the following:

	Other Govt	State	Total
Governmental activities, net:			
Sales tax refund and use tax distribution	\$ -	\$ 1,970,556	\$ 1,970,556
Utility tax, telecommutations, video programming	-	549,496	549,496
Grants receivable	-	89,431	89,431
Other government	103,720	63,636	167,356
Total governmental activities	\$ 103,720	\$ 2,673,119	\$ 2,776,839
Business-type activities:			
Grants receivable	\$ -	\$ 2,298,470	\$ 2,298,470
Total business-type activities:	\$ -	\$ 2,298,470	\$ 2,298,470

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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, 2017, was as follows:

	June 30, 2016	Additions	Retirements	Transfers	June 30, 2017
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 11,132,925	\$ 92,597	\$ -	\$ -	11,225,522
Construction in progress	9,280,012	173,873	-	(9,430,270)	23,615
Total capital assets not being depreciated	20,412,937	266,470	-	(9,430,270)	11,249,137
Capital assets being depreciated:					
Buildings	19,857,866	68,846	-	-	19,926,712
Computers and radios	308,273	-	-	549,554	857,827
Infrastructure	30,314,845	794,375	-	8,816,526	39,925,746
Equipment and furniture	355,605	-	-	-	355,605
Other improvements	5,484,229	112,127	-	64,190	5,660,546
Radios and communications	365,131	-	-	-	365,131
Vehicles	11,694,799	860,185	275,220	-	12,279,764
Total capital assets being depreciated:	68,380,748	1,835,533	275,220	9,430,270	79,371,331
Less accumulated depreciation for:					
Buildings	7,373,413	500,784	-	-	7,874,197
Computers and radios	239,371	19,498	-	-	258,869
Infrastructure	21,548,317	1,593,846	-	-	23,142,163
Equipment and furniture	341,712	3,669	-	-	345,381
Other improvements	2,997,984	328,361	-	-	3,326,345
Radios and communications	311,630	6,000	-	-	317,630
Vehicles	8,948,241	604,318	273,108	-	9,279,451
Total accumulated depreciation	41,760,668	\$ 3,056,476	\$ 273,108	\$ -	44,544,036
Total capital assets being depreciated, net	26,620,080				34,827,295
Governmental activity capital assets, net	\$ 47,033,017				\$ 46,076,432

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

Governmental Functions:

General government	\$ 263,957
Public safety	623,577
Transportation	1,599,202
Environmental protection	137,369
Culture and recreation	432,371

Total depreciation expense governmental functions \$ 3,056,476

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

A. Assets (cont'd)

Capital Assets (cont'd)

	June 30, 2016	Additions	Retirements	Transfers	June 30, 2017
Airport					
Capital assets not being depreciated:					
Land	\$ 10,924,796	\$ -	\$ -	\$ 10,067	\$ 10,934,863
Construction in progress	86,800	305,290	-	(392,090)	-
Total assets not being depreciated	11,011,596	305,290	-	(382,023)	10,934,863
Capital assets being depreciated:					
Buildings	1,792,268	-	-	-	1,792,268
Airport improvements	22,801,820	10,828	-	361,827	23,174,475
Other	1,029,548	-	-	20,196	1,049,744
Vehicles and equipment	34,037	-	-	-	34,037
Total capital assets being depreciated:	25,657,673	10,828	-	382,023	26,050,524
Less accumulated depreciation for:					
Buildings	1,085,360	78,545	-	-	1,163,905
Airport improvements	6,932,314	1,381,447	-	-	8,313,761
Other	656,573	42,579	-	-	699,152
Vehicles and equipment	15,253	3,765	-	-	19,018
Total accumulated depreciation	8,689,500	1,506,336	-	-	10,195,836
Total capital assets being depreciated, net	16,968,173				15,854,688
Total Airport Fund capital assets, net	27,979,769				26,789,551
Electric Fund:					
Capital assets not being depreciated:					
Land	18,100	-	-	-	18,100
Construction work in progress	-	215,006	-	-	215,006
Total assets not being depreciated	18,100	215,006	-	-	233,106
Capital assets being depreciated:					
Plant in service	40,273,385	1,409,083	512,911	-	41,169,557
Vehicles and equipment	4,153,100	316,221	-	-	4,469,321
Total capital assets being depreciated:	44,426,485	1,725,304	512,911	-	45,638,878
Less accumulated depreciation for:					
Plant in service	20,564,819	1,129,259	262,769	-	21,431,309
Vehicles and equipment	1,676,670	289,523	-	-	1,966,193
Total accumulated depreciation	22,241,489	1,418,782	262,769	-	23,397,502
Total capital assets being depreciated, net	22,184,996				22,241,376
Total Electric Fund capital assets, net	22,203,096				22,474,482

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

A. Assets (cont'd)

Capital Assets (cont'd)

	June 30, 2016	Additions	Retirements	Transfers	June 30, 2017
Water and Sewer Fund:					
Capital assets not being depreciated:					
Land	1,511,212	-	-	-	1,511,212
Construction work in progress	5,147,918	2,000,795	-	(221,683)	6,927,030
Total assets not being depreciated	6,659,130	2,000,795	-	(221,683)	8,438,242
Capital assets being depreciated:					
Plant in service - Water System	48,325,357	-	-	221,683	48,547,040
Plant in service - Sewer System	61,490,310	-	-	-	61,490,310
Vehicles and equipment	4,141,910	82,807	99,309	-	4,125,408
Total capital assets being depreciated:	113,957,577	82,807	99,309	221,683	114,162,758
Less accumulated depreciation for:					
Plant in service - Water System	23,757,341	1,115,622	-	-	24,872,963
Plant in service - Sewer System	23,686,716	1,698,922	-	-	25,385,638
Vehicles and equipment	3,051,387	212,591	99,309	-	3,164,669
Total accumulated depreciation	50,495,444	3,027,135	99,309	-	53,423,270
Total capital assets being depreciated, net	63,462,133				60,739,488
Total Water and Sewer Fund capital assets, net	70,121,263				69,177,730
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	2,122,771	154,353	-	-	2,277,124
Improvements	184,146	15,503	-	-	199,649
Vehicles and equipment	311,691	19,078	-	-	330,769
Total accumulated depreciation	2,618,608	188,934	-	-	2,807,542
Total capital assets being depreciated, net	2,628,923				2,439,989
Total Civic Center Fund capital assets, net	5,267,592				5,078,658
Business-type activities capital assets, net	\$ 125,571,720				\$ 123,520,421

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

A. Assets (cont'd)

Capital Assets (cont'd)

Construction Commitments:

The government has active construction projects as of June 30, 2017. At year end, the government's commitments with contractors are as follows:

Vendor	Description	Authorization	Y-T-D
R. Joe Harris	Engineering - I-77 Rest Area	\$ 451,661	\$ 384,189
Jimmy R. Lynch & Sons, Inc.	Construction - I-77 Rest Area	\$ 5,182,790	\$ 1,923,327
J T Russell	Street Paving	\$ 1,520,070	\$ 1,357,331
M.B. Kahn, Co., Inc	Construction Fourth Creek WWTP	\$ 4,102,200	\$ 3,902,011
McGill Associates PA	Engineering Fourth Creek WWTP	\$ 566,300	\$ 556,380

Discretely Presented Component Units

Activity for the ABC Board for the year ended June 30, 2017 was as follows:

	June 30, 2016	Additions	Retirements	Transfers	June 30, 2017
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	4,644	-	-	356,807
Total capital assets being depreciated:	2,019,297	4,644	-	-	2,023,941
Less accumulated depreciation for:					
Buildings	509,414	39,338	-	-	548,752
Furniture and equipment	267,064	18,204	-	-	285,268
Total accumulated depreciation	776,478	\$ 57,542	\$ -	\$ -	834,020
Total ABC capital assets, net	\$ 1,477,869				\$ 1,424,971

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2017 were as follows:

	Vendors IBNR	Salaries and Benefits	Total
Governmental activities	\$1,195,321	\$833,529	\$2,028,850
Business-type activities:			
Airport	\$182,561	\$5,014	\$187,575
Electric	4,034,104	83,198	4,117,302
Water and Sewer	371,840	97,938	469,778
Civic Center	11,121	14,886	26,007
Total business-type activities	\$4,599,626	\$201,036	\$4,800,662

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, 2017

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, 2017, was 7.34% of compensation for law enforcement officers and 8.00% 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 \$1,315,412 for the year ended June 30, 2017. ABC contribution to the pension plan was \$27,996.

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, 2017

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, 2017, the City reported a liability of \$5,888,631 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the City's proportion was .027746%, which was a decrease of 0.0034% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$1,575,914. At June 30, 2017, 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	\$ 110,637	\$ 206,344
Changes of assumptions	403,319	-
Net difference between projected and actual earnings on pension plan investments	3,255,672	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,508	58,992
Employer contributions subsequent to the measurement date	1,315,412	-
Local government pension plan	<u>5,092,548</u>	<u>265,336</u>
LEO separation allowance pension plan	62,472	40,900
Total pension deferrals	<u>\$ 5,155,020</u>	<u>\$ 306,236</u>

The City's proportionate share of the net pension liability for fiscal year ended 2017 was the following:

Local government net pension liability	\$ 5,888,631
LEO separation allowance pension liability	<u>1,929,764</u>
Total pension liability	<u>\$ 7,818,395</u>

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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)

\$1,315,412 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, 2018. 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:	
2018	524,769
2019	525,290
2020	1,536,254
2021	925,487
2022	-
Thereafter	-
	<u>\$ 3,511,800</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014. 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, 2017

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, 2016 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%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
	<u>Total</u>	<u>100.0%</u>

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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, 2017**

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)	\$ 13,976,468	\$ 5,888,631	\$ (866,932)

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. 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, 2016, 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, 2017

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 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 Statement 73.

3) *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

The discount rate used to measure the TPL is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

DEATHS AFTER RETIREMENT (HEALTHY): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

DEATHS BEFORE RETIREMENT: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

DEATHS AFTER RETIREMENT (BENEFICIARY): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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)

DEATHS AFTER RETIREMENT (DISABLED): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Contributions – The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$127,668 as benefits came due for the reporting period. ABC Board paid benefits was \$17,705.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a total pension liability of \$1,929,764. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of \$161,478.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	40,900
City benefit payments and plan administrative expense made subsequent to the measurement date	62,472	-
Total	\$ 62,472	\$ 40,900

\$62,472 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 7,926
2019	7,926
2020	7,926
2021	7,926
2022	7,926
Thereafter	1,270
	\$ 40,900

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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)

\$62,472 paid as benefits came due are reported as deferred outflows of resources.

Sensitivity of the City's total pension liability to changes in the discount rate. - The following presents the City's total pension liability calculated using the discount rate of 3.86 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total Pension Liability	\$ 2,103,979	\$ 1,929,764	\$ 1,771,518

**Schedule of Changes in Total Pension Liability Law
Enforcement Officers' Special Separation Allowance**

	2017
Beginning balance	\$ 1,937,151
Service Cost	102,230
Interest on the total pension liability	66,877
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(48,826)
Benefit payments	(127,668)
Other changes	-
Ending balance of the total pension liability	\$ 1,929,764

The plan currently uses mortality tables that vary by age, 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

B. Liabilities (cont'd)

Pension Plan Obligations (cont'd)

Officers are 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, 2017, was \$178,982. The City provides a Section 401(k) plan for this purpose. The ABC Board's contributions for the year ended June 30, 2017 was \$18,101.

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.

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 plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2016, the State contributed \$13,900,000 to the plan. For the fiscal year ended June 30, 2017, 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.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

B. Liabilities (cont'd)

Pension Plan Obligations (cont'd)

state as revenue and an expenditure of \$5,846 for 15 fire department employees who perform firefighting duties for the City's fire department. The City of Statesville's proportionate share of the State's contribution is \$4,869.

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, 2017, 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, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016 and at June 30, 2015 was 0%.

For the year ended June 30, 2017, the City recognized pension expense of \$1,012 and revenue of \$1,012 for support provided by the State. At June 30, 2017, 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, 2015 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 those contributions from

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

B. Liabilities (cont'd)

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. A separate report was not issued for the plan.

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 June 30, 2016, the date of the latest actuarial valuation:

Description	General Government	Law Enforcement
Retirees	15	0
Active plan members	<u>276</u>	<u>68</u>
Total	<u>291</u>	<u>68</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 Parent/Child \$182.70 and the Family plan \$544.96 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 normal cost ARC rate is .99% 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 \$132.030 in contributions. There were no contributions made by employees.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

B. Liabilities (cont'd)

Other Postemployment Benefits (OPEB) (cont'd)

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

a. Healthcare Benefits (cont'd)

Annual OPEB Cost and Net OPEB Liability. 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 liability for the healthcare benefits:

Annual OPEB cost and Net OPEB liability for fiscal year ending June 30, 2017

Employer annual required contribution	\$	151,747
Valuation Discount Rate		4.00%
Interest on Net OPEB Liability:		72,784
Amortization Factor		26.1695
Adjustment to Annual Required Contribution:		69,531
 Annual OPEB Cost:		 155,000
Employer Contributions for Fiscal Year Ending June 30, 2017		132,030
 Increase (decrease) in Net OPEB Liability:	 \$	 22,970
Net OPEB Liability Beginning of Fiscal Year		1,819,595
 Net OPEB Liability End of Fiscal Year:	 \$	 1,842,565

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

Year Ended June 30	Annual OPEB Costs (APC)	Percentage of OPEB Cost Contributed	Net OPEB Liability at End of Year
2015	\$82,563	0.00%	\$ 1,726,595
2016	\$93,000	0.00%	\$ 1,819,595
2017	\$155,000	85.20%	\$ 1,842,565

Funded Status and Funding Progress. As of June 30, 2016, 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 \$1,794,287. The covered payroll (annual payroll of active

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

B. Liabilities (cont'd)

Other Postemployment Benefits (OPEB) (cont'd)

a. Healthcare Benefits (cont'd)

employees covered by the plan) was \$14,570,229, and the ratio of the UAAL to the covered payroll was 12.31 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations. In the June 30, 2016 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 7.75 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 June 30, 2016, 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

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

B. Liabilities (cont'd)

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. The death benefit payment will resume for fiscal year 2017. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The City provides an additional life insurance for its employees; the benefit is two times their annual salary.

Deferred Outflows and Inflows of Resources

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

Differences between expected and actual experience	\$ 110,637
Changes of assumptions	403,319
Net difference between projected and actual earnings on pension plan investments	3,255,672
Changes in proportion and differences between employer contributions and LEO Employer Contribution	7,508
LGER Employer Contribution	62,472
	<u>1,315,412</u>
Total Deferred Outflows	\$ 5,155,020

Deferred Inflows of Resources	
Property taxes - General Fund	\$ 352,747
Prepaid taxes	1,103
Deferred receivables	83,882
Other deposits	52,740
Differences between expected and actual experience	
Changes of assumptions:	
Local government pension-Differences between expected and actual	206,344
LEO Separation allowance pension-changes in assumptions	40,900
Changes in proportion and defereces between employer and proportionate share of contributions	58,992
	<u>796,708</u>
Total Deferred Inflows	\$ 796,708

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, 2017

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 \$380,568 reported in the fund at June 30, 2017 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 \$380,568 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 \$305,771 reported in the fund at June 30, 2017 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 \$305,771 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, 2017, 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, 2017

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 America. 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 6.9%. 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, 2017 is \$4,431,291 reduced by a principal payment of \$237,247. 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, 2017 reported the following outstanding long-term debt:

The ABC Board has a note payable with a bank secured by real estate. At June 30, 2017 the outstanding balance was \$701,356. Monthly payments of principal and interest are \$5,265 per month. The note bears interest rate of 3.25% per annum. Interest expense for June 30, 2017 was \$21,577. Maturity is a balloon payment on May 24, 2021. Maturities are as follows:

2018	\$40,991
2019	\$42,344
2020	\$43,741
2021	\$574,280

The ABC Board has a line of credit with a bank that is unsecured. At June 30, 2017 the outstanding balance was \$0. The note bears interest at 4.125% per annum and matures on October 22, 2017.

The ABC Board's accumulated vacation at June 30, 2017 was \$52,696. The current portion of the accumulated vacation pay is not considered material. The CVB's accumulated vacation at June 30, 2017 was \$1,591.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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.	\$ 2,800,000
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.	584,100
Total Serviced by the General Fund:	\$ 3,384,100

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.	\$ 750,000
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.	740,417
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.	6,553,142
2.00% note payable to the state of North Carolina Drinking Water State Revolving Loan Fund in 20 annual installments of \$968,698 beginning in 2007 through 2026, plus applicable interest.	17,436,563
No interest rate note payable to the state of North Carolina Drinking Water State Revolving Loan Fund in 20 annual installments of \$237,247 beginning in 2017 through 2036. Final amortization schedule has not been determined as the date of this report.	4,194,043
Total clean water state revolving funds	\$ 29,674,165
Total Outstanding Debt	\$ 33,058,265

At June 30, 2017, the City of Statesville's legal debt margin is \$234,880,608.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

B. Liabilities (cont'd)

Long-Term Obligations (cont'd)

As of June 30, 2017 the City does not have any outstanding general obligation bonds. 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>			
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	3,384,100	254,760	3,638,860
<u>Business-type activities - Water and Sewer Fund:</u>			
2018	2,207,475	563,795	2,771,270
2019	2,207,475	517,611	2,725,086
2020	2,207,475	471,427	2,678,902
2021	2,207,475	425,243	2,632,718
2022	2,207,475	379,060	2,586,535
2023-2027	9,065,636	1,262,791	10,328,427
2028-2036	9,571,154	697,463	10,268,617
Total Business-type	29,674,165	4,317,390	33,991,555
TOTAL DEBT	\$ 33,058,265	\$ 4,572,150	\$ 37,630,415

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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, 2017

	Balances			Balances			Current	Long-term
	June 30, 2016	Additions	Decreases	June 30, 2017	Portion of	Balance	Portion of	
					Balance		Balance	
Governmental activities:								
General Fund:								
Notes Payable	\$ 4,278,800	\$ -	\$ 894,700	\$ 3,384,100	\$ 894,700	\$ 2,489,400		
Compensated absences	2,209,988	1,702,314	1,819,133	2,093,169	1,698,941	394,228		
Net pension liability (LGERS)	897,163	3,502,691	-	4,399,854	-	4,399,854		
Total pension liability (LEOSS)	1,937,151	-	7,387	1,929,764	-	1,929,764		
OPEB Liability	1,383,497	149,414	132,030	1,400,881	-	1,400,881		
Total governmental activities:	\$ 10,706,599	\$ 5,354,419	\$ 2,853,250	\$ 13,207,768	\$ 2,593,641	\$ 10,614,127		
Business-type activities:								
Airport Fund:								
Compensated absences	\$ 4,808	\$ 5,198	\$ 1,703	\$ 8,303	\$ 2,404	\$ 5,899		
Net pension liability (LGERS)	14,672	22,968	-	37,640	-	37,640		
OPEB Liability	467	114	-	581	-	581		
Total Airport Fund	\$ 19,947	\$ 28,280	\$ 1,703	\$ 46,524	\$ 2,404	\$ 44,120		
Electric Fund:								
Compensated absences	\$ 187,114	\$ 163,498	\$ 103,041	\$ 247,571	\$ 168,756	\$ 78,815		
Net pension liability (LGERS)	72,675	390,464	-	463,139	-	463,139		
OPEB Liability	147,163	1,938	-	149,101	-	149,101		
Total Electric Fund	\$ 406,952	\$ 555,900	\$ 103,041	\$ 859,811	\$ 168,756	\$ 691,055		
Water and Sewer Fund								
Notes payable	\$ 31,790,563	\$ 13,080	\$ 2,129,478	\$ 29,674,165	\$ 2,207,475	\$ 27,466,690		
Compensated absences	328,995	252,614	263,965	317,644	201,863	115,781		
Net pension liability (LGERS)	253,009	631,633	-	884,642	-	884,642		
OPEB Liability	257,521	3,135	-	260,656	-	260,656		
Total Water and Sewer Fund	\$ 32,630,088	\$ 900,462	\$ 2,393,443	\$ 31,137,107	\$ 2,409,338	\$ 28,727,769		
Civic Center Fund								
Compensated absences	\$ 25,050	\$ 25,143	\$ 15,614	\$ 34,579	\$ 24,143	\$ 10,436		
Net pension liability (LGERS)	22,966	80,390	-	103,356	-	103,356		
OPEB Liability	30,947	399	-	31,346	-	31,346		
Total Civic Center Fund	\$ 78,963	\$ 105,932	\$ 15,614	\$ 169,281	\$ 24,143	\$ 145,138		
Total business-type activities:	\$ 33,135,950	\$ 1,590,574	\$ 2,513,801	\$ 32,212,723	\$ 2,604,641	\$ 29,608,082		

Compensated absences for governmental activities have typically been liquidated in the General Fund. Net pension obligation and total pension liability typically has been liquidated in the General Fund.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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, 2017 consist of the following:

From the Airport Operating Fund to the General Fund for payment in lieu of taxes	\$ 35,857
From the Electric Fund to the General Fund for payment in lieu of taxes	87,282
From the Water & Sewer Fund to the General Fund for payment in lieu of taxes	185,841
From the Civic Center Fund to the General Fund for payment in lieu of taxes	22,381
From Occupancy Tax Fund to the Civic Center Fund	553,799
From the General Fund to Transportation Grant - TAP	320,000
From the General Fund to Domestic Violence Grant Fund	31,234
From the General Fund to Brookdale NC 21 Connector Fund	845,525
From General Equipment Capital Reserve to General Fund	976,884
From Warehouse Construction Fund to General Equipment Capital Reserve Fund	106,500
From Home Program Project Fund to Home Program Fund	249,531
From Home Consortium/CDBG Fund to Home Program Fund	19,265
Electric Fund to Electric Utility Capital Reserve Fund	1,757,540
Electric Rate Stabilization Fund to Electric Capital Reserve Fund	199,500
Water and Sewer Fund to I-77 Rest Area Project	1,415,822
Water and Sewer Fund to Water and Sewer Capital Reserve Fund	<u>580,000</u>
Total Transfers	<u>\$ 7,386,961</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, 2017, the City has recognized on-behalf-of payments for pension contributions made by the state as revenue and an expenditure of \$324 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 for each member paid by the City.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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, 2016 was \$1,055,970,000. 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, 2017 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 \$6,023 to the COG during the fiscal year ended June 30, 2017.

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, 2017. 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, 2017

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	\$46,076,432	\$123,520,421
Less: long-term debt	<u>3,384,100</u>	<u>29,674,165</u>
Net investment in capital assets	<u>\$42,692,332</u>	<u>\$93,846,256</u>

VIII. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2017, the group health claims expenditures exceeded its appropriation by \$234,126 that resulted in the Risk Management Fund exceeding its authorized financial plan appropriations by \$137,936. This over expenditure occurred because of an unanticipated large health claim that occurred in late June 2017. The City limited its liability with stop loss insurance that provided \$82,826 and a property loss refund of \$73,296; both are shown as revenues not credits against the expenditures. The City will more closely monitor the group health claims to ensure that there is sufficient appropriation in the future.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

IX. FUND BALANCE

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

Total fund balance-General Fund	\$25,292,076
Less:	
Inventories	34,546
Stabilization by State Statute	5,641,062
Separation law enforcement pension	239,891
Subsequent year's appropriations	1,583,800
Remaining fund balance	<u>\$ 17,792,777</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. At June 30, 2017, the General Fund had outstanding encumbrances of \$2,751,429. Non-major funds had no outstanding encumbrances. The enterprise funds had outstanding encumbrances of \$5,653,575. 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.

X. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, in the fiscal year ending June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$2,446,032.

CITY OF STATESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

XI. TAX ABATEMENTS In accordance with GASB 77, the City negotiates property tax abatement, economic incentive, agreements on an individual basis. The City has tax abatement agreements with five entities as of June 30, 2017.

<u>Purpose</u>	<u>Percentage of Taxes Abated during the Fiscal Year</u>	<u>Amount of Taxes Abated during the Fiscal Year</u>
<u>Providencia USA, Inc. - Phase I:</u> Construct and equip upon certain real property a modern non-woven manufacturing facility.	-	-
<u>Providencia USA, Inc. - Phase II:</u> Expand the current facility from Phase I by constructing a 90,000 sq. ft. addition and expanding its operations by adding equipment.	-	-
<u>ASMO North Carolina, Inc.:</u> Expansion of the manufacturing process that involves the purchase of new equipment and fixtures for its Plant.	-	-
<u>Highland Industries, Inc.:</u> Increase tax base by the installation of machinery and equipment therein.	-	-
<u>AmesburyTruth:</u> Company intends to operate out of a new building to be constructed on a portion of a tract of real estate which the City desires to be developed as an industrial park.	80%	\$210,000

Each agreement was negotiated under North Carolina General Statute (“N.C.G.S.”) 158-7.1 which authorizes the City to make appropriations for the purpose of aiding and encouraging the location and expansion of manufacturing enterprises and industrial and commercial plants in or near its boundaries. The abatements may be granted to any business located within or promising to relocate to the City’s geographic area. All appropriations and expenditures, pursuant to the economic agreement, at the end of the fiscal year may not exceed 0.5% of the outstanding assessed property tax valuation for the City. N.C.G.S. 158-7.1 advises each agreement to contain provisions for the recapture of abated taxes in the event an abatement recipient does not fulfill the commitment it makes in return for the tax abatement.

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CITY OF STATESVILLE, NORTH CAROLINA
REQUIRED SUPPLEMENTARY
FINANCIAL INFORMATION
For the Fiscal Year Ended June 30, 2017

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

- Schedule of Changes in Total Pension Liability for LEO Special Separation Allowance.
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for LEO 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) for Local Government Employee Retirement System
- 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
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	2017
Beginning balance	\$ 1,937,151
Service Cost	102,230
Interest on the total pension liability	66,877
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(48,826)
Benefit payments	(127,668)
Other changes	-
Ending balance of the total pension liability	\$ 1,929,764

The amounts presented for each fiscal year were determined as of the prior fiscal year ending be added until ten year's of data is accumulated.

City of Statesville, North Carolina

Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	2017
Total pension liability	\$ 1,929,764
Covered payroll	3,735,880
Total pension liability as a percentage of covered payroll	51.65%

Notes to the schedules:

The City of Statesville has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

The amounts presented for each fiscal year were determined as of the prior fiscal year ending be added until ten year's of data is accumulated.

CITY OF STATESVILLE, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFIT OBLIGATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2017

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%
06/30/2016	-	1,794,287	1,794,287	0.00%	14,570,229	12.31%

**CITY OF STATESVILLE, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFIT OBLIGATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
June 30, 2017**

Year Ended June 30	Annual Required Contribution	Annual Percentage Contributed	City Actual
2010	\$ 227,882	0.00%	\$ -
2011	227,882	0.00%	-
2012	289,319	0.00%	-
2013	297,159	0.00%	-
2014	79,624	0.00%	-
2015	82,563	0.00%	-
2016	93,000	0.00%	-
2017	151,747	87.01%	132,030

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	June 30, 2016
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	7.75%-5.00%
Year of Ultimate trend rate	2022
*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 Four Fiscal Years

Local Government Employees' Retirement System

	June 30			
	2017	2016	2015	2014
Proportionate Share of Net Pension Liability (Asset) (%)	0.28086%	0.28086%	0.28690%	0.28690%
Proportionate Share of Net Pension Liability (Asset) (\$)	5,888,631	1,260,485	(1,659,191)	(1,659,191)
City's covered employee payroll	\$ 13,076,128	\$ 12,893,144	\$ 12,639,602	\$ 12,630,018
Proportionate Share of Net Pension Liability (Asset) (%) as a percentage of its covered employee payroll	45.03%	9.78%	-13.13%	-13.14%
Plan fiduciary net pension as a percentage of the total pension liability	98.09%	98.09%	102.64%	94.35%

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

The pension schedules are intended to show information for ten years. That information will be presented as it becomes available.

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

Local Government Employees' Retirement System

	June 30			
	2017	2016	2015	2014
Contractually required contribution	\$ 1,315,412	\$ 1,126,523	\$ 1,165,415	\$ 1,140,919
Contributions in relation to the contractually required contribution	1,315,412	1,126,523	1,165,415	1,140,919
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 13,119,531	\$ 13,076,128	\$ 12,893,144	\$ 12,639,602
Contributions as a percentage of covered employee payroll	10.03%	8.62%	9.04%	9.03%

The pension schedules are intended to show information for ten years. That information will be presented as it becomes available.

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

Firefighters' and Rescue Squad Workers' Pension

	June 30			2014
	2017	2016	2015	
City's proportionate share of net pension liability (%)	0.00%	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	12,736	12,644	8,306	N/A
Total	<u>\$ 12,736</u>	<u>\$ 12,644</u>	<u>\$ 8,306</u>	<u>N/A</u>
City's covered employee payroll	\$ 191,045	\$ 196,820	\$ 179,800	N/A
City's proportionate share of net pension liability as percentage of its covered employee payroll	6.67%	6.42%	4.62%	N/A
Plan fiduciary net pension as a percentage of the total pension liability	93.42%	93.42%	93.42%	N/A

The amounts presented for the fiscal year ending June 30, 2017 were determined as of June 30, 2016.

The pension schedules are intended to show information for ten years. That information will be presented as it becomes 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.

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Ad valorem property taxes:			
Ad valorem taxes (city-wide)	\$ 13,227,183	\$ 13,476,668	\$ 249,485
Prior years ad valorem taxes (city-wide)	239,500	203,394	(36,106)
Ad valorem taxes (special districts)	117,023	120,702	3,679
Penalties and interest	100,000	105,756	5,756
Total ad valorem property taxes	<u>13,683,706</u>	<u>13,906,520</u>	<u>222,814</u>
Other taxes and licenses:			
Gross receipt tax	38,720	45,736	7,016
Privilege licenses - beer and wine	2,000	2,572	572
Total other taxes and licenses	<u>40,720</u>	<u>48,308</u>	<u>7,588</u>
Unrestricted intergovernmental revenues:			
Local sales tax	6,200,000	6,564,336	364,336
Electric/natural gas tax	1,940,000	1,937,357	(2,643)
Payments in lieu of taxes	25,000	-	(25,000)
State beer and wine tax	108,000	114,797	6,797
Telecommunication tax	300,000	253,437	(46,563)
Video programming tax	147,080	139,619	(7,461)
ABC profit distribution	51,000	145,268	94,268
ABC liquor by the drink	27,000	51,801	24,801
Total unrestricted intergovernmental	<u>8,798,080</u>	<u>9,206,615</u>	<u>408,535</u>
Restricted intergovernmental:			
Powell Bill allocation	740,000	744,048	4,048
Solid waste tax	16,000	17,037	1,037
On-behalf-of-payments - fire	25,000	4,869	(20,131)
Department of Commerce downtown grant	94,340	94,340	-
JAG and other law enforcement grants	32,471	25,421	(7,050)
Federal interest subsidy for debt interest	57,080	62,610	5,530
COPS grant	144,922	116,184	(28,738)
Total restricted intergovernmental	<u>1,109,813</u>	<u>1,064,509</u>	<u>(45,304)</u>
Permits and fees:			
Recycling revenues	10,000	4,763	(5,237)
Street cut permits	100	19,891	19,791
Planning and zoning fees	18,000	28,954	10,954
Court fees	14,535	10,865	(3,670)
Grave fees	80,000	81,625	1,625
Parking violations	16,191	23,658	7,467
Civil citations	1,500	2,600	1,100
Nuisance abatements	12,000	15,744	3,744
Fire inspection fees	75,000	72,360	(2,640)
Appearance Commission	-	3,905	3,905
Total permits and fees	<u>227,326</u>	<u>264,365</u>	<u>37,039</u>

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES (Continued):			
Sales and services:			
Sale of capital assets	10,000	17,081	7,081
Assessment interest	2,000	2,473	473
Assessment revenues	3,495	21,142	17,647
Internal charges	7,400	8,188	788
Statesville Housing Authority police protection	52,756	44,837	(7,919)
School System resource police officers	74,034	144,922	70,888
Recreation-general	98,930	117,530	18,600
Recreation-Fitness/Activity Center	323,300	301,703	(21,597)
Recreation-pool sales	149,250	183,432	34,182
Civic Center sales	15,000	5,640	(9,360)
SFAC employee membership	8,200	6,829	(1,371)
Memorial trees	1,500	3,150	1,650
Sculpture garden art	-	500	500
Commercial Sanitation Fee	142,785	139,740	(3,045)
Solid Waste Residential Fes	1,078,000	995,244	(82,756)
Sale of cemetery lots	55,000	89,050	34,050
Sale of material and labor	-	3,095	3,095
Total sales and services	2,021,650	2,084,556	62,906
Investment earnings:			
Earned interest	155,000	165,897	10,897
Total investment earnings	155,000	165,897	10,897
Miscellaneous:			
Insurance proceeds	10,000	10,238	238
Donations	28,000	28,000	-
Miscellaneous other	1,593	33,194	31,601
Total miscellaneous	39,593	71,432	31,839
Total revenues	26,075,888	26,812,202	736,314
EXPENDITURES:			
General government:			
Mayor and Council:			
Salaries and employee benefits		94,250	
Professional services		32,330	
Operating expenditures		91,702	
Reimbursement from other funds		(72,522)	
Total mayor and council	190,316	145,760	44,556
City Manager			
Salaries and employee benefits		293,866	
Professional services		64,606	
Operating expenditures		13,522	
Reimbursement from other funds		(131,855)	
Total city manager	290,891	240,139	50,752

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
General government (continued):			
City Clerk:			
Salaries and employee benefits		67,303	
Operating expenditures		76,105	
Reimbursement from other funds		(51,880)	
Total city clerk	99,884	91,528	8,356
Finance department:			
Salaries and employee benefits		829,395	
Professional services		78,366	
Operating expenditures		536,119	
Reimbursement from other funds		(945,018)	
Total finance department	526,943	498,862	28,081
Information Technology			
Salaries and employee benefits		722,400	
Professional services		65,256	
Operating expenditures		255,838	
Capital outlay		51,937	
Reimbursement from other funds		(862,372)	
	1,064,681	233,059	831,622
Human Resources:			
Salaries and employee benefits		315,145	
Professional services		24,500	
Operating expenditures		89,517	
Reimbursement from other funds		(153,028)	
Total human resources	316,317	276,134	40,183
Legal:			
Professional services		71,145	
Reimbursement from other funds	-	(19,211)	
Total legal	78,289	51,934	26,355
Planning and Zoning:			
Salaries and employee benefits		532,867	
Professional services		79,945	
Operating expenditures		368,342	
Capital outlay		17,995	
Reimbursement from other funds		(20,150)	
Total planning and zoning	1,270,695	978,999	291,696
Main Street:			
Operating expenditures		174,831	
Total Main Street	200,664	174,831	25,833

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
General government (continued):			
Public Works and Engineering:			
Salaries and employee benefits		400,988	
Professional services		9,634	
Operating expenditures		87,027	
Capital outlay		25,958	
Reimbursement from other funds		(75,397)	
Total public works and engineering	717,423	448,210	269,213
Garage:			
Salaries and employee benefits		491,244	
Operating expenditures		92,436	
Reimbursement from other funds		(138,130)	
Total garage	470,374	445,550	24,824
Warehouse:			
Operating expenditures		88,765	
Capital outlay		68,846	
Reimbursement from other funds		(66,907)	
Total warehouse	115,797	90,704	25,093
General expense:			
Professional services		780	
I-CATS transportation		18,548	
Capital outlay land		92,597	
Total general expense	217,573	111,925	105,648
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	-	
Golden Age Senior Citizens	1,000	1,000	
Happy Hour Senior Citizens	1,000	1,000	
Counseling Center	9,560	-	
Iredell Senior Center	4,600	4,600	
Fifth Street Ministry	4,000	4,000	
Iredell County Children's Museum	3,570	3,570	
Total special appropriation	72,786	62,226	10,560
Total general government	5,632,633	3,849,861	1,782,772

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
Public safety:			
Police:			
Salaries and employee benefits		6,083,180	
Professional services		18,139	
Operating expenditures		1,157,878	
Capital outlay		579,683	
Total police	8,382,648	7,838,880	543,768
Fire service:			
Salaries and employee benefits		4,394,438	
Professional services		22,850	
Operating expenditures		681,290	
Total fire service	5,793,720	5,098,578	695,142
Total public safety	14,176,368	12,937,458	1,238,910
Transportation:			
Street Department:			
Salaries and employee benefits		779,370	
Professional services		9,832	
Operating expenditures		915,390	
Capital outlay		60,752	
Reimbursement from other funds		(113,293)	
Total street department	1,763,092	1,652,051	111,041
Street Construction:			
Operating expenditures		98,184	
Capital outlay		743,623	
Total street construction	1,627,269	841,807	785,462
Total transportation	3,390,361	2,493,858	896,503
Economic and physical development:			
Operating expenditures		210,000	
Total economic and physical development	697,000	210,000	487,000
Environmental protection:			
Sanitation:			
Salaries and employee benefits		1,339,494	
Operating expenditures		480,834	
Capital outlay		319,761	
Total environmental protection	2,151,897	2,140,089	11,808

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued):			
Cultural and recreation:			
Recreation - administration:			
Salaries and employee benefits		205,695	
Operating expenditures		236,047	
Total administration	493,387	441,742	51,645
Recreation - athletics:			
Salaries and employee benefits		114,758	
Operating expenditures		76,527	
Total athletics	199,917	191,285	8,632
Recreation - programs:			
Salaries and employee benefits		190,074	
Operating expenditures		69,366	
Total programs	301,863	259,440	42,423
Recreation - fitness center:			
Salaries and employee benefits		322,094	
Operating expenditures		189,414	
Capital		70,764	
Total fitness center	622,991	582,272	40,719
Recreation - leisure pool:			
Salaries and employee benefits		92,382	
Operating expenditures		92,770	
Total leisure pool	197,456	185,152	12,304
Recreation - parks			
Salaries and employee benefits		763,853	
Operating expenditures		455,369	
Reimbursement from other funds		(65,604)	
Total park maintenance	1,231,343	1,153,618	77,725
Recreation - public grounds and cemetery:			
Salaries and employee benefits		339,870	
Operating expenditures		279,743	
Capital outlay		23,400	
Reimbursement from other funds		(26,641)	
Total public grounds and cemetery	732,940	616,372	116,568
Total culture and recreation	3,779,897	3,429,881	350,016

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
Debt service:			
Principal payment		894,700	
Interest payment		149,424	
Total debt service	1,044,124	1,044,124	-
Total expenditures	30,872,280	26,105,271	4,767,009
Revenues over (under) expenditures	(4,796,392)	706,931	5,503,323
OTHER FINANCING SOURCES (USES):			
Transfers in:			
Internal PILOT - Airport	35,857	35,857	-
Internal PILOT - Electric	87,282	87,282	-
Internal PILOT - Water and Sewer	185,841	185,841	-
Internal PILOT - Civic Center	22,381	22,381	-
Occupancy Tax charge	19,250	20,083	833
From General Capital Reserve	976,884	976,884	-
Total transfers in	1,327,495	1,328,328	833
Transfers (out):			
Transportation Grant-Tap	(320,000)	(320,000)	-
Domestic Violence Grant	(31,234)	(31,234)	-
US-21 Connector	(845,525)	(845,525)	-
Total transfers out	(1,196,759)	(1,196,759)	-
Fund balance appropriated	4,665,656	-	(4,665,656)
Total other financing sources (uses)	4,796,392	131,569	(4,664,823)
Net change in fund balance	\$ -	838,500	\$ 838,500
Fund balances at beginning of year		24,453,576	
Fund balances at end of year		\$ 25,292,076	

NONMAJOR GOVERNMENTAL FUNDS

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

Home Program Fund - Formerly known as the " 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. Closed to the Home Program Fund.

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 Fund - accounts for economic grants from state and federal governments.

Warehouse Construction Fund - accounts for capital construction for new warehouse facility. Closed to the General Capital Reserve Fund.

Streetscape Fund - accounts for the downtown infrastructure renewal.

Transportation Grant - TAP - accounts for capital improvements to public right aways.

Brookdale NC-21 Connector - accounts for capital improvements to public right aways.

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, 2017

	Home Program Project Fund	Home Program Fund	Home Consortium/ CDBG Fund	Drug Enforcement Fund	Occupancy Tax Fund	Domestic Violence Grant Fund	Economic Development Fund	Total Nonmajor Special Revenue Funds
ASSETS:								
Cash and cash equivalents	\$ -	\$ 371,693	\$ -	\$ 78,403	\$ 724,490	\$ -	\$ -	\$ 1,174,586
Accounts receivable, net	-	-	-	-	-	52,563	-	52,563
Interest receivable	-	582	-	123	1,138	-	-	1,843
Due from other funds	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Total assets	\$ -	\$ 372,275	\$ -	\$ 78,526	\$ 725,628	\$ 52,563	\$ -	\$ 1,228,992
LIABILITIES AND FUND EQUITY:								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ 744	\$ -	\$ 4,341	\$ -	5,085
Due to other funds	-	-	-	-	-	7,260	-	7,260
Total current liabilities	-	-	-	744	-	11,601	-	12,345
DEFERRED INFLOW OF RESOURCES								
Deferred receivables	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	744	-	11,601	-	12,345
Fund Equity:								
Stabilization by state statute	-	582	-	123	1,138	52,563	-	54,406
Restricted	-	371,693	-	77,659	724,490	-	-	1,173,842
Committed	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(11,601)	-	(11,601)
Total fund balances	-	372,275	-	77,782	725,628	40,962	-	1,216,647
Total liabilities and fund balances	\$ -	\$ 372,275	\$ -	\$ 78,526	\$ 725,628	\$ 52,563	\$ -	\$ 1,228,992

CITY OF STATESVILLE, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	Warehouse Construction Fund	Streetscape Capital Fund	Transportation Grant -TAP	Brookdale NC-21 Connector	General Equipment Capital Reserve Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS:							
Cash and cash equivalents	\$ -	\$ 218,670	\$ 469,206	\$ 844,095	\$ 3,935,925	\$ 5,467,896	\$ 6,642,482
Accounts receivable, net	-	-	-	-	-	-	52,563
Interest receivable	-	343	737	1,326	6,175	8,581	10,424
Due from other funds	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Total assets	\$ -	\$ 219,013	\$ 469,943	\$ 845,421	\$ 3,942,100	\$ 5,476,477	\$ 6,705,469
LIABILITIES AND FUND EQUITY:							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,085
Due to other funds	-	-	-	-	-	-	7,260
Total current liabilities	-	-	-	-	-	-	12,345
DEFERRED INFLOW OF RESOURCES							
Deferred receivables	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	12,345
Fund Equity:							
Stabilization by state statute	-	343	737	1,326	6,175	8,581	62,987
Restricted	-	-	-	-	-	-	1,173,842
Committed	-	218,670	469,206	844,095	3,935,925	5,467,896	5,467,896
Unassigned	-	-	-	-	-	-	(11,601)
Total fund balances	-	219,013	469,943	845,421	3,942,100	5,476,477	6,693,124
Total liabilities and fund balances	\$ -	\$ 219,013	\$ 469,943	\$ 845,421	\$ 3,942,100	\$ 5,476,477	\$ 6,705,469

CITY OF STATESVILLE, NORTH CAROLINA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	Home Program Project Fund	Home Program Fund	Home Consortium/ CDBG Fund	Drug Enforcement Fund	Occupancy Tax Fund	Domestic Violence Grant Fund	Economic Development Fund	Total Nonmajor Special Revenue Funds
REVENUES:								
Other taxes and licenses	\$ -	\$ -	\$ -	\$ -	\$ 1,008,183	\$ -	\$ -	\$ 1,008,183
Restricted intergovernmental	-	-	-	20,001	-	114,634	-	134,635
Repayment of loans	-	981	-	-	-	-	-	981
Investment earnings	484	1,133	119	601	3,665	(6)	-	5,996
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	484	2,114	119	20,602	1,011,848	114,628	-	1,149,795
EXPENDITURES:								
Public safety								
Operating expenditures	-	-	-	744	-	128,350	-	129,094
Capital outlay	-	-	-	15,466	-	-	-	15,466
Economic and physical development:								
Operating expenditures	-	-	-	-	217,733	-	-	217,733
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	16,210	217,733	128,350	-	362,293
Revenue over (under) expenditures	484	2,114	119	4,392	794,115	(13,722)	-	787,502
OTHER FINANCING SOURCES (USES):								
Transfers in:								
General Fund	-	-	-	-	-	31,234	-	31,234
Warehouse Fund	-	-	-	-	-	-	-	-
Transfers out:								
General Fund	-	-	-	-	-	-	-	-
General Capital Reserve	-	-	-	-	-	-	-	-
Home Funds	(249,531)	268,796	(19,265)	-	-	-	-	-
Civic Center	-	-	-	-	(553,799)	-	-	(553,799)
Total other financing sources (uses)	(249,531)	268,796	(19,265)	-	(553,799)	31,234	-	(522,565)
Net change in fund balance	(249,047)	270,910	(19,146)	4,392	240,316	17,512	-	264,937
Fund balances at beginning of year	249,047	101,365	19,146	73,390	485,312	23,450	-	951,710
Fund balances at end of year	\$ -	\$ 372,275	\$ -	\$ 77,782	\$ 725,628	\$ 40,962	\$ -	\$ 1,216,647

CITY OF STATESVILLE, NORTH CAROLINA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	Warehouse Construction Fund	Streetscape Capital Fund	Transportation Grant -TAP	Brookdale NC-21 Connector	General Equipment Capital Reserve Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES:							
Other taxes and licenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,008,183
Restricted intergovernmental	-	-	-	-	-	-	134,635
Repayment of loans	-	-	-	-	-	-	981
Investment earnings	517	1,750	(57)	(104)	30,254	32,360	38,356
Miscellaneous	-	-	150,000	-	9,799	159,799	159,799
Total revenues	517	1,750	149,943	(104)	40,053	192,159	1,341,954
EXPENDITURES:							
Public safety							
Operating expenditures	-	-	-	-	-	-	129,094
Capital outlay	-	-	-	-	-	-	15,466
Economic and physical development:							
Operating expenditures	-	-	-	-	-	-	217,733
Capital outlay	-	31,222	-	-	-	31,222	31,222
Total expenditures	-	31,222	-	-	-	31,222	393,515
Revenue over (under) expenditures	517	(29,472)	149,943	(104)	40,053	160,937	948,439
OTHER FINANCING SOURCES (USES):							
Transfers in:							
General Fund	-	-	320,000	845,525	-	1,165,525	1,196,759
Warehouse Fund	-	-	-	-	106,500	106,500	106,500
Transfers out:							
General Fund	-	-	-	-	(976,884)	(976,884)	(976,884)
General Capital Reserve	(106,500)	-	-	-	-	(106,500)	(106,500)
Home Funds	-	-	-	-	-	-	-
Civic Center	-	-	-	-	-	-	(553,799)
Total other financing sources (uses)	(106,500)	-	320,000	845,525	(870,384)	188,641	(333,924)
Net change in fund balance	(105,983)	(29,472)	469,943	845,421	(830,331)	349,578	614,515
Fund balances at beginning of year	105,983	248,485	-	-	4,772,431	5,126,899	6,078,609
Fund balances at end of year	\$ -	\$ 219,013	\$ 469,943	\$ 845,421	\$ 3,942,100	\$ 5,476,477	\$ 6,693,124

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 Fiscal Year Ended June 30, 2017

	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	274,729	274,754	-	274,754
Investment earnings	87,033	86,619	484	87,103
Total revenues	<u>1,117,572</u>	<u>1,116,504</u>	<u>484</u>	<u>1,116,988</u>
EXPENDITURES:				
Economic and physical development				
Home program grant activity	<u>868,110</u>	<u>867,457</u>	<u>-</u>	<u>867,457</u>
Total expenditures	<u>868,110</u>	<u>867,457</u>	<u>-</u>	<u>867,457</u>
OTHER FINANCING USES:				
Transfer out-Home Program	<u>249,462</u>	<u>-</u>	<u>249,531</u>	<u>249,531</u>
Total other financing uses	<u>249,462</u>	<u>-</u>	<u>249,531</u>	<u>249,531</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 249,047</u>	<u>(249,047)</u>	<u>\$ -</u>
FUND BALANCES:				
Fund balances at beginning of year			<u>249,047</u>	
Fund balances at end of year			<u>\$ -</u>	

CITY OF STATESVILLE, NORTH CAROLINA
HOME PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental	\$ 102,978	\$ 102,977	\$ -	\$ 102,977
Repayment of loans	-	89,325	981	90,306
Investment earnings	-	11,379	1,133	12,512
Total revenues	102,978	203,681	2,114	205,795
EXPENDITURES:				
Economic and physical development				
Home program grant activity	396,705	127,316	-	127,316
Total expenditures	396,705	127,316	-	127,316
Revenues over (under) expenditures	(293,727)	76,365	2,114	78,479
OTHER FINANCING SOURCES:				
Transfer in - General Fund	25,000	25,000	-	25,000
Transfer in - Home Program	249,462	-	249,531	249,531
Transfer in - Home Project	19,265	-	19,265	19,265
Total other financing sources	293,727	25,000	268,796	293,796
Net change in fund balance	\$ -	\$ 101,365	270,910	\$ 372,275
FUND BALANCES:				
Fund balances at beginning of year			101,365	
Fund balances at end of year			\$ 372,275	

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 Fiscal Year Ended June 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental-Home Program	\$ 1,762,813	\$ 1,762,716	\$ -	\$ 1,762,716
Restricted intergovernmental - other	750,000	750,000	-	750,000
Restricted intergovernmental - CDBG	250,000	249,079	-	249,079
Investment earnings	18,258	18,140	119	18,259
Total revenues	2,781,071	2,779,935	119	2,780,054
EXPENDITURES:				
Economic and physical development				
Home program grant activity	2,181,647	2,170,630	-	2,170,630
Restricted intergovernmental - other	740,000	750,000	-	750,000
Restricted intergovernmental - CDBG	249,079	249,079	-	249,079
Total expenditures	3,170,726	3,169,709	-	3,169,709
Revenues (under) expenditures	(389,655)	(389,774)	119	(389,655)
OTHER FINANCING SOURCES:				
Transfer in - General Fund	408,920	408,920	-	408,920
OTHER FINANCING USES:				
Transfer out-Home Program	(19,265)	-	(19,265)	(19,265)
Net change in fund balance	\$ -	\$ 19,146	\$ (19,146)	\$ -
FUND BALANCES:				
Fund balances at beginning of year			19,146	
Fund balances at end of year			\$ -	

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 Fiscal Year Ended June 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Restricted intergovernmental:				
Adoptive forfeitures	\$ 641,007	\$ 641,008	\$ -	\$ 641,008
Controlled substance tax	358,750	347,362	20,001	367,363
DARE revenues	926	926	-	926
Investment earnings	68,442	67,976	601	68,577
Total revenues	<u>1,069,125</u>	<u>1,057,272</u>	<u>20,602</u>	<u>1,077,874</u>
EXPENDITURES:				
Public safety:				
Accreditation - CALEA	19,000	16,050	-	16,050
Drug enforcement	152,855	97,125	-	97,125
DARE expenditures	2,000	926	-	926
Other expenditures	5,904	-	744	744
Capital outlay Vehicle	16,000	-	15,466	15,466
Total expenditures	<u>195,759</u>	<u>114,101</u>	<u>16,210</u>	<u>130,311</u>
Revenues over expenditures	<u>873,366</u>	<u>943,171</u>	<u>4,392</u>	<u>947,563</u>
OTHER FINANCING USES:				
Transfer out:				
General Fund	(855,490)	(851,905)	-	(851,905)
SIGI Grant	(17,876)	(17,876)	-	(17,876)
Total other financing uses	<u>(873,366)</u>	<u>(869,781)</u>	<u>-</u>	<u>(869,781)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 73,390</u>	<u>\$ 4,392</u>	<u>\$ 77,782</u>
FUND BALANCES:				
Fund balances at beginning of year			<u>73,390</u>	
Fund balances at end of year			<u>\$ 77,782</u>	

CITY OF STATESVILLE, NORTH CAROLINA
OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Other taxes and licenses:			
5% hotel/motel occupancy tax	\$ 925,000	\$ 1,008,183	\$ 83,183
Investment earnings	-	3,665	3,665
Total revenues	<u>925,000</u>	<u>1,011,848</u>	<u>86,848</u>
EXPENDITURES:			
Economic and physical development	198,000	197,650	350
General Fund - administration costs	<u>20,100</u>	<u>20,083</u>	<u>17</u>
Total expenditures	<u>218,100</u>	<u>217,733</u>	<u>367</u>
Revenues over (under) expenditures	<u>706,900</u>	<u>794,115</u>	<u>87,215</u>
OTHER FINANCING USES:			
Transfer out:			
Civic Center Fund	(553,799)	(553,799)	-
Future capital and debt service	<u>(153,101)</u>	<u>-</u>	<u>153,101</u>
Total other financing (uses)	<u>(706,900)</u>	<u>(553,799)</u>	<u>153,101</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 240,316</u>	<u>\$ 240,316</u>
FUND BALANCES:			
Fund balances at beginning of year		<u>485,312</u>	
Fund balances at end of year		<u>\$ 725,628</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 Fiscal Year Ended June 30, 2017

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
REVENUES:				
Restricted intergovernmental:				
Federal grant	\$ 387,291	\$ 175,571	\$ 114,634	\$ 290,205
Investment earnings	-	6	(6)	-
Total revenues	<u>387,291</u>	<u>175,577</u>	<u>114,628</u>	<u>290,205</u>
EXPENDITURES:				
Public safety:				
First year grant	63,945	60,071	-	60,071
Second year grant	59,162	56,331	-	56,331
Third year grant	266,496	131,737	31,114	162,851
Fourth year grant	124,934	-	97,236	97,236
Total expenditures	<u>514,537</u>	<u>248,139</u>	<u>128,350</u>	<u>376,489</u>
Revenues (under) expenditures	<u>(127,246)</u>	<u>(72,562)</u>	<u>(13,722)</u>	<u>(86,284)</u>
OTHER FINANCING SOURCES:				
Transfer in:				
General Fund	<u>127,246</u>	<u>96,012</u>	<u>31,234</u>	<u>127,246</u>
Other financing sources	<u>127,246</u>	<u>96,012</u>	<u>31,234</u>	<u>127,246</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 23,450</u>	<u>17,512</u>	<u>\$ 40,962</u>
FUND BALANCES:				
Fund balances at beginning of year			<u>23,450</u>	
Fund balances at end of year			<u>\$ 40,962</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 Fiscal Year Ended June 30, 2017

	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 Building 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 Building 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 Fiscal Year Ended June 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ 6,500	\$ 5,983	\$ 517	\$ 6,500
Total revenues	6,500	5,983	517	6,500
EXPENDITURES:				
General Government:				
Capital Outlay	250,000	-	-	-
Total expenditures	250,000	-	-	-
Revenues over (under) expenditures	(243,500)	5,983	517	6,500
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Fund	100,000	100,000	-	100,000
Electric Fund	250,000	-	-	-
Transfers out:				
General Capital Reserve	(106,500)	-	(106,500)	(106,500)
Total other financing sources (uses)	243,500	100,000	(106,500)	(6,500)
Net change in fund balance	\$ -	\$ 105,983	\$ (105,983)	\$ -
FUND BALANCES:				
Fund balances at beginning of year			105,983	
Fund balances at end of year			\$ -	

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 Fiscal Year Ended June 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Unrestricted intergovernmental	\$ 195,727	\$ 195,727	\$ -	\$ 195,727
Investment earnings	250	119	1,750	1,869
Investment earnings-other	6,750	7,261	-	7,261
Total revenues	202,727	203,107	1,750	204,857
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	3,500	7,835,870
Capital outlay - miscellaneous	87,492	82,368	-	82,368
Capital outlay - other improvement	160,943	96,832	-	96,832
Professional services	279,750	235,656	27,722	263,378
Pocket Park	88,800	87,560	-	87,560
Contingency	638	-	-	-
Total expenditures	9,033,410	8,785,305	31,222	8,816,527
Revenues (under) expenditures	(8,830,683)	(8,582,198)	(29,472)	(8,611,670)
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	\$ -	\$ 248,485	(29,472)	\$ 219,013
FUND BALANCES:				
Fund balances at beginning of year			248,485	
Fund balances at end of year			\$ 219,013	

CITY OF STATESVILLE, NORTH CAROLINA
TRANSPORTATION GRANT - TAP
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ -	\$ -	\$ (57)	\$ (57)
Carolina Thread Trail Transportation Grant	150,000 1,200,000	- -	150,000 -	150,000 -
Total revenues	1,350,000	-	149,943	149,943
EXPENDITURES:				
Transportation:				
Contract services	1,670,000	-	-	-
Total expenditures	1,670,000	-	-	-
Revenues (under) expenditures	(320,000)	-	149,943	149,943
OTHER FINANCING SOURCES:				
Transfers in:				
General Fund	320,000	-	320,000	320,000
Total other financing sources	320,000	-	320,000	320,000
Net change in fund balance	\$ -	\$ -	469,943	\$ 469,943
FUND BALANCES:				
Fund balances at beginning of year			-	
Fund balances at end of year			\$ 469,943	

CITY OF STATESVILLE, NORTH CAROLINA
BROOKDALE NC-21 CONNECTOR
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ -	\$ -	\$ (104)	\$ (104)
Transportation Grant	1,881,975	-	-	-
Total revenues	1,881,975	-	(104)	(104)
EXPENDITURES:				
Transportation:				
Professional services	240,000	-	-	-
Contracted services	1,069,938	-	-	-
Right of way	1,200,000	-	-	-
Contingency	217,562	-	-	-
Total expenditures	2,727,500	-	-	-
Revenues (under) expenditures	(845,525)	-	(104)	(104)
OTHER FINANCING SOURCES:				
Transfers in:				
General Fund	845,525	-	845,525	845,525
Total other financing sources	845,525	-	845,525	845,525
Net change in fund balance	\$ -	\$ -	845,421	\$ 845,421
FUND BALANCES:				
Fund balances at beginning of year			-	
Fund balances at end of year			<u>\$ 845,421</u>	

CITY OF STATESVILLE, NORTH CAROLINA
GENERAL EQUIPMENT CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ 390,516	\$ 1,115,375	\$ 30,254	\$ 1,145,629
Sidewalk and curbs	-	130,855	9,799	140,654
Total revenues	390,516	1,246,230	40,053	1,286,283
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	6,294,788	6,294,788	-	6,294,788
Electric	848,190	848,190	-	848,190
Water and Sewer	565,460	565,460	-	565,460
Warehouse	106,500	-	106,500	106,500
Fire Equipment Reserve Fund	28,489	153,778	-	153,778
Business Park Capital Project Fund	153,777	28,489	-	28,489
Total transfers in	14,193,672	13,383,438	106,500	13,489,938
Transfers out:				
General Fund - Fire Station #4	1,949,597	1,116,933	216,246	1,333,179
General Fund - Streetscape	7,708,438	4,039,001	760,638	4,799,639
Warehouse reserve	106,500	-	-	-
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	14,584,188	9,857,237	976,884	10,834,121
Total other financing sources (uses)	(390,516)	23,240,675	1,083,384	24,324,059
Net change in fund balance	\$ -	\$ 4,772,431	\$ (830,331)	\$ 3,942,100
FUND BALANCES:				
Fund balances at beginning of year			4,772,431	
Fund balances at end of year			\$ 3,942,100	

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ENTERPRISE FUNDS

MAJOR ENTERPRISE FUNDS

Airport Operating Fund – 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.

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

Electric Rate Stabilization Fund – accounts for funds to stabilize electric rates. This fund was closed to the Electric Utility Capital Reserve Fund.

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.

Fourth Creek WWTP Capital Fund – accounts for a major improvement of one of the City's waste water treatment plants.

CITY OF STATESVILLE, NORTH CAROLINA
MAJOR ENTERPRISE FUND
AIRPORT OPERATING FUND- SCHEDULE OF
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Charges for services:			
Airport operations rental	\$ 226,000	\$ 238,871	\$ 12,871
Iredell County director support	22,000	22,000	-
Fueling flow fees	155,000	173,518	18,518
Land rent	-	610	610
Total operating revenues	403,000	434,999	31,999
Non-operating revenues:			
Interest on investments	1,000	1,802	802
Total non-operating revenues	1,000	1,802	802
Total revenues	404,000	436,801	32,801
EXPENDITURES:			
Salaries and employee benefits	162,612	151,671	10,941
Operating expenditures	346,381	262,781	83,600
Capital outlay	20,000	10,828	9,172
Total expenditures	528,993	425,280	103,713
OTHER FINANCING SOURCES (USES):			
PILOT	(35,857)	(35,857)	-
Fund balance appropriated	160,850	-	(160,850)
Total other financing sources	124,993	(35,857)	(160,850)
Total revenues and other financing sources over expenditures	\$ -	(24,336)	\$ (24,336)
From modified accrual revenues over expenditures			
Depreciation		(1,506,336)	
Capital outlay		10,828	
Change in accrued compensated absences		(3,495)	
Change in other postemployment benefits		(114)	
Increase in deferred outflows of resources - pensions		19,632	
Increase in net pension liability		(22,968)	
Decrease in deferred inflows of resources - pensions		2,044	
Project revenues		187,803	
Interest earnings from project fund		8,923	
Total reconciling items		(1,303,683)	
Change in net position		\$ (1,328,019)	

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 Fiscal Year Ended June 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ 13,156	\$ 65,711	\$ 8,921	\$ 74,632
NCDOT land	1,450,000	1,368,561	-	1,368,561
Iredell County land	330,555	76,031	250,000	326,031
DOT grants	2,490,336	1,072,578	179,136	1,251,714
Iredell County	138,352	56,431	8,667	65,098
Total revenues	4,422,399	2,639,312	446,724	3,086,036
EXPENDITURES:				
Transportation:				
Capital outlay- land	1,144,444	76,655	4,732	81,387
Airport improvements	2,499,341	1,216,198	275,028	1,491,226
Capital outlay - grant land	1,611,111	1,520,981	5,335	1,526,316
Capital outlay - hanger development	267,701	-	20,195	20,195
Capital outlay - hanger land	1,119,539	-	-	-
Total expenditures	6,642,136	2,813,834	305,290	3,119,124
Revenues (under) expenditures	(2,219,737)	(174,522)	141,434	(33,088)
OTHER FINANCING SOURCES:				
Transfers in:				
General Fund	2,219,737	1,288,477	-	1,288,477
Total other financing sources	2,219,737	1,288,477	-	1,288,477
Revenues and other financing sources (under) expenditures	\$ -	\$ 1,113,955	\$ 141,434	\$ 1,255,389

CITY OF STATESVILLE, NORTH CAROLINA
MAJOR ENTERPRISE FUND
ELECTRIC FUND- SCHEDULE OF
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Electric sales	\$ 46,153,703	\$ 46,913,124	\$ 759,421
Other operating revenues	843,951	887,485	43,534
Total operating revenues	46,997,654	47,800,609	802,955
Non-operating revenues:			
Interest on investments	85,000	131,767	46,767
Misc Revenue	10,000	945	(9,055)
Sale of Capital Assets	5,000	19,821	14,821
Handling Charge Bad Check	5,000	3,600	(1,400)
Power Agency Promo Refund	200,000	12,363	(187,637)
Indirect FEMA reimburse	-	38,308	38,308
Renewable Energy Charges	165,000	179,511	14,511
Insurance Proceeds	-	124	124
Participation NC Municipal Power Agency	5,000	27,577	22,577
Bad Debt Recovery	45,000	63,730	18,730
Sale of Material & Labor	20,000	58,513	38,513
Pole attachment fee	75,000	49,909	(25,091)
Total non-operating revenues	615,000	586,168	(28,832)
Total revenues	47,612,654	48,386,777	774,123
EXPENDITURES:			
Salaries and employee benefits	2,298,567	2,315,900	(17,333)
Electrical power purchases	39,010,000	39,120,860	(110,860)
Professional services	-	47,679	(47,679)
Operating expenditures	2,855,083	2,515,892	339,191
Capital outlay	2,484,093	1,114,960	1,369,133
Total expenditures	46,647,743	45,115,291	1,532,452
Revenues over (under) expenditures	964,911	3,271,486	2,306,575
OTHER FINANCING SOURCES (USES):			
Fund balance appropriated	879,911	-	(879,911)
PILOT	(87,282)	(87,282)	-
Transfer out Capital Reserve	(1,757,540)	(1,757,540)	-
Total other financing sources (uses)	(964,911)	(1,844,822)	(879,911)
Total revenues and other financing sources over expenditures and other financing uses	\$ -	1,426,664	\$ 1,426,664

CITY OF STATESVILLE, NORTH CAROLINA
MAJOR ENTERPRISE FUND
ELECTRIC FUND- SCHEDULE OF
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2017

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

From modified accrual revenues over expenditures	1,426,664
Depreciation	(1,418,782)
Capital outlay	1,096,706
Capitalization labor, equipment, and overhead	843,606
Loss on disposition of capital assets	(250,142)
Change in accrued compensated absences	(60,457)
Change in other postemployment benefits	(1,938)
Increase in deferred outflows of resources - pensions	333,744
Increase in net pension liability	(390,464)
Decrease in deferred inflows of resources - pensions	34,742
Transfer to Capital Reserve is not an expense	1,757,540
Interest earnings from project funds	8,367
	<hr/>
Total reconciling items	1,952,922
	<hr/>
Change in net position	\$ 3,379,586
	<hr/> <hr/>

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 Fiscal Year Ended June 30, 2017

	Actual			Total to Date
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ 100,000	\$ 200,930	\$ 7,488	\$ 208,418
Total revenues	100,000	200,930	7,488	208,418
EXPENDITURES:				
Professional services	199,500	-	-	-
Total expenditures	199,500	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Electric Stabization Fund	199,500	-	199,500	199,500
Electric Fund	900,000	281,884	1,757,540	2,039,424
Transfers out:				
Electric Fund	(1,000,000)	(302,243)	-	(302,243)
Total other financing sources (uses)	99,500	(20,359)	1,957,040	1,936,681
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 180,571	\$ 1,964,528	\$ 2,145,099

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 Fiscal Year Ended June 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Investment earnings	\$ 319,500	\$ 756,855	\$ 879	\$ 757,734
Total revenues	319,500	756,855	879	757,734
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)
Electric Utility Capital Reserve Fund	(199,500)	-	(199,500)	(199,500)
Total other financing sources (uses)	(319,500)	(558,234)	(199,500)	(757,734)
Revenues and other sources over expenditures and other financing	\$ -	\$ 198,621	\$ (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 Fiscal Year Ended June 30, 2017

	Budget	Actual	Favorable (Unfavorable)
OPERATING REVENUES:			
Charges for services:			
Water sales	\$ 4,120,000	\$ 4,193,973	\$ 73,973
Sewer charges	6,117,000	6,320,586	203,586
Other operating revenue	50,900	85,651	34,751
Water and Sewer System Development Fees	330,000	644,233	314,233
Total operating revenues	10,617,900	11,244,443	626,543
Non-operating revenue:			
Interest on investments	75,000	88,892	13,892
Sale of capital assets	5,000	14,843	9,843
Electric reimbursement	13,900	13,900	-
Insurance Proceeds	-	6,481	6,481
Miscellaneous	3,000	3,443	443
Total non-operating revenues	96,900	127,559	30,659
Total revenues	10,714,800	11,372,002	657,202
EXPENDITURES:			
Sewer collection line maintenance:			
Salaries and employee benefits	325,982	285,111	40,871
Professional services	1,500	-	1,500
Operating expenditures	157,243	115,703	41,540
Capital outlay	224,426	138,097	86,329
Total	709,151	538,911	170,240
Water distribution line maintenance:			
Salaries and employee benefits	851,371	817,464	33,907
Professional services	41,000	27,192	13,808
Operating expenditures	302,175	285,438	16,737
Capital outlay	403,812	82,638	321,174
Total	1,598,358	1,212,732	385,626
Water purification:			
Salaries and employee benefits	796,681	760,352	36,329
Professional services	86,383	39,641	46,742
Operating expenditures	2,119,574	2,111,990	7,584
Capital outlay	72,925	6,666	66,259
Total	3,075,563	2,918,649	156,914
Waste water treatment - Third Creek:			
Salaries and employee benefits	443,930	442,767	1,163
Professional services	98,330	28,308	70,022
Operating expenditures	574,449	529,754	44,695
Total	1,116,709	1,000,829	115,880

CITY OF STATESVILLE, NORTH CAROLINA
MAJOR ENTERPRISE FUND
WATER AND SEWER FUND- SCHEDULE OF
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Waste water treatment - Fourth Creek:			
Salaries and employee benefits	850,151	822,467	27,684
Professional services	162,702	32,976	129,726
Operating expenditures	969,783	945,528	24,255
Capital outlay	7,200	-	7,200
Total	<u>1,989,836</u>	<u>1,800,971</u>	<u>188,865</u>
Principal and interest	2,738,990	2,737,896	1,094
Total	<u>2,738,990</u>	<u>2,737,896</u>	<u>1,094</u>
Total expenditures	<u>11,228,607</u>	<u>10,209,988</u>	<u>1,018,619</u>
Revenues over (under) expenditures	<u>(513,807)</u>	<u>1,162,014</u>	<u>1,675,821</u>
OTHER FINANCING SOURCES (USES):			
Transfers in (out):			
I-77 Rest Area Sewer Line	(1,415,822)	(1,415,822)	-
Water and Sewer Capital Reserve	(580,000)	(580,000)	-
PILOT	(185,841)	(185,841)	-
Fund balance appropriated	<u>2,695,470</u>	<u>-</u>	<u>(2,695,470)</u>
Total other financing sources	<u>513,807</u>	<u>(2,181,663)</u>	<u>(2,695,470)</u>
Revenues and other financing sources (under) expenditures and other financing (uses)	<u>\$ -</u>	<u>(1,019,649)</u>	<u>\$ (1,019,649)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Depreciation		(3,027,135)	
Capital outlay		2,083,602	
Long-term debt principal redemption		2,129,478	
Accrued interest expense		10,687	
Change in accrued compensated absences		11,351	
Change in other postemployment benefits		(3,135)	
Project fund revenues		1,971,155	
Project fund expenditures		(2,000,795)	
Increase in deferred outflows of resources - pensions		539,881	
Increase in net pension liability		(631,633)	
Decrease in deferred inflows of resources - pensions		56,200	
Transfer out not an expense		1,995,822	
Interest earnings from water and sewer project funds		<u>40,736</u>	
Total reconciling items		<u>3,176,214</u>	
Change in net position		<u>\$ 2,156,565</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 Fiscal Year Ended June 30, 2017

	Actual			Total to Date
	Project Authorization	Prior Years	Current Year	
REVENUES:				
Investment earnings	\$ 2,512,695	\$ 2,572,319	\$ 40,736	\$ 2,613,055
Total revenues	2,512,695	2,572,319	40,736	2,613,055
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Water and Sewer Fund - water SDF	200,000	719,306	70,000	789,306
Water and Sewer Fund - sewer SDF	800,000	3,069,669	260,000	3,329,669
Sewer line rehabilitation	-	275,000	125,000	400,000
Sewer improvements	-	150,000	-	150,000
Water line rehabilitation	-	200,000	125,000	325,000
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	4,993,254	-	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	15,119,909	580,000	15,699,909
Transfers out:				
Reserved for Water & Sewer Capital	(10,427,248)	(9,207,413)	-	(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)	(12,132,515)	-	(12,132,515)
Total other financing sources and other (uses)	(2,512,695)	2,987,394	620,736	3,567,394
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 5,559,713	\$ 661,472	\$ 6,180,449

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 Fiscal Year Ended June 30, 2017

	Actual			
	Project Authorization	Prior Years	Current Year	
REVENUES:				
NCDOT reimbursement	\$ 4,419,100	\$ 319,436	\$ 1,971,155	\$ 2,290,591
Total revenues	4,419,100	319,436	1,971,155	2,290,591
EXPENDITURES:				
DOT Share:				
Capital Outlay - professional services	326,586	319,801	24,801	344,602
Capital Outlay - construction	3,902,013	-	1,672,501	1,672,501
Capital Outlay - Right of Way	57,557	65,124	-	65,124
Contingency	132,944	-	-	-
Total DOT share	4,419,100	384,925	1,697,302	2,082,227
City Share:				
Capital Outlay - professional services	125,075	-	39,587	39,587
Capital Outlay - construction	1,280,777	-	250,826	250,826
Contingency	50,001	-	-	-
Total City share	1,455,853	-	290,413	290,413
Total expenditures	5,874,953	384,925	1,987,715	2,372,640
OTHER FINANCING SOURCES:				
Transfers in:				
Water and Sewer Fund	1,455,853	-	1,415,822	1,415,822
Total other financing sources	1,455,853	-	1,415,822	1,415,822
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (65,489)	\$ 1,399,262	\$ 1,333,773

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 Fiscal Year Ended June 30, 2017

	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	544,400	13,080	557,480
Capital outlay - construction	3,966,615	3,902,011	-	3,902,011
Contingency	248,330	-	-	-
Total expenditures	4,868,044	4,541,310	13,080	4,554,390
OTHER FINANCING SOURCES:				
Proceeds revolving loan	4,744,945	4,418,211	13,080	4,431,291
Transfers in:				
Water and Sewer Operating Fund	123,099	123,099	-	123,099
Total other financing sources	4,868,044	4,541,310	13,080	4,554,390
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	\$ -

CITY OF STATESVILLE, NORTH CAROLINA
NONMAJOR ENTERPRISE FUND
CIVIC CENTER FUND- SCHEDULE OF
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Charges for services:			
Fees	\$ 290,000	\$ 340,567	\$ 50,567
Total operating revenues	290,000	340,567	50,567
Non-operating revenues:			
Interest on investments	-	10,409	10,409
Miscellaneous	-	624	624
Sale of capital assets	-	52	52
Total non-operating revenues	-	11,085	11,085
Total revenues	290,000	351,652	61,652
EXPENDITURES:			
Salaries and employee benefits	427,014	417,246	9,768
Operating expenditures	395,234	339,495	55,739
Capital outlay	38,000	-	38,000
Total expenditures	860,248	756,741	103,507
Total revenues over (under) expenditures	(570,248)	(405,089)	165,159
OTHER FINANCING SOURCES (USES):			
PILOT	(22,381)	(22,381)	-
Fund balance appropriated	38,830	-	(38,830)
Transfers in:			
Occupancy Tax Fund	553,799	553,799	-
Total other financing sources	570,248	531,418	(38,830)
Revenues and other financing sources over expenditures and other financing uses	\$ -	126,329	\$ 126,329
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Depreciation		(188,934)	
Change in accrued compensated absences		(9,528)	
Change in other postemployment benefits		(399)	
Increase in deferred outflows of resources - pensions		68,712	
Increase in net pension liability		(80,390)	
Decrease in deferred inflows of resources - pensions		7,153	
Total reconciling items		(203,386)	
Change in net position		\$ (77,057)	

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INTERNAL SERVICE FUNDS

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

Risk Management fund (formerly known as Health Insurance Fund) – accounts for the operations of the City's health insurance plan, worker's compensation, liability, property insurance 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. Closed to the Risk Management Fund.

CITY OF STATESVILLE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2017

	Risk Management Fund	Property and Casualty Liability Insurance Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 257,017	\$ -	\$ 257,017
Accounts receivables	89,593	-	89,593
Interest receivable	402	-	402
Total assets	<u>\$ 347,012</u>	<u>\$ -</u>	<u>\$ 347,012</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 137,268	\$ -	\$ 137,268
Accrued IBNR health	380,568	-	380,568
Accrued IBNR worker's compensation	305,771	-	305,771
Total liabilities	<u>823,607</u>	<u>-</u>	<u>823,607</u>
NET POSITION	<u>\$ (476,595)</u>	<u>\$ -</u>	<u>\$ (476,595)</u>

CITY OF STATESVILLE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017

	Risk Management Fund	Property and Casualty Liability Insurance Fund	Totals
Operating revenues:			
Employer's contributions-property and liability	\$ 881,609	\$ -	\$ 881,609
Employer's contributions-health benefits	3,014,845	-	3,014,845
Employee's Contributions health	666,859	-	666,859
Contributions from retired employees and COBRA	126,793	-	126,793
Insurance premiums refund and stop loss recovery	156,122	-	156,122
Total operating revenues	4,846,228	-	4,846,228
Operating expenses:			
Health, dental claims, and wellness program	4,138,956	-	4,138,956
Health third party administration	202,152	-	202,152
Health stop loss insurance	200,833	-	200,833
Total health expenses	4,541,941	-	4,541,941
Worker's compensation claims	306,203	-	306,203
Administration and professional services	17,000	-	17,000
Property and liability insurance	434,999	-	434,999
Property and liability claims	172,936	-	172,936
Total property and liability expenses	931,138	-	931,138
Total operating expenses	5,473,079	-	5,473,079
Total operating income (loss)	(626,851)	-	(626,851)
Non-operating income:			
Investment income	5,562	-	5,562
Other financing sources (uses):			
Transfer from Property and Liability Fund	42,881	-	42,881
Transfer to Risk Management Fund	-	(42,881)	(42,881)
Total other financing sources (uses)	42,881	(42,881)	-
Change in net position	(578,408)	(42,881)	(621,289)
Net position, beginning of year	101,813	42,881	144,694
Net position, end of year	\$ (476,595)	\$ -	\$ (476,595)

CITY OF STATESVILLE, NORTH CAROLINA
RISK MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-FINANCIAL PLAN AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2017

	Financial Plan	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Employer's contributions-property and liability	881,609	\$ 881,609	\$ -
Employer's contributions-health benefits	2,982,889	3,014,845	31,956
Employee's Contributions health	718,206	666,859	(51,347)
Contributions from retired employees and COBRA	139,144	126,793	(12,351)
Insurance premiums refund and stop loss recovery	-	156,122	156,122
	<u>4,721,848</u>	<u>4,846,228</u>	<u>124,380</u>
Non operating revenues:			
Investment earnings	8,191	5,562	(2,629)
Total nonoperating revenues			
Total revenues	<u>4,730,039</u>	<u>4,851,790</u>	<u>121,751</u>
Operating expenditures:			
Operating health expenditures:			
Health, dental claims, and wellness program	3,925,220	4,116,470	(191,250)
Health third party administration	202,200	202,152	48
Health stop loss insurance	201,000	200,833	167
Total health expenditures	<u>4,328,420</u>	<u>4,519,455</u>	<u>(191,035)</u>
Operating property and liability expenditures:			
Worker's compensation claims	305,000	261,342	43,658
Administration and professional services	17,000	17,000	-
Property and liability insurance	435,000	434,999	1
Property and liability claims	183,300	172,936	10,364
Total property and liability expenditures	<u>940,300</u>	<u>886,277</u>	<u>54,023</u>
Total expenditures	<u>5,268,720</u>	<u>5,405,732</u>	<u>(137,012)</u>
Revenues (under) expenditures	<u>(538,681)</u>	<u>(553,942)</u>	<u>15,261</u>
Other financing sources			
Transfers from closed fund	42,881	42,881	-
Fund balance appropriated	495,800	-	(495,800)
Total other financing sources	<u>538,681</u>	<u>42,881</u>	<u>(495,800)</u>
Reconciliation from financing plan (modified accrual) to full accrual:	<u>\$ -</u>	<u>(511,061)</u>	<u>\$ (511,061)</u>
Increase in incurred claims but not reported (IBNR)		<u>(67,347)</u>	
Change in net position		<u>\$ (578,408)</u>	

CITY OF STATESVILLE, NORTH CAROLINA
PROPERTY AND CASUALTY LIABILITY INSURANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-FINANCIAL PLAN AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2017

	Financial Plan	Actual	Variance Favorable (Unfavorable)
Other financing sources (uses):			
Fund balance appropriated	\$ 42,881	\$ -	\$ 42,881
Transfer out consolidated with Risk Management Fund	(42,881)	(42,881)	-
Total transfers out	\$ -	(42,881)	\$ -
Fund Balances:			
Fund balances at beginning of year		42,881	
Fund balances at end of year		\$ -	

Activities have been consolidated with the Risk Management Fund.

CITY OF STATESVILLE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

	Risk Management Fund	Property and Casualty Liability Insurance Fund	Totals
Cash flows from operating activities:			
Cash received from employer and employees	\$ 4,756,635	\$ -	\$ 4,756,635
Cash paid for claims and insurance	(5,104,328)	(264,093)	(5,368,421)
Net cash (used) by operating activities	(347,693)	(264,093)	(611,786)
Cash flows from investing activities operating activities:			
Interest on investments and miscellaneous	5,783	349	6,132
Cash flows from Non-operating activities:			
Transfer in (out)	42,881	(42,881)	-
Net (decrease) in cash and cash equivalents	(299,029)	(306,625)	(605,654)
Cash and cash equivalents:			
Beginning of year, July 1	556,046	306,625	862,671
End of year, June 30	257,017	-	257,017
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating Income (loss)	(626,851)	-	(626,851)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Changes in assets and liabilities:			
Increase in accounts receivable	(89,594)	-	(89,594)
Increase in accounts payable	40,495	-	40,495
Increase in IBNR - health	22,486	-	22,486
Increase (decrease) in IBNR - worker's compensation	305,771	(264,093)	41,678
Net cash (used) by operating activities	<u>\$ (347,693)</u>	<u>\$ (264,093)</u>	<u>\$ (611,786)</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

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
GENERAL FUND - CITY-WIDE
June 30, 2017

Tax Year	Uncollected Balance June 30, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
Tax and Tag	\$ -	\$ 849,979	\$ 849,979	\$ -
2016	-	12,864,836	12,652,597	212,239
2015	174,492	-	103,593	70,899
2014	94,127	-	30,533	63,594
2013	86,820	-	23,911	62,909
2012	82,893	-	15,824	67,069
2011	80,053	-	13,439	66,614
2010	66,457	-	6,793	59,664
2009	55,338	-	4,790	50,548
2008	52,580	-	3,118	49,462
2007	47,969	-	2,437	45,532
2006	42,444	-	42,444	-
	<u>\$ 783,173</u>	<u>\$ 13,714,815</u>	<u>\$ 13,749,456</u>	\$ 748,532
				<u>397,838</u>
				<u>\$ 350,694</u>
				\$ 13,784,763
				41,852
				<u>(77,159)</u>
				<u>\$ 13,749,456</u>

Less allowance for uncollectible accounts - city-wide

Ad valorem taxes receivable, net

RECONCILIATION TO REVENUES:

Ad valorem taxes-city-wide

Reconciling items:

Taxes written off

Interest

Total collections and credits

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE-
GENERAL FUND - DOWNTOWN STATESVILLE SPECIAL TAX DISTRICT
June 30, 2017

Tax Year	Uncollected Balance City-wide	Additions	Collections and Credits	Uncollected Balance Registered
Tax and Tag	\$ -	\$ 5,429	\$ 5,429	\$ -
2016	-	109,551	107,758	1,793
2015	2,173	-	1,807	366
2014	733	-	609	124
2013	506	-	213	293
2012	430	-	162	268
2011	1,259	-	421	838
2010	361	-	190	171
2009	385	-	183	202
2008	327	-	183	144
2007	366	-	183	183
2006	277	-	277	-
	<u>\$ 6,817</u>	<u>\$ 114,980</u>	<u>\$ 117,415</u>	<u>\$ 4,382</u>
				Less allowance for uncollectible accounts - Downtown
				<u>2,329</u>
				Ad valorem taxes receivable, net
				<u>\$ 2,053</u>
				RECONCILIATION TO REVENUES:
				Ad valorem taxes-downtown
				\$ 117,731
				Reconciling items:
				Taxes written off
				277
				Interest
				<u>(593)</u>
				Total collections and credits
				<u>\$ 117,415</u>

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE-
GENERAL FUND - WOODS DAM TAX DISTRICT
June 30, 2017

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2017</u>
Tax and Tag 2016	\$ -	\$ 385	\$ 385	\$ -
	-	3,641	3,641	-
	<u>\$ -</u>	<u>\$ 4,026</u>	<u>\$ 4,026</u>	<u>\$ -</u>

RECONCILIATION TO REVENUES:

Ad valorem taxes-downtown

\$ 4,026

Reconciling items:

None

-

Total collections and credits

\$ 4,026

CITY OF STATESVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND - CITY-WIDE LEVY
For the Fiscal Year Ended June 30, 2017

	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	\$ 2,758,456,880	0.4600	\$ 12,688,902	\$ 12,688,902	-
Tax and Tag	184,778,113		849,979	-	849,979
Penalties	7,904,831		36,362	36,362	-
TOTAL ORIGINAL LEVY	2,951,139,824		13,575,243	12,725,264	849,979
DISCOVERIES:					
Current year rate and taxes	35,209,293	0.4600	161,963	161,963	-
Penalties	2,359,720		10,855	10,855	-
TOTAL DISCOVERIES	37,569,013		172,818	172,818	-
RELEASES/TAX AND TAG UNCOLLECTED:					
Current year rate	(6,952,024)	0.4600	(31,979)	(31,979)	-
Penalties	(275,370)		(1,267)	(1,267)	-
TOTAL RELEASES	(7,227,394)		(33,246)	(33,246)	-
Net assessed valuation	<u>\$ 2,981,481,443</u>				
Net Levy			13,714,815	12,864,836	849,979
Uncollected taxes , June 30			(212,239)	(212,239)	-
Current year's taxes collected			<u>\$ 13,502,576</u>	<u>\$ 12,652,597</u>	<u>\$ 849,979</u>
Current levy collection percentage rate			<u>98.45%</u>	<u>98.35%</u>	<u>100.00%</u>

CITY OF STATESVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND - DOWNTOWN STATESVILLE SPECIAL TAX DISTRICT
For the Fiscal Year Ended June 30, 2017

	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	\$ 108,507,260	0.1000	\$ 108,507	\$ 108,507	\$ -
Tax and tag	5,429,480		5,429	-	5,429
Penalties	739,680		740	740	-
TOTAL ORIGINAL LEVY	114,676,420		114,676	109,247	5,429
DISCOVERIES:					
Current year rate and taxes	264,450	0.1000	264	264	-
Penalties	44,000		44	44	-
TOTAL DISCOVERIES	308,450		308	308	-
RELEASES/TAX AND TAG UNCOLLECTED:					
Current year rate	(2,760)	0.1000	(3)	(3)	-
Penalties	(1,290)		(1)	(1)	-
TOTAL RELEASES	(4,050)		(4)	(4)	-
Net assessed valuation	<u>\$ 114,980,820</u>				
Net Levy			114,980	109,551	5,429
Uncollected taxes , June 30			(1,793)	(1,793)	-
Current year's taxes collected			<u>\$ 113,187</u>	<u>\$ 107,758</u>	<u>\$ 5,429</u>
Current levy collection percentage rate			<u>98.44%</u>	<u>98.36%</u>	<u>100.00%</u>

CITY OF STATESVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND - WOODS DAM TAX DISTRICT
For the Fiscal Year Ended June 30, 2017

	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	\$ 1,733,807	0.2100	\$ 3,641	\$ 3,641	\$ -
Tax and Tag	183,519		385	-	385
Penalties	-		-	-	-
TOTAL ORIGINAL LEVY	1,917,326		4,026	3,641	385
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>\$ 1,917,326</u>				
Net Levy			4,026	3,641	385
Uncollected taxes , June 30			-	-	-
Current year's taxes collected			<u>\$ 4,026</u>	<u>\$ 3,641</u>	<u>\$ 385</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	138
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	148
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. The City's other major local revenue sources are its utility revenues of which the Electric Utilities revenues are the largest (see Table 22).	
Debt Capacity	161
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	165
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	168
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

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

	2007-2008	2008-2009	2009-2010	2010-2011
Governmental activities				
Net investment in capital assets	\$ 48,001,180	\$ 53,828,159	\$ 60,880,399	\$ 59,908,456
Restricted for:				
Stabilization by state statute	-	-	-	-
Public safety	2,135,787	3,360,512	2,610,583	6,276,092
Transportation	216,563	78,736	1,695,694	383,871
Economic development	402,664	331,342	319,743	885,021
Debt service	-	-	-	-
Capital outlay	4,005,386	1,142,748	1,133,887	8,524,131
Unrestricted	31,399,891	29,392,370	30,087,302	24,885,268
Total governmental activities net position	86,161,471	88,133,867	96,727,608	100,862,839
Business-type activities				
Net investment in capital assets	83,614,851	66,982,354	65,435,328	65,578,645
Unrestricted	18,104,041	34,085,581	35,717,074	34,648,769
Total business-type activities net position	101,718,892	101,067,935	101,152,402	100,227,414
Primary government				
Net investment in capital assets	131,616,031	120,810,513	126,315,727	125,487,101
Restricted for:				
Stabilization by state statute	-	-	-	-
Public Safety	216,563	78,736	1,695,694	383,871
Transportation	2,135,787	3,360,512	2,610,583	6,276,092
Economic development	402,664	331,342	319,743	885,021
Debt service	-	-	-	-
Capital projects	4,005,386	1,142,748	1,133,887	8,524,131
Unrestricted	49,503,932	35,717,074	65,804,376	59,534,037
Total governmental activities net position	\$ 187,880,363	\$ 161,440,925	\$ 197,880,010	\$ 201,090,253

Notes:

- (1) Accounting standards require that net position be reported in three components in the financial 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.

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

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
\$ 66,160,070	\$ 67,394,632	\$ 68,264,801	\$ 69,891,335	\$ 42,754,217	\$ 42,692,332
5,565,574	5,124,143	6,282,769	4,314,762	4,644,547	5,704,049
337,206	77,821	60,645	41,341	81,519	77,659
1,332,646	771,303	1,315,672	1,248,014	-	-
324,831	353,599	444,247	574,665	712,686	1,096,183
-	293,653	61,249	-	-	-
6,470,958	5,144,063	3,659,885	2,111,528	-	-
19,242,685	21,397,924	21,496,485	21,477,035	23,243,436	20,066,688
99,433,970	100,557,138	101,585,753	99,658,680	71,436,405	69,636,911
65,215,357	65,470,169	67,271,906	66,336,798	93,781,157	93,846,256
35,113,541	35,885,077	33,761,094	34,680,765	39,268,053	43,182,876
100,328,898	101,355,246	101,033,000	101,017,563	133,049,210	137,029,132
131,375,427	132,864,801	135,536,707	136,228,133	136,535,374	136,538,588
5,565,574	5,124,143	6,282,769	4,314,762	4,644,547	5,704,049
1,332,646	771,303	1,315,672	1,248,014	-	77,659
337,206	77,821	60,645	41,341	81,519	-
324,831	353,599	444,247	574,665	712,686	1,096,183
-	293,653	61,249	-	-	-
6,470,958	5,144,063	3,659,885	2,111,528	-	-
54,356,226	57,283,001	55,257,579	56,157,800	62,511,489	63,249,564
<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>	<u>\$ 206,666,043</u>

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

	2007-2008	2008-2009	2009-2010	2010-2011
Expenses by Functions/Programs				
Governmental Activities:				
General government	\$ 4,570,260	\$ 3,390,680	\$ 3,259,010	\$ 3,346,041
Public safety	9,912,303	10,439,606	11,206,823	11,408,145
Transportation	2,552,709	3,370,012	3,409,944	3,412,045
Economic and physical development	687,943	900,469	798,806	806,305
Environmental protection	2,043,845	2,159,733	2,077,498	2,085,049
Cultural and recreation	2,860,402	2,996,956	3,145,451	3,367,653
Interest on long-term debt	85,272	72,823	91,868	275,735
Subtotal governmental activities	22,712,734	23,330,279	23,989,400	24,700,973
Business-Type Activities:				
Airport	-	-	-	-
Electric	36,808,447	37,157,603	38,513,061	40,589,432
Water and sewer	8,539,967	9,857,896	9,440,556	9,286,106
Civic Center	743,029	825,678	817,270	861,917
Subtotal business-type activities	46,091,443	47,841,177	48,770,887	50,737,455
Total primary government expenses	\$ 68,804,177	\$ 71,171,456	\$ 72,760,287	\$ 75,438,428
Program Revenues by Functions				
Governmental Activities:				
Charges for Services:				
General government	\$ 211,811	\$ 129,936	\$ 69,423	\$ 96,614
Public safety	238,714	265,811	287,186	337,832
Transportation	470,080	469,067	506,981	473,426
Economic and physical development	-	-	70,045	4,511
Environmental protection	311,923	309,651	328,217	293,688
Cultural and recreation	342,981	511,747	751,559	816,694
Operating grants and contributions	291,176	330,505	917,021	865,836
Capital grants and contributions	1,493,538	1,224,679	8,508,250	3,116,406
Total governmental activities program activities	3,360,223	3,241,396	11,438,682	6,005,007
Business-Type Activities:				
Charges for Services:				
Airport	-	-	-	-
Electric	37,804,704	36,661,251	39,102,390	41,973,877
Water and sewer	9,882,339	9,508,110	9,348,940	9,146,995
Civic Center	284,148	300,010	293,019	277,414
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities	47,971,191	46,469,371	48,744,349	51,398,286
Total primary government program revenues	\$ 51,331,414	\$ 49,710,767	\$ 60,183,031	\$ 57,403,293

Table 2 (cont'd)

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

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
\$ 3,274,004	\$ 3,240,212	\$ 3,432,347	\$ 3,254,999	\$ 3,479,866	\$ 3,882,072
11,994,709	12,299,585	12,410,000	12,398,238	12,234,390	13,338,272
3,468,402	3,540,251	4,246,210	4,345,239	2,851,130	3,337,451
965,655	1,332,542	947,827	750,760	931,213	427,733
2,130,549	1,846,780	1,715,643	1,978,958	1,675,871	1,951,510
3,417,745	3,481,787	3,354,153	3,594,906	3,506,190	3,871,413
352,859	306,561	264,534	212,823	179,568	145,274
<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>	<u>26,953,725</u>
-	-	-	-	1,786,329	1,931,556
41,532,781	44,304,027	44,955,862	46,952,145	44,245,966	44,955,862
9,502,048	9,389,629	11,108,611	9,713,190	10,332,082	11,108,611
848,125	948,560	970,233	999,189	968,734	970,233
<u>51,882,954</u>	<u>54,642,216</u>	<u>57,034,706</u>	<u>57,664,524</u>	<u>57,333,111</u>	<u>58,966,262</u>
<u>\$ 77,486,877</u>	<u>\$ 80,689,934</u>	<u>\$ 83,405,420</u>	<u>\$ 84,200,447</u>	<u>\$ 82,191,339</u>	<u>\$ 85,919,987</u>
\$ 379,335	\$ -	\$ 46,977	\$ 355,432	\$ 66,083	\$ 44,698
198,223	308,753	336,183	342,107	75,220	299,242
322,757	678,516	791,434	-	49,846	43,506
-	802,655	45	-	981,530	981
288,090	448,057	165,632	162,236	170,160	1,139,748
831,655	820,940	819,739	836,284	732,620	793,362
501,593	834,006	615,180	345,739	596,907	1,364,069
1,493,194	2,103,132	946,690	1,240,320	748,401	838,388
<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>	<u>4,523,994</u>
-	-	-	-	559,951	434,999
41,334,097	44,989,787	47,531,836	47,646,058	46,939,813	48,232,363
8,973,284	9,464,072	9,468,112	10,033,066	10,782,047	11,265,287
254,004	259,388	294,701	299,535	333,067	341,243
560,534	977,497	13,400	-	363,177	-
-	-	-	-	29,126,802	2,158,958
<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>62,432,850</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>	<u>\$ 66,956,844</u>

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

	2007-2008	2008-2009	2009-2010	2010-2011
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes				
Ad valorem taxes	\$ 10,872,577	\$ 11,574,508	\$ 11,602,821	\$ 11,760,600
Local sales tax option	6,416,272	5,628,740	5,113,327	5,452,410
Other taxes	1,128,731	1,057,366	1,208,289	1,273,835
Unrestricted intergovernmental revenues	2,096,956	2,147,614	2,023,140	2,139,048
Interest earned on investments	1,592,528	1,217,313	554,901	105,840
Miscellaneous	83,313	101,969	175,648	268,874
Transfers in (out)	299,483	409,899	470,151	1,830,590
Total governmental activities	22,489,860	22,137,409	21,148,277	22,831,197
Business-Type Activities:				
Interest earned on investments	1,461,297	1,130,748	593,605	244,771
Miscellaneous	(679,614)	-	-	-
Transfer in (out)	(299,483)	(409,899)	(470,151)	(1,830,590)
Total business-type activities	482,200	720,849	123,454	(1,585,819)
Total primary government	22,972,060	22,858,258	21,271,731	21,245,378
Changes in Net Position				
Governmental activities	2,400,977	9,586,691	2,452,311	1,242,121
Business-type activities	(889,606)	694,311	784,285	(2,346,854)
Total primary government	\$ 1,511,371	\$ 10,281,002	\$ 3,236,596	\$ (1,104,733)

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

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
\$ 11,316,717	\$ 12,144,774	\$ 12,329,641	\$ 12,252,525	\$ 12,130,575	\$ 13,843,920
5,105,479	5,269,457	5,491,152	6,016,074	6,283,073	6,564,336
1,321,032	809,850	1,626,638	3,284,650	45,347	48,308
2,116,304	2,608,519	2,316,788	681,625	2,932,832	2,593,971
263,126	(149,740)	311,881	150,345	179,616	209,821
195,157	238,313	175,411	591,938	14,405	38,351
(157,608)	253,654	1,425,938	190,752	(30,110,127)	(222,438)
<u>20,160,207</u>	<u>21,174,827</u>	<u>23,677,449</u>	<u>23,167,909</u>	<u>(8,524,279)</u>	<u>23,076,269</u>
256,414	(103,514)	375,522	223,891	276,576	290,896
448,497	334,988	-	113,439	-	-
157,608	(253,654)	(1,425,938)	(190,752)	983,325	222,438
<u>862,519</u>	<u>(22,180)</u>	<u>(1,050,416)</u>	<u>146,578</u>	<u>1,259,901</u>	<u>513,334</u>
<u>21,022,726</u>	<u>21,152,647</u>	<u>22,627,033</u>	<u>23,314,487</u>	<u>(7,264,378)</u>	<u>23,589,603</u>
108,548	1,123,168	1,028,615	(85,896)	(30,107,282)	646,538
1,911,047	1,026,348	(777,073)	460,713	32,177,189	3,979,922
<u>\$ 2,019,595</u>	<u>\$ 2,149,516</u>	<u>\$ 251,542</u>	<u>\$ 374,817</u>	<u>\$ 2,069,907</u>	<u>\$ 4,626,460</u>

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

	2007-2008	2008-2009	2009-2010	2010-2011
General Fund				
Non Spendable				
Inventories	\$ 27,406	\$ 27,689	\$ 16,790	\$ 26,091
Prepaid items	15,096	6,940	4,510	320
Restricted				
Stabilization by State Statute	2,554,149	2,349,570	2,730,658	3,139,241
Debt service	-	-	-	-
¹ Reserved for encumbrances	5,109,820	5,733,866	4,188,338	-
Committed	-	-	-	750,940
Assigned				
Subsequent year's appropriation	2,100,000	-	652,150	1,847,967
Unassigned	15,205,365	17,389,011	17,401,057	18,218,742
Subtotal governmental activities	25,011,836	25,507,076	24,993,503	23,983,301
All Other Governmental Funds				
Reserved for:				
¹ Reserved for encumbrances	5,700	1,070,032	2,479,753	-
Restricted, reported in:				
Stabilization by state statute	511,713	363,922	561,960	79,991
Special revenue funds	2,010,816	1,948,930	4,099,157	955,625
Committed	-	-	-	1,342,079
Capital project funds	5,645,881	4,203,385	2,666,400	13,691,420
Unassigned (deficit)	-	-	-	-
Subtotal other governmental activities	8,174,110	7,586,269	9,807,270	16,069,115
Total governmental fund balance	\$ 33,185,946	\$ 33,093,345	\$ 34,800,773	\$ 40,052,416
General Fund unassigned fund balance as a percent of expenditures (including transfer out)	65.99%	63.26%	67.97%	67.54%

Notes:

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

Table 3 (cont'd)

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

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
\$ 26,497	\$ 28,182	\$ 31,027	\$ 47,630	\$ 32,006	\$ 34,546
2,470	2,985	4,290	6,909	26,108	-
3,384,316	3,971,056	3,414,788	3,879,522	4,315,383	6,711,576
-	293,653	61,249	-	-	-
-	-	-	-	-	-
-	-	-	-	220,560	239,891
270,292	286,323	998,745	1,838,714	954,462	1,583,800
19,403,631	21,017,856	20,315,639	21,368,277	18,905,057	16,722,263
23,087,206	25,600,055	24,825,738	27,141,052	24,453,576	25,292,076
-	-	-	-	-	-
2,181,258	1,153,086	2,867,981	435,240	329,164	62,987
1,994,683	1,202,723	1,820,564	1,864,020	794,205	1,162,241
6,470,958	-	-	-	-	-
-	5,144,063	3,659,885	2,111,528	5,121,111	5,467,896
(85,676)	-	-	-	(165,871)	-
10,561,223	7,499,872	8,348,430	4,410,788	6,078,609	6,693,124
\$ 33,648,429	\$ 33,099,927	\$ 33,174,168	\$ 31,551,840	\$ 30,532,185	\$ 31,985,200
76.15%	82.47%	73.40%	85.96%	65.56%	61.25%

Table 4

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

	2007-2008	2008-2009	2009-2010	2010-2011
Revenues (by source):				
Ad valorem taxes	\$ 10,962,849	\$ 11,487,668	\$ 11,515,195	\$ 11,603,732
Sales Tax	6,416,272	5,628,740	5,113,327	5,452,410
Other taxes and licenses	1,128,730	1,072,667	1,208,289	1,271,879
Unrestricted intergovernmental	2,096,957	2,147,614	2,023,140	2,139,049
Restricted intergovernmental	1,780,407	1,555,184	9,396,440	3,724,998
Permits and fees	622,716	544,248	526,627	542,334
Sales and services	1,007,280	1,347,115	1,393,927	1,502,159
Investment earnings	1,489,005	1,090,462	466,568	235,024
Miscellaneous	114,952	101,971	134,024	468,319
Total revenues	25,619,168	24,975,669	31,777,537	26,939,904
Expenditures (by function):				
General government	4,425,289	3,113,999	3,057,326	3,114,368
Public safety	9,401,987	9,860,172	10,514,864	10,863,716
Transportation	1,011,510	2,158,865	1,751,549	1,786,894
Economic and physical development	687,942	900,468	797,915	806,305
Environmental protection	1,918,679	1,946,932	1,934,002	1,960,189
Cultural and recreation	2,680,000	5,795,858	2,974,884	2,965,898
Capital outlay	7,053,833	1,194,515	11,037,173	8,199,597
Debt service:				
Principal	355,000	355,000	355,000	549,700
Interest on long-term debt	88,679	76,230	63,990	272,184
Total expenditures	27,622,919	25,402,039	32,486,703	30,518,851
Excess of revenues over (under) expenditures	(2,003,751)	(426,370)	(709,166)	(3,578,947)
Other Financing Sources (Uses)				
Transfers in	1,245,064	3,446,361	4,950,672	6,849,267
Transfers out	(945,581)	(3,036,462)	(4,480,521)	(5,018,677)
Proceeds from long-term debt	-	-	1,947,000	7,000,000
Total other financing sources (uses)	299,483	409,899	2,417,151	8,830,590
Net change in fund balance	\$ (1,704,268)	\$ (16,471)	\$ 1,707,985	\$ 5,251,643
Debt service as a percentage of noncapital expenditures	2.16%	1.78%	1.95%	3.68%

Table 4 (cont'd)

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

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
\$ 11,310,155	\$ 12,139,952	\$ 12,403,940	\$ 12,407,077	\$ 12,372,681	\$ 13,906,520
5,105,479	5,269,457	5,491,152	6,016,074	6,283,073	6,564,336
1,321,032	1,631,962	1,626,638	951,626	45,347	48,308
2,116,304	2,608,519	2,316,788	2,671,124	2,913,017	2,642,279
2,078,787	2,951,620	1,539,487	1,614,191	1,040,952	1,064,509
554,325	439,269	447,208	731,287	401,633	264,365
1,457,941	1,788,988	1,679,939	1,452,951	846,146	2,084,556
253,517	(121,635)	347,082	202,655	186,091	165,897
206,288	449,217	138,603	156,893	82,419	71,432
<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>	<u>26,812,202</u>
3,025,762	3,537,203	3,134,239	2,986,788	3,448,253	3,592,528
11,309,003	11,990,414	11,576,160	12,121,392	11,681,378	12,357,775
1,781,557	2,007,509	1,739,707	2,868,091	1,651,590	1,689,483
1,021,655	2,212,781	947,827	788,260	510,214	210,000
1,979,079	1,918,623	1,593,054	2,132,924	1,557,336	1,820,328
2,974,985	3,264,938	2,921,604	3,278,844	3,089,320	3,335,718
6,597,977	1,489,469	3,936,559	2,392,459	2,064,280	2,055,315
					-
1,249,700	1,249,700	1,224,700	894,700	894,700	894,700
360,490	288,867	268,684	553,500	183,717	149,424
<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>	<u>26,105,271</u>
(5,896,380)	(802,155)	(1,351,697)	(1,813,080)		
2,266,764	4,532,958	5,458,684	2,579,286	1,759,027	1,328,328
(2,774,371)	(4,279,305)	(4,032,746)	(2,388,534)	(3,755,556)	(1,196,759)
-	-	-	-	-	-
<u>(507,607)</u>	<u>253,653</u>	<u>1,425,938</u>	<u>190,752</u>	<u>(1,996,529)</u>	<u>131,569</u>
<u>\$ (6,403,987)</u>	<u>\$ (548,502)</u>	<u>\$ 74,241</u>	<u>\$ (1,622,328)</u>	<u>\$ (2,905,958)</u>	<u>\$ 838,500</u>
6.79%	5.81%	6.38%	5.65%	4.49%	4.17%

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
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	12,139,952	341,000	733,086	24,530,755
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
2017	13,809,298	5,451,174	2,572	1,008,183	20,271,227

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
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
FOR THE LAST TEN YEARS
(modified accrual basis of accounting)

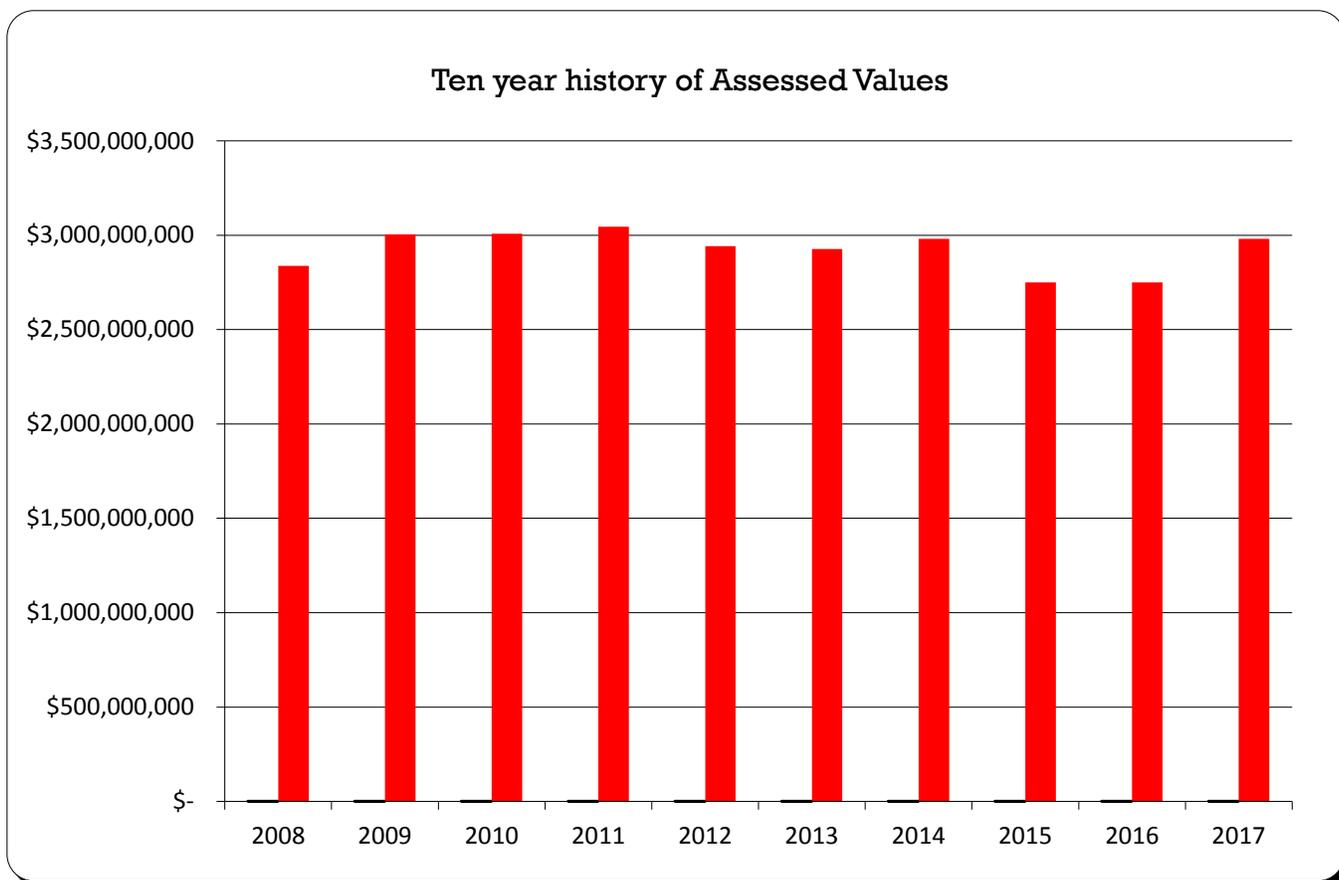
Fiscal Year Ended June 30	Property Tax	Sales Tax	Privilege License Tax	Occupancy Tax	Total
2008	\$ 9,534,403	\$ 6,310,405	\$ 381,277	\$ 679,213	\$ 16,905,298
2009	10,962,849	6,416,272	367,858	729,640	18,476,619
2010	11,487,668	5,628,740	393,722	627,122	18,137,252
2011	11,603,732	5,452,410	348,992	677,747	18,082,881
2012	12,139,952	12,139,952	341,000	733,086	25,353,990
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
2017	13,906,520	5,451,174	2,572	1,008,183	20,368,449

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
 FOR THE LAST TEN YEARS ⁽¹⁾**

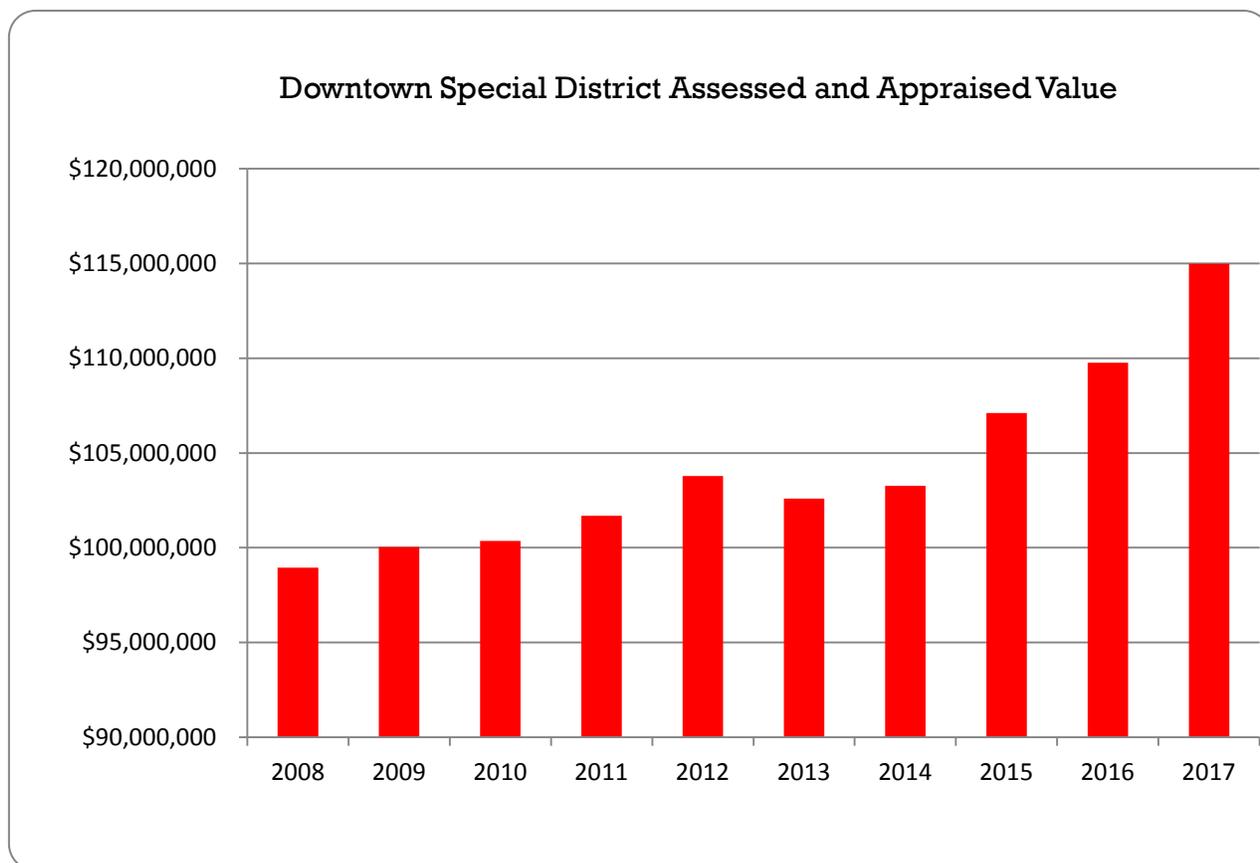
Fiscal Year Ended June 30	Tax Year	Real Property	Motor Vehicle and Personal Property	Public Service Companies	Total Assessed Value	Total Direct Tax Rate
2008	2007	2,032,493,274	767,214,046	38,508,312	2,838,215,632	0.3835
2009	2008	2,074,554,266	891,189,760	38,461,549	3,004,205,575	0.3833
2010	2009	2,099,286,384	867,458,395	41,940,666	3,008,685,445	0.3833
2011	2010	2,135,719,487	865,558,609	43,397,510	3,044,675,606	0.3833
2012	2011	2,046,476,967	851,682,471	45,081,888	2,943,241,326	0.3835
2013	2012	2,035,371,098	844,746,172	46,805,285	2,926,922,555	0.4135
2014	2013	2,036,899,857	898,217,364	46,105,962	2,981,223,183	0.4135
2015	2014	2,034,349,011	667,998,225	47,503,176	2,749,850,412	0.4139
2016	2015	2,020,695,223	681,250,767	48,394,452	2,750,340,442	0.4143
2017	2016	2,179,257,219	749,369,215	52,855,009	2,981,481,443	0.4640

⁽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. Tax rates for the City and districts are found on Table 13.



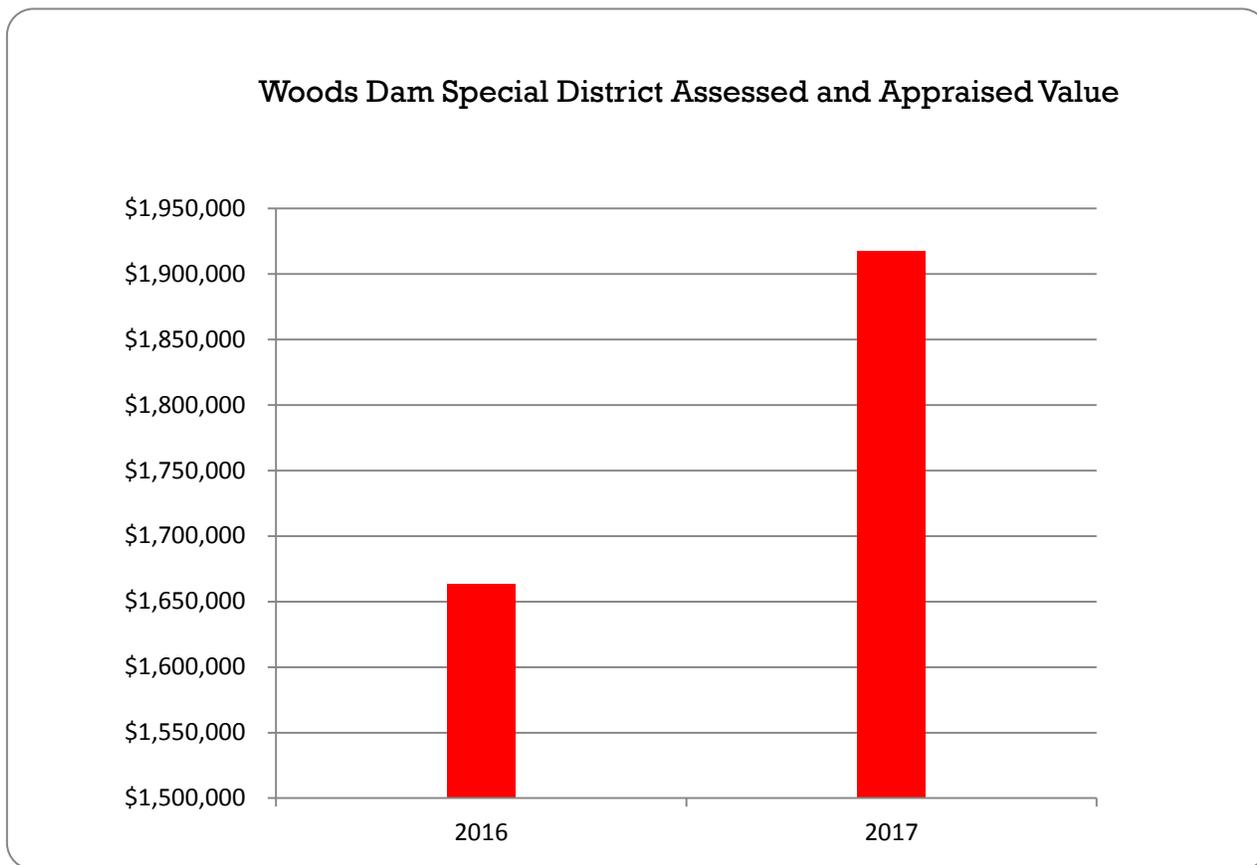
**CITY OF STATESVILLE, NORTH CAROLINA
 ASSESSED AND APPRAISED VALUE OF TAXABLE PROPERTY
 GENERAL FUND - DOWNTOWN SPECIAL TAX DISTRICT
 Last Ten Fiscal Years**

Fiscal Year Ended June 30	Assessed Value	Appraised Value	Ratio of Total Assessed Value to Total Appraised Value
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%
2017	114,980,820	114,980,820	100%



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

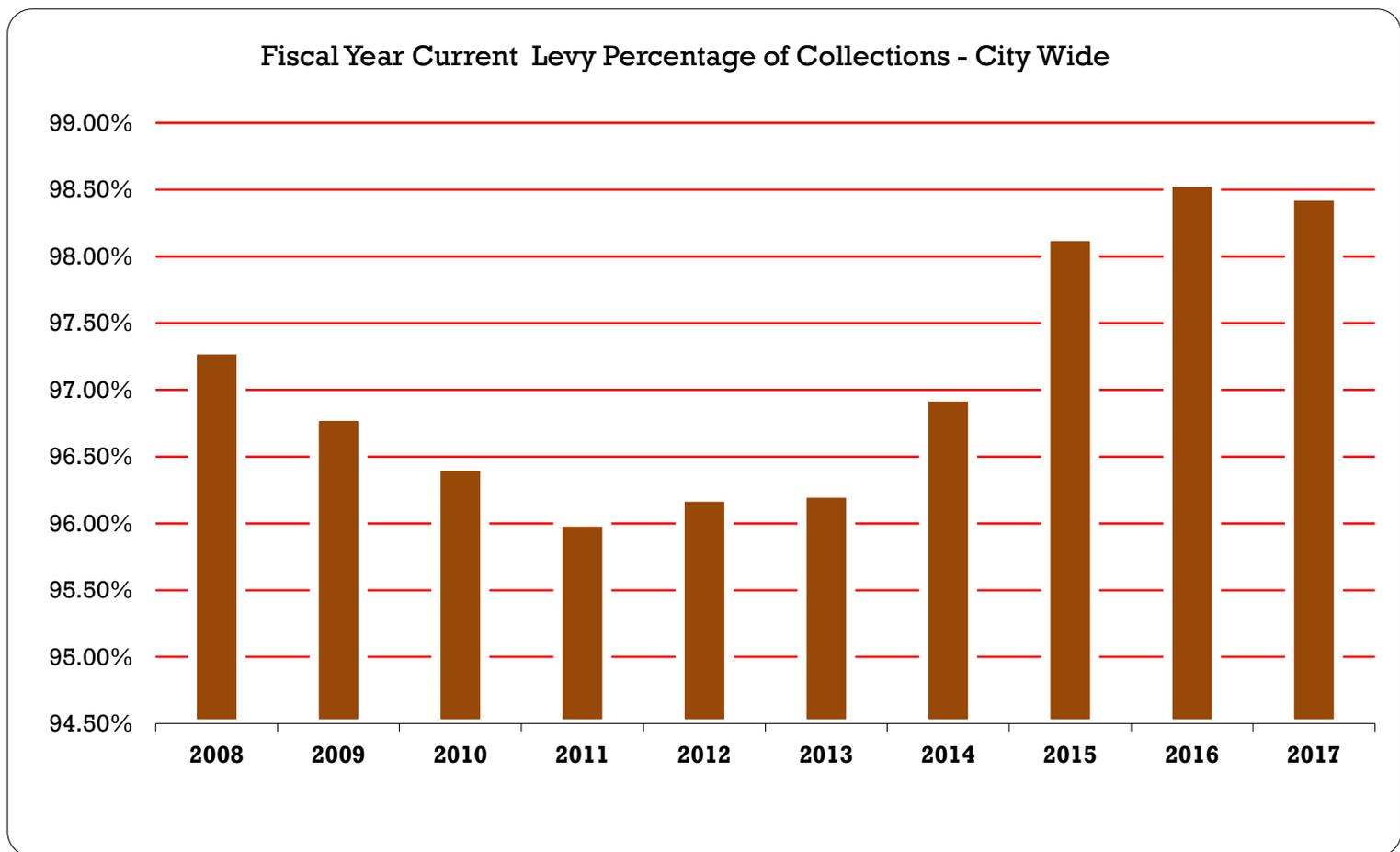
Fiscal Year Ended June 30	Assessed Value	Appraised Value	Ratio of Total Assessed Value to Total Appraised Value
2016	\$ 1,663,678	\$ 1,663,678	100%
2017	1,917,326	1,917,326	100%



**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
2008	2007	\$ 10,785,271	\$ 10,494,055	97.30%	\$ 291,216	\$ 10,785,271	100.00%	\$ 776,542	7.20%
2009	2008	11,463,138	11,096,523	96.80%	264,061	11,360,584	99.11%	879,257	7.67%
2010	2009	11,514,546	11,103,359	96.43%	332,799	11,436,158	99.32%	957,656	8.32%
2011	2010	11,608,744	11,145,620	96.01%	323,674	11,469,294	98.80%	1,097,107	9.45%
2012	2011	11,320,637	10,890,248	96.20%	369,223	11,259,471	99.46%	1,108,411	9.79%
2013	2012	12,022,139	11,568,448	96.23%	389,300	11,957,748	99.46%	1,134,351	9.44%
2014	2013	12,244,494	11,870,889	96.95%	356,284	12,227,173	99.86%	1,098,152	8.97%
2015	2014	12,069,094	11,845,894	98.15%	359,943	12,205,837	101.13%	926,056	7.67%
2016	2015	12,074,692	11,900,200	98.55%	272,333	12,172,533	100.81%	783,173	6.49%
2017	2016	13,714,815	13,502,576	98.45%	204,689	13,707,265	99.94%	748,532	5.46%

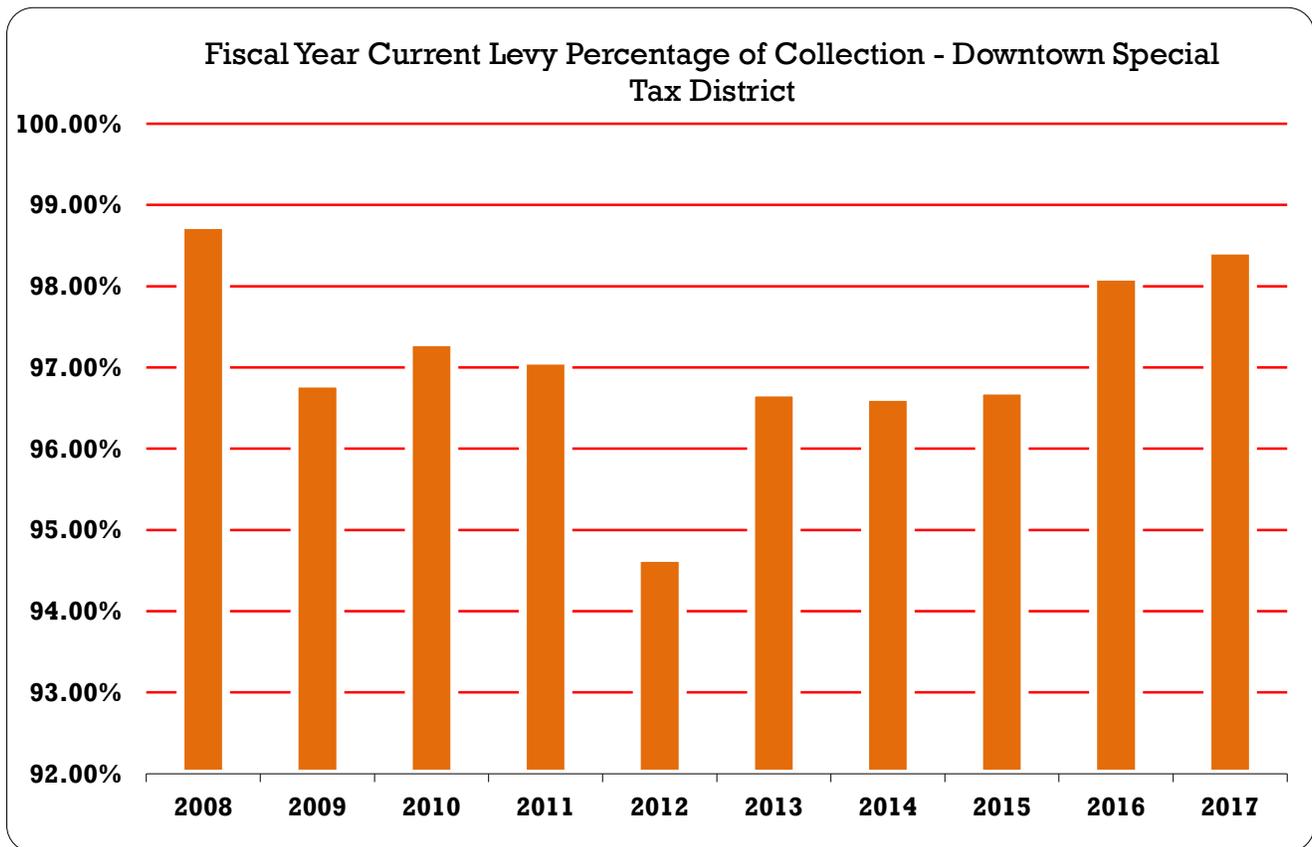
Note: Ratio of Total Tax Collections to Total Tax Levy includes only the current levy.



**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
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%	5,998	119,312	103.31%	6,817	5.90%
2017	2016	114,981	113,187	98.44%	3,951	117,138	101.88%	4,382	3.81%

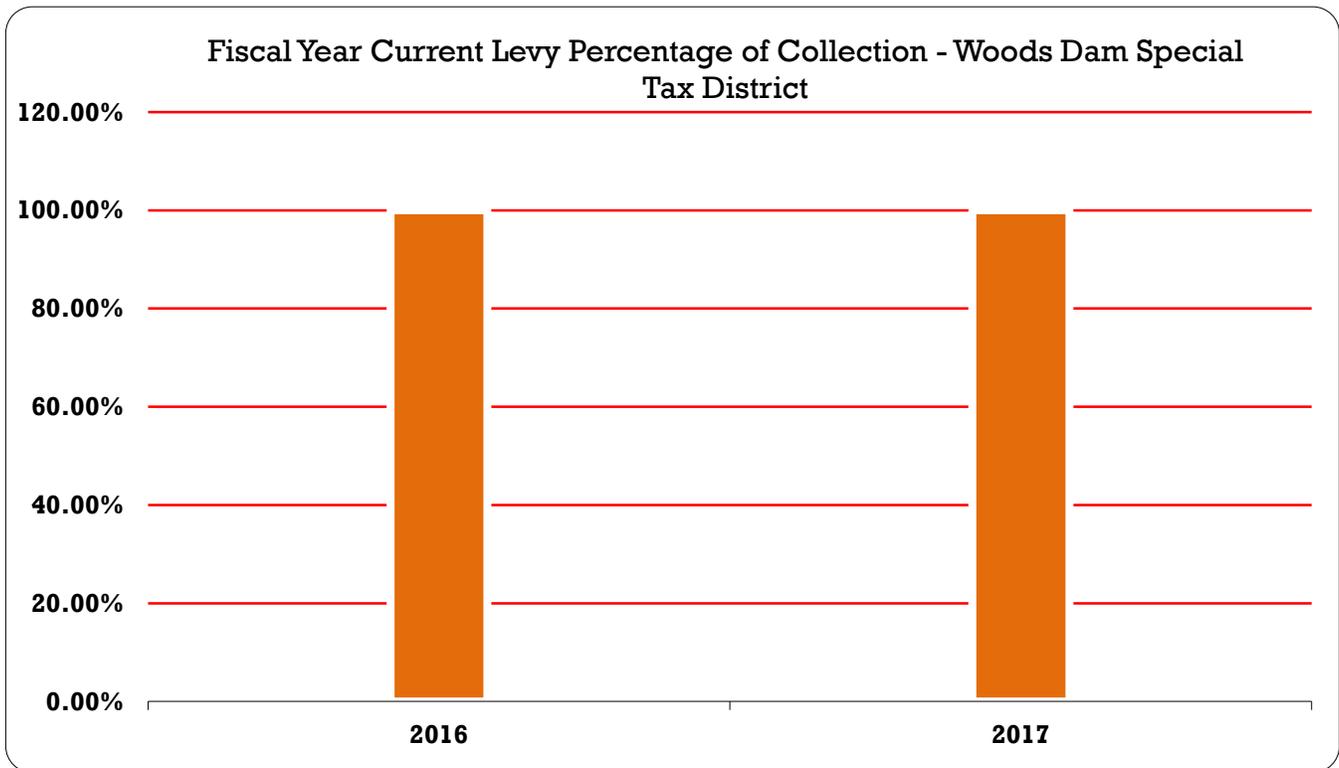
Note: Ratio of Total Tax Collections to Total Tax Levy includes only the current levy.



**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%
2017	2016	4,026	4,026	100.00%	-	4,026	100.00%	-	0.00%

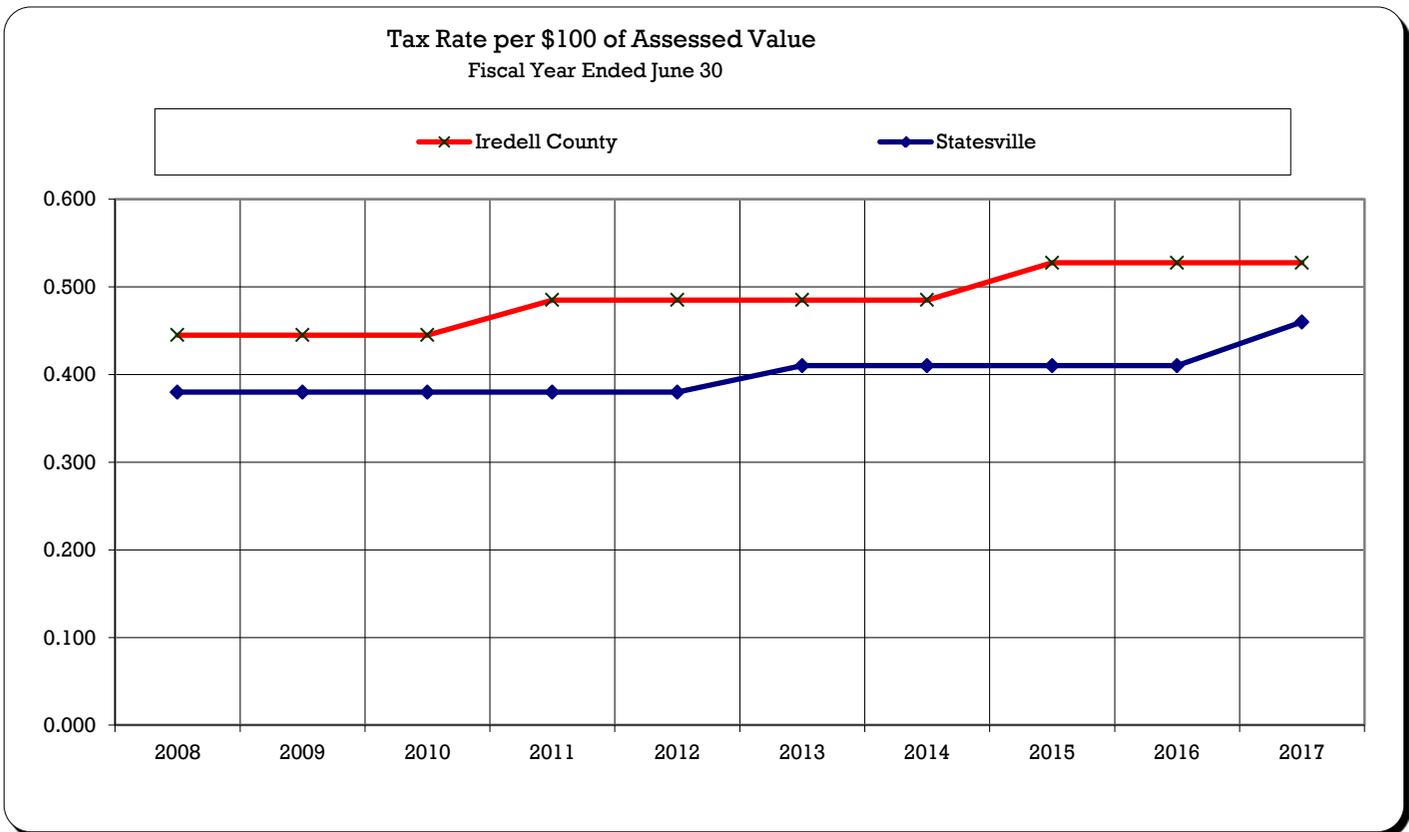
Note: Ratio of Total Tax Collections to Total Tax Levy includes only the current levy.



**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
2008	0.3800	0.1000	0.0000	0.3835	0.4450	0.8285
2009	0.3800	0.1000	0.0000	0.3833	0.4450	0.8283
2010	0.3800	0.1000	0.0000	0.3833	0.4450	0.8283
2011	0.3800	0.1000	0.0000	0.3833	0.4850	0.8683
2012	0.3800	0.1000	0.0000	0.3835	0.4850	0.8685
2013	0.4100	0.1000	0.0000	0.4135	0.4850	0.8985
2014	0.4100	0.1000	0.0000	0.4135	0.4850	0.8985
2015	0.4100	0.1000	0.0000	0.4139	0.5275	0.9414
2016	0.4100	0.1000	0.2100	0.4143	0.5275	0.9418
2017	0.4600	0.1000	0.2100	0.4640	0.5275	0.9915

⁽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
June 30, 2017 and June 30, 2008

In accordance with GASB No. 44, the following tables present information for the City's principal property taxpayers as of June 30, 2017 and June 30, 2008 for City wide only.

June 30, 2017		Percentage of	Assessed	
Taxpayer	Type of Business	Total Assessed	Valuation	Tax Levy
		Valuation	Valuation	
Asmo NC, Inc.	Electric Motor Mfg.	2.77%	\$ 82,495,817	\$ 379,481
Providencia USA, Inc.	Non-Woven Plastic Materials Mfg.	2.73%	81,425,588	374,558
Lowe's	Home Improvement Retailer	2.72%	81,167,016	373,368
GS Statesville Green Land	Real Estate	0.92%	27,295,200	125,558
Bartlett Milling Company	Flour and Feed Milling	0.74%	21,969,949	101,062
Statesville HMA, Inc.	Health Care Facility	0.72%	21,580,570	99,271
Clark Equipment Company	Heavy Equipment Manufacturer	0.71%	21,115,643	97,132
JRM Air LLC	Airfleet Aviation	0.69%	20,690,624	95,177
Centro NP Holdings	Real Estate	0.63%	18,746,910	86,236
RCC Shoppes At Broad St.	Merchandise Facility	0.54%	16,118,990	74,147
	Ten largest taxpayers	13.17%	392,606,307	1,805,990
	All other taxpayers	86.83%	2,588,875,136	11,908,825
	Total:	100.00%	\$ 2,981,481,443	\$ 13,714,815

June 30, 2008		Percentage of	Assessed	
Taxpayer	Type of Business	Total Assessed	Valuation	Tax Levy
		Valuation	Valuation	
Lowe's	Home Improvement Retailer	4.55%	\$ 129,226,567	\$ 491,061
Asmo NC, Inc.	Electric Motors	2.90%	82,366,181	312,991
Statesville HMA, Inc.	Health Care Facility	1.18%	33,409,233	125,632
Excel Realty Trust of N.C.	Shopping Center	0.98%	27,811,846	105,685
C & J Associates	Real Estate	0.79%	22,554,820	85,708
J. C. Penney	Distribution Center	0.68%	19,176,913	72,872
Hexcel Reinforcement Corp	Fiberglass Manufacturing	0.67%	19,105,801	72,602
Kewaunee Scientific	Scientific Equipment	0.55%	15,680,170	62,625
Commscope, Inc.	Cable Manufacturer	0.58%	16,477,831	62,616
Statesville Shoppes Corp.	Real Estate	0.57%	16,117,140	61,245
	Ten largest taxpayers	13.46%	381,926,502	1,453,037
	All other taxpayers	86.54%	2,456,289,130	9,332,234
	Total:	100.00%	\$ 2,838,215,632	\$ 10,785,271

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL ELECTRIC CUSTOMERS
June 30, 2017 and June 30, 2008

<u>Electric Customer</u>	<u>Type of Business</u>	<u>Dollar Amount of Annual Electric Charges</u>	<u>Percentage of Total Electric Charges for Services</u>
June 30, 2017			
Providencia USA	Non-Woven Plastic Materials	\$ 3,058,726	6.5%
City of Statesville	Municipal Corporation	2,467,352	5.3%
Kewaunee Scientific	Scientific Equipment	1,266,525	2.7%
Iredell Memorial Hospital	Health Care Facility	1,036,635	2.2%
Accuma Corporation	Plastics/Batteries	840,536	1.8%
Toter	Row out Bins	646,986	1.4%
Hunt-Bienfang Manufacturing	Art Supply	643,800	1.4%
Statesville Housing Authority	Housing Authority	591,005	1.3%
J C Steele & Sons	Brick Making Machinery	558,264	1.2%
International Paper	Paper Products	491,995	1.0%
	Ten largest electric users	11,601,824	24.7%
	All other electric users	35,311,300	75.3%
	Total electric charges	<u>\$ 46,913,124</u>	<u>100.0%</u>
June 30, 2008			
Commscope	Cable Manufacturer	\$ 1,354,603	3.8%
City of Statesville	Municipal Corporation	1,217,732	3.4%
International Paper	Paper Products	817,329	2.3%
Kewaunee Scientific	Scientific Equipment	802,513	2.2%
Hunt Manufacturing	Art Supply	738,232	2.1%
Accuma Corporation	Plastics/Batteries	701,872	2.0%
Iredell Memorial Hospital	Health Care Facility	655,405	1.8%
Canac Kitchens US Ltd	Cabinet Manufacturer	526,962	1.5%
Mocar Industries/Finishing	Knit Fabrics	514,147	1.4%
J C Steele & Sons	Brick Making Machinery	485,588	1.4%
	Ten largest electric users	7,814,383	21.9%
	All other electric users	27,866,289	78.1%
	Total electric charges	<u>\$ 35,680,672</u>	<u>100.0%</u>

Source: City of Statesville's utility billing records.

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL WATER CUSTOMERS
June 30, 2017 and June 30, 2008

Water Customer	Type of Business	Dollar Amount of Annual Water Charges	Percentage of Total Water Charges for Services
June 30, 2017			
West Iredell Water Corp.	Utility	\$ 89,323	2.2%
Statesville Housing Authority	Housing Authority	89,038	2.2%
Iredell Memorial Hospital	Health Care Facility	52,787	1.3%
Iredell Water Corporation	Utility	51,328	1.3%
Rental Uniform Svc. Inc.	Apparel Rental	40,157	1.0%
Brian H&R	Assistance Living	39,048	1.0%
Clark-Schwebel Fiber	Textile Manufacturer	35,902	0.9%
Kewaunee Scientific	Scientific Equipment	30,808	0.8%
Watercrest Estates	Real Estate	22,795	0.6%
Summer Pointe LLC	Scientific Equipment	21,943	0.5%
	Ten largest water users	473,129	11.8%
	All other water users	3,525,527	88.2%
	Total water charges	<u>\$ 3,998,656</u>	<u>100.0%</u>
June 30, 2008			
Mocar Industries/Finishing	Knit Fabrics	\$ 255,653	6.9%
Town of Troutman	Municipal Corporation	117,969	3.2%
Statesville Housing Authority	Housing Authority	92,937	2.5%
West Iredell Water Corp.	Utility	78,281	2.1%
Iredell Water Corporation	Utility	76,974	2.1%
City of Statesville	Municipal Corporation	74,309	2.0%
Iredell Memorial Hospital	Health Care Facility	49,154	1.3%
Mariner Post Acute	Health Care Facility	34,256	0.9%
Clark-Schwebel Fiber	Textile Manufacturer	33,105	0.9%
Rental Uniform Svc. Inc.	Apparel Rental	31,377	0.8%
	Ten largest water users	844,015	22.6%
	All other water users	2,886,558	77.4%
	Total water charges	<u>\$ 3,730,573</u>	<u>100.0%</u>

Source: City of Statesville's utility billing records.

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL SEWER CUSTOMERS
June 30, 2017 and June 30, 2008

<u>Sewer Customer</u>	<u>Type of Business</u>	<u>Dollar Amount of Annual Sewer Charges</u>	<u>Percentage of Total Sewer Charges for Services</u>
June 30, 2017			
Town of Troutman	Utility	\$ 260,383	4.0%
Mocaro Industries/Finishing	Knit Fabrics	231,475	3.6%
Statesville Housing Authority	Housing Authority	144,613	2.2%
Iredell-Statesville School Adm	School System	93,866	1.5%
Iredell Memorial Hospital	Health Care Facility	86,607	1.3%
Rental Uniform	Apparel Rental	65,802	1.0%
Brian H&R	Assistance Living	64,072	1.0%
Clark-Schwebel Fiber	Fiberglass	59,165	0.9%
Kewaunee Scientific	Scientific Equipment	50,705	0.8%
Watercrest Estates	Real Estate	37,156	0.6%
	Ten largest sewer users	1,093,844	17.0%
	All other sewer users	5,335,610	83.0%
	Total sewer charges	<u>\$ 6,429,454</u>	<u>100.0%</u>
June 30, 2008			
Mocaro Industries/Finishing	Knit Fabrics	\$ 423,818	8.0%
Town of Troutman	Utility	170,763	3.2%
Statesville Housing Authority	Housing Authority	151,293	2.8%
Iredell Memorial Hospital	Health Care Facility	81,929	1.5%
Millard Refrigeration	Processing Plant	59,862	1.1%
Mariner Post Acute	Health Care Facility	56,235	1.1%
Clark-Schwebel Fiber	Fiberglass	54,458	1.0%
Rental Uniform	Apparel Rental	51,392	1.0%
Iredell-Statesville School Adm	School System	44,717	0.8%
Woodlands Realty Group	Apartment Complex	36,907	0.7%
	Ten largest sewer users	1,131,374	21.3%
	All other sewer users	4,182,688	78.7%
	Total sewer charges	<u>\$ 5,314,062</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**

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			
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⁾	1,422.01
2017	-	3,384,100	-	29,674,165	33,058,265 ⁽¹⁾	0.00% ⁽²⁾	1,303.41

Notes:

^{1.} The U.S. Census Bureau has information for the City, this information beginning with this date will reference the U.S. Census Bureau statistics calendar year 2015 that will result in a per capita income of \$19,936.

^{2.} From the North Carolina Office of Management and Budget. For the report fiscal year are projections from 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: 25,363

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

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		
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%	-
2017	-	-	-	-	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)

For the Fiscal Years 2007-08 through 2016-17:

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Debt Limit	\$ 235,459	\$ 232,800	\$ 234,856	\$ 232,915	\$ 234,881
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 235,459</u>	<u>\$ 232,800</u>	<u>\$ 234,856</u>	<u>\$ 232,915</u>	<u>\$ 234,881</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	\$ 2,943,235
Less current year abatements	<u>7,227</u>
Assessed value of taxable property	2,936,007.60
Debt limit - eight percent (8%) of assessed value	<u>234,881</u>
Amount of debt applicable to debt limit:	
Total bonded debt	<u>-</u>
Legal debt margin	<u>\$ 234,881</u>

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Debt Limit	\$ 227,057	\$ 240,336	\$ 240,695	\$ 243,574	\$ 235,459
Total net debt applicable to limit	<u>1,125</u>	<u>800</u>	<u>475</u>	<u>25</u>	-
Legal debt margin	<u>\$ 225,932</u>	<u>\$ 239,536</u>	<u>\$ 240,220</u>	<u>\$ 243,549</u>	<u>\$ 235,459</u>
Total net debt applicable to the limit as a percentage of debt limit	0.50%	0.33%	0.20%	0.01%	0.00%

CITY OF STATESVILLE, NORTH CAROLINA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2017

Jurisdiction	Principal	Allocated Amount	Total
Direct debt:			
City of Statesville	(1) \$ 3,384,100	100%	\$ 3,384,100
Overlapping debt:			
Iredell County	(1) <u>28,265,957</u>	11%	<u>3,055,799</u>
	<u>\$ 31,650,057</u>		<u>\$ 6,439,899</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**

<u>Fiscal Year Ended June 30,</u>	<u>Population Estimate ⁽¹⁾</u>	<u>Per Capita Personal Income ⁽²⁾</u>	<u>Unemployment Rate ⁽³⁾</u>	<u>Median Age ⁽⁴⁾</u>	<u>School Enrollment ⁽⁵⁾</u>
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	24,680	24,633	9.2%	37.10	21,447
2014	24,710	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
2017	25,363	19,936	5.3%	40.00	20,233

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 25,363 was the basis for allocating sales tax for fiscal year 2017.
2. The U.S. Census Bureau has information for the City, this information beginning with this date will reference the U.S. Census Bureau statistics calendar year 2015 that will resulted in a decrease in the per capita income from the county wide per capita that had been previously determined by the Department of Commerce. The county wide per capita income included areas of high income earners.
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 student enrollment data is from the North Carolina Department of Public Instruction's Average Daily Maintenance (ADM) for the Iredell-Statesville School system not including private or parochial schools.

CITY OF STATESVILLE, NORTH CAROLINA
PRINCIPAL EMPLOYERS
June 30, 2017 and June 30, 2008

<u>Company or Organization</u> ⁽¹⁾	<u>6/30/2017</u>			<u>6/30/2008</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	3001-3050	1	3.63%	3,169	1	4.08%
Iredell Memorial Hospital	1551-1600	2	1.88%	1,650	2	2.12%
Iredell County Government	1101-1150	3	1.50%	992	5	1.28%
Piedmont Healthcare	901-950	4	1.09%	932		1.20%
JC Penney Distribution	620-700	5	0.79%	618		0.80%
Kewaunee Scientific	501-550	6	0.61%	606	8	0.78%
ASMO of NC, Inc.	501-550	7	0.61%	542	6	0.70%
City of Statesville	451-500	8	0.55%	490		0.63%
Davis Regional Medical Center	401-500	9	0.49%	360	7	0.46%
Walmart	351-400	10	0.42%	300		0.39%
All other	<u>72714-73254</u>		<u>88.45%</u>	<u>68,008</u>		<u>87.56%</u>
Total Employed	<u>82,664</u>		<u>100.00%</u>	<u>77,667</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 2017.
- (3) June 30, 2008 are estimates based on previous data.

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

Function/Program	2007-2008	2008-2009	2009-2010	2010-2011
General Government Activities:				
General government:				
Personnel				
Number of new hires-full time	50	43	33	43
Number of new hires-part-time	80	70	97	110
Turnover rate	9.00%	8.50%	6.00%	8.00%
Public Safety:				
Police				
UCR Part I Violent Crime	278	222	274	119
Vehicle Crashes Investigated	1,986	1,818	1,932	1,725
Number of incoming calls	116,349	104,514	109,351	58,060
Fire				
Fire emergency responses	1,450	1,709	1,644	1,822
City-wide fire loss	\$ 1,849,593	\$ 1,132,213	\$ 942,350	\$ 488,735
Number of fire inspections	850	792	816	863
Investigations	15	17	34	15
Transportation:				
Street Department				
Miles of street resurfacing	3.00	2.85	6.11	4.54
Environmental protection:				
Sanitation				
Number of household collection points	9,700	9,900	9,700	9,546
Cost per ton collected	\$ 61.00	\$ 52.00	\$ 53.00	\$ 63.00
Cemeteries				
Number of burials	230	230	325	230
Recreation:				
Fitness Center Avg. Daily Attendance (2)	N/A	N/A	N/A	N/A
Leisure Pool Avg. Daily Attendance (3)	N/A	N/A	N/A	N/A

(1) Source: Various City departments.

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

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

Table 24 (cont'd)

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

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
23	20	26	33	42	49
80	96	117	100	96	92
8.20%	9.60%	7.80%	10.86%	11.67%	11.20%
123	123	126	159	N/A	162
1,690	1,690	1,665	1,665	1,665	1,625
93,590	93,590	89,679	94,603	73,836	77,595
1,890	1,890	2,197	4,015	3,634	4,015
\$ 1,373,470	\$ 1,462,225	\$ 713,190	\$ 412,525	\$ 1,558,700	\$ 435,640
777	777	987	985	1099	1037
22	9	20	20	23	11
3.22	4.11	4.10	3.71	4.00	4.74
9,546	9,546	9,342	9,700	9,700	10,011
\$ 60.00	\$ 60.00	\$ 78.00	\$ 84.00	\$ 84.00	\$ 84.00
230	230	239	219	213	212
262	262	288	260	204	190
428	428	402	420	424	416

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

Function/Program	2007-2008	2008-2009	2009-2010	2010-2011
Business-type activities:				
Airport:				
Assessed Values created by the Airport	\$199,318,079	\$271,104,872	\$266,127,526	\$284,394,380
Lease Revenues	\$115,934	\$120,183	\$134,379	\$151,391
Fuel Fee Revenue	\$149,437	\$133,166	\$140,063	\$132,510
Gallons Pumped	1,384,353	1,206,934	1,363,784	1,334,904
Passengers Flown (charter) CY 2016	N/A	N/A	N/A	N/A
Take-off and landings	N/A	N/A	N/A	N/A
Based aircraft (29 jet powered)	N/A	N/A	N/A	N/A
Electric:				
⁽²⁾ Kwh purchased	495,329,967	458,127,075	451,517,939	464,051,769
Purchased power cost	\$31,545,275	\$31,427,382	\$32,503,039	\$34,847,545
⁽²⁾ Cost per kwh	0.0637	0.0686	0.0720	0.0751
⁽²⁾ Kwh sold	476,017,550	438,703,511	431,589,090	444,968,375
Electric Billed	\$36,638,668	\$35,710,561	\$38,700,180	\$41,410,332
⁽²⁾ Sold per kwh	0.0770	0.0814	0.0897	0.0931
Accounting/line kwh loss	19,312,417	19,423,564	19,928,849	19,083,394
Loss as a percent of billed kwh	4.06%	4.43%	4.62%	4.29%
Average number of customers	12,856	13,046	12,928	12,897
Average days in billed/unbilled receivable	44.90	45.92	43.29	44.28
Water:				
⁽³⁾ Water MG average annually treated	1,378	1,186	1,169	1,189
⁽⁴⁾ Sold Water to Customers MG	1,323	1,048	956	954
Accounting/line loss	55	138	213	235
⁽⁴⁾ Loss as a percent of billed water	3.99%	11.60%	18.25%	19.78%
⁽⁴⁾ Average number of water customers	11,282	11,472	11,354	11,323
Billed water customers	\$3,804,882	\$3,437,267	\$3,378,505	\$3,448,842
Average days in billed/unbilled receivable	42.29	47.30	51.92	49.70
Sewer:				
⁽³⁾ 3rd Creek treated- average daily MGD	1.30	1.31	1.58	1.12
⁽³⁾ 4th Creek treated - average daily MGD	2.97	3.17	3.23	2.83
⁽⁴⁾ Average number of water customers	10,292	10,482	10,364	10,333
Billed sewer customers	\$5,314,062	\$5,190,305	\$5,162,382	\$5,381,251
Average days in unbilled/billed receivable	44.66	48.34	45.97	48.06
Billed Sewer units in MG	N/A	N/A	N/A	954
Civic Center:				
Paid Bookings	557	607	572	624

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

(2) Kwh is kilowatts per hour.

(3) MGD is millions of gallons per day.

(4) MG is millions of gallons.

Table 25 (cont'd)

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

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
\$239,607,307	\$251,174,453	\$201,968,428	\$162,252,962	\$157,363,502	\$127,027,000
\$164,862	\$180,256	\$193,750	\$215,682	\$330,143	\$238,871
\$157,895	\$123,898	\$144,902	\$156,727	\$185,198	\$173,519
1,357,103	1,421,769	1,394,458	1,378,316	1,603,941	1,586,000
N/A	N/A	N/A	N/A	N/A	16300
N/A	N/A	N/A	N/A	N/A	36000
N/A	N/A	N/A	N/A	N/A	82
461,666,247	469,944,924	479,643,199	466,069,742	465,250,083	466,013,226
\$36,560,241	\$38,639,838	\$40,826,057	\$41,571,134	\$39,165,656	\$39,120,860
0.0792	0.0822	0.0851	0.0892	0.0842	0.0839
447,066,312	453,300,014	461,546,534	449,547,013	444,241,616	449,410,533
\$40,248,347	\$43,927,172	\$45,919,158	\$46,311,527	\$45,569,103	\$46,913,124
0.0900	0.0969	0.0995	0.1030	0.1026	0.1044
14,599,935	16,644,910	18,096,665	16,522,729	21,008,467	16,602,693
3.27%	3.67%	3.92%	3.68%	4.73%	3.69%
12,941	12,824	12,829	12,937	13,110	13,113
44.88	44.45	44.22	45.06	43.38	44.22
1,143	1,172	1,141	1,153	1,139	1,191
953	950	903	942	949	957
190	222	238	211	190	234
16.59%	18.97%	20.86%	18.30%	16.69%	19.65%
11,308	11,366	11,397	11,716	11,604	11,743
\$3,432,791	\$3,663,166	\$ 3,626,264	\$ 3,812,861	\$ 4,062,313	\$ 3,998,656
51.43	49.91	47.86	48.61	45.85	47.66
0.84	0.92	1.07	0.87	0.84	0.89
2.16	2.21	2.48	2.03	2.20	2.39
10,318	10,376	10,399	10,399	10,638	10,780
\$5,292,768	\$5,710,498	\$ 5,628,097	\$ 5,911,549	\$ 6,134,494	\$ 6,429,454
49.91	50.41	49.96	49.26	46.51	49.17
954	963	959	958	959	980
563	502	620	665	790	686

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

	2007-2008	2008-2009	2009-2010	2010-2011
Function/Program				
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	2	2
Fire				
Number of fire stations	3	3	3	3
Transportation:				
Street miles	134.12	134.12	141.60	141.60
Airport - acres	388.78	388.78	390.41	390.41
Airport - terminals	1	1	1	1
Environmental protection:				
Sanitation - packers				
	9	8	9	8
Cemeteries				
⁽²⁾ Number of cemeteries	2	2	2	2
Cemeteries - acreage	52	60	60	60
Recreation:				
Parks - acreage	250	350	350	350
Number of Parks	20	20	20	20
Greenways/trails-miles	4.50	6.00	6.00	6.00
Soccer fields	7	7	7	7
Recreation Centers & Pool	2	2	4	4
Business-type activities:				
Electric:				
Miles of distribution lines	217	235	235	248.5
Number of substations	10	10	10	10
Water:				
Miles of distribution lines	202	272.29	272.29	277
Water treatment plants	1	1	1	1
⁽³⁾ Water plant capacity-MGD	15	15	15	15
Sewer:				
Miles of collection lines	244	274	274	279
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 (cont'd)

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

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
3	3	3	3	2	2
4	4	4	4	4	4
142.24	142.15	145.70	145.70	145.70	145.36
394	429.4	429.4	429.4	429.4	415
1	1	1	1	1	1
9	9	9	9	9	9
2	2	2	2	2	2
60	60	60	60	60	60
350	350	358	358	358	358
20	20	20	20	20	20
6.00	6.00	12.91	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	268
10	10	10	10	10	10
265	270	279	279	279	276
1	1	1	1	1	1
15	15	15	15	15	15
265	276	291	291	291	285
2	2	2	2	2	2
4	4	4	4	6	6
6	6	6	6	6	6
1	1	1	1	1	1

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

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
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	5	5	5	5	5	5	5	5	5
Information Technology	9	9	9	9	9	8	8	10	10	11
Purchasing	3	3	3	3	3	3	3	3	3	3
Human Resources	4	4	4	4	4	3	3	3	3	3
Planning	10	10	10	10	10	8	8	8	8	7
Public Works	6	6	6	6	6	4	4	4	4	6
Garage	9	9	9	9	9	9	9	9	9	9
Warehouse	1	1	1	1	1	-	-	-	-	-
Subtotal general government	65	66	66	66	66	59	59	61	61	63
Public Safety										
Police	94	98	99	99	101	96	96	97	97	100
Fire	55	71	59	59	74	73	73	72	70	71
Subtotal Public Safety	149	169	158	158	175	169	169	169	167	171
Transportation										
Street Department	21	21	21	21	21	17	17	17	17	16
Airport	1	1	1	1	1	1	1	1	-	-
Subtotal Transportation	22	22	22	22	22	18	18	18	17	16
Environmental protection										
Sanitation	28	31	31	31	31	28	28	26	26	24
Subtotal environmental protection	28	31	31	31	31	28	28	26	26	24
Recreation										
Recreation Administration	3	3	3	3	3	3	3	3	3	3
Athletics	2	2	2	2	2	1	1	1	1	1
Programs	6	7	3	3	3	3	3	3	3	3
Fitness & Activity Center	-	-	4	4	4	4	4	4	4	4
Parks	7	7	7	7	7	12	12	12	12	14
Urban Forestry	4	4	4	4	4	-	-	-	-	-
Public Grounds/Cemeteries	8	8	8	8	8	5	5	5	5	6
Subtotal Recreation	30	31	31	31	31	28	28	28	28	31
Total Governmental	294	319	308	308	325	302	302	302	299	305
Business-type activities										
Airport Operating	-	-	-	-	-	-	-	-	2	2
Electric	31	34	34	34	34	31	31	32	33	34
Sewer Maintenance	7	7	7	7	7	6	6	6	6	6
Water Maintenance	16	16	16	16	16	15	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	97	100	100	100	100	94	94	94	97	98
Total primary government	391	419	408	408	425	396	396	396	396	403

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, 2017

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, 2017, 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 November 20, 2017. 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. 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.

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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2017-001 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
November 20, 2017

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Report On Compliance For Each Major State 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 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, 2017. 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.

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PO Box 5729 ♦ Statesville, NC 28687 ♦ 1710 Wilkesboro Hwy ♦ Statesville, NC 28625 ♦ 704-872-8923 ♦ Fax 704-872-4982
800-948-0585 ♦ www.martinstarnes.com

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, 2017.

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
November 20, 2017

CITY OF STATESVILLE, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

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
Highway Planning and Construction Cluster

CITY OF STATESVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

2. Financial Statement Findings

Material Weakness

Finding 2017-001

Criteria: Management should have a system in place to reduce the likelihood that expenditures exceed your financial plan.

Condition: In the current year, there were expenditures exceeding the City's financial plan.

Context: While reviewing financial statements and budget reports, we noted the condition described above.

Effect: The City exceeded its financial plan.

Cause: Lack of monitoring over budgetary compliance.

Recommendation: Implement additional monitoring controls, such as reviewing monthly budget to actual reports, to identify areas where budget amendments may be required to ensure compliance with the City's financial plan.

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, 2017**

3. State Award Findings and Questioned Costs

None reported



**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2017**

Finding: 2017-001

Name of Contact Person: Ralph Staley, Finance Director

Corrective Action: Management concurs and will place stringent internal controls on ensuring that additional monitoring controls are in place to ensure compliance with General Statutes.

CITY OF STATESVILLE, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

2016-001 – Corrected

CITY OF STATESVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant/WBS Number	Federal Direct	
			Pass-Through Expenditures	State Expenditures
Federal Grants:				
U.S. Department of Transportation				
Federal Aviation Administration				
Passed through N.C. Department of Transportation:				
Division of Aviation:				
Airport Improvement Program: Taxiway A Lighting Rehabilitation Construction		36244.59.6.1		\$ 85,568
Airport Improvement Program: Taxiway A Lighting Rehabilitation/PAPI's	20.106	36237.46.15.1	29,929	-
Airport Improvement Program: Land Acquisition	20.106	36237.46.15.2	63,641	-
Federal Highway Administration				
Highway Planning and Construction Cluster				
I-77 Rest Area Project	20.205-1CL	DOT-18	6,355	1,964,799
Total U.S. Department of Transportation			<u>\$ 99,925</u>	<u>\$ 2,050,367</u>
U.S. Department of Justice				
Office of Community Oriented Policing Services				
Public Safety Partnership & Community Policing Grant	16.710	2015-UM-WX-0072	\$ 116,184	\$ -
Passed through N.C. Department of Public Safety:				
Violence Against Woman Office				
Violence Against Women Formula Grant	16.588	2016-WF-AX-0021	114,634	-
Bureau of Justice Assistance				
Bulletproof Vest Partnership Program	16.607		7,764	-
Bureau of Justice Assistance				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-1063	17,657	-
Total U.S. Department of Justice			<u>\$ 256,239</u>	<u>\$ -</u>
U.S. Environmental Protection Agency - Office of Water				
Passed through N.C. Department of Environment and Natural Resources:				
Capitalization Grants for Clean Water State Revolving Funds:				
Clean Water State Revolving Fund Cluster:				
4th Creek Wastewater Treatment Plant	66.458	E-SRF-T-13-0361	\$ 13,080	\$ -
Total U.S. Environmental Protection Agency			<u>\$ 13,080</u>	<u>\$ -</u>
State Grants:				
N.C. Department of Transportation				
Powell Bill		DOT-4 32570	\$ -	\$ 744,048
Total N.C. Department of Transportation			<u>\$ -</u>	<u>\$ 744,048</u>
N.C. Department of Commerce				
Downtown Revitalization		2017-049-1257-1534	\$ -	\$ 94,340
Total N.C. Department of Commerce			<u>\$ -</u>	<u>\$ 94,340</u>
Total Federal Grants			<u>\$ 369,244</u>	
Total State Grants				<u>\$ 2,888,755</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 programs of the federal government and the State of North Carolina for the year ended June 30, 2017. 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 Awards 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, 2017 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, 2017 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-13-0361	4,194,043