

**CITY OF MOUNT HOLLY
NORTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

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

**CITY OF MOUNT HOLLY
NORTH CAROLINA**

FOR THE YEAR ENDED JUNE 30, 2015

CITY COUNCIL

Mayor

Bryan Hough

City Council Members

Perry Toomey, Mayor Pro Tem

Jerry Bishop

Carolyn Breyare

Jason Gowen

Jim Hope

David Moore

ADMINISTRATIVE AND FINANCIAL STAFF

Danny Jackson, City Manager

Jamie Guffey, Assistant City Manager of Finance

Africa Otis, Finance Officer

Becky Conder, Deputy Finance Officer

CITY OF MOUNT HOLLY, NORTH CAROLINA

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-13
	Basic Financial Statements:	
	Government-Wide Financial Statements:	
A	Statement of Net Position	14
B	Statement of Activities	15-16
	Fund Financial Statements:	
C	Balance Sheet - Governmental Funds	17-18
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	20
F	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	21
G	Proprietary Fund: Statement of Net Position - Proprietary Funds	22
H	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	23
I	Statement of Cash Flows - Proprietary Funds	24
	Notes to the Financial Statements	25-60

CITY OF MOUNT HOLLY, NORTH CAROLINA

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

Schedule

Required Supplemental Financial Data:

A-1	Law Enforcement Officers' Special Separation Allowance	61
A-2	Other Post-Employment Benefits	62
A-3	Local Government Employees' Retirement System - City's Proportionate Share of Net Pension Liability	63
A-4	Local Government Employees' Retirement System - City of Mount Holly's Contributions	64

Supplementary Information:

Individual Fund Statements and Schedules:

Major Governmental Fund:

1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	65-68
---	---	-------

Nonmajor Governmental Funds:

2	Combining Balance Sheet	69
3	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	70

Special Revenue Fund:

4	Emergency Telephone System Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	71
---	---	----

Capital Project Funds:

5	Capital Reserve Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	72
6	Capital Projects Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	73

CITY OF MOUNT HOLLY, NORTH CAROLINA

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

Enterprise Funds:		
7	Water and Sewer Fund - Schedule of Revenues and Expenditures - Budget and Actual - (Non-GAAP)	74-75
8	Water and Sewer Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	76
9	Housing Assistance Fund - Holly Hills - Contract A-3925 Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	77-78
Supplemental Financial Data:		
10	Schedule of Ad Valorem Taxes Receivable	79
11	Analysis of Current Tax Levy- City-Wide Levy	80
12	Secondary Market Disclosures	81
13	Schedule of Principal Taxpayers	82
14	Mount Holly Tourism Development Authority - Discretely Presented Component Unit - Balance Sheet	83
15	Mount Holly Tourism Development Authority - Discretely Presented Component Unit - Schedule of Revenues and Expenditures - Budget and Actual	84
16	Emergency Telephone System Unspent Balance - PSAP Reconciliation	85

CITY OF MOUNT HOLLY, NORTH CAROLINA

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

TABLE OF CONTENTS

Compliance Section:

Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	86-87
Schedule of Findings and Responses	88-89
Summary Schedule of Prior Year Audit Findings	90

FINANCIAL SECTION

This page left blank intentionally.

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

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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Mount Holly
Mount Holly, 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 Mount Holly, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 financial statements are free of material misstatement. The financial statements of the City of Mount Holly 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mount Holly, North Carolina, as of June 30, 2015, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefit's Schedules of Funding Progress and Employer Contributions, and the Local Employees' Retirement System's Schedules of Proportionate Share of the Net Pension 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of City of Mount Holly, North Carolina. The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and other schedules 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, budget and actual schedules, supplemental ad valorem tax schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our

opinion, the combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015, on our consideration of the City of Mount Holly's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mount Holly's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 20, 2015

This page left blank intentionally.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page left blank intentionally.

Management's Discussion and Analysis

As management of the City of Mount Holly, we offer readers of the City of Mount Holly's financial statements this narrative overview and analysis of the financial activities of the City of Mount Holly for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

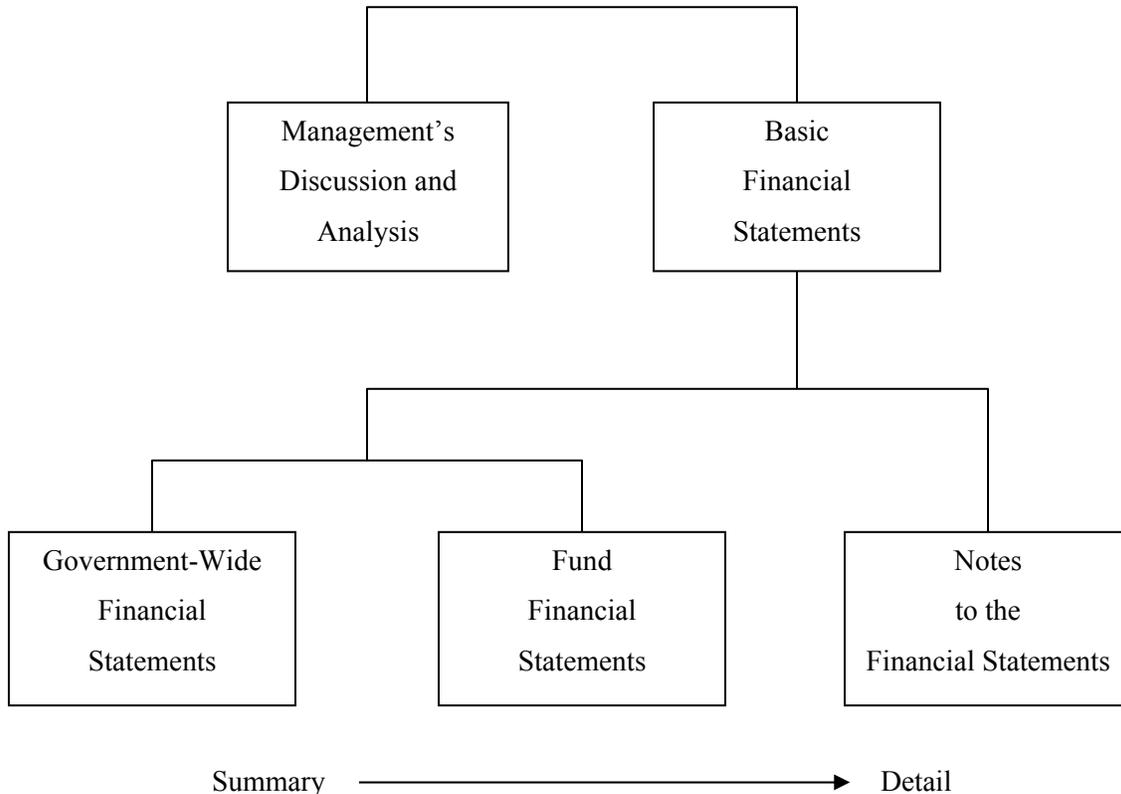
- The assets and deferred outflows of resources for the City of Mount Holly exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$51,730,706 (net position).
- The government's total net position decreased by \$163,104, due to decreases in the business-type activities' net positions.
- As of the close of the current fiscal year, the City of Mount Holly's governmental funds reported combined ending fund balances of \$10,267,193, with a net increase of \$238,841 in fund balance. Approximately, 24.55 percent of this total amount, or \$2,520,460, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,790,043, or 53.72 percent, of total General Fund expenditures for the fiscal year.
- The City of Mount Holly's total governmental debt decreased by \$441,770 and business-type activities' debt decreased by \$170,000 during the current fiscal year. The key factor to these decreases was the timely payment of debt service expenditures.
- The City maintains its bond rating of an "AA-" from Standard & Poor's and an "A2" from Moody's Investors Services.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Mount Holly'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 Mount Holly.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through I) 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.

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 a financial statement 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 total liabilities. 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 general government, public safety, planning and zoning, transportation and environmental protection, garage, and culture and recreation. 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 services and housing assistance offered by the City. The final category is the component units. Although legally separate from the City, the Mount Holly ABC Board is important to the City. The City exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the City. The Mount Holly Tourism Development Authority is also a legal separate entity from the City. The members of the Authority's governing body are appointed by the City Council.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) 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 Mount Holly, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Mount Holly 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 the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government 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 Mount Holly adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the City Council; 2) the final budget as amended by the City Council; 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.

Proprietary Funds. The City of Mount Holly has only one kind of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Mount Holly uses enterprise funds to account for its water and sewer activity and for its housing authority activities. 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.

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. The Notes to the Financial Statements follow Exhibit I of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Mount Holly's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found following the Notes to the Financial Statements of this report.

Interdependence with Other Entities. The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

**City of Mount Holly's Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 11,181,275	\$ 10,566,493	\$ 10,391,353	\$ 9,691,816	\$ 21,572,628	\$ 20,258,309
Capital assets	22,720,316	22,163,520	22,451,968	24,280,151	45,172,284	46,443,671
Deferred outflows of resources	299,214	-	116,361	-	415,575	-
Total assets and deferred outflows of resources	<u>34,200,805</u>	<u>32,730,013</u>	<u>32,959,682</u>	<u>33,971,967</u>	<u>67,160,487</u>	<u>66,701,980</u>
Liabilities:						
Long-term liabilities outstanding	10,571,338	10,591,572	2,732,744	2,763,926	13,304,082	13,355,498
Other liabilities	222,051	232,749	241,349	269,597	463,400	502,346
Deferred inflows of resources	1,196,855	-	465,444	-	1,662,299	-
Total liabilities and deferred inflows of resources	<u>11,990,244</u>	<u>10,824,321</u>	<u>3,439,537</u>	<u>3,033,523</u>	<u>15,429,781</u>	<u>13,857,844</u>
Net Position:						
Net investment in capital assets	14,464,541	13,465,975	20,329,468	21,987,651	34,794,009	35,453,626
Restricted:						
Stabilization by						
State statute	845,449	727,056	-	-	845,449	727,056
Streets	1,030,331	1,071,478	-	-	1,030,331	1,071,478
Public safety	485,982	486,890	-	-	485,982	486,890
Culture and recreation	-	1,086,725	-	-	-	1,086,725
Unrestricted	5,384,258	5,067,568	9,190,677	8,950,793	14,574,935	14,018,361
Total net position	<u>\$ 22,210,561</u>	<u>\$ 21,905,692</u>	<u>\$ 29,520,145</u>	<u>\$ 30,938,444</u>	<u>\$ 51,730,706</u>	<u>\$ 52,844,136</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$51,730,706 as of June 30, 2015. The City's net position decreased by \$163,104 for the fiscal year ended June 30, 2015. However, the largest portion, (67.26%), reflects the City's net investment in capital assets (e.g., land, infrastructure, buildings, improvements, vehicles, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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's net position, \$2,361,762, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,384,258 is unrestricted. Also, the City of Mount Holly implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$950,326. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Mount Holly's management.

Several particular aspects of the City’s financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.35%, which is comparable to the statewide average of 97.24%
- Increase in revenues of property taxes and other taxes and licenses due to economic growth

City of Mount Holly’s Changes in Net Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 733,134	\$ 727,660	\$ 6,250,942	\$ 6,551,221	\$ 6,984,076	\$ 7,278,881
Operating grants and contributions	76,443	68,949	106,840	204,154	183,283	273,103
Capital grants and contributions	413,134	474,963	-	-	413,134	474,963
General revenues:						
Property taxes	6,109,998	6,180,472	-	-	6,109,998	6,180,472
Other taxes and licenses	3,160,493	2,851,458	-	-	3,160,493	2,851,458
Other revenues	275,105	314,291	4,257	2,328	279,362	316,619
Total revenues	<u>10,768,307</u>	<u>10,617,793</u>	<u>6,362,039</u>	<u>6,757,703</u>	<u>17,130,346</u>	<u>17,375,496</u>
Expenses:						
General government	1,210,455	1,477,527	-	-	1,210,455	1,477,527
Public safety	4,553,054	4,836,530	-	-	4,553,054	4,836,530
Planning and zoning	470,492	369,739	-	-	470,492	369,739
Transportation and environmental protection	2,539,002	2,152,988	-	-	2,539,002	2,152,988
Garage	69,245	116,717	-	-	69,245	116,717
Culture and recreation	548,322	631,775	-	-	548,322	631,775
Water and sewer	-	-	6,092,581	5,672,258	6,092,581	5,672,258
Housing assistance	-	-	185,556	376,469	185,556	376,469
Interest and fees	388,633	326,018	-	-	388,633	326,018
Total expenses	<u>9,779,203</u>	<u>9,911,294</u>	<u>6,278,137</u>	<u>6,048,727</u>	<u>16,057,340</u>	<u>15,960,021</u>
Increase in net position before transfers and contributions	989,104	706,499	83,902	708,976	1,073,006	1,415,475
Contribution to Statesville Housing Authority	-	-	(1,236,110)	-	(1,236,110)	-
Change in net position	<u>989,104</u>	<u>706,499</u>	<u>(1,152,208)</u>	<u>708,976</u>	<u>(163,104)</u>	<u>1,415,475</u>
Net Position:						
Beginning of year - July 1, as previously reported	21,905,692	22,196,941	30,938,444	30,229,468	52,844,136	52,426,409
Restatement	(684,235)	(997,748)	(266,091)	-	(950,326)	(997,748)
Beginning of year - July 1, as restated	<u>21,221,457</u>	<u>21,199,193</u>	<u>30,672,353</u>	<u>30,229,468</u>	<u>51,893,810</u>	<u>51,428,661</u>
End of year - June 30	<u>\$ 22,210,561</u>	<u>\$ 21,905,692</u>	<u>\$ 29,520,145</u>	<u>\$ 30,938,444</u>	<u>\$ 51,730,706</u>	<u>\$ 52,844,136</u>

Governmental Activities. Governmental activities increased the City's net position by \$989,104, helping to nearly nullify the total decrease in net position of the City of Mount Holly stemming from Business-Type activities.

Key elements of this increase are as follows:

- Increase in revenue from property taxes and sales and use taxes
- Excess of total overall revenues over expenditures
- Purchase of real property

Business-Type Activities. Business-type activities decreased the City's net position by -\$1,152,208, accounting for the decrease in the government's net position.

Key element to this decrease is the following:

- Contribution of Holly Hills to Statesville Housing Authority

Financial Analysis of the City's Funds

As noted earlier, the City of Mount Holly uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Mount Holly'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 of Mount Holly's financing requirements. Specifically, fund balance available for appropriation 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 Mount Holly. At the end of the current fiscal year, the City's fund balance available in the General Fund was \$7,098,013, while total fund balance reached \$7,999,996. The City currently has an available fund balance of 65.85% of General Fund expenditures, while total fund balance represents 74.22% of that same amount.

At June 30, 2015, the governmental funds of the City reported a combined fund balance of \$10,267,193, a 2.38% percent increase over prior year. The primary reason for this increase is the decrease in operation expenses in the General Fund.

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.

Amendments to the original budget during the year increased total expenditures by \$2,198,521. General government increased its budget to cover additional expenditures that occurred during the year in that function.

Proprietary Funds. The City’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$9,190,677. The total change in net position for the Water and Sewer Fund was an increase of \$152,719 and total change in net position for the Housing Assistance Fund was a decrease of \$1,304,927. Other major factors concerning the finances of these funds have already been addressed in the discussion of the City’s business-type activities above.

Capital Asset and Debt Administration

Capital Assets. The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals \$45,172,284 (net of accumulated depreciation). These assets include land, construction in progress, buildings, infrastructure, equipment, vehicles, etc. as noted below.

Major capital asset transactions during the year include the following:

- Disposal of Holly Hills Housing Authority
- Purchase of a police cars
- Purchase of pickup trucks for streets and utility maintenance department
- Purchase of vehicles and storage building for fire department
- Purchases of water meters
- Repairs to infrastructure

**City of Mount Holly’s Capital Assets
(net of depreciation)
Figure 4**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 7,720,977	\$ 7,303,723	\$ 801,428	\$ 622,239	\$ 8,522,405	\$ 7,925,962
Buildings	9,406,978	9,485,352	4,608,181	5,918,434	14,015,159	15,403,786
Infrastructure	3,934,916	3,860,324	-	-	3,934,916	3,860,324
Plant and distribution systems	-	-	15,984,025	16,596,406	15,984,025	16,596,406
Improvements	339,070	372,874	39,872	41,544	378,942	414,418
Office furniture and equipment	74,620	36,689	934,021	945,668	1,008,641	982,357
Other equipment	491,862	462,912	-	-	491,862	462,912
Vehicles	751,893	641,646	84,441	155,860	836,334	797,506
Total	<u>\$ 22,720,316</u>	<u>\$ 22,163,520</u>	<u>\$22,451,968</u>	<u>\$ 24,280,151</u>	<u>\$ 45,172,284</u>	<u>\$ 46,443,671</u>

Additional information on the City’s capital assets can be found in Note 2.A. of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2015, the City had total bonded debt outstanding of \$3,400,000.

City of Mount Holly’s Long-term Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Installment purchase	\$ 4,707,655	\$ 4,997,545	\$ 2,062,500	\$ 2,212,500	\$ 6,770,155	\$ 7,210,045
Bonds payable	3,400,000	3,700,000	-	-	3,400,000	3,700,000
Capital leases	148,120	-	-	-	148,120	-
Other financing agreements	-	-	60,000	80,000	60,000	80,000
Total	\$ 8,255,775	\$ 8,697,545	\$ 2,122,500	\$ 2,292,500	\$ 10,378,275	\$ 10,990,045

The City’s total long-term debt decreased by \$611,770 (5.57%) during the 2015 fiscal year. There was an addition of capital leases to debt in the current year.

As mentioned in the financial highlights section, the City maintains its bond rating of “AA-” from Standard and Poor’s and its “A2” rating from Moody’s Investor Service. This bond rating is a clear indication of the sound financial condition of the City.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the City is \$81,535,000.

Additional information regarding the City of Mount Holly’s long-term debt can be found in Note 2.B. of the Basic Financial Statements.

Economic Factors and Next Year’s Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the City.

- \$26 million of investment from a manufacturing company and an upscale restaurant and apartment complex.
- Continued development of the Mount Holly TDA
- Construction grants and incentives authorized by City Council for qualifying small business owners
- Continued operation of the U.S. National Whitewater Center across the Catawba River from the City. The park is estimated to bring 300,000 visitors a year to the area.
- Continued work toward a greenway system that will eventually include over 10 miles of greenways within the City limits

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities. Budgeted expenditures in the General Fund are expected to decrease 2.03% to \$9,403,500.

The Governing Body purchased land for a new Streets and Garage facility and a site for a northern district fire station.

There was no increase in the tax rate.

Business-Type Activities. There was no increase in utility rates.

The City continues to budget for system maintenance and repairs and replacement of old water lines.

The City has completed the sewer line to the water plant project and continues to work on a waste water plant expansion plan.

The City expects to complete a major Inflow and Infiltration study of the sanitary sewer system in fiscal year 2015.

The City has increased activity in the Stormwater Fund and expects several stormwater projects to be completed in the 2015 fiscal year.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any information found in this report or requests for additional information should be directed to the Finance Officer, City of Mount Holly, P.O. Box 406, Mount Holly, North Carolina 28120.

BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

CITY OF MOUNT HOLLY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		Total	Component Units	
	Governmental	Business-Type		City of	Mount Holly
	Activities	Activities		Mount Holly	Tourism
			ABC Board	Development	Authority
Assets:					
Current assets:					
Cash and cash equivalents	\$ 8,383,275	\$ 8,873,546	\$ 17,256,821	\$ 367,170	\$ 128,017
Taxes receivables, net	206,481	-	206,481	-	-
Accounts receivable, net	136,310	1,069,190	1,205,500	-	-
Due from other governments	709,139	-	709,139	-	11,455
Inventories	57,059	66,104	123,163	120,481	-
Prepays	-	-	-	3,246	-
Total current assets	<u>9,492,264</u>	<u>10,008,840</u>	<u>19,501,104</u>	<u>490,897</u>	<u>139,472</u>
Restricted assets:					
Cash and cash equivalents	<u>1,203,461</u>	<u>193,688</u>	<u>1,397,149</u>	-	-
Non-current assets:					
Net pension asset	<u>485,550</u>	<u>188,825</u>	<u>674,375</u>	-	-
Capital assets:					
Land and construction in progress	7,720,977	801,428	8,522,405	170,000	-
Other capital assets, net of depreciation	<u>14,999,339</u>	<u>21,650,540</u>	<u>36,649,879</u>	<u>476,201</u>	-
Total capital assets	<u>22,720,316</u>	<u>22,451,968</u>	<u>45,172,284</u>	<u>646,201</u>	-
Total non-current assets	<u>23,205,866</u>	<u>22,640,793</u>	<u>45,846,659</u>	<u>646,201</u>	-
Total assets	<u>33,901,591</u>	<u>32,843,321</u>	<u>66,744,912</u>	<u>1,137,098</u>	<u>139,472</u>
Deferred Outflows of Resources:					
Contributions to pension plan	<u>299,214</u>	<u>116,361</u>	<u>415,575</u>	-	-
Total deferred outflows of resources	<u>299,214</u>	<u>116,361</u>	<u>415,575</u>	-	-
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	150,560	47,661	198,221	42,148	-
Current portion of long-term liabilities	776,956	194,754	971,710	56,945	-
Distribution payable	-	-	-	39,999	-
Payable from restricted assets	<u>71,491</u>	<u>193,688</u>	<u>265,179</u>	-	-
Total current liabilities	<u>999,007</u>	<u>436,103</u>	<u>1,435,110</u>	<u>139,092</u>	-
Long-term liabilities:					
Due in more than one year	<u>9,794,382</u>	<u>2,537,990</u>	<u>12,332,372</u>	-	-
Total liabilities	<u>10,793,389</u>	<u>2,974,093</u>	<u>13,767,482</u>	<u>139,092</u>	-
Deferred Inflows of Resources:					
Pension deferrals	<u>1,196,855</u>	<u>465,444</u>	<u>1,662,299</u>	-	-
Net Position:					
Net investment in capital assets	14,464,541	20,329,468	34,794,009	646,201	-
Restricted for:					
Stabilization by State statute	845,449	-	845,449	-	11,455
Streets	1,030,331	-	1,030,331	-	-
Public safety	485,982	-	485,982	-	-
Working capital	-	-	-	57,243	-
Tourism	-	-	-	-	128,017
Unrestricted	<u>5,384,258</u>	<u>9,190,677</u>	<u>14,574,935</u>	<u>294,562</u>	-
Total net position	<u>\$ 22,210,561</u>	<u>\$ 29,520,145</u>	<u>\$ 51,730,706</u>	<u>\$ 998,006</u>	<u>\$ 139,472</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Function/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 1,210,455	\$ 52,880	\$ -	\$ 10,194
Public safety	4,553,054	-	67,379	-
Planning and zoning	470,492	-	-	-
Transportation and environmental protection	2,539,002	601,672	9,064	402,940
Garage	69,245	-	-	-
Culture and recreation	548,322	78,582	-	-
Interest on long-term debt	388,633	-	-	-
Total governmental activities	<u>9,779,203</u>	<u>733,134</u>	<u>76,443</u>	<u>413,134</u>
Business-Type Activities:				
Water and Sewer	6,092,581	6,241,064	-	-
Housing Assistance funds	185,556	9,878	106,840	-
Total business-type activities	<u>6,278,137</u>	<u>6,250,942</u>	<u>106,840</u>	<u>-</u>
Total primary government	<u>\$ 16,057,340</u>	<u>\$ 6,984,076</u>	<u>\$ 183,283</u>	<u>\$ 413,134</u>
Component Units:				
ABC Board	\$ 1,808,000	\$ 1,925,560	\$ -	\$ -
Tourism Development Authority	34,822	-	-	-
Total component units	<u>\$ 1,842,822</u>	<u>\$ 1,925,560</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MOUNT HOLLY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Net (Expense) Revenue and Changes in Net Position			Component Units	
	Primary Government			City of Mount Holly ABC Board	Mount Holly Tourism Development Authority
	Governmental Activities	Business-Type Activities	Total		
Function/Programs:					
Primary Government:					
Governmental Activities:					
General government	\$ (1,147,381)	\$ -	\$ (1,147,381)		
Public safety	(4,485,675)	-	(4,485,675)		
Planning and zoning	(470,492)	-	(470,492)		
Transportation and environmental protection	(1,525,326)	-	(1,525,326)		
Garage	(69,245)	-	(69,245)		
Culture and recreation	(469,740)	-	(469,740)		
Interest on long-term debt	(388,633)	-	(388,633)		
Total governmental activities	<u>(8,556,492)</u>	<u>-</u>	<u>(8,556,492)</u>		
Business-Type Activities:					
Water and Sewer	-	148,483	148,483		
Housing Assistance funds	-	(68,838)	(68,838)		
Total business-type activities	<u>-</u>	<u>79,645</u>	<u>79,645</u>		
Total primary government	<u>(8,556,492)</u>	<u>79,645</u>	<u>(8,476,847)</u>		
Component Units:					
ABC Board	-	-	-	\$ 117,560	\$ -
Tourism Development Authority	-	-	-	-	(34,822)
Total component units	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,560</u>	<u>(34,822)</u>
General Revenues:					
Taxes:					
Property taxes, levied for general purposes	6,109,998	-	6,109,998	-	-
Other taxes and licenses	3,160,493	-	3,160,493	-	81,136
Unrestricted investment earnings	7,024	4,257	11,281	-	-
Miscellaneous	268,081	-	268,081	-	-
Total general revenues	<u>9,545,596</u>	<u>4,257</u>	<u>9,549,853</u>	<u>-</u>	<u>81,136</u>
Contribution to Statesville Housing Authority	-	(1,236,110)	(1,236,110)	-	-
Total general revenues and contributions	<u>9,545,596</u>	<u>(1,231,853)</u>	<u>8,313,743</u>	<u>-</u>	<u>81,136</u>
Change in net position	<u>989,104</u>	<u>(1,152,208)</u>	<u>(163,104)</u>	<u>117,560</u>	<u>46,314</u>
Net Position:					
Beginning of year - July 1, as previously reported	21,905,692	30,938,444	52,844,136	880,446	93,158
Restatement	(684,235)	(266,091)	(950,326)	-	-
Beginning of year - July 1, as restated	<u>21,221,457</u>	<u>30,672,353</u>	<u>51,893,810</u>	<u>880,446</u>	<u>93,158</u>
End of year - June 30	<u>\$ 22,210,561</u>	<u>\$ 29,520,145</u>	<u>\$ 51,730,706</u>	<u>\$ 998,006</u>	<u>\$ 139,472</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MOUNT HOLLY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 6,114,241	\$ 2,269,034	\$ 8,383,275
Receivables, net:			
Taxes	206,481	-	206,481
Accounts receivable	136,310	-	136,310
Due from other governments	708,614	525	709,139
Inventories	57,059	-	57,059
Restricted cash and cash equivalents	<u>1,203,461</u>	<u>-</u>	<u>1,203,461</u>
Total assets	<u>\$ 8,426,166</u>	<u>\$ 2,269,559</u>	<u>\$ 10,695,725</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 148,198	\$ 2,362	\$ 150,560
Payable from restricted assets:			
Deposits	<u>71,491</u>	<u>-</u>	<u>71,491</u>
Total liabilities	<u>219,689</u>	<u>2,362</u>	<u>222,051</u>
Deferred Inflows of Resources:			
Unavailable revenue - property taxes receivable	<u>206,481</u>	<u>-</u>	<u>206,481</u>
Total deferred inflows of resources	<u>206,481</u>	<u>-</u>	<u>206,481</u>
Fund Balances:			
Non-spendable, not in spendable form			
Inventories	57,059	-	57,059
Restricted:			
Stabilization by State statute	844,924	525	845,449
Streets	1,030,331	-	1,030,331
Public Safety	101,639	384,343	485,982
Committed	83,000	1,882,329	1,965,329
Assigned	93,000	-	93,000
Unassigned	<u>5,790,043</u>	<u>-</u>	<u>5,790,043</u>
Total fund balances	<u>7,999,996</u>	<u>2,267,197</u>	10,267,193
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,426,166</u>	<u>\$ 2,269,559</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF MOUNT HOLLY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

Reconciliation of the Balance Sheet to the Statement of Net Position:

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Gross capital assets at historical cost	\$ 30,148,694	
Accumulated depreciation	<u>(7,428,378)</u>	22,720,316
Net pension asset		485,550
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		299,214
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		206,481
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.		
Gross long-term debt	<u>(10,571,338)</u>	(10,571,338)
Pension related deferrals		<u>(1,196,855)</u>
Net position of governmental activities (Exhibit A)		<u>\$ 22,210,561</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MOUNT HOLLY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Major Fund</u>	<u>Total Nonmajor</u>	<u>Total</u>
	<u>General Fund</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 6,208,909	\$ -	\$ 6,208,909
Other taxes and licenses	148,757	-	148,757
Unrestricted intergovernmental	3,011,736	-	3,011,736
Restricted intergovernmental	422,198	67,379	489,577
Permits and fees	654,552	-	654,552
Sales and services	78,582	-	78,582
Investment earnings	6,193	831	7,024
Miscellaneous	268,081	-	268,081
Total revenues	<u>10,799,008</u>	<u>68,210</u>	<u>10,867,218</u>
Expenditures:			
Current:			
General government	1,397,859	-	1,397,859
Public safety	4,677,324	30,202	4,707,526
Planning and zoning	463,795	-	463,795
Transportation and environmental protection	2,585,459	-	2,585,459
Garage	75,575	-	75,575
Culture and recreation	567,760	-	567,760
Debt service:			
Principal	622,566	-	622,566
Interest and fees	388,633	-	388,633
Total expenditures	<u>10,778,971</u>	<u>30,202</u>	<u>10,809,173</u>
Revenues over (under) expenditures	<u>20,037</u>	<u>38,008</u>	<u>58,045</u>
Other Financing Sources (Uses):			
Transfers from other funds	1,128,704	-	1,128,704
Transfers to other funds	-	(1,128,704)	(1,128,704)
Proceeds of capital lease	180,796	-	180,796
Total other financing sources (uses)	<u>1,309,500</u>	<u>(1,128,704)</u>	<u>180,796</u>
Net change in fund balances	1,329,537	(1,090,696)	238,841
Fund Balances:			
Beginning of year - July 1	<u>6,670,459</u>	<u>3,357,893</u>	<u>10,028,352</u>
End of year - June 30	<u>\$ 7,999,996</u>	<u>\$ 2,267,197</u>	<u>\$ 10,267,193</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MOUNT HOLLY, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

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

Net changes in fund balances - total governmental funds		\$ 238,841
<p>Governmental funds report capital outlays 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 outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 1,117,864	
Depreciation expense for governmental assets	<u>(561,068)</u>	556,796
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.</p>		
		299,214
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues, etc.	<u>(98,911)</u>	(98,911)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	(180,796)	
Principal payments on long-term debt	<u>622,566</u>	441,770
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	(31,465)	
Pension expense	(27,070)	
Other post-employment benefits obligation	(296,164)	
Net pension obligation	<u>(93,907)</u>	(448,606)
Total changes in net position of governmental activities (Exhibit B)		<u>\$ 989,104</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MOUNT HOLLY, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 5,734,000	\$ 5,834,000	\$ 6,208,909	\$ 374,909
Other taxes and licenses	30,000	105,000	148,757	43,757
Unrestricted intergovernmental	2,755,000	2,755,000	3,011,736	256,736
Restricted intergovernmental	368,000	377,500	422,198	44,698
Permits and fees	607,500	607,500	654,552	47,052
Sales and services	62,000	65,500	78,582	13,082
Investment earnings	6,000	6,000	6,193	193
Miscellaneous	140,000	140,500	268,081	127,581
Total revenues	<u>9,702,500</u>	<u>9,891,000</u>	<u>10,799,008</u>	<u>908,008</u>
Expenditures:				
Current:				
General government	1,427,600	2,639,325	1,397,859	1,241,466
Public safety	4,546,700	4,893,470	4,677,324	216,146
Planning and zoning	405,800	470,800	463,795	7,005
Transportation and environmental protection	2,058,400	2,620,900	2,585,459	35,441
Garage	58,300	83,300	75,575	7,725
Culture and recreation	573,000	602,000	567,760	34,240
Debt service:				
Principal	694,700	694,700	622,566	72,134
Interest and fees	-	-	388,633	(388,633)
Total expenditures	<u>9,764,500</u>	<u>12,004,495</u>	<u>10,778,971</u>	<u>1,225,524</u>
Revenues over (under) expenditures	<u>(62,000)</u>	<u>(2,113,495)</u>	<u>20,037</u>	<u>2,133,532</u>
Other Financing Sources (Uses):				
Transfers from other funds	-	1,128,199	1,128,704	505
Fund balance appropriated	62,000	804,500	-	(804,500)
Total other financing sources (uses)	<u>62,000</u>	<u>2,113,495</u>	<u>1,309,500</u>	<u>(803,995)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,329,537</u>	<u>\$ 1,329,537</u>
Fund Balance:				
Beginning of year - July 1			<u>6,670,459</u>	
End of year - June 30			<u>\$ 7,999,996</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF MOUNT HOLLY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Enterprise Funds		Total
	Major Fund	Nonmajor Fund	
	Water and Sewer Fund	Holly Hills Housing Assistance Fund	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 8,873,546	\$ -	\$ 8,873,546
Accounts receivable, net	1,069,190	-	1,069,190
Inventories	66,104	-	66,104
Total current assets	10,008,840	-	10,008,840
Restricted assets:			
Cash and cash equivalents	193,688	-	193,688
Non-current assets:			
Net pension asset	188,825	-	188,825
Capital assets:			
Land and other non-depreciable assets	801,428	-	801,428
Other capital assets, net of depreciation	21,650,540	-	21,650,540
Total non-current assets	22,640,793	-	22,640,793
Total assets	32,843,321	-	32,843,321
Deferred Outflows of Resources:			
Contributions to pension plan	116,361	-	116,361
Liabilities and Net Position:			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	47,661	-	47,661
Compensated absences - current	24,754	-	24,754
Other long-term debt - current	170,000	-	170,000
Customer deposits	193,688	-	193,688
Total current liabilities	436,103	-	436,103
Non-current liabilities:			
Compensated absences	44,206	-	44,206
Net post-employment benefits obligation	541,284	-	541,284
Other long-term debt - non-current	1,952,500	-	1,952,500
Total non-current liabilities	2,537,990	-	2,537,990
Total liabilities	2,974,093	-	2,974,093
Deferred Inflows of Resources:			
Pension deferrals	465,444	-	465,444
Net Position:			
Net investment in capital assets	20,329,468	-	20,329,468
Unrestricted	9,190,677	-	9,190,677
Total net position	\$ 29,520,145	\$ -	\$ 29,520,145

The accompanying notes are an integral part of the financial statements.

CITY OF MOUNT HOLLY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Major Fund</u>	<u>Nonmajor Fund</u>	
	<u>Water and Sewer Fund</u>	<u>Holly Hills Housing Assistance Fund</u>	
Operating Revenues:			
Charges for services	\$ 5,162,917	\$ 6,891	\$ 5,169,808
Water and sewer taps and development fees	882,747	-	882,747
Other operating revenues	195,400	2,987	198,387
Total operating revenues	<u>6,241,064</u>	<u>9,878</u>	<u>6,250,942</u>
Operating Expenses:			
Water department operations	1,740,445	-	1,740,445
Sewer department operations	1,499,073	-	1,499,073
Storm water operations	181,331	-	181,331
Utilities operations	1,323,975	-	1,323,975
Housing	-	111,678	111,678
Depreciation	1,204,393	73,878	1,278,271
Total operating expenses	<u>5,949,217</u>	<u>185,556</u>	<u>6,134,773</u>
Operating income (loss)	<u>291,847</u>	<u>(175,678)</u>	<u>116,169</u>
Non-Operating Revenues (Expenses):			
Non-capital grants	-	106,840	106,840
Investment earnings	4,236	21	4,257
Interest expense	(143,364)	-	(143,364)
Total non-operating revenues (expenses)	<u>(139,128)</u>	<u>106,861</u>	<u>(32,267)</u>
Income (loss) before contributions	152,719	(68,817)	83,902
Contribution to Statesville Housing Authority	-	(1,236,110)	(1,236,110)
Change in net position	<u>152,719</u>	<u>(1,304,927)</u>	<u>(1,152,208)</u>
Net Position:			
Beginning of year - July 1	29,633,517	1,304,927	30,938,444
Restatement	(266,091)	-	(266,091)
Beginning of year - July 1, as restated	<u>29,367,426</u>	<u>1,304,927</u>	<u>30,672,353</u>
End of year - June 30	<u>\$ 29,520,145</u>	<u>\$ -</u>	<u>\$ 29,520,145</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MOUNT HOLLY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds		Total
	Major Fund	Nonmajor Fund	
	Water and Sewer Fund	Holly Hills Housing Assistance Fund	
Cash Flows from Operating Activities:			
Cash received from customers	\$ 6,303,600	\$ 8,381	\$ 6,311,981
Cash paid for goods and services	(2,497,876)	(78,569)	(2,576,445)
Cash paid to or on behalf of employees for services	(2,149,473)	(28,488)	(2,177,961)
Customer deposits received (paid)	26,356	55,414	81,770
Net cash provided (used) by operating activities	<u>1,566,246</u>	<u>(43,261)</u>	<u>1,522,985</u>
Cash Flows from Non-Capital Financing Activities:			
Non-capital grants	-	106,841	106,841
Contribution to Statesville Housing Authority	-	(332,588)	(332,588)
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>(225,747)</u>	<u>(225,747)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(417,193)	-	(417,193)
Principal paid on long-term debt	(170,000)	-	(170,000)
Interest paid on long-term debt	(143,364)	-	(143,364)
Net cash provided (used) by capital and related financing activities	<u>(730,557)</u>	<u>-</u>	<u>(730,557)</u>
Cash Flows from Investing Activities:			
Interest and dividends	4,236	21	4,257
Net increase (decrease) in cash and cash equivalents	839,925	(268,987)	570,938
Cash and Cash Equivalents:			
Beginning of year - July 1	8,227,309	268,987	8,496,296
End of year - June 30	<u>\$ 9,067,234</u>	<u>\$ -</u>	<u>\$ 9,067,234</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities :			
Operating income (loss)	\$ 291,847	\$ (175,678)	\$ 116,169
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,204,393	73,878	1,278,271
Pension expense	10,528	-	10,528
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	62,536	(1,497)	61,039
(Increase) decrease in inventory	(9,591)	-	(9,591)
(Increase) decrease in prepaid items	-	4,622	4,622
Increase (decrease) in accounts payable and accrued liabilities	(31,752)	-	(31,752)
Increase (decrease) in customer deposits	15,828	55,414	71,242
Increase (decrease) in OPEB liability	131,743	-	131,743
(Increase) decrease in deferred outflows of resources for pensions	(116,361)	-	(116,361)
Increase (decrease) in accrued vacation pay	7,075	-	7,075
Total adjustments	<u>1,274,399</u>	<u>132,417</u>	<u>1,406,816</u>
Net cash provided (used) by operating activities	<u>\$ 1,566,246</u>	<u>\$ (43,261)</u>	<u>\$ 1,522,985</u>

The accompanying notes are an integral part of the financial statements.

This page left blank intentionally.

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1. Summary of Significant Accounting Policies

The accounting policies of the City of Mount Holly (the “City”) 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 is a municipal corporation that is governed by an elected Mayor and a six-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, presented below, are reported in separate columns in the City’s financial statements in order to emphasize that they are legally separate from the City.

City of Mount Holly ABC Board

The members of the ABC Board’s governing board are appointed by the City Council. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity’s administrative offices at City of Mount Holly ABC Board, P.O. Box 11178, Mount Holly, NC 28120.

Mount Holly Tourism Development Authority

The Mount Holly Tourism Development Authority (the “Authority”) was created to promote, solicit, and encourage tourism in the City of Mount Holly, North Carolina, and to provide such services as are related to tourism. The members of the Authority’s governing body are appointed by the City Council. The Authority has a June 30 year-end and is presented on the government-wide statements of this report as a discretely presented component unit. The balance sheet and budget and actual schedule of the Authority are also presented after the supplemental ad valorem tax schedules of this report. The Authority does not issue separate financial statements.

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. Eliminations have been made to minimize the double counting of internal activities. 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.

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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. 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, including all taxes, are presented as general revenues.

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

Proprietary fund 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 governmental funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for administration, public safety, street maintenance and construction, and sanitation services.

The City reports the following nonmajor governmental funds:

Special Revenue Fund

Emergency Telephone System Fund. This fund is used to account for the fees charged to telephone customers to fund the 911 system.

Capital Project Funds

Capital Reserve Fund. This fund is used to account for the accumulation of funds to be used for future capital expenditures.

Capital Projects Fund. This fund is used to account for the construction of various City projects.

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The City reports the following major Enterprise Fund:

Water and Sewer Fund. This fund is used to account for the City's water and sewer operations.

The City reports the following nonmajor enterprise fund:

Holly Hills Housing Assistance Fund. This fund accounts for housing assistance of the City.

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 and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 a revenue because the amount is not susceptible to accrual. 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 the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by Gaston County and then remitted to and distributed by the State. Most intergovernmental revenue 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.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Emergency Telephone System Special Revenue Fund, enterprise funds, and the Tourism Development Authority. All annual appropriations lapse at the fiscal year-end.

Project ordinances are adopted for the Capital Projects Fund and the enterprise capital projects funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. 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 MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations. All amendments must be approved by the governing board, except as otherwise noted by Section 4 of the budget ordinance. 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.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

Deposits and Investments

All deposits of the City and the Authority are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City and the Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The City's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

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.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Customer deposits held by the City before any services any supplied are restricted to the service for which the deposit was collected. Powell Bill funds in the General Fund are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4.

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Governmental Activities:

General Fund:

Powell Bill	\$ 1,030,331
Deposits	<u>173,130</u>
Total governmental activities	<u>1,203,461</u>

Business-Type Activities:

Water & Sewer Fund:

Customer deposits	<u>193,688</u>
Total restricted cash	<u>\$ 1,397,149</u>

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. These taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2014.

Allowances 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 inventory of the City are valued at cost (first-in, first-out), which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventory of the City's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for all asset categories. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets, which were acquired after July 1, 2003, include roads, bridges, sidewalks, traffic signals, etc. 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	40 years
Buildings	40 years
Improvements	15 years
Vehicles	5 years
Equipment	10 years
Computer equipment	3 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section of 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 one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the Statement of Net 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 one item that meets the criterion for this category – deferrals of pension expense that result from the implementation of GASB Statement 68.

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

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment 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 the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

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 Streets – Powell Bill – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Restricted for Public Safety – In the General Fund, the portion of fund balance restricted by revenue source (drug forfeiture) for public safety. In the Special Revenue Fund, the restricted fund balance represents the fund balance of the Emergency Telephone System Fund for operations of that fund.

Committed Fund Balance. This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City of Mount Holly’s governing body (highest level of decision making authority, the City Council). 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.

Committed fund balances at June 30, 2015, are as follows:

Purpose	General Fund	Other Governmental Funds
Committed, All Other:		
General government	\$ -	\$ 1,882,329
Planning and zoning	83,000	-
Total	\$ 83,000	\$ 1,882,329

Committed for General Government – portion of fund balance in the Capital Reserve Fund committed for future capital outlay.

Committed for Planning and Zoning – portion of fund balance in the General Fund the Council has committed for economic incentive on community development.

Assigned Fund Balance. This classification represents the portion of fund balance that the City of Mount Holly’s City Council has budgeted and intends to use for specific purposes. The City Council has the authority to assign fund balance.

Purpose	General Fund
Subsequent year's expenditures	\$ 93,000

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Assigned for 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 Council approves the appropriation; however, the budget ordinance authorizes the City Manager to reallocate departmental appropriations among the various expenditures within each department.

Unassigned Fund Balance. This classification represents the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The City of Mount Holly 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, and 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.

The City of Mount Holly has not formally adopted a minimum fund balance policy.

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	\$	7,999,996
Less:		
Inventories		57,059
Stabilization by State statute		<u>844,924</u>
Total available fund balance	\$	<u>7,098,013</u>

F. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government 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's employer contributions are recognized when due and the City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Revenues, Expenditures, and Expenses

Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as “Transfers-out” in the General Fund and “Transfers-in” in the receiving fund.

Compensated Absences

The vacation policy of the City provides 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, 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’s sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

On Behalf of Firefighter’s and Rescue Squad Worker’s Pension Plan

For the fiscal year ended June 30, 2015, the City has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$3,660 for the 15 volunteer firefighters who perform firefighting and rescue squad duties for the City. The volunteers and employees elected to be members of the Firefighter’s and Rescue Squad Workers’ Pension Fund, a cost-sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$20 monthly contribution paid by each member, investment income, and a State appropriation.

G. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

2. Detail Notes On All Funds

A. Assets

Deposits

All the deposits of the City and the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or the Authority'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 and the Authority, these deposits are considered to be held by the City's and the Authority'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 Authority, or the escrow agents. Because of the inability to measure the exact amounts of collateral pledged for the City and the Authority under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit 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. The Authority has no formal policy regarding custodial credit risk for deposits.

At June 30, 2015, the City's deposits had a carrying amount of \$2,570,977 and a bank balance of \$3,380,544. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder of \$2,630,544 was covered by collateral held under the Pooling Method.

The carrying amount of deposits for the Authority was \$128,017 and the bank balance was \$128,318. All of the bank balance was covered by federal depository insurance.

At June 30, 2015, the City's cash on hand totaled \$250.

Investments

At June 30, 2015, the City had \$16,082,743 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding interest rate risk or credit risk.

The City does not have a formal investment policy.

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Receivables – Allowance for Doubtful Accounts

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

General Fund:

Taxes receivable	\$	181,507
Accounts receivable		<u>96,070</u>
Total General Fund		<u>277,577</u>

Enterprise Funds:

Water and Sewer Fund		<u>130,625</u>
----------------------	--	----------------

Total allowances	\$	<u>408,202</u>
------------------	----	----------------

Due from other governments on the Statement of Net Position for the year ended June 30, 2015, consists of:

Governmental Activities:

State shared revenues	\$	208,422
Sales tax refund		441,718
Due from the State		58,474
Others		<u>525</u>
Total governmental funds	\$	<u>709,139</u>

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Capital Assets

Primary Government

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

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 7,303,723	\$ 417,254	\$ -	\$ 7,720,977
 Depreciable Capital Assets:				
Buildings	11,241,533	-	-	11,241,533
Infrastructure	4,411,343	180,796	-	4,592,139
Improvements	743,945	-	-	743,945
Office furniture and equipment and computer equipment	145,322	47,870	-	193,192
Other equipment	1,554,339	99,769	-	1,654,108
Vehicles	<u>3,630,625</u>	<u>372,175</u>	-	<u>4,002,800</u>
Total depreciable capital assets	<u>21,727,107</u>	<u>700,610</u>	-	<u>22,427,717</u>
 Less Accumulated Depreciation:				
Buildings	1,756,181	78,374	-	1,834,555
Infrastructure	551,019	106,204	-	657,223
Improvements	371,071	33,804	-	404,875
Office furniture and equipment and computer equipment	108,633	9,939	-	118,572
Other equipment	1,091,427	70,819	-	1,162,246
Vehicles	<u>2,988,979</u>	<u>261,928</u>	-	<u>3,250,907</u>
Total accumulated depreciation	<u>6,867,310</u>	<u>\$ 561,068</u>	<u>\$ -</u>	<u>7,428,378</u>
 Total depreciable capital assets, net	 <u>14,859,797</u>			 <u>14,999,339</u>
 Governmental activities capital assets, net	 <u>\$ 22,163,520</u>			 <u>\$ 22,720,316</u>

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

General government	\$ 62,012
Public safety	184,098
Planning and zoning	5,661
Transportation and environmental protection	252,816
Garage	625
Cultural and recreational	<u>55,856</u>
Total	<u>\$ 561,068</u>

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Business-Type Activities

Capital asset activity of the business-type activities for the year ended June 30, 2015, were as follows:

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
Business-Type Activities:				
Water and Sewer Fund:				
Non-Depreciable				
Capital Assets:				
Land	\$ 575,847	\$ 225,581	\$ -	\$ 801,428
Depreciable Capital Assets:				
Plant and distribution systems	26,516,224	-	-	26,516,224
Buildings	14,668,085	21,715	-	14,689,800
Vehicles	454,375	-	-	454,375
FFC and other equipment	2,330,903	159,209	-	2,490,112
Land improvements	47,127	10,688	-	57,815
Operating manuals	16,087	-	-	16,087
Total depreciable capital assets	44,032,801	191,612	-	44,224,413
Less Accumulated				
Depreciation:				
Plant and distribution systems	9,919,818	612,381	-	10,532,199
Buildings	9,733,177	348,442	-	10,081,619
Vehicles	298,515	71,419	-	369,934
FFC and other equipment	1,385,235	170,856	-	1,556,091
Land improvements	16,648	1,295	-	17,943
Operating manuals	16,087	-	-	16,087
Total accumulated depreciation	21,369,480	\$ 1,204,393	\$ -	22,573,873
Total depreciable capital assets, net	22,663,321			21,650,540
Water and Sewer Fund capital assets, net	\$ 23,239,168			\$ 22,451,968

CITY OF MOUNT HOLLY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
Business-Type Activities (continued):				
Holly Hills Housing Assistance Fund: Non-Depreciable Capital Assets:				
Land	\$ 46,392	\$ -	\$ (46,392)	\$ -
Depreciable Capital Assets:				
Buildings and improvements	3,408,974	-	(3,408,974)	-
Land improvements	144,428	-	(144,428)	-
Other equipment	44,940	-	(44,940)	-
Total depreciable capital assets	<u>3,598,342</u>	<u>-</u>	<u>(3,598,342)</u>	<u>-</u>
Less Accumulated Depreciation:				
Buildings and improvements	2,425,448	72,494	(2,497,942)	-
Land improvements	133,363	1,384	(134,747)	-
Other equipment	44,940	-	(44,940)	-
Total accumulated depreciation	<u>2,603,751</u>	<u>\$ 73,878</u>	<u>\$ (2,677,629)</u>	<u>-</u>
Total depreciable capital assets, net	<u>994,591</u>			<u>-</u>
Holly Hills Housing Fund capital assets, net	<u>1,040,983</u>			<u>-</u>
Business-type activities capital assets, net	<u>\$ 24,280,151</u>			<u>\$ 22,451,968</u>

CITY OF MOUNT HOLLY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

B. Liabilities

Payables

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

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 115,275	\$ 17,783	\$ 15,140	\$ 148,198
Other governmental funds	-	-	2,362	2,362
Total governmental activities	<u>\$ 115,275</u>	<u>\$ 17,783</u>	<u>\$ 17,502</u>	<u>\$ 150,560</u>
 Business-Type Activities:				
Water and Sewer	<u>\$ 5,334</u>	<u>\$ 23,830</u>	<u>\$ 18,497</u>	<u>\$ 47,661</u>

Pension Plan and Other Post-Employment Obligations

Local Governmental Employees' Retirement System

Plan Description. The City of Mount Holly is a participating employer in the state-wide 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 government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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). Survivor benefits are

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 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's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City were \$415,575 for the year ended June 30, 2015.

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

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

At June 30, 2015, the City reported an asset of \$674,375 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the City's proportion was 0.11%, which was a decrease of 0.002% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$37,598. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 73,687
Net difference between projected and actual earnings on pension plan investments	-	1,569,930
Changes in proportion and differences between City contributions and proportionate share of contributions	-	18,682
City contributions subsequent to the measurement date	415,575	-
Total	\$ 415,575	\$ 1,662,299

\$415,575 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30	Amount
2016	\$ (415,633)
2017	(415,633)
2018	(415,633)
2019	(415,400)
2020	-
Therafter	-

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

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

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100.00%	

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

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	<u>\$ 2,289,120</u>	<u>\$ (674,375)</u>	<u>\$ (3,169,542)</u>

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.

Law Enforcement Officers Special Separation Allowance

Plan Description. The City of Mount Holly administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the City’s qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent 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.

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

All full time law enforcement officers of the City are covered by the Separation Allowance. At June 30, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	<u>30</u>
Total	<u>31</u>

A separate report was not issued for the Plan.

Summary of Significant Accounting Policies

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

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

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

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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

The annual required contribution for the current year ended June 30, 2015, was determined as part of the June 30, 2014, actuarial valuation using the entry-age normal actuarial cost method. The actuarial assumptions included (a) 4.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% to 11.7% per year. The inflation component was 3.75 percent. The assumptions did not include post-employment benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level of percentage of pay. The remaining amortization period at June 30, 2014, was 30 years.

The City made benefit payments to one retiree in the amount of \$23,260, which is shown as an expense in the General Fund. The net estimated pension obligation of \$495,661 is reflected in the financial statements as a long-term liability.

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Annual Pension Cost and Net Pension Obligation. The City's estimated annual pension cost and net pension obligation to the Separation Allowance for the year ended June 30, 2015, was as follows:

Annual required contribution	\$ 119,809
Interest on net pension obligation	16,070
Adjustment to annual required contribution	<u>(18,712)</u>
Annual pension cost (est.)	117,167
Contributions made	<u>(23,260)</u>
Increase (decrease) in net pension obligation	93,907
Net pension obligation:	
Beginning of year - July 1	<u>401,754</u>
End of year - June 30	<u>\$ 495,661</u>

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2015	\$ 117,167	19.85%	\$ 495,661
6/30/2014	112,596	20.66%	401,754
6/30/2013	87,089	23.36%	312,418

Funded Status and Funding Progress. As of June 30, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$781,871. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,412,689, and the ratio of the UAAL to the covered payroll was 55.35%.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (the "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. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015, were \$88,294, which consisted of \$70,260 from the City and \$18,034 from the law enforcement officers.

Supplemental Retirement Income Plan – Employees Other Than Law Enforcement Officers

The City has elected to include all other employees in the plan and contribute an amount equal to five percent of each employee's salary for all employees who participate in the plan. Contributions for other City employees for the year ended June 30, 2015, were \$250,769, which consisted of \$187,107 from the City and \$63,662 from City employees.

Other Post-Employment Benefit

Healthcare Benefits

Plan Description. Under the terms of a City resolution, the City administers a single-employer defined benefit healthcare benefits plan (the "Post-Retirement Health Plan"). As of July 1, 2007, the plan provides post-employment healthcare benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System). The City offers for pre-Medicare retirees and their dependents the same medical plan options as those offered to active employees. Upon reaching Medicare eligibility, these same medical plans are available as well as a combined Medicare Supplement and Medicare Part D prescription drug coverage option. The retiree and dependent must enroll in the Medicare program when eligible. For non-Executive level employees, hired prior to July 2009, the City pays the following amount of the single medical premium for the Blue Options PPO High Deductible plan. Non-Executive level retirees between ten and fourteen years of continuous service at retirement, 25% of the medical premiums; between fifteen and nineteen years of continuous service at retirement, 50% of the medical premiums; between twenty and twenty-four years of continuous service at retirement, 75% of medical premiums; with twenty-five years or more of continuous service at retirement, 100% of the medical premiums. For Executive level employees, the City pays the following amount of the single medical premium for the Blue Options PPO High Deductible plan. Executive level retirees between ten and fourteen years of service, 0% of medical premiums; between fifteen and nineteen years of continuous service at retirement, 50% of the medical premiums; between twenty and twenty-four years of continuous service at retirement, 75% of medical premiums; with twenty-five

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

years or more of continuous service at retirement, 100% of medical premiums. Coverage under this plan does not terminate when the retiree becomes eligible for Medicare, but at time of death. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

Retired Employees' Years of Continuous Service	Retiree Level non-Executive	Executive
10-14 years	25% of medical premiums	0% of medical premiums
15-19 years	50% of medical premiums	50% of medical premiums
20-24 years	75% of medical premiums	75% of medical premiums
25+ years	100% of medical premiums	100% of medical premiums

Membership of the Post-Retirement Health Plan consisted of the following at July 1, 2014, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	9
Active plan members	80
Total	89

Funding Policy. The City pays the percentages stated in the preceding paragraph of cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by City Council. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 8.51% of annual covered payroll. For the year ended June 30, 2015, the City's contribution was \$41,431, or 0.71% of annual covered payroll. The City obtains healthcare coverage through private insurers. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 1.1% and 0.6% of covered payroll respectively. The City's contributions totaled \$41,431 in fiscal year 2015. Contributions made by employees for dependent coverage during the year ended June 30, 2015, totaling \$6,409. The City's obligation to contribute to the Post-Retirement Health Plan is established and may be amended by the City Council.

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Summary of Significant Accounting Policies. Post-employment expenditures are made from the General Fund, which are maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the post-employment healthcare benefits:

Annual required contribution	\$ 493,977
Interest on net OPEB obligation	63,151
Adjustment to annual required contribution	<u>(87,790)</u>
Annual OPEB cost (expense)	469,338
Contributions made	<u>(41,431)</u>
Increase (decrease) in net OPEB obligation	427,907
Net OPEB obligation:	
Beginning of year - July 1	<u>1,578,787</u>
End of year - June 30	<u><u>\$ 2,006,694</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2015, were as follows:

3 Year Trend Information			
Year Ended	Annual	Percentage	Net OPEB
June 30	OPEB Cost	of Annual	OPEB
		Contributed	Obligation
2015	\$ 469,338	8.8%	\$ 2,006,694
2014	402,942	9.8%	1,578,787
2013	408,668	10.2%	1,215,504

Fund Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$3,802,366. The covered payroll (annual payroll of active employees covered by the plan) was \$5,806,370 and the ratio of the UAAL to the covered payroll was 65.49 percent. Actuarial valuations of an ongoing plan involve

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 multi-year 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 of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The actuarial value of assets, if any, was determined using techniques that spread the effects of the short-term volatility in the market value of investments over a 5-year period. The UAAL is being amortized using a level dollar method. The remaining amortization period at July 1, 2014 was 30 years.

Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' 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. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based on rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial. Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

number of years the employer had contributed as of December 31, 2010 was established by the State. The City contributed more than 20 years and was relieved for two years. Contributions from the City will resume in the fiscal year beginning July 1, 2015.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pensions plan in current fiscal year	\$ 415,575

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

<u>Source</u>	<u>Amount</u>
Taxes receivable, net - General Fund	\$ 206,481
Pension deferrals	1,662,299
Total	<u>\$ 1,868,780</u>

Other Commitments

The City has entered into an agreement with Charlotte Whitewater Park, Inc. (CWP), under which CWP will provide City residents and employees with access to the Park services at a lower cost than such Park services would otherwise be available, if the City were to provide such services. The agreement provides for the payment by the City to CWP for making the Park services available to its residents and employees. The City has thus entered into a commitment to pay an annual service fee of \$142,857 to Charlotte Whitewater Park, Inc. for a period of seven years, provided that the first payment shall be no earlier than June 30, 2007. To the extent that CWP has enough available funds during any fiscal year to pay all or part of its operating expenses and debt service during such a fiscal year, the City will receive a full or partial credit against its annual service fee due for such fiscal year. The City received a full credit against its annual service fee this fiscal year.

Risk Management

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 carries commercial insurance for these risks of loss and has the following types of major coverage for the amounts of risk noted; general liability (\$6,000,000), property (\$29,185,985), and workers' compensation (\$1,000,000). There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in the past three fiscal years.

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The City carries flood insurance through the National Flood Insurance Plan (NFIP). Because the City is in an area of the State that has been mapped and designated an “A” area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the City is eligible to purchase coverage of \$500,000 per structure through the NFIP.

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 Officer and Tax Collector are each individually bonded for \$125,000. The remaining employees that have access to funds are bonded either under a blanket bond for \$10,000 or individual bonds of \$25,000.

The Deputy Finance Officer of Statesville Housing Authority, who manages the Housing Assistance Funds’ operations, is individually bonded for \$50,000. The Finance Officer of the Mount Holly Tourism Development Authority, who is also the Finance Officer for the City, is bonded under a separate bond for the Authority’s operations of \$50,000.

Claims, Judgments and Contingent Liabilities

The City periodically is subject to claims and lawsuits that arise in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits, if any, will not have a material adverse effect on the financial position of the City.

Long-Term Obligations

Capital Leases

The City has entered into an agreement to lease certain equipment. The lease agreement qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The agreement was executed on May 23rd, 2014, to lease a telephone system and requires sixty monthly payments of \$3,474, with the first payment due in January 2015. The City has title to the asset.

The following is an analysis of the assets acquired under capital leases as of June 30, 2015:

<u>Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Emergency telephone system	\$ 180,796	\$ 2,260	\$ 178,536

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

Year Ending June 30	Amount
2016	\$ 41,686
2017	41,686
2018	41,686
2019	41,688
2020	<u>3,474</u>
Total minimum lease payments	170,220
Less: amount representing interest	<u>(22,100)</u>
Present value of minimum lease payments	<u>\$ 148,120</u>

Installment Purchases

Serviced by the General Fund:

On April 30, 2007, the City entered into an installment purchase contract for \$6,035,000 to finance the remodeling and refurbishing of a building acquired from American and Efire to be used as a new City Hall to house all general administrative offices of the City. The financing contract bears interest at a fixed annual rate of 4.44%, with interest only to be paid quarterly beginning August 1, 2007, and continuing through May 1, 2010. Beginning August 1, 2010, quarterly payments of \$127,521 will be due, together with a final payment of the unpaid principal balance on May 1, 2027.

\$ 4,707,655

Serviced by the Water and Sewer Fund:

On February 6, 2009, the City entered into an installment purchase contract for \$3,000,000 to finance the construction of a new water tower and booster station. The financing contract requires quarterly payments of \$37,500, beginning May 6, 2009, plus accrued interest at a fixed rate of 4.39%.

\$ 2,062,500

CITY OF MOUNT HOLLY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 302,609	\$ 207,476	\$ 150,000	\$ 88,074
2017	317,016	193,069	150,000	81,489
2018	331,530	178,555	150,000	74,904
2019	346,708	163,377	150,000	68,319
2020	362,194	147,891	150,000	61,734
2021 - 2025	2,077,337	473,086	750,000	209,897
2026 - 2030	970,261	49,920	562,500	49,388
Total	\$ 4,707,655	\$ 1,413,374	\$ 2,062,500	\$ 633,805

General Obligation Bonds

General obligation bonds were issued to finance the Streetscape and various parks and recreation projects, along with the construction of facilities utilized in the operations of the water and sewer system, and which are being retired by its resources, is reported as long-term debt in the General Fund. All general obligation bonds are collateralized by the full faith, credit and taxing power of the City. Principal and interest requirements are appropriated when due. Bonds payable at June 30, 2015, are comprised of the following individual issues:

Serviced by the General Fund:

\$3,600,000 2005 General Obligation Public Improvement Bonds issued November 1, 2005 due in annual payments of \$100,000 through May 1, 2011, then an annual payment of \$175,000 due May 1, 2012, and then due in annual payments of \$225,000 through May 1, 2025, with a final payment of \$100,000 due May 1, 2026; interest at 3.25% - 4.00%. \$ 2,350,000

\$1,400,000 General Obligation Recreation Bonds issued August 1, 2010, Series 2010, due in annual installments of \$50,000 February 1, 2011, \$75,000 February 1, 2012 - 2025, inclusive, and \$100,000 February 1, 2026 - 2028; interest at 2.00% - 4.00%. 1,050,000

Total General Fund general obligation bonds \$ 3,400,000

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Year Ending	Governmental Activities	
June 30	Principal	Interest
2016	\$ 300,000	\$ 126,450
2017	300,000	117,525
2018	300,000	107,175
2019	300,000	96,338
2020	300,000	96,338
2021 - 2025	1,500,000	255,038
2026 - 2028	400,000	27,750
Total	\$ 3,400,000	\$ 826,614

Other Financing Agreements

The City has entered into an agreement with the Town of Stanley (the “Town”) to reimburse the Town for the City’s portion of the cost to construct a sewer interconnect. Under the terms of the agreement, the City will reimburse the Town an amount equal to \$400,000 over a 20-year period, plus interest on the balance owed at 3.0%. Payments made by the City to the Town each year cannot exceed the amount of the sewer charges paid by the Town to the City. The loan is reported as long-term debt in the Water and Sewer Fund. At June 30, 2015, the principal balance remaining on this agreement was \$60,000.

Other Financing Agreements

Year Ending	Business-Type Activities	
June 30	Principal	Interest
2016	\$ 20,000	\$ 1,800
2017	20,000	1,200
2018	20,000	600
Total	\$ 60,000	\$ 3,600

At June 30, 2015, the City had a legal debt margin of approximately \$81,535,000.

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Changes in Long-Term Liabilities

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>Current Portion</u>
Governmental Activities:					
Bonds payable	\$ 3,700,000	\$ -	\$ 300,000	\$ 3,400,000	\$ 300,000
Installment purchase	4,997,545	-	289,890	4,707,655	302,609
Capitalized lease	-	180,796	32,676	148,120	32,550
Net pension liability (LGERS)	978,097	-	978,097	-	-
Net pension obligation (LEO)	401,754	117,167	23,260	495,661	-
Other post-employment benefits	1,169,246	337,595	41,431	1,465,410	-
Compensated absences	323,027	224,851	193,386	354,492	141,797
Total governmental activities	<u>11,569,669</u>	<u>860,409</u>	<u>1,858,740</u>	<u>10,571,338</u>	<u>776,956</u>
Business-Type Activities:					
Water and Sewer Fund:					
Installment purchase	2,212,500	-	150,000	2,062,500	150,000
Other financing agreements	80,000	-	20,000	60,000	20,000
Net pension liability (LGERS)	380,371	-	380,371	-	-
Other post-employment benefits	409,541	131,743	-	541,284	-
Compensated absences	61,885	53,140	46,065	68,960	24,754
Total Water and Sewer Fund	<u>3,144,297</u>	<u>184,883</u>	<u>596,436</u>	<u>2,732,744</u>	<u>194,754</u>
Total	<u>\$ 13,355,498</u>	<u>\$ 1,045,292</u>	<u>\$ 2,455,176</u>	<u>\$ 13,304,082</u>	<u>\$ 971,710</u>

Compensated absences for governmental activities typically have been liquidated in the General Fund and are accounted for on a FIFO basis. Other post-employment benefits are typically liquidated in the General Fund and the Water and Sewer Fund. The LGERS plan had a net pension asset as of June 30, 2015; however the plan had a net pension liability at the beginning of the fiscal year.

C. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2015, are computed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of accumulated depreciation	\$ 22,720,316	\$ 22,451,968
Less:		
Capital debt	<u>(8,255,775)</u>	<u>(2,122,500)</u>
Net investment in capital assets	<u>\$ 14,464,541</u>	<u>\$ 20,329,468</u>

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Discontinued Operations

On December 31, 2014, the City transferred all of the Holly Hills Housing Assistance operations (assets, liabilities, and equity) to the Statesville Housing Authority for no additional consideration. No identity-of-interest exists between the two parties to which the Holly Hills Apartments ownership is being transferred. Statesville Housing Authority assumes and agrees to pay and discharge all obligations of the City of Mount Holly pertaining to the existing mortgage owed to the USDA. Both parties agree that they do not and will not have a reversionary interest in the housing project. At June 30, 2015, the City shows a contribution to the Statesville Housing Authority of \$1,236,110, the net equity of the Rollins Square Housing Assistance Fund.

3. Joint Ventures

The City and the members of the City's Fire Department each appoint two members to the five-member local Board of Trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local Board of Trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these monies to the local Board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the "on-behalf of" payments for salaries and fringe benefits made to members of the City's Fire Department by the Board of Trustees. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2015. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 40, Raleigh, NC 27603.

4. Related Party Transactions

As described earlier in the Summary of Significant Accounting Policies, the Mount Holly Tourism Development Authority's governing body is appointed by the City Council. The Authority is a discretely presented component unit of the City. Currently, the City does not charge the TDA any fees in conjunction with collecting the occupancy tax. In addition, taxes collected, due from the City to the Authority at June 30, 2015, was \$11,455.

5. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

The City has received proceeds from several federal and State grants. Periodic audits of these 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.

CITY OF MOUNT HOLLY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

6. Significant Effects of Subsequent Events

The City has evaluated all subsequent events through October 20, 2015, in connection with the preparation of these financial statements which is the date the financial statements are available to be issued.

Subsequent to the year ending June 30, 2015, the City entered into a contract for the purchase of two fire trucks for \$957,000.

7. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net position liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$684,235 and \$266,091, respectively.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Schedule of Funding Progress for the Law Enforcement Officers’ Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers’ Special Separation Allowance
- Notes to the Required Schedules for the Law Enforcement Officers’ Special Separation Allowance
- Schedule of Funding Progress for Other Post-Employment Benefits
- Schedule of Employer Contributions for Other Post-Employment Benefits
- Notes to the Required Schedules for Other Post-Employment Benefits
- City’s Proportionate Share of Net Pension Liability for Local Government Employees’ Retirement System
- City of Mount Holly’s Contributions for Local Government Employees’ Retirement System

This page left blank intentionally.

CITY OF MOUNT HOLLY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b)-(a) / (c)
12/31/1998	\$ -	\$ 85,386	\$ 85,386	0.00%	\$ 516,562	16.53%
12/31/1999	-	55,432	55,432	0.00%	471,375	11.76%
12/31/2000	-	202,055	202,055	0.00%	749,775	26.95%
12/31/2003	-	292,625	292,625	0.00%	1,069,582	27.36%
12/31/2004	-	284,873	284,873	0.00%	1,051,775	27.08%
12/31/2005	-	242,707	242,707	0.00%	1,250,254	19.41%
12/31/2006	-	315,683	315,683	0.00%	1,282,394	24.62%
12/31/2007	-	360,892	360,892	0.00%	1,191,089	30.30%
6/30/2012	-	514,237	514,237	0.00%	1,338,501	38.42%
6/30/2014	-	781,871	781,871	0.00%	1,412,689	55.35%

NOTE: The City decided not to have an actuarial valuation prepared for the years ended December 31, 2001, 2002, 2008, 2009, 2010, 2011, 2013 and 2015.

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2005	\$ 33,125	0.00%
2006	33,645	0.00%
2007	30,209	0.00%
2008	40,888	33.60%
2009	40,888	33.60%
2010	40,888	33.60%
2011	40,888	33.60%
2012	86,761	9.83%
2013	90,665	22.44%
2014	114,650	20.29%
2015	119,809	19.41%

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	6/30/2014
Actuarial cost method	Entry-age normal
Amortization method	Level percent of pay
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return	4.00%
Projected salary increases	4.5% to 11.7%
*Includes inflation at 3.75%	
Cost of living adjustments	N/A

CITY OF MOUNT HOLLY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b)-(a) / (c)
7/1/2010	\$ -	\$ 3,117,363	\$ 3,117,363	0.00%	\$ 3,465,889	89.94%
7/1/2012	-	3,123,764	3,123,764	0.00%	3,718,779	84.00%
7/1/2014	-	3,802,366	3,802,366	0.00%	5,806,370	65.49%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2013	\$ 421,911	9.90%
2014	421,911	9.40%
2015	493,977	8.39%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	7/1/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	N/A
Actuarial assumptions	
Investment rate of return	4.00%
Projected salary increases	N/A
*Includes inflation at 3.75%	
Cost of living adjustments	N/A

CITY OF MOUNT HOLLY, NORTH CAROLINA**CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS*****LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset) (%)	0.11435%	0.11270%
City's proportion of the net pension liability (asset) (\$)	\$ (674,375)	\$ 1,358,468
City's covered-employee payroll	\$ 5,741,436	\$ 5,418,715
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-11.75%	25.07%
Plan fiduciary net position as a percentage of the total pension liability **	102.64%	94.35%

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

** This will be the same percentage for all participant employers in the LGERS plan.

CITY OF MOUNT HOLLY, NORTH CAROLINA

**CITY OF MT. HOLLY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS**

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 415,575	\$ 408,178
Contributions in relation to the contractually required contribution	<u>415,575</u>	<u>408,178</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 5,805,626	\$ 5,741,436
Contributions as a percentage of covered-employee payroll	7.16%	7.11%

SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

This page left blank intentionally.

THE GENERAL FUND

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

This page left blank intentionally.

CITY OF MOUNT HOLLY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 5,810,000	\$ 6,147,875	\$ 337,875
Interest	24,000	61,034	37,034
Total	<u>5,834,000</u>	<u>6,208,909</u>	<u>374,909</u>
Other Taxes and Licenses:			
Payment in lieu of ad valorem taxes	-	47,785	47,785
Occupancy tax and other	75,000	81,120	6,120
Motor vehicle license tags	10,000	6,836	(3,164)
Privilege licenses	20,000	13,016	(6,984)
Total	<u>105,000</u>	<u>148,757</u>	<u>43,757</u>
Unrestricted Intergovernmental:			
Local option sales taxes	1,900,000	1,923,470	23,470
Telecommunications sales tax	135,000	123,427	(11,573)
Utility franchise tax	450,000	677,147	227,147
Piped natural gas tax	90,000	73,765	(16,235)
Video franchise fee	120,000	132,530	12,530
Beer and wine tax	60,000	68,064	8,064
ABC Distribution	-	13,333	13,333
Total	<u>2,755,000</u>	<u>3,011,736</u>	<u>256,736</u>
Restricted Intergovernmental:			
Powell Bill allocation	360,000	402,940	42,940
Solid waste disposal tax	8,000	9,064	1,064
Other federal/State grants	9,500	10,194	694
Total	<u>377,500</u>	<u>422,198</u>	<u>44,698</u>
Permits and Fees:			
Zoning permits	30,000	52,880	22,880
Advertising fees	1,500	-	(1,500)
Recycle and solid waste fees	176,000	185,541	9,541
Tipping fees	400,000	416,131	16,131
Total	<u>607,500</u>	<u>654,552</u>	<u>47,052</u>

CITY OF MOUNT HOLLY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Sales and Services:			
Recreation department fees	63,500	75,808	12,308
Concessions and vending sales	2,000	2,774	774
Total	<u>65,500</u>	<u>78,582</u>	<u>13,082</u>
Investment Earnings	<u>6,000</u>	<u>6,193</u>	<u>193</u>
Miscellaneous:			
Rents	85,000	109,841	24,841
Public contributions	10,500	3,196	(7,304)
Miscellaneous revenue	30,000	125,355	95,355
Miscellaneous police revenue	15,000	29,689	14,689
Total	<u>140,500</u>	<u>268,081</u>	<u>127,581</u>
Total revenues	<u>9,891,000</u>	<u>10,799,008</u>	<u>908,008</u>
Expenditures:			
General Government:			
Mayor and Council:			
Governing body compensation	46,600	46,207	393
Operating expenditures	112,000	140,959	(28,959)
Capital outlay	42,000	47,870	(5,870)
Total	<u>200,600</u>	<u>235,036</u>	<u>(34,436)</u>
Administration:			
Salaries and employee benefits	627,000	604,529	22,471
Operating expenditures	1,811,725	592,657	1,219,068
Capital outlay	-	1,575	(1,575)
Costs allocated to the Water and Sewer Fund	-	(35,938)	35,938
Debt service	127,600	227,220	(99,620)
Total	<u>2,566,325</u>	<u>1,390,043</u>	<u>1,176,282</u>
Total general government	<u>2,766,925</u>	<u>1,625,079</u>	<u>1,141,846</u>

CITY OF MOUNT HOLLY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Public Safety:			
Police:			
Salaries and employee benefits	2,531,300	2,493,267	38,033
Operating expenditures	466,500	388,508	77,992
Capital outlay	328,270	271,933	56,337
Costs allocated to the Water and Sewer Fund	-	(38,323)	38,323
Debt service	127,600	278,035	(150,435)
Total	<u>3,453,670</u>	<u>3,393,420</u>	<u>60,250</u>
Fire:			
Salaries and employee benefits	1,125,400	1,160,557	(35,157)
Operating expenditures	264,000	243,168	20,832
Capital outlay	178,000	158,214	19,786
Total	<u>1,567,400</u>	<u>1,561,939</u>	<u>5,461</u>
Total public safety	<u>5,021,070</u>	<u>4,955,359</u>	<u>65,711</u>
Planning and Zoning:			
Salaries and employee benefits	277,800	234,766	43,034
Operating expenditures	169,000	229,029	(60,029)
Capital outlay	24,000	-	24,000
Total planning and zoning	<u>470,800</u>	<u>463,795</u>	<u>7,005</u>
Transportation and Environmental Protection:			
Streets and Highways:			
Salaries and employee benefits	847,900	846,700	1,200
Operating expenditures	790,500	730,467	60,033
Capital outlay	541,500	564,138	(22,638)
Debt service	243,300	238,163	5,137
Total	<u>2,423,200</u>	<u>2,379,468</u>	<u>43,732</u>
Powell Bill Street Funds:			
Operating expenditures	441,000	444,154	(3,154)
Total	<u>441,000</u>	<u>444,154</u>	<u>(3,154)</u>
Total transportation and environmental protection	<u>2,864,200</u>	<u>2,823,622</u>	<u>40,578</u>

CITY OF MOUNT HOLLY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Garage:			
Salaries and employee benefits	26,200	23,483	2,717
Operating expenditures	52,800	45,417	7,383
Capital outlay	<u>4,300</u>	<u>6,675</u>	<u>(2,375)</u>
Total garage	<u>83,300</u>	<u>75,575</u>	<u>7,725</u>
Culture and Recreation:			
Parks and Recreation:			
Salaries and employee benefits	420,000	295,875	124,125
Operating expenditures	144,000	183,411	(39,411)
Capital outlay	38,000	88,474	(50,474)
Debt service	<u>196,200</u>	<u>267,781</u>	<u>(71,581)</u>
Total culture and recreation	<u>798,200</u>	<u>835,541</u>	<u>(37,341)</u>
Total expenditures	<u>12,004,495</u>	<u>10,778,971</u>	<u>1,225,524</u>
Revenues over (under) expenditures	<u>(2,113,495)</u>	<u>20,037</u>	<u>2,133,532</u>
Other Financing Sources (Uses):			
Transfers from other funds:			
E-911 Fund	41,474	41,474	-
Capital Projects Fund	1,086,725	1,087,230	505
Capital lease obligations issued	180,796	180,796	-
Fund balance appropriated	<u>804,500</u>	<u>-</u>	<u>(804,500)</u>
Total other financing sources (uses)	<u>2,113,495</u>	<u>1,309,500</u>	<u>(803,995)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,329,537</u>	<u>\$ 1,329,537</u>
Fund Balance:			
Beginning of year - July 1		<u>6,670,459</u>	
End of year - June 30		<u>\$ 7,999,996</u>	

NONMAJOR GOVERNMENTAL FUNDS

Emergency Telephone Systems Fund – accounts for the funds received for the operation of the City's Emergency 911 Communications Center.

Capital Reserve Fund – accounts for the accumulation of undedicated resources to fund future projects of the City.

Capital Projects Fund – accounts for the construction of various City projects.

This page left blank intentionally.

CITY OF MOUNT HOLLY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	
	<u>Emergency Telephone System Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 386,705	\$ 1,882,329	\$ 2,269,034
Due from other governments	<u>525</u>	<u>-</u>	<u>525</u>
Total assets	<u>\$ 387,230</u>	<u>\$ 1,882,329</u>	<u>\$ 2,269,559</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,362	\$ -	\$ 2,362
Total liabilities	<u>2,362</u>	<u>-</u>	<u>2,362</u>
Fund Balances:			
Restricted:			
Stabilization by State statute	525	-	525
Restricted, all other	384,343	-	384,343
Committed	<u>-</u>	<u>1,882,329</u>	<u>1,882,329</u>
Total fund balances	<u>384,868</u>	<u>1,882,329</u>	<u>2,267,197</u>
Total liabilities and fund balances	<u>\$ 387,230</u>	<u>\$ 1,882,329</u>	<u>\$ 2,269,559</u>

CITY OF MOUNT HOLLY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Special Revenue Fund</u>	<u>Capital Project Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Emergency Telephone System Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Project Fund</u>	
Revenues:				
Restricted intergovernmental	\$ 67,379	\$ -	\$ -	\$ 67,379
Investment earnings	80	246	505	831
Total revenues	<u>67,459</u>	<u>246</u>	<u>505</u>	<u>68,210</u>
Expenditures:				
Public safety	<u>30,202</u>	-	-	<u>30,202</u>
Revenues over (under) expenditures	<u>37,257</u>	<u>246</u>	<u>505</u>	<u>38,008</u>
Other Financing Sources (Uses):				
Transfers to other funds:				
General Fund	<u>(41,474)</u>	-	<u>(1,087,230)</u>	<u>(1,128,704)</u>
Total other financing sources (uses)	<u>(41,474)</u>	<u>-</u>	<u>(1,087,230)</u>	<u>(1,128,704)</u>
Net change in fund balances	(4,217)	246	(1,086,725)	(1,090,696)
Fund Balances:				
Beginning of year - July 1	<u>389,085</u>	<u>1,882,083</u>	<u>1,086,725</u>	<u>3,357,893</u>
End of year - June 30	<u>\$ 384,868</u>	<u>\$ 1,882,329</u>	<u>\$ -</u>	<u>\$ 2,267,197</u>

CITY OF MOUNT HOLLY, NORTH CAROLINA

SPECIAL REVENUE FUND - EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental:			
Wireless 911 funds	\$ 67,952	\$ 67,379	\$ (573)
Investment earnings	-	80	80
Total revenues	<u>67,952</u>	<u>67,459</u>	<u>(493)</u>
Expenditures:			
Wireless expenditures:			
Contract services	15,100	19,770	(4,670)
Furniture, fixtures, & equipment	5,000	2,656	2,344
Telephone	12,100	6,798	5,302
Travel and training	500	360	140
Equipment rental/lease	226	618	(392)
Total expenditures	<u>32,926</u>	<u>30,202</u>	<u>2,724</u>
Revenues over (under) expenditures	<u>35,026</u>	<u>37,257</u>	<u>2,231</u>
Other Financing Sources (Uses)			
Transfers from other funds:			
General Fund	(41,474)	(41,474)	-
Appropriated fund balance	<u>6,448</u>	<u>-</u>	<u>(6,448)</u>
Total other financing sources (uses)	<u>(35,026)</u>	<u>(41,474)</u>	<u>(6,448)</u>
Net change in fund balance	<u>\$ -</u>	<u>(4,217)</u>	<u>\$ (4,217)</u>
Fund Balance:			
Beginning of year - July 1		<u>389,085</u>	
End of year - June 30		<u>\$ 384,868</u>	

CITY OF MOUNT HOLLY, NORTH CAROLINA

**CAPITAL PROJECT FUND - CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 246	\$ 246
Net change in fund balance	<u>\$ -</u>	246	<u>\$ 246</u>
Fund Balance:			
Beginning of year - July 1		<u>1,882,083</u>	
End of year - June 30		<u>\$ 1,882,329</u>	

CITY OF MOUNT HOLLY, NORTH CAROLINA

**CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Grant revenues	\$ 100,000	\$ 100,000	\$ -	\$ 100,000	\$ -
CDBG Grant	1,000,000	1,000,000	-	1,000,000	-
Investment earnings	-	37,594	505	38,099	38,099
Total revenues	<u>1,100,000</u>	<u>1,137,594</u>	<u>505</u>	<u>1,138,099</u>	<u>38,099</u>
Expenditures:					
Linear Park Project:					
Construction and improvements	1,656,944	1,587,266	-	1,587,266	69,678
Sidewalk construction	100,000	100,000	-	100,000	-
CDBG Project:					
Construction and improvements	<u>1,000,000</u>	<u>997,748</u>	<u>-</u>	<u>997,748</u>	<u>2,252</u>
Total expenditures	<u>2,756,944</u>	<u>2,685,014</u>	<u>-</u>	<u>2,685,014</u>	<u>71,930</u>
Revenues over (under) expenditures	<u>(1,656,944)</u>	<u>(1,547,420)</u>	<u>505</u>	<u>(1,546,915)</u>	<u>110,029</u>
Other Financing Sources (Uses):					
Transfers from (to) other fund:					
General Fund	256,944	1,234,145	(1,087,230)	146,915	(110,029)
Proceeds from bond sale	<u>1,400,000</u>	<u>1,400,000</u>	<u>-</u>	<u>1,400,000</u>	<u>-</u>
Total other financing sources (uses)	<u>1,656,944</u>	<u>2,634,145</u>	<u>(1,087,230)</u>	<u>1,546,915</u>	<u>(110,029)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,086,725</u>	<u>(1,086,725)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:					
Beginning of year - July 1			<u>1,086,725</u>		
End of year - June 30			<u>\$ -</u>		

This page left blank intentionally.

ENTERPRISE FUNDS

Enterprise Funds account for the operations financed and operated in a manner similar to private business enterprises – where the intent of the government’s board is that the costs of providing goods or services to the general public on a continuing basis be financed primarily through user charges.

Individual Fund Descriptions:

Water and Sewer Fund – accounts for the City’s water and sewer operations.

Housing Assistance Funds – accounts for operations of the City’s housing assistance provided to residents. The Housing Fund of the City includes Holly Hills.

This page left blank intentionally.

CITY OF MOUNT HOLLY, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating Revenues:			
Water sales	\$ 2,875,000	\$ 2,559,719	\$ (315,281)
Sewer charges	2,150,000	2,197,724	47,724
Water and sewer taps and development fees	45,000	882,747	837,747
Stormwater fees	215,000	235,001	20,001
Late fees and reconnection charges	<u>150,000</u>	<u>170,473</u>	<u>20,473</u>
Total operating revenues	<u>5,435,000</u>	<u>6,045,664</u>	<u>610,664</u>
Non-Operating Revenues:			
Interest earned on investments	500	54	(446)
Rental income	40,000	43,513	3,513
Other revenue	<u>5,000</u>	<u>151,887</u>	<u>146,887</u>
Total non-operating revenues	<u>45,500</u>	<u>195,454</u>	<u>149,954</u>
Total revenues	<u>5,480,500</u>	<u>6,241,118</u>	<u>760,618</u>
Expenditures:			
Water Treatment and Distribution:			
Water treatment plant:			
Salaries and employee benefits	895,500	857,813	37,687
Supplies	95,000	98,522	(3,522)
Other operating expenditures	316,500	354,479	(37,979)
Repairs and maintenance	80,500	57,564	22,936
Utility service fee	165,000	190,187	(25,187)
Costs allocated from the General Fund	34,650	35,938	(1,288)
Interest and other charges	115,526	115,526	-
Principal retirement	222,024	150,000	72,024
Capital outlay - equipment	<u>250,000</u>	<u>321,009</u>	<u>(71,009)</u>
Total	<u>2,174,700</u>	<u>2,181,038</u>	<u>(6,338)</u>
Waste Collection and Treatment:			
Salaries and employee benefits	780,900	698,906	81,994
Supplies	31,000	39,340	(8,340)
Other operating expenditures	616,000	648,403	(32,403)
Repairs and maintenance	58,000	55,483	2,517
Costs allocated from the General Fund	38,323	38,323	-
Interest and other charges	27,838	27,838	-
Principal retirement	84,839	20,000	64,839
Capital outlay - equipment	<u>26,000</u>	<u>126,123</u>	<u>(100,123)</u>
Total	<u>1,662,900</u>	<u>1,654,416</u>	<u>8,484</u>
Stormwater:			
Salaries and employee benefits	19,600	21,508	(1,908)
Other operating expenditures	29,100	25,076	4,024
Repairs and maintenance	<u>216,300</u>	<u>135,801</u>	<u>80,499</u>
Total	<u>265,000</u>	<u>182,385</u>	<u>82,615</u>

CITY OF MOUNT HOLLY, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Utilities:			
Salaries and employee benefits	620,500	677,079	(56,579)
Other operating expenditures	228,000	196,933	31,067
Repairs and maintenance	329,000	253,072	75,928
Capital outlay - equipment	<u>688,500</u>	<u>297,473</u>	<u>391,027</u>
Total	<u>1,866,000</u>	<u>1,424,557</u>	<u>441,443</u>
 Total expenditures	 <u>5,968,600</u>	 <u>5,442,396</u>	 <u>526,204</u>
 Revenues over (under) expenditures	 <u>(488,100)</u>	 <u>798,722</u>	 <u>1,286,822</u>
Other Financing Sources (Uses):			
Transfer to other funds:			
Water and Sewer Capital Projects Fund	(155,456)	(151,274)	4,182
Fund balance appropriated	<u>643,556</u>	<u>-</u>	<u>(643,556)</u>
 Total other financing sources (uses)	 <u>488,100</u>	 <u>(151,274)</u>	 <u>(639,374)</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	 <u>\$ -</u>	 <u>\$ 647,448</u>	 <u>\$ 647,448</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		<u>\$ 647,448</u>	
Reconciling items:			
Principal retirement		170,000	
Capital outlay		744,605	
Non-capitalized capital expenditures		(327,412)	
Depreciation		(1,204,393)	
Pension Expense		(10,528)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		116,361	
Change in compensated absences		(7,075)	
Change in other post-employment benefits		(131,743)	
Interest income from Water and Sewer Capital Projects Fund		4,182	
Transfers to Water and Sewer Capital Project Fund		<u>151,274</u>	
Total reconciling items		<u>(494,729)</u>	
 Change in net position (Exhibit H)		 <u>\$ 152,719</u>	

CITY OF MOUNT HOLLY, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Investment earnings	\$ -	\$ 11,336	\$ 4,182	\$ 15,518	\$ 15,518
Expenditures:					
Bar Screen Project:					
Construction	330,000	315,243	-	315,243	14,757
Sewer Replacement Mill Village:					
Construction	360,000	415,760	-	415,760	(55,760)
Sewer to Water Treatment Plant:					
Construction	700,000	574,845	-	574,845	125,155
West Catawba Manhole Project					
Construction	121,800	112,835	-	112,835	8,965
Total expenditures	<u>1,511,800</u>	<u>1,418,683</u>	<u>-</u>	<u>1,418,683</u>	<u>93,117</u>
Revenues over (under) expenditures	<u>(1,511,800)</u>	<u>(1,407,347)</u>	<u>4,182</u>	<u>(1,403,165)</u>	<u>108,635</u>
Other Financing Sources (Uses):					
Transfers from Water and Sewer Fund	810,441	550,532	151,274	701,806	(108,635)
Transfers from Capital Reserve Fund	350,000	350,000	-	350,000	-
Proceeds from note payable	<u>351,359</u>	<u>351,359</u>	<u>-</u>	<u>351,359</u>	<u>-</u>
Total other financing sources (uses)	<u>1,511,800</u>	<u>1,251,891</u>	<u>151,274</u>	<u>1,403,165</u>	<u>(108,635)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (155,456)</u>	<u>\$ 155,456</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MOUNT HOLLY, NORTH CAROLINA

HOUSING ASSISTANCE FUND - HOLLY HILLS - CONTRACT A-3925
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Sales, services, and rentals		\$ 6,891	
Other		<u>2,987</u>	
Total		<u>9,878</u>	
Operating grants		<u>106,840</u>	
Total operating revenues		<u>116,718</u>	
Non-operating revenues:			
Interest		<u>21</u>	
Total revenues	<u>\$ 223,550</u>	<u>116,739</u>	<u>\$ (106,811)</u>
Expenditures:			
Housing:			
Administration:			
Salaries and employee benefits		15,657	
Accounting and auditing		1,250	
Contracted services		16,840	
Other		<u>9,451</u>	
Total		<u>43,198</u>	
Utilities:			
Electricity		2,997	
Water		530	
Gas and other		<u>635</u>	
Total		<u>4,162</u>	
Ordinary maintenance:			
Salaries and employee benefits		12,830	
Materials		10,190	
Contracted service		<u>36,676</u>	
Total		<u>59,696</u>	

CITY OF MOUNT HOLLY, NORTH CAROLINA

HOUSING ASSISTANCE FUND - HOLLY HILLS - CONTRACT A-3925
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
General expense - insurance		4,622	
Total expenditures	223,550	111,678	111,872
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 5,061</u>	<u>\$ 5,061</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues over (under) expenditures		\$ 5,061	
Reconciling items:			
Contribution to Statesville Housing Authority		(1,236,110)	
Depreciation		(73,878)	
Total		<u>(1,309,988)</u>	
Change in net position		<u>\$ (1,304,927)</u>	

This page left blank intentionally.

ADDITIONAL FINANCIAL DATA

This section contains additional information on taxes receivable, the current year tax levy, and the balance sheet and budget to actual schedule for the City of Mount Holly Tourism Development Authority as of June 30, 2015.

This page left blank intentionally.

CITY OF MOUNT HOLLY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2015

Fiscal Year	Uncollected Balance July 1, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
2013-2014	\$ -	\$ 6,111,845	\$ 6,011,157	\$ 100,688
2012-2013	145,475	-	75,703	69,772
2011-2012	87,613	-	37,625	49,988
2010-2011	57,964	-	18,624	39,340
2009-2010	42,830	-	12,964	29,866
2008-2009	36,377	-	6,823	29,554
2007-2008	30,290	-	4,747	25,543
2006-2007	26,272	-	3,853	22,419
2005-2006	12,036	-	1,559	10,477
2004-2005	11,902	-	1,561	10,341
2003-2004	8,408	-	8,408	-
Total	<u>\$ 459,167</u>	<u>\$ 6,111,845</u>	<u>\$ 6,183,024</u>	387,988
Less allowance for uncollectible accounts:				
General Fund				<u>181,507</u>
Ad valorem taxes receivable, net				<u>\$ 206,481</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				<u>\$ 6,208,909</u>
Reconciling items:				
Interest collected				(61,034)
Prior year releases and adjustments				8,408
Miscellaneous items				<u>26,741</u>
Total reconciling items				<u>(25,885)</u>
Total collections and credits				<u>\$ 6,183,024</u>

CITY OF MOUNT HOLLY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2015

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 1,288,670,615	\$ 0.53	\$ 6,829,954	\$ 6,208,361	\$ 621,593
Exemptions	(138,852,240)	0.53	(735,917)	(735,917)	-
Penalties	-		22,584	15,862	6,722
Total	<u>1,149,818,375</u>		<u>6,116,621</u>	<u>5,488,306</u>	<u>628,315</u>
Discoveries - Current Year Taxes	<u>7,358</u>		<u>39</u>	<u>-</u>	<u>39</u>
Abatements	<u>(908,491)</u>		<u>(4,815)</u>	<u>(4,762)</u>	<u>(53)</u>
Total property valuation	<u>\$ 1,148,917,243</u>				
Net Levy			6,111,845	5,483,544	628,301
Uncollected taxes at June 30, 2015			<u>100,688</u>	<u>100,542</u>	<u>146</u>
Current Year's Taxes Collected			<u>\$ 6,011,157</u>	<u>\$ 5,383,002</u>	<u>\$ 628,155</u>
Current Levy Collection Percentage			<u>98.35%</u>	<u>98.17%</u>	<u>99.98%</u>

CITY OF MOUNT HOLLY, NORTH CAROLINA

SECONDARY MARKET DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2015Secondary Market Disclosures:**Assessed Valuation:**

Assessment ratio		<u>100.00%</u>
Real property	\$	896,592,593
Personal property		226,262,489
Public service companies		<u>26,062,161</u>
Total assessed valuation	\$	<u>1,148,917,243</u>
Tax rate per \$100		0.53
Levy (includes discoveries, releases, adjustments, and penalties)	\$	<u>6,111,845</u>

CITY OF MOUNT HOLLY, NORTH CAROLINA

SCHEDULE OF PRINCIPAL TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2015 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Daimler Trucks/Freightliner North America	Truck Manufacturing	\$ 43,385,746	3.78%
Clariant Corporation	Chemical Manufacturing	25,639,650	2.23%
American & Efird, Inc.	Textiles	17,086,666	1.49%
Duke Energy Corporation	Utilities	15,369,438	1.34%
Triangle Real Estate Gast Inc.	Real Estate	14,212,025	1.24%
Abbey Court Apartment Assoc.	Apartments	6,573,358	0.57%
Public Service Co. of North Carolina	Utilities	5,214,165	0.45%
Bell South Telephone Co.	Telephone	3,320,994	0.29%
Maya Holly, LLC	Real Estate	3,274,921	0.29%
Springs Crossing, LLC	Real Estate	<u>2,681,606</u>	<u>0.23%</u>
Total		<u>\$ 136,758,569</u>	<u>11.90%</u>

CITY OF MOUNT HOLLY, NORTH CAROLINA

DISCRETELY PRESENTED COMPONENT UNIT
MOUNT HOLLY TOURISM DEVELOPMENT AUTHORITY
BALANCE SHEET
JUNE 30, 2015

	<u>Authority</u>
Assets:	
Cash and cash equivalents	\$ 128,017
Accounts receivable	<u>11,455</u>
Total assets	<u>\$ 139,472</u>
Fund Balance:	
Restricted for:	
Stabilization by State statute	\$ 11,455
Tourism	<u>128,017</u>
Total fund balance	<u>\$ 139,472</u>

CITY OF MOUNT HOLLY, NORTH CAROLINA

**DISCRETELY PRESENTED COMPONENT UNIT
MOUNT HOLLY TOURISM DEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Occupancy tax revenues	\$ 60,000	\$ 81,136	\$ 21,136
Total revenues	<u>60,000</u>	<u>81,136</u>	<u>21,136</u>
Expenditures:			
Operating:			
Professional services	1,450	1,200	250
Contracted services	1,840	3,752	(1,912)
Advertising and marketing	29,000	4,405	24,595
Dues and subscriptions	1,000	500	500
TDA stipends	3,600	3,700	(100)
Supplies	150	-	150
Incentive grants	18,000	18,760	(760)
Miscellaneous	4,960	2,505	2,455
Total expenditures	<u>60,000</u>	<u>34,822</u>	<u>25,178</u>
Net change in fund balance	<u>\$ -</u>	46,314	<u>\$ 46,314</u>
Fund Balance:			
Beginning of year - July 1		<u>93,158</u>	
End of year - June 30		<u>\$ 139,472</u>	

CITY OF MOUNT HOLLY, NORTH CAROLINA

**EMERGENCY TELEPHONE SYSTEM UNSPENT BALANCE
PSAP RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2015**

Amounts reported on the Emergency Telephone System Fund budget
to actual are different from the PSAP Revenue - Expenditure Report because:

Ending fund balance, reported on budget to actual	\$ 384,868
Cumulative prior period net revenues and expenditures not reported in the fund (difference in beginning Fund Balance - budget to actual vs. PSAP report)	(18,640)
Additional revenues reported on PSAP report not reported in Emergency Telephone System Fund	573
Additional expenditures reported in Emergency Telephone System Fund not reported on PSAP report	<u>2,362</u>
Ending balance, PSAP Revenue - Expenditure Report	<u>\$ 369,163</u>

This page left blank intentionally.

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 Mount Holly
Mount Holly, North Carolina

We have audited, 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, 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 Mount Holly, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the City of Mount Holly's basic financial statements, and have issued our report thereon dated October 20, 2015. The financial statements of the City of Mount Holly ABC Board 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 Mount Holly'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 Mount Holly's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mount Holly'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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as 2015-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mount Holly'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 Mount Holly's Response to Finding

The City of Mount Holly's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City'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, North Carolina
October 20, 2015

CITY OF MOUNT HOLLY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	Yes
• Significant deficiency identified not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	No

CITY OF MOUNT HOLLY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2015

2. Findings Related to the Audit of the Basic Financial Statements

Finding 2015-001: Oversight of Mount Holly Housing Authority's Operations

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

Condition: The Statesville Housing Authority manages federal grant dollars received for the City from the U.S. Department of Housing and Urban Development that is accounted for in two Housing Funds on the City's books. Although the City Council approves the budgets and any related amendments for this Housing Fund, there is no active monitoring of daily operations by City management. Operations are accounted for in a separate ledger, not maintained or observed by City management. Cash receipts from residents that are received by the Property Manager are not entered in the accounting system, or logged in on the collections log sheet as collections occur until the end of the day. Journal entries posted by employees are not being approved by management prior to posting to the general ledger or being reviewed subsequent to posting.

Context: While performing walkthroughs of internal control procedures, we observed the conditions noted above.

Effect: Lack of adequate internal control and management oversight on operations can produce financial statements that are misstated. Cash receipts may not get credited to a resident's account correctly on a timely basis, or may get misplaced before the collections are posted to the account. Journal entries being posted may misstate the financial statements or be posted to the wrong account.

Cause: Proper internal control procedures were not in place or functioning as designed for the following activities: 1) systematic monitoring by City management, 2) cash receipts collections, and 3) journal entry processing.

Recommendation: Internal control procedures should be improved for the Housing Fund operations. Begin a monitoring process for reviewing account reconciliations, cash collections, and general ledger activities. Furthermore, since the Housing Fund is part of the City's books, Statesville Housing Authority's general ledger for the Housing Fund should be combined with the City's general ledger. City management should attempt to monitor the Housing Fund's operations more closely until the transfer of operations to Statesville Housing Authority take place.

Name of Contact Person: Africa Otis, Finance Officer

Management's Response: Management concurs. The Statesville Housing Authority currently serves as property manager for the City's Housing Authority. The City is currently undergoing negotiations to transfer ownership of the City's Housing Authority to the Statesville Housing Authority. One property was transferred in fiscal year 2012 - 13 and the City has transferred the remaining property during the current fiscal year, 2014 - 15.

CITY OF MOUNT HOLLY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

Finding: 2014-001

Modified and repeated as 2015-001.

This page left blank intentionally.