

MONROE

North Carolina

CENTER

**Comprehensive
Annual Financial
Report**

For The Fiscal Year Ended June 30, 2014



City of Monroe, North Carolina Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2014

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CITY OF MONROE, NORTH CAROLINA

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CITY OF MONROE

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October 29, 2014

To the Honorable Mayor Bobby Kilgore, Members of the City Council,
and Citizens of the City of Monroe:

We are pleased to present to you the Comprehensive Annual Financial Report (“CAFR”) of the City of Monroe for the fiscal year ended June 30, 2014. North Carolina law requires that all general-purpose local governments publish within four months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (“GAAP”) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The independent certified public accounting firm of Martin Starnes & Associates, CPA’s, P.A., has audited the financial statements and supplemental schedules contained herein, and issued an unqualified opinion on the City of Monroe’s financial statements for the year ended June 30, 2014. The independent auditor’s report is presented as the first component of the Financial Section of this report.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

The goal of the annual independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year are free from material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Monroe’s CAFR.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (“MD&A”). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the Report of the Independent Auditors.

The Reporting Entity and Services Provided

For financial reporting purposes, in accordance with the criteria in Governmental Accounting Standards Board (“GASB”) Statement No. 14, the City of Monroe includes all funds, agencies, boards, commissions and authorities that are controlled by or are financially dependent upon the City. Control by or financial dependence was determined on the basis of obligation of the City to finance deficits, guarantee debt, select the governing authority, approve the budget, have authority to make a public levy, and to have ownership of assets. As a result of implementing GASB Statement No. 14, the City of Monroe has included the City of Monroe ABC Board and the Monroe Tourism Development Authority as discretely presented component units. Additional information on these legally separate reporting entities can be found in the Notes to the Financial Statements.

The City provides numerous services for its citizens including airport operations, cultural and recreational activities, general administration, planning, zoning, economic development, building inspections, code enforcement, police, fire, sanitation, cemetery management, tourism, public works, stormwater, and street maintenance. The City also provides and maintains electric, natural gas, water, and sanitary sewer utilities for the benefit of its citizens and businesses. This report includes the fiscal activities of the City in the provision of these services.

The City also provides financial support to certain boards, agencies and commissions to assist their efforts in serving our citizens. Organizations that receive support from the City include the American Red Cross, HealthQuest, Monroe Athletic Foundation, Community Health Services of Union County, Union County Crisis Assistance Ministry, Union County Habitat for Humanity, Union County Community Arts Council, Council on Aging in Union County, the Monroe-Union County Community Development Corporation, the Union County Historic Preservation Commission, Turning Point, Union County Community Action, Inc., the Literacy Council of Union County, the Union County Community Shelter, Arc of Union County, the Police Athletic League, Alliance for Children, Central Academy of Technology and Arts, Monroe High School Band Boosters and the Union County Education Foundation.

Organization of Government

The City of Monroe was established in 1844, and is located near the center of Union County in the Southern Piedmont region of North Carolina. The City is a diverse community of over 33,000 residents, and has an incorporated area of over 29 square miles. Monroe serves as the County seat for Union County, and is the County’s largest municipality. Monroe’s corporate limits are approximately seven miles southeast of Charlotte. The City Council may involuntarily annex property into the corporate limits so long as requirements set forth in North Carolina general statutes are met. North Carolina requires that those subject to an involuntary annexation have the opportunity to approve or reject the involuntary annexation initiated by the municipality by referendum. Annexed areas are also required to be guaranteed fire, police, and solid waste services immediately upon annexation and provisions for water and sewer service within three and one-half years of annexation. Voluntary annexations may also be considered and approved at the discretion of City Council, following all statutory requirements.

The City is organized under a Council-Manager form of government, with a six-member City Council and Mayor serving as the governing body, and who are responsible for policy-making and establishing legislative authority. Council members are elected on a non-partisan basis to staggered four-year terms. The Mayor is elected to serve a two-year term, and is a full voting member on the City Council.

The City Council is responsible for passing ordinances, adopting the annual budget, appointing committees, and appointing the City Manager, City Attorney, City Clerk and Tax Collector. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the daily operations of the government, and for selecting the department heads to manage the various City departments.

The City takes pride in the services offered to our citizens, and the mission of City staff is to provide reliable, responsive, quality service to our customers at the lowest reasonable cost. We accomplish this through professional and courteous service consistent with making Monroe a vibrant and progressive

community. City staff strives to be proactive in addressing the various needs of the community, and adheres to the guiding principles of Teamwork, Customer Service, Respect, and Accountability.

Economic Condition and Outlook

Monroe has weathered the national recession well and is poised to capitalize on the current recovery. New and existing industries have announced millions of dollars in new capital investments in manufacturing equipment and facility expansions. Monroe's workforce is diversified, consisting of industrial, construction, agricultural, and retail employment. The City's economic base includes major employers involved in aerospace, plastics, food processing, professional services, and education. While serving as a regional employment and commercial center for surrounding communities, the City maintains a small town atmosphere and enjoys the benefits of being part of the Charlotte metropolitan region.

Monroe's corporate community continues to grow and prosper giving Monroe and Union County national and international recognition. In 2008, Monroe was named in the Top 5 in the United States for Excellence in Aerospace Recruitment by Expansion Solutions magazine. While in 2009, Union County was 10th in the nation in job creation from 2000 to 2008 by CNN/Money. April 2010, Monroe was named "Top 10 Aerospace Communities in the South You May Not Know About" by Southern Business Development magazine. For 2012, Monroe again received media coverage among international trade magazines and the Wall Street Journal. In 2013, Monroe was named one of the Top 10 communities for manufacturing in the Southeast. Because of our recruitment and retention efforts, Union County has maintained the lowest unemployment in the Charlotte Region for 15 consecutive years.

Monroe has evolved into a premier location for precision manufacturing. Nearly 15% of the industrial base and 26% of the manufacturing employment is deep-rooted in aerospace, resulting in the highest geographic concentration of aerospace companies in North Carolina (NC Department of Commerce – Sept 2008). Also, Monroe's industrial base is international with 11 countries represented among 16 companies. This is further evidenced by the July 2014 announcement of Glenmark Pharmaceuticals' \$17 Million manufacturing facility within the Monroe Corporate Center.

The continued investment among the community's existing firms as well as newly-located operations shows that Monroe weathered the recent economic downturn well and is now reaping the rewards of its unwavering commitment to creating a pro-business environment in which manufacturers prosper.

Major Initiatives

The City of Monroe has been involved in many significant initiatives during the past fiscal year. The City Council has identified and addressed key issues that are of importance to the future of the City, including utility planning for water, wastewater, electric, and natural gas demands brought on by system growth. The City has developed a fifteen year rate model for projecting water and wastewater rates to address the impact of future capital improvement projects on the City's rate structure. The goal is to achieve incremental single digit rate increases rather than large rate increases in the year infrastructure is financed.

The Water Resources Department continues to monitor economic condition and growth potential and adjust strategic capital project initiatives. Timing of large capital projects has been adjusted to match growth projections. Current initiatives are focusing on system sustainability and asset management programs. The renewal and replacement of aging water and wastewater pipeline infrastructure is a priority. A strategic initiative to implement a water main pipe bursting program was successfully launched this year. Preventative maintenance programs for all equipment continue to be refined. Utility coordination/realignments for the Turnpike Authority Monroe Bypass have been funded, but the project is currently on hold pending revised environmental permitting. Work was completed on the Stewart Creek sewer outfall and pump station replacement. This project was funded via a \$10.3 million dollar State Revolving Fund loan from the North Carolina Department of Environment and Natural Resources Constructions Grants and Loans Division. The low interest loan, obtained for 2.2% interest and a 20 year term, generated significant savings to Monroe rate payers.

The City's Natural Gas Department operates a 43 mile natural gas transmission line providing a direct connection between Monroe's distribution system and the Transcontinental Pipeline. A distribution expansion project that was started with pipelines extended to Mineral Springs and some additional areas of Unionville. A focused effort to locate and inform potential customers about the benefits of natural gas that are located along existing pipelines is underway. Initial estimates show that approximately 4,000 new potential customers are located along our existing system. Direct mailings, door hangers, road signs, and direct visits will be used to inform these potential customers of the availability and benefits of natural gas.

The City's Electric Department completed work to add 13.2 kilovolt capacity to the Western side of the city. A 100 to 13.2 kilovolt transformer and substation equipment was added at the Goldmine road substation. The Goldmine Road substation addition gives tremendous flexibility and redundancy to our 13.2 kilovolt system. Other electric system improvement projects include replacement of old 35 kilovolt circuit breakers at the Hal Coan and Camp Sutton Substations to replace 30 plus year old oil filled equipment. Design for conversion of the Sanitation 4 kilovolt circuits is underway. Once this conversion is complete all 4 kilovolt circuits will be retired. The 4 kilovolt conversions allow for a reduction in warehouse inventory and significant reductions in distribution line losses. These projects provide for improved reliability, a reduction in system losses and better system operating capabilities.

The City of Monroe implemented a stormwater utility program on January 1, 2009 to address the EPA's National Pollutant Discharge Elimination System, Phase II (NPDES) requirements and to provide a comprehensive stormwater maintenance program to improve the existing stormwater system. As part of the NPDES requirements, the Engineering Department has developed several stormwater public education and involvement programs. These programs include classroom presentations to area students and home owner associations using a portable, interactive watershed model known as an EnviroScope. Opportunities for public involvement include Adopt-a-Stream and a storm drain marker program. The Engineering Department also oversees in-house pollution prevention and good housekeeping by the various City of Monroe facilities to address spill prevention, vehicle/equipment maintenance and outdoor storage of materials and wastes. As part of the NPDES Illicit Discharge Detection and Elimination requirement, the Engineering Department has walked stream segments within the Stewart, Bearskin and Richardson Creek Watersheds in an effort to identify illicit discharges.

Regarding existing infra-structure, the City of Monroe staffs a 6-person stormwater maintenance crew dedicated to the improvement and maintenance of the existing stormwater system. Responsibilities include repair, new construction and routine system maintenance of the stormwater infrastructure. The stormwater maintenance crew has completed over 1000 work orders in addition to completing eleven capital improvement projects. In the upcoming year, one capital improvement project is proposed for the stormwater maintenance crew along Quail Drive. This is part of a multi-year effort to improve drainage within the Quail Drive/Oak Hill Drive neighborhoods. The first phase is to upgrade the existing drive culverts along Quail Drive with Phases II and III, respectively replacing a new cross drain under Oak Hill Drive and installing a by-pass pipe to reduce the area handled by the cross drain.

The Engineering Department has completed the Stormwater Master Plan study for the entire city including an environmental in-stream assessment and water quality monitoring and modeling for the Stewart Creek Watershed, Bearskin Creek Watershed and Richardson Creek Watershed. With a Total Maximum Daily Load (TMDL) for Richardson Creek and Stewart Creek expected in the imminent future, the need for assessing channel stability, sediment loading, nutrient sources and other ecological stressors within the stream corridors is vital. The Engineering Department is implementing a water quality improvement program to improve the water quality in the Stewart Creek watershed as the first major step in Monroe's water quality improvement initiative. The water quality sampling program will enable a baseline to be determined for Stewart Creek and is one of the first steps prior to implementing best management practices. Development of the baseline will poise the City to capture future grants as they become available.

The Charlotte-Monroe Executive Airport continues to be an economic engine for the community and continues to implement enhancements to increase activity and attract additional businesses. The most important of these enhancements is the new Federal Inspection Station that will allow the Airport to receive and process international corporate aviation flights. This new facility, in conjunction with the other recent enhancements to the airfield such as the runway lengthening and strengthening, positions the Airport for

future growth. Other improvements in progress this coming year include extending the runway safety area, relocating the navigational aids, re-installing approach lighting system equipment, and terminal building enhancements. As the Airport looks towards the future, long-range master plans are in place for additional aircraft hangar and site developments that will incite corporate investment over the next 40 years. In addition, the airport continues to be an active partner in the City's economic development efforts. The Monroe Corporate Center and the AeroPointe Industrial Centre, industrial/commercial properties located adjacent to the airport, are important to the community's growth and strength. Their proximity allows the airport to be used as a transportation hub for industry, which in turns, benefits the City through increased usage and revenue.

City Council is supportive of the City's public safety departments and supports their efforts in making Monroe a better community. The Monroe Police Department police officers participated in the Police Athletic League, D.A.R.E Camp, Kids and Cops formally known as Shop with a COP, and Operation True Blue Christmas. These programs impacted the lives of over two hundred and seventy-five children in the City of Monroe. The Monroe Police Department also worked in partnership with The American Red Cross and received the "Community Partner Award" in recognition of our commitment and support to the American Red Cross. The Monroe Police Department currently has two officers assigned to two different Task Forces that partner with various Federal Law Enforcement Agencies. The Police Department's participation with the Drug Enforcement Administration, and the Bureau of Alcohol, Tobacco, Firearms and Explosives is a collaborative effort to investigate a variety of crimes that occur within the City of Monroe.

The Monroe Police Department conducted a membership drive for the departments Explorer Post and now has an active membership of over twenty participants. Law Enforcement Career Exploring is open to young men and women ages 14 (and completed the 8th grade) but not yet 21 years old with an interest in learning more about careers in the field of Law Enforcement. Law Enforcement Exploring provides educational training programs for young adults on the purposes, mission, and objectives of law enforcement. The program provides career orientation experiences, leadership opportunities, and community service activities. The primary goals of the program are to help young adults choose a career path within law enforcement and to challenge them to become responsible citizens of their communities and the nation.

The Monroe Police Department Citizens Academy allows the residents to gain firsthand knowledge about the law enforcement profession. This program lasts for nine weeks and allows our citizens to tour the facilities, attend classroom lectures and participate in various practical exercises that law enforcement officers encounter on a daily basis.

The Monroe Fire Department maintained accredited agency status through the Commission on Fire Accreditation International. This is significant not only for the city and fire department but for our residents, business owners and visitors to Monroe. The fire department also received re-certification through the North Carolina Association of Rescue & EMS in the areas of heavy rescue, high angle rescue, confined space rescue and water rescue.

The department continued to pursue various goals and objectives included in the department's 2009 strategic plan, closing out the life cycle of this plan. The department also developed a new five year plan, the 2014-2018 Monroe Fire Department Strategic Plan, which includes various goals and objectives for the department. This community driven planning process included input from citizens as well as fire department members.

The fire department received a routine five year inspection by the North Carolina Department of Insurance, Office of the State Fire Marshal in May 2014. The department met the requirements for a rated and certified fire department in the state of North Carolina. This state agency inspection ensures that the fire department is meeting minimum standards for providing fire protection for our citizens and a safe work environment for our employees.

The city continues to hold a Class 3 fire insurance rating from the Insurance Services Office (ISO), which reflects well on the city's professional fire operations and water system infrastructure. This rating also allows the city's businesses and homes to enjoy lower fire insurance premiums.

The Fire Department held its third annual awards banquet to recognize the accomplishments of Monroe firefighters throughout the course of the year. In addition to other awards, nine company citations were awarded to Monroe fire companies for performing outstanding levels of service.

The City of Monroe continues to aggressively seek funding for roadway improvements. Multiple projects that are associated with the Downtown Master Plan as well as the transportation solutions developed by a related transportation study to enhance the development of the Downtown area are waiting funding. In addition, the City has design and construction drawings prepared for the re-alignment of Concord Avenue with Charlotte Avenue to address congestion as vehicles move out of the Downtown Area and once funding is obtained, will be in position to bid and construct this much needed improvement. The City is constantly looking at methods and practices to adequately maintain existing infrastructure and extend our transportation dollars. Chip sealing is one such practice introduced recently that will enable the resurfacing of more miles of streets each year through significantly reduced cost when compared to the traditional asphalt overlay.

The City of Monroe, Mayor and Council and concerned citizens would like to give Downtown its own market niche. City Council has approved a Master Plan for the downtown area. Opening new businesses Downtown, thereby improving the business mix, attracting shoppers and residents, raising property values and sales tax revenues are all elements of the plan. Restored buildings, attractive storefronts and pedestrian friendly walks and streets will gradually change and reinforce the public's perception that Downtown is the 'heart and soul' of Union County. Monroe which is designated a National Trust Main Street Community, uses the Main Street approach to Downtown revitalization, a comprehensive, incremental four-point approach. The revitalization effort will focus on the areas of design, organization, promotion, and economic restructuring: a practical Downtown management strategy, in combination with the Downtown Master Plan, will produce fundamental changes in the Downtown's economic base. The City has completed City Hall parking lot repairs, made needed street tree replacement and sidewalk repairs, ADA ramps, hosted downtown special events and promotions of downtown as a destination. This year we introduced a new event, Pops on the Plaza, in partnership with the Union Symphony. One property was acquired by private investors for rehab and twelve new businesses located downtown. The City acquired one property by donation and purchased the Center Theatre with occupancy tax funds. The value of new public investment in downtown was \$625,000 and private investment was \$594,800 for a total public/private investment in downtown of approximately \$1,219,800, as reported to North Carolina Main Street. Volunteers logged 1,555 hours assisting with events and other revitalization efforts.

The IT department is continuing to update the City's server hardware and software infrastructure. The tablet technology that has been deployed to field personnel has been a success. Field personnel are able to communicate and access data, which allows them to be more effective on site. IT is still continuing to work with the Fire Department to assist in their new software implementation. The planned completion of this project is January 2015. The IT department has made several improvements and additions to the camera and access control system. The LaserFiche document management system has been upgraded to include workflow and e-forms. Developing e-form and workflow will be part of the City's IT capability and infrastructure improvements. The IT department will be replacing the current 8 year old IBM iSeries server with a new pSeries Server and also adding a second pSeries as a redundant system.

The City of Monroe pursues grant funding to provide resources for the completion of various projects. The City has received funding from the Federal Aviation Administration and the NC Division of Aviation including \$2.6 million for the airport runway overlay and strengthening and apron pavement rehabilitation project, approximately \$1 million for safety area improvements and installation of a new localizer, \$100,267 for the replacement of the glide slope and \$300,000 for security fencing.

During the 2013-2014 year, the Police Department utilized the remainder of a previously awarded grant in the amount of \$12,065 to upgrade existing in-car laptop computer systems. The US Department of Transportation, Division of Pipeline and Hazardous Materials Safety Administration awarded the City a

grant for enhancements to the City's training facility. This facility provides a stage for training that is beneficial for our first responders to be able to respond to ruptured natural gas lines.

The City of Monroe, in partnership with Monroe-Union County Community Development Corporation on behalf of Union County administered a \$225,000 Community Development Block Grant. Funds were used to assist low-moderate income families with housing rehabilitation throughout the County. About half of this grant has been expended.

Long-Term Financial Planning and Major Initiatives

The city seeks to maintain a strong financial position. This objective requires regular long-term planning of operating and capital requirements for its major general government and enterprise programs. In doing so, the City relies on key financial policies and procedures for dealing with future events in financially responsible ways.

Annually, the City adopts a 5-year Capital Improvement Program (CIP) that looks ahead to project and plan for capital needs. The program outlines each capital project, the estimated cost, description and funding source. This city takes into consideration and monitors CIP needs that require additional operating costs and personnel. Monroe City Council and management are committed to budgeting and managing all resources in the most cost-effective manner.

As part of the City's strategic plan, the Monroe City Council has formally assigned fund balance for use in future years for the airport and street resurfacing. It has also established a capital reserve fund to accumulate funds for greenway construction. The City is planning to update its Land Development Plan in the upcoming year. The City is focusing on re-development projects in two areas. The first is the Kerr Street area where the City wishes to improve the aesthetics, safety, viability and appeal of the area through a comprehensive small area redevelopment plan. The second area is the Sutton Park area. A redevelopment plan is being designed to evaluate existing parcels and make recommendations to redevelop the area to attract new businesses and create business for the local park and surrounding community.

In order to grow and enhance the overall economy of the area, the City has formed a partnership with Union County to establish a county-wide economic development organization called Monroe-Union County Economic Development. After receiving input from a wide selection of Union County via municipal government meetings, a work plan was developed. The goals of this plan are to:

- Create more job opportunities
- Generate additional industrial/commercial capital investment
- Better define Union County for the various target audiences

Monroe-Union County Economic Development will seek to accomplish these goals through broad and focused marketing methods; aggressive recruitment missions; continued, enhanced existing industry programs; and new product development. The objective is to average \$60 million in new capital investment from both existing and new companies on an annual basis. As of September 1, 2014, there has been \$23 million in capital investment announced.

Relevant Financial Policies

The City regularly reviews revenues and expenditures throughout the fiscal year. During the course of the year, if actual revenues are expected to fall short of the budgeted amount, expenditures are reduced to ensure that a shortage of funds or a significant use of fund balance does not occur. City financial policy dictates that our current operating revenues be sufficient to support current operating expenditures.

The City administers a cash management and investment program that seeks to maximize, in order of priority, the preservation of funds, liquidity and interest earnings over its cash and investments. Cash resources of the individual funds are combined to form a pool of cash and investments. The average cash and investment pool balance during the year was \$112,459,258. Investment income includes the change in the fair value of investments. During the year monies were invested and secured in accordance with state law.

A key financial goal of the City for many years has been the maintenance of a fund balance policy in the General Fund. The City of Monroe restricts the use of the greater of \$7,500,000 or 25% of the next year's original adopted budget, net of Federal and State pass-through revenues. In addition, the City has desired to appropriate a portion of fund balance resulting from positive budget variances for one-time capital expenses. Council has the ability to accomplish this by formally assigning money for spending on specific capital projects. Other practices followed are designed to avoid the meeting of recurring expense needs with one-time revenue resources and to ensure an ongoing mix of pay-as-you-go funding of capital needs with long-term debt.

Awards and Acknowledgements

Awards. The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Monroe for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the 21st consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

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

Acknowledgements. The preparation of this report is a very intensive project, and could not have been accomplished without the assistance and dedication of the Finance Department staff and other personnel from various departments who assisted in its preparation. A particular thank you goes to Assistant Finance Director Lisa Strickland, Senior Budget Analyst Mary Lou Clark and Accountant II Ashley Ivey who have provided valuable assistance with financial and accounting expertise this past year.

The Mayor and City Council continue to be very supportive of our efforts to produce the best financial reports possible for our citizens, and they provide leadership and support in maintaining the highest standards of professionalism in the fiscal management of the City. We appreciate their support in granting us the time and funding to generate this document, and allowing us to submit it to the GFOA for consideration. Lastly, we would like to express our appreciation to our independent auditing firm, Martin Starnes & Associates, CPA's, P.A., for their cooperation and assistance in these efforts.

Respectfully submitted,



Larry Faison
City Manager



Greg Demko
Assistant City Manager/Finance Director



Government Finance Officers Association

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

Presented to

**City of Monroe
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

**CITY OF MONROE,
NORTH CAROLINA**

**LIST OF PRINCIPAL OFFICIALS
June 30, 2014**

Elected Officials

Bobby G. Kilgore
Mayor

Dottie Nash
Mayor Pro Tem

Surluta Anthony

Debra Duncan

Freddie Gordon

Billy A. Jordan

Lynn A. Keziah

City Administration

Robert W. Hites, Jr.
Interim City Manager

Brian J. Borne
*Assistant City Manager/Downtown Monroe
Director/ Director of Parks & Recreation*

Greg Demko
Assistant City Manager/ Director of Finance

Bridgette H. Robinson
City Clerk

Joe P. McCollum, Jr.
City Attorney

Bruce Bounds
Director of Information Technology

Russell G. Colbath
Director of Water Resources

Joseph B. Gilliard
Police Chief

Ronald D. Fowler
Fire Chief

James N. Loyd, Jr.
*Director of Engineering &
Stormwater*

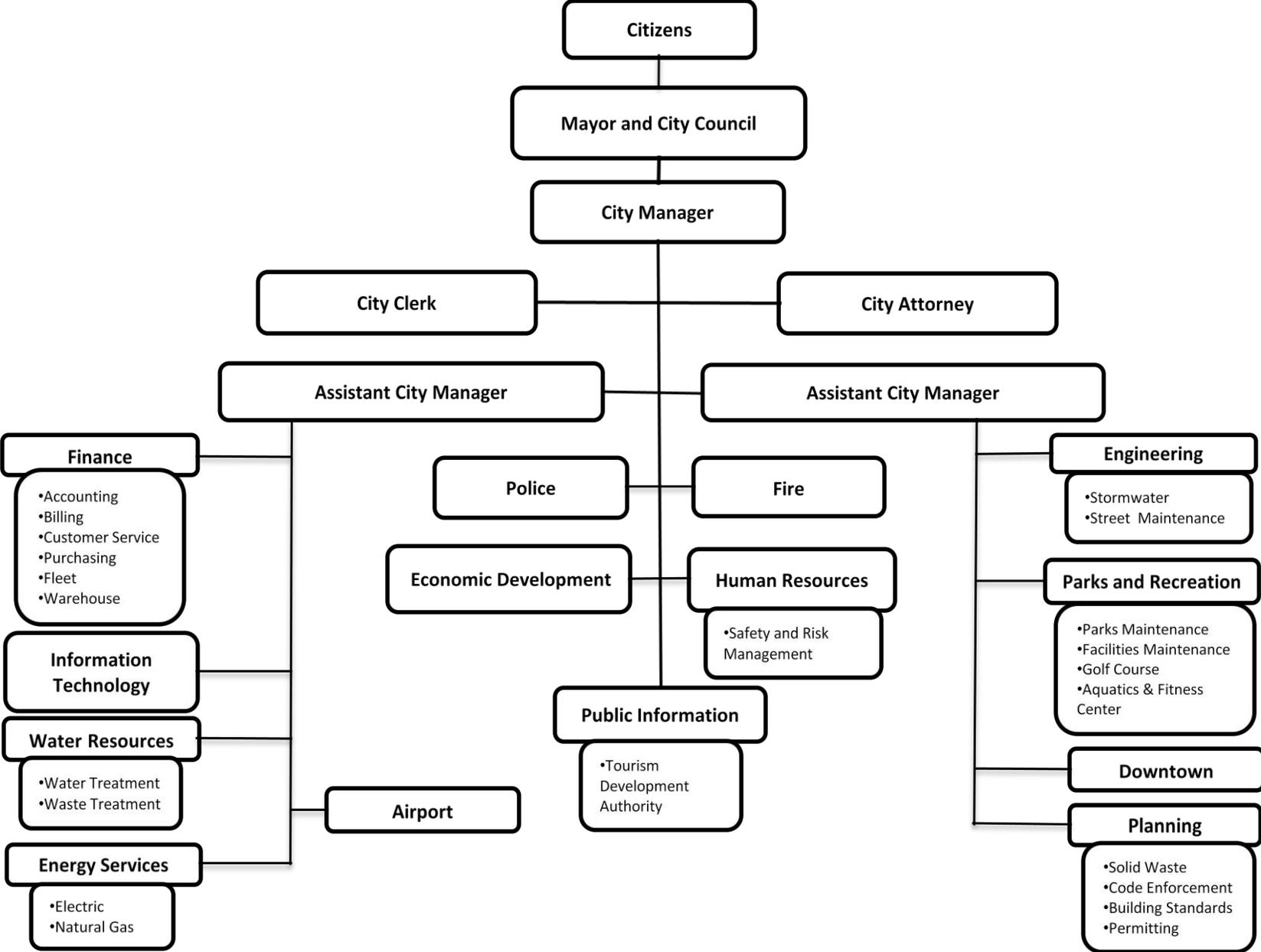
Don D. Mitchell
Director of Energy Services

R. Christopher Platé
*Executive Director of Economic
Development*

Debra C. Reed
Director of Human Resources

Lisa Stiwinter
Director of Planning

City of Monroe, North Carolina Organizational Chart





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 Monroe, 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 Monroe, North Carolina, as of and for the year ended June 30, 2014, 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 Monroe ABC Board and the Monroe Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, 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 Monroe, North Carolina, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014 on our consideration of the City of Monroe'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 prepared in accordance with *Government Auditing Standards* in considering the City of Monroe's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 29, 2014



Management's Discussion and Analysis

As management of the City of Monroe (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

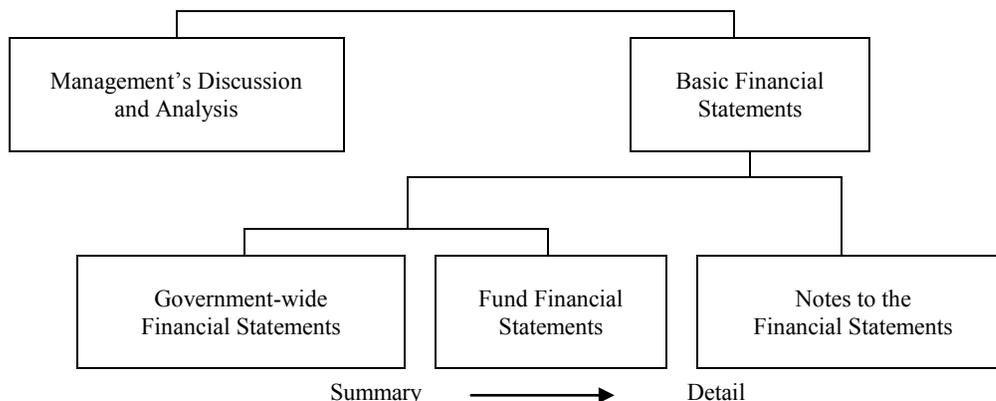
- The assets and deferred outflows of resources of the City of Monroe exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$357,511,865 (net position). Of this amount, \$112,163,403 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$12,938,846. This increase was the total \$2,724,313 from governmental activities and \$10,214,533 for business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27,426,900 an increase of \$4,193,933 in comparison with the prior year. Approximately 18.6 percent of this total amount or \$5,097,733 is non spendable or restricted by state statute.
- At the end of the current fiscal year, unrestricted fund balance (the total of the assigned and unassigned components of fund balance) for the General Fund was \$18,989,551 or 69.8 percent of total general fund expenditures for the fiscal year.
- The City's total debt not including compensated absences and OPEB liability, net of retirements, decreased \$1,719,179 (1.9%) during the current fiscal year. The elements of the decrease were the issuance of an installment financing loan totaling \$850,000 for the purchase of a fire truck, the issuance of a state revolving fund loan which provided proceeds of \$2,914,379 and \$5,483,558 in debt retirements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to City of Monroe'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 Monroe.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits 3 through 10) 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 it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and, 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, golf course and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer, electric, natural gas, stormwater maintenance, solid waste collection, aquatics and fitness, and airport services offered by the City of Monroe. The final category is the component units. Although legally separate from the City, the ABC Board and the Tourism Development Authority are important to the City because the City exercises control over both Boards by appointing their members. The component units are also required to distribute a portion of their profits to the City.

The government-wide financial statements are on Exhibits 1 and 2 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 Monroe, 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 North Carolina General Statutes or the City's budget ordinance. All of the funds of City of Monroe 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 Monroe maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. These other eight governmental funds are made up of two capital projects funds, a capital reserve fund and five special revenue funds including Community Development, Downtown Monroe, Occupancy Tax, State Grant Programs and Monroe-Union County Economic Development.

The City of Monroe adopts an annual budget for its General Fund, as required by North Carolina 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 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 Council; 2) the final budget as amended by the 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The City of Monroe maintains two types of proprietary funds: enterprise and internal service. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, electric, natural gas, aquatics and fitness center, stormwater, sanitation and airport operations. These funds are the same as those functions shown in the business-type activities in the Statement of Activities.

Internal service funds are an accounting tool used to accumulate and allocate costs internally among various functions. The City utilizes an internal service fund for its health, worker's compensation and property and casualty insurance. Because services accounted for in the internal service fund predominately benefit governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 36 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 Monroe's progress in

funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 91 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 government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

The following is a summary of the City's net position for governmental and business-type activities for the current year as compared to the prior year. For more detail see the Statement of Net Position on page 18-19.

City of Monroe's Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$35,003,708	\$30,502,667	\$103,612,514	\$98,985,820	\$138,616,222	\$129,488,487
Capital assets	73,351,732	74,086,712	254,010,601	249,746,056	327,362,333	323,832,768
Deferred outflows of resources	-	-	389,041	451,247	389,041	451,247
Total assets and deferred outflows of resources	<u>108,355,440</u>	<u>104,589,379</u>	<u>358,012,156</u>	<u>349,183,123</u>	<u>466,367,596</u>	<u>453,772,502</u>
Long-term liabilities outstanding	9,777,762	8,728,574	82,792,339	84,360,126	92,570,101	93,088,700
Other liabilities	4,085,688	3,484,348	12,196,059	12,013,772	16,281,747	15,498,120
Deferred inflows of resources	3,883	612,663	-	-	3,883	612,663
Total liabilities and deferred inflows of resources	<u>13,867,333</u>	<u>12,825,585</u>	<u>94,988,398</u>	<u>96,373,898</u>	<u>108,855,731</u>	<u>109,199,483</u>
Net position:						
Net investment in capital assets	69,143,499	69,783,964	169,721,094	160,289,190	238,864,593	230,073,154
Restricted	6,483,869	5,664,381	-	-	6,483,869	5,664,381
Unrestricted	18,860,739	16,315,449	93,302,664	92,520,035	112,163,403	108,835,484
Total net position	<u>\$94,488,107</u>	<u>\$91,763,794</u>	<u>\$263,023,758</u>	<u>\$252,809,225</u>	<u>\$357,511,865</u>	<u>\$344,573,019</u>

The assets and deferred outflows of the City of Monroe exceeded liabilities and deferred inflows by \$357,511,865 as of June 30, 2014. Of the City's total net position \$238,864,593 (66.8%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its 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 (\$6,483,869) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$112,163,403 (31.4%) is unrestricted. This amount may be used at the City's discretion in meeting its ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Monroe is able to report positive balances in all reported categories of net position for the government as a whole. The State Grant Programs fund had a negative unassigned fund balance of \$1,768 due to an expenditure that did not meet the minimum threshold for grant reimbursement. The amount was due to the general fund and the City has already received reimbursement subsequent to June 30, 2014. All individual governmental and business-type activities reported positive balances in the prior fiscal year.

The City's net position has increased by \$12,938,846 during the current fiscal year. During the current fiscal year, net position for governmental activities increased \$2,724,313 from the prior fiscal year for an ending balance of \$94,488,107. The increase in the overall net position of governmental activities is primarily the result of the transfer of capital assets for the City's golf course to the General Fund from the Aquatics and Fitness Center business-type fund. The net position for business-type activities increased \$10,214,533. The biggest part of this increase was due to increased cash provided by operating activities in the City's electric, natural gas, and water and sewer operations.

The following is a summary of the City's governmental and business-type activities for fiscal year 2014, including revenues and expenses, with a comparison to the prior year. For more detail see the Statement of Activities on page 20-21.

**City of Monroe's Changes in Net Position
Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$7,200,416	\$5,164,736	\$100,388,738	\$91,647,333	\$107,589,154	\$96,812,069
Operating grants and contributions	2,059,848	1,777,052	-	-	2,059,848	1,777,052
Capital grants and contributions	474,880	438,240	3,590,892	880,066	4,065,772	1,318,306
General revenues:						
Property taxes	19,767,102	19,434,248	-	-	19,767,102	19,434,248
Other taxes	8,946,739	8,959,022	-	-	8,946,739	8,959,022
Other	1,557,626	604,647	2,013,988	(1,181,257)	3,571,614	(576,610)
Total revenues	40,006,611	36,377,945	105,993,618	91,346,142	146,000,229	127,724,087
Expenses:						
General government	\$4,896,697	\$4,354,092	\$ -	\$ -	\$4,896,697	\$4,585,407
Transportation	5,216,324	4,800,898	-	-	5,216,324	4,800,898
Public safety	19,813,339	19,067,354	-	-	19,813,339	19,067,354
Culture and recreation	4,899,836	4,069,603	-	-	4,899,836	4,069,603
Economic and physical development	1,578,796	1,015,869	-	-	1,578,796	1,015,869
Interest in long-term debt	163,594	229,022	-	-	163,594	229,022
Water and sewer	-	-	15,161,863	12,356,543	15,161,863	12,356,543
Electrical	-	-	55,558,613	51,729,072	55,558,613	51,729,072
Natural Gas	-	-	14,844,112	12,710,031	14,844,112	12,710,031
Aquatics and Fitness Center and Golf Course	-	-	3,607,379	4,885,919	3,607,379	4,885,919
Stormwater	-	-	1,674,229	1,874,073	1,674,229	1,874,073
Solid waste	-	-	2,067,047	2,212,669	2,067,047	2,212,669
Airport	-	-	3,579,554	3,771,235	3,579,554	3,771,235
Total expenses	36,568,586	33,536,838	96,492,797	89,539,542	133,061,383	123,076,380
(Decrease) Increase in net position before transfers	3,438,025	2,841,107	9,500,821	1,806,600	12,938,846	4,647,707
Transfers	(713,712)	(4,639,599)	713,712	4,639,599	-	-
(Decrease) Increase in net position	2,724,313	(1,798,492)	10,214,533	6,446,199	12,938,846	4,647,707
Net position, beginning as previously stated	91,763,794	93,562,286	252,809,225	247,261,200	344,573,019	340,823,486
Prior Period Adjustment	-	-	-	(898,174)	-	(898,174)
Net position, beginning as restated	91,763,794	93,562,286	252,809,225	246,363,026	344,573,019	339,925,312
Net position, ending	\$94,488,107	\$91,763,794	\$263,023,758	\$252,809,225	\$357,511,865	\$344,573,019

Governmental activities – Governmental activities increased the City of Monroe's net position by \$2,724,313. Key elements of this net increase are as follows:

- The increase in Charges for Services consisted of three components. The first was an increase in the amount of \$676,125 due to golf course revenue that was previously accounted for as a business-type activity. The second was an increase of \$688,500 for stop-loss insurance reimbursements that were allocated from the Health and Dental Fund. The final component was an increase of \$483,855 in the contribution amount to the Health and Dental Fund.

- The increase of \$282,796 in Operating Grants and Contributions was primarily due to payments received from Union County for an interlocal agreement to provide county-wide economic development services.
- Other Taxes stayed about the same due to offsetting increases in sales tax revenue, motor vehicle taxes and utility franchise taxes and a decrease in privilege license tax and local franchise fee revenue.
- The increase of \$952,979 in Other Revenue consisted primarily of an increase in interest earnings on investments.
- Expenses increased in most categories due to an increase in health claims and premiums.
- Expenses increased in the Culture and Recreation category due to the transfer in of the golf course operation from the business-type activities.

Business-type activities – Business-type activities increased the City of Monroe’s net position by \$10,214,533. Key elements of this net increase are as follows:

- Charges for Services increased in the Water and Sewer Fund due to a rate increase of 2.3%.
- The golf course activity was moved from the City’s Aquatics and Fitness Center Fund to the General Fund. This decreased the revenue and expense for the Aquatic and Fitness Center Fund.
- Electric revenue and expense increased significantly due to a rate increase of 7% to offset increased rates for the purchase of wholesale power.
- Natural Gas revenue increased due to a rate increase of 4.88% to make up lost revenue due to decreased demand.
- The increase in Capital Grants and Contributions was due to grant reimbursements for airport expansion projects.
- The increase in Other Revenue was primarily due to an increase in interest earnings on investments.

Financial Analysis of the City’s Funds

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

Governmental Funds – The focus of the City of Monroe’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City’s financing requirements. Specifically, unassigned fund balance can be a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At June 30, 2014, the governmental funds of City of Monroe reported a combined fund balance of \$27,426,900, which is an increase of \$4,193,933 from last year’s total of \$23,232,967. Of the governmental funds combined ending fund balances, \$6,530,911 represents unassigned fund balance and is available for spending at the City’s discretion. The remainder of fund balance is classified as follows:

- 1). Non spendable to indicate that it is not available for spending, as it is not in spendable form (\$1,151,779).
- 2). Restricted to indicate that it is restricted to specific purposes as imposed by law (\$6,597,705);
- 3). Committed to indicate that it can only be used for a specific purpose as determined by a formal City Council action (\$587,885);
- 4). Assigned to indicate that it is intended to be used for a specific purpose (\$12,558,620).

More information about fund balance is available in section 1.E.12 and section VIII. in the notes to the financial statements.

The general fund is the chief operating fund of the City of Monroe. As of June 30, 2014 the fund balance in the General Fund was \$24,967,929, an increase of \$3,762,301 in comparison with the prior year. Of

the total fund balance in the General Fund, \$6,532,679 (26.2%) was unassigned fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24.0% of total general fund expenditures, while total fund balance represents 91.7% of that same amount. In addition to this amount, \$8,197,194 is reserved by a minimum fund balance policy that has been adopted by City Council. Revenues exceeded expenditures prior to transfers by \$6,111,538 due to revenue exceeding projections and savings in expenditures. Transfers of available fund balance were primarily for airport capital projects, airport operations and airport debt retirement.

The Other Government Funds which consist of the Capital Projects Fund, Occupancy Tax Projects Fund, a Governmental Capital Reserve Fund and special revenue funds for Community Development, Downtown Monroe, Occupancy Tax, State Grant Programs and Monroe-Union County Economic Development also impact the total fund balance for governmental funds. The reason for the increase of \$431,632 in this category is due primarily to transfers into the capital projects fund for the construction of Streetscape Phase III, Secrest Shortcut Sidewalk and the St James subdivision street project. \$239,764 was collected for a future occupancy tax capital project. The Governmental Capital Reserve Fund was newly formed this year to accumulate funds for the construction of greenways.

Proprietary Funds – The City of Monroe's proprietary funds provide the same type of information found in the government-wide statements but in more detail. The table below presents the unrestricted net position and the growth in total net position for all proprietary funds.

City of Monroe's Unrestricted Net Position
Figure 4

	Unrestricted Net Assets		Change in Total Net Position	
	2014	2013	2014	2013
Water and Sewer	\$26,356,538	\$25,715,765	\$1,364,366	\$1,871,303
Electric	46,191,661	44,401,015	3,419,981	672,698
Natural Gas	17,726,032	18,165,190	2,602,256	1,418,713
Airport	1,192,916	2,637,635	3,238,130	2,012,041
Aquatics and Fitness Center	1,087,783	1,123,632	(836,826)	325,031
Stormwater	597,352	467,443	170,983	137,960
Solid Waste	430,675	415,195	130,096	244,059

Proprietary Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City's major proprietary funds are water and sewer, electric, natural gas and airport. Minor proprietary funds include Aquatics and Fitness Center, Stormwater and Solid Waste Funds.

The Water and Sewer Fund accounts for the provision of potable water and sewer service to City and non-City residents. All activities necessary to the provision of these services are accounted for in this fund, including, but not limited to administration, plant and line maintenance. As of June 30, 2014, the City of Monroe's water fund reported a total net position of \$78,557,168, an increase of \$1,364,366 in comparison with the prior year. This increase is primarily due to savings realized from operating expenses. Of this amount, \$150,273 was saved in personnel costs, \$128,400 in savings realized on the purchase of pre-treatment chemicals and \$730,282 was carried over to fiscal year 2015 for items that were not complete at fiscal year end.

The Electric Fund accounts for the provision of electric service to City and non-City residents. All activities necessary to the provision of these services are accounted for in this fund, including, but not limited to administration, plant and line maintenance. As of June 30, 2014, the City of Monroe's electric fund reported a total net position of \$107,096,175, an increase of \$3,419,981 in comparison with the prior year. Electric consumption increased 3.6% since last fiscal year. Revenues were up 9.5% due to the increased consumption and a rate increase to offset the increase in the price of purchased power. This resulted in additional unanticipated gross profit of \$1,082,500. Savings of \$196,289 was realized in personnel costs. \$649,972 was carried over to fiscal year 2015 for items that were not complete at fiscal year end.

The Natural Gas Fund accounts for the provision of natural gas service to City and non-City residents. All activities necessary to the provision of these services are accounted for in this fund, including, but not limited to administration, plant and line maintenance. As of June 30, 2014, the City of Monroe's natural gas fund reported total net position of \$44,434,104, an increase of \$2,602,256 in comparison with the prior year. Natural gas sales volume was up 12.4%. Revenues were up 21.0% due to the increased consumption and a rate increase to make up lost revenue due to decreased demand resulting from warmer temperatures in prior years. This resulted in additional unanticipated gross profit of \$1,299,033. The increase in net position is due to both the increased sales and savings from operating expenses which includes \$94,000 for line extensions, \$82,800 in customer incentives and \$385,000 for capital equipment. Focus to target potential customers along existing pipeline is underway.

The Airport Fund accounts for the operation of the Charlotte-Monroe Executive Airport. As of June 30, 2014, the City of Monroe's airport fund reported a total net position of \$22,625,061, an increase of \$3,238,130 in comparison with the prior year. This increase is primarily because of the receipt of grant money for reimbursement of capital improvements in the amount of \$3,115,962 for perimeter security fencing, runway overlay and runway safety area improvements.

General Fund Budgetary Highlights

During the fiscal year, the City of Monroe revised the budget on several occasions. Generally, budget amendments are either amendments made to adjust the estimates that are used to prepare the original budget ordinance once updated information is available or amendments made to recognize new funding amounts from external sources, such as federal and State grants.

Total amendments to the General Fund increased expenditures by \$1,594,582 or 5.3%. The key differences between the original budget and the final amended budget can be briefly summarized as follows:

- Funds were appropriated for prior year encumbrances in the amount of \$522,952 and unspent appropriations (various grants and police equitable sharing) in the amount of \$445,901.
- Donations to the police and fire department totaled \$7,682.
- Funds were appropriated to provide funding for streetscape improvements on both sides of Hayne Street between Windsor and Correll Street \$207,000, a transfer to the Health and Dental Fund \$500,000, replacement of the playground equipment at the Old Armory and Sutton Park \$160,000, Secrest Shortcut sidewalk improvements \$57,600, downtown streetscape design project \$122,500, St. James subdivision street project \$126,510 and fire department radios \$62,400.
- Funds were appropriated to transfer in for reimbursement of Fire Station #4 design \$300,000, and to transfer out for airport expansion \$440,795.

Revenues exceeded final budget by \$2,001,018. This was primarily due to increased collections for sales tax, vehicle property tax, utility franchise fees and investment earnings.

Expenditures were under budget by \$4,737,069. Expenses were down primarily due to savings realized from vacant positions totaling approximately \$604,620, savings in incentive grants totaling \$205,000, debt payments for Fire Station #4 not spent \$422,988 and savings in subsidized funds – golf course \$222,200, Downtown Monroe \$23,000 and Charlotte-Monroe Executive Airport \$293,600. All were due to savings in both personnel and operations, with the biggest savings being from the delay in initiating the customs contract at the airport \$160,000. Expenditures were 90.8% of the final amended expenditure budget. \$797,635 was carried over to fiscal year 2015 for items that were not complete at fiscal year end.

Capital Assets

The following is a summary of the City of Monroe’s capital assets, net of depreciation for governmental and business-type activities for the current year with a comparison to the prior year. Additional information on the City of Monroe’s capital assets can be found in Note IV.A.5 on pages 55 - 62 of this report.

City of Monroe’s Capital Assets (Net of Depreciation)

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and land improvements	\$5,177,435	\$4,867,935	\$16,868,915	\$16,890,871	\$22,046,350	\$21,758,806
Buildings and improvements	12,229,199	11,981,130	49,930,394	31,028,385	62,159,593	43,009,515
Equipment	1,637,538	1,400,786	3,128,990	3,358,720	4,766,528	4,759,506
Vehicles and motorized equipment	3,500,371	3,416,908	2,480,158	2,938,574	5,980,529	6,355,482
Other Intangibles	136,651	121,593	650,396	773,889	787,047	895,482
Infrastructure	50,403,931	52,254,872	171,481,946	171,688,165	221,885,877	223,943,037
Construction in progress	266,607	43,488	9,469,802	23,067,452	9,736,409	23,110,940
Total	\$73,351,732	\$74,086,712	\$254,010,601	\$249,746,056	\$327,362,333	\$323,832,768

The City of Monroe’s investment in capital assets for its governmental and business–type activities as of June 30, 2014, totals \$327,362,333 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, enterprise systems infrastructure, machinery and equipment, park facilities, and vehicles. The total increase in the City’s investment in capital assets for the current fiscal year was \$3,529,565. Major capital asset events during the year included the following:

- Property donation on Lancaster Avenue
- Addition of streets in St. James Village
- City hall renovation
- Relocation of an electric transformer to Goldmine Road
- Replacement of the electric circuit breakers at Hal Coan
- Completion of the Stewart Creek sewer outfall and pump station replacement
- Airport runway extension, overlay and rehab
- Perimeter security fence at the airport

Construction in progress totaling \$9,736,409 has decreased slightly from last year. Projects included in this amount are as follows:

- General – Construction of Fire Station #4
- Electric – Construction of the speculative building and electric system renewal and replacement projects
- Natural Gas – system expansion.
- Airport – customs building construction, repair of the runway safety area and replacement of the localizer.

Debt Administration

The following is a summary of the City's long-term debt for governmental and business-type activity for the current year with a comparison to the prior year. Additional information on long-term debt can be found in note IV.B.7 beginning on page 75 of this report.

City of Monroe's Outstanding Debt
Figure 6

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Install purchase obligations	\$4,322,069	\$4,302,746	\$820,482	\$1,690,637	\$5,142,551	\$5,993,383
Revenue bonds	-	-	\$43,394,495	45,706,692	\$43,394,495	45,706,692
State revolving loans	-	-	\$10,591,510	8,504,208	\$10,591,510	8,504,208
Certificates of participation	-	-	\$29,872,061	30,515,513	\$29,872,061	30,515,513
Total	\$4,322,069	\$4,302,746	\$84,678,548	\$86,417,050	\$89,000,617	\$90,719,796

As of June 30, 2014, the City of Monroe had total debt outstanding of \$89,000,617. The City's bonded debt, \$43,394,495, represents bonds secured by the combined revenues of the major business-type funds which include water and sewer, electric, natural gas and airport. The certificates of participation were issued to fund the construction of a natural gas pipeline. The City's total debt, net of retirements, decreased \$1,719,179 during the fiscal year. The primary elements of this change were issuance of an installment financing totaling \$850,000 for the purchase of a fire truck, the issuance of a state revolving fund loan which provided proceeds of \$2,914,379 and \$5,483,558 in debt retirements.

The City of Monroe has an A2 bond rating from Moody's Investor Service and A+ rating from Standard & Poor's Rating Services for the Combined Enterprise Fund Revenue Bonds. Standard & Poor's Rating Services has raised its rating on the Certificates of Participation from AA to A+ based on a recent rating review. These ratings and rating upgrade are indications of the sound financial condition and stable outlook of the City of Monroe.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Monroe is \$260,116,851.

Economic Factors and Next Year's Budgets and Rates

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

- The annual unemployment rate for City of Monroe has dropped to 6.1%, which is a decrease of 2.4% from last year. This rate is higher than Union County's rate of 5.7% but less than the State's average rate of 6.4%.
- The taxable value of commercial and residential property increased 0.3% from fiscal year 2013 to fiscal year 2014.
- Population increased 1.5% from 33,201 in 2013 to 33,708 in 2014.

Governmental Activities – The City maintained the property tax rate of .555 for fiscal year 2015. The economic conditions that form the foundation of the City's revenues for the upcoming year indicate some improvement in sales tax and other consumer oriented revenues. City of Monroe's fiscal year 2015 budget holds spending to prior year levels in the operating accounts. In the FY 2015 budget we have been able to preserve a high level of service and undertake capital investments like the design for intersection improvements at US 74 and Secrest Shortcut Road, purchase of property for Belk Tonawanda Park, appropriate \$300,000 for the match of a Grant for the Bearskin Creek Greenway, the addition of \$250,000 to provide 50% of the funds necessary to complete the repair and replacement of existing sidewalks, an initial appropriation of \$200,00 for the redevelopment of the Kerr Street

neighborhood and \$60,000 for the design of the Lancaster Gateway Park. The budget preserves nearly \$1.5 million of available fund balance for the future capital needs of the City. In addition to capital projects, the budget funds a 26.1% increase to the City's self funded health care program.

Business-type Activities – Water rates were increased by 5.3 to plan for the significant anticipated cost of future capital projects and necessary system improvements. As a first step in a cost of service study to more closely track wholesale electric charges, commercial and industrial electric rates were increased between 0.8% and 8.9%. Stormwater rates were increase \$.50 per equivalent residential unit to maintain service levels and provide funds for major projects. Natural gas, sewer and solid waste rates remained the same. With the extensive planning within our water, sewer, electric and natural gas services, Monroe stands alone in Union County to meet any and all residential and industrial development needs. Being ready and able to meet these needs puts Monroe in an excellent position to grow our City as the economic recovery progresses.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the City of Monroe Department of Finance at 300 West Crowell Street, Monroe, North Carolina, 28112, or visit the City's website at www.monroenc.org.



Basic Financial Statements

The Basic Financial Statements provide a summary overview of the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information at June 30, and the respective changes in financial position and cash flows, where appropriate for the year then ended.

- Government-Wide Financial Statements
 - Fund Financial Statements
 - Governmental Fund Financial Statements
 - Proprietary Fund Financial Statements
 - Notes to Financial Statements
 - Required Supplemental Information
-

CITY OF MONROE, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	City of Monroe ABC Board	Monroe Tourism Development Authority
Assets:					
Current assets:					
Cash and cash equivalents	\$ 27,762,110	\$ 88,362,639	\$ 116,124,749	\$ 711,974	\$ 51,622
Taxes receivable	1,169,833	-	1,169,833	-	-
Accounts receivable	504,232	7,800,059	8,304,291	7,968	37,714
Note receivable - short-term	49,234	1,079,884	1,129,118	-	-
Internal balances - short-term	280,293	(280,293)	-	-	-
Due from other governments	2,853,826	-	2,853,826	-	-
Due from component units	77,876	-	77,876	-	-
Inventories	224,143	3,917,041	4,141,184	178,792	1,287
Prepays	1,037,890	211,172	1,249,062	14,379	10,631
Loans receivable (net)	34,516	-	34,516	-	-
Total current assets	<u>33,993,953</u>	<u>101,090,502</u>	<u>135,084,455</u>	<u>913,113</u>	<u>101,254</u>
Restricted assets:					
Cash and cash equivalents	<u>697,975</u>	<u>582,827</u>	<u>1,280,802</u>	-	-
Non-current assets:					
Note receivable	<u>1,208,426</u>	<u>1,042,539</u>	<u>2,250,965</u>	-	-
Internal balances - long term	<u>(896,646)</u>	<u>896,646</u>	-	-	-
Capital assets:					
Land, non-depreciable improvements, and construction in progress	5,444,042	26,338,717	31,782,759	317,013	-
Other capital assets, net of depreciation	<u>67,907,690</u>	<u>227,671,884</u>	<u>295,579,574</u>	<u>634,449</u>	-
Total capital assets	<u>73,351,732</u>	<u>254,010,601</u>	<u>327,362,333</u>	<u>951,462</u>	-
Total non-current assets	<u>73,663,512</u>	<u>255,949,786</u>	<u>329,613,298</u>	<u>951,462</u>	-
Total assets	<u>108,355,440</u>	<u>357,623,115</u>	<u>465,978,555</u>	<u>1,864,575</u>	<u>101,254</u>
Deferred Outflows of Resources	-	<u>389,041</u>	<u>389,041</u>	-	-
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	689,985	6,445,768	7,135,753	222,928	9,161
Due to primary government	-	-	-	48,500	29,376
Current portion of long-term liabilities	2,283,886	5,125,393	7,409,279	-	-
Unearned revenue	561,757	42,071	603,828	-	-
Payable from restricted assets	88,865	582,827	671,692	-	-
Property claims liability	547	-	547	-	-
Workers' compensation claims	17,429	-	17,429	-	-
Healthcare benefits claims	443,219	-	443,219	-	-
Long-term liabilities:					
Pension obligation	96,391	-	96,391	-	-
OPEB liability	5,668,536	2,511,089	8,179,625	-	-
Due in more than one year	<u>4,012,835</u>	<u>80,281,250</u>	<u>84,294,085</u>	-	-
Total liabilities	<u>13,863,450</u>	<u>94,988,398</u>	<u>108,851,848</u>	<u>271,428</u>	<u>38,537</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MONROE, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	City of Monroe ABC Board	Monroe Tourism Development Authority
Deferred Inflows of Resources	3,883	-	3,883	-	-
Net Position:					
Net investment in capital assets	69,143,499	169,721,094	238,864,593	951,462	-
Restricted for:					
Stabilization by State statute	3,945,954	-	3,945,954	-	37,714
Streets	563,970	-	563,970	-	-
Federal Equitable Sharing (DEA)	325,214	-	325,214	-	-
Economic development	1,648,731	-	1,648,731	112,730	-
Tourism promotion	-	-	-	-	25,003
Unrestricted	18,860,739	93,302,664	112,163,403	528,955	-
Total net position	\$ 94,488,107	\$ 263,023,758	\$ 357,511,865	\$ 1,593,147	\$ 62,717

The notes to the financial statements are an integral part of this statement.

CITY OF MONROE, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 4,896,697	\$ 2,349,563	\$ -	\$ 170,000
Transportation	5,216,324	297,176	960,634	304,880
Public safety	19,813,339	3,054,633	447,852	-
Culture and recreation	4,899,836	1,499,044	239,764	-
Economic and physical development	1,578,796	-	411,598	-
Interest on long-term debt	163,594	-	-	-
Total governmental activities	<u>36,568,586</u>	<u>7,200,416</u>	<u>2,059,848</u>	<u>474,880</u>
Business-Type Activities:				
Water and sewer	15,161,863	15,528,612	-	474,930
Electric	55,558,613	58,056,611	-	-
Natural gas	14,844,112	17,185,199	-	-
Aquatics and Fitness Center	3,607,379	3,587,940	-	-
Stormwater	1,674,229	1,896,896	-	-
Solid waste	2,067,047	2,190,426	-	-
Airport	3,579,554	1,943,054	-	3,115,962
Total business-type activities	<u>96,492,797</u>	<u>100,388,738</u>	<u>-</u>	<u>3,590,892</u>
Total primary government	<u>\$ 133,061,383</u>	<u>\$ 107,589,154</u>	<u>\$ 2,059,848</u>	<u>\$ 4,065,772</u>
Component Units:				
ABC Board	\$ 3,825,643	\$ 3,824,424	\$ -	\$ -
Tourism Development Authority	371,909	-	359,648	-
Total component units	<u>\$ 4,197,552</u>	<u>\$ 3,824,424</u>	<u>\$ 359,648</u>	<u>\$ -</u>

General Revenues:

Taxes:
 Property taxes, levied for general purpose
 Local option sales tax
 Utility taxes
 Other taxes
 Unrestricted investment earnings (loss)
 Interest earnings on interfund loans
 Miscellaneous
 Total general revenues
 Transfers
 Total general revenues and transfers

Change in net position

Net Position:

Beginning of year, July 1

End of year, June 30

The notes to the financial statements are an integral part of this statement.

Exhibit 2

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	City of Monroe ABC Board	Monroe Tourism Development Authority
\$ (2,377,134)	\$ -	\$ (2,377,134)	\$ -	\$ -
(3,653,634)	-	(3,653,634)	-	-
(16,310,854)	-	(16,310,854)	-	-
(3,161,028)	-	(3,161,028)	-	-
(1,167,198)	-	(1,167,198)	-	-
(163,594)	-	(163,594)	-	-
(26,833,442)	-	(26,833,442)	-	-
-	841,679	841,679	-	-
-	2,497,998	2,497,998	-	-
-	2,341,087	2,341,087	-	-
-	(19,439)	(19,439)	-	-
-	222,667	222,667	-	-
-	123,379	123,379	-	-
-	1,479,462	1,479,462	-	-
-	7,486,833	7,486,833	-	-
(26,833,442)	7,486,833	(19,346,609)	-	-
-	-	-	(1,219)	-
-	-	-	-	(12,261)
-	-	-	(1,219)	(12,261)
19,767,102	-	19,767,102	-	-
5,136,372	-	5,136,372	-	-
1,887,999	-	1,887,999	-	-
1,922,368	-	1,922,368	-	-
366,018	1,492,723	1,858,741	1,412	-
-	88,622	88,622	-	-
1,191,608	432,643	1,624,251	-	29,914
30,271,467	2,013,988	32,285,455	1,412	29,914
(713,712)	713,712	-	-	-
29,557,755	2,727,700	32,285,455	1,412	29,914
2,724,313	10,214,533	12,938,846	193	17,653
91,763,794	252,809,225	344,573,019	1,592,954	45,064
\$ 94,488,107	\$ 263,023,758	\$ 357,511,865	\$ 1,593,147	\$ 62,717

The notes to the financial statements are an integral part of this statement.

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 22,211,715	\$ 2,557,869	\$ 24,769,584
Receivables:			
Taxes	1,125,942	43,891	1,169,833
Accounts	345,892	1,787	347,679
Due from other governments	2,853,586	240	2,853,826
Due from component unit	48,500	29,376	77,876
Due from other funds	1,768	-	1,768
Inventories	224,143	-	224,143
Prepays	914,342	13,294	927,636
Loans receivable (net)	-	34,516	34,516
Cash and cash equivalents - restricted	677,806	-	677,806
Total assets	<u>\$ 28,403,694</u>	<u>\$ 2,680,973</u>	<u>\$ 31,084,667</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 568,327	\$ 141,827	\$ 710,154
Accounts payable to be paid from restricted assets	68,696	-	68,696
Due to other funds	98,391	1,768	100,159
Prepaid privilege license	561,757	-	561,757
Advances from other funds	798,255	-	798,255
Total liabilities	<u>2,095,426</u>	<u>143,595</u>	<u>2,239,021</u>
Deferred Inflows of Resources	<u>1,340,339</u>	<u>78,407</u>	<u>1,418,746</u>
Fund Balances:			
Non-spendable:			
Inventories	224,143	-	224,143
Prepays	914,342	13,294	927,636
Restricted:			
Stabilization by State Statute	3,836,873	109,081	3,945,954
Public safety	439,050	-	439,050
Transportation	563,970	-	563,970
Occupancy tax capital projects	-	1,463,473	1,463,473
Economic development	-	185,258	185,258
Committed:			
Culture and recreation	-	100,000	100,000
Capital projects	-	487,885	487,885
Assigned:			
Minimum fund balance requirement	8,197,194	-	8,197,194
Airport grant acceptance	829,678	-	829,678
Airport operations - 5-year subsidy	1,000,000	-	1,000,000
Street resurfacing - 5-year program	1,200,000	-	1,200,000
Subsequent year's expenditures	1,230,000	-	1,230,000
Community development	-	56,562	56,562
Downtown Monroe	-	45,186	45,186
Unassigned	6,532,679	(1,768)	6,530,911
Total fund balances	<u>24,967,929</u>	<u>2,458,971</u>	<u>27,426,900</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,403,694</u>	<u>\$ 2,680,973</u>	<u>\$ 31,084,667</u>

The notes to the financial statements are an integral part of this statement.

**RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

	Total Governmental Funds
Amounts reported for governmental activities in the Statements of Net Position are different because:	
Fund balances - total governmental funds (Exhibit 3)	\$ 27,426,900
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Gross capital assets at historical cost	\$ 136,688,335
Accumulated depreciation	<u>(63,336,603)</u> 73,351,732
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Pension obligation	(96,391)
Note receivable from outside party	1,257,660
Internal service funds are used by management to charge the costs of health and dental insurance to individual funds. The current assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	1,518,970
Internal service funds are used by management to charge the costs of workers' compensation to individual funds. The current assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	758,344
Internal service funds are used by management to charge the costs of property and liability insurance to individual funds. The current assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	540,993
Internal balance due from business-type activities to governmental activities	280,293
Liabilities for earned, but deferred, revenues in fund statements	1,414,863
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds (Note II.A.).	<u>(11,965,257)</u>
Net position of governmental activities (Exhibit 1)	<u>\$ 94,488,107</u>

CITY OF MONROE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 19,733,609	\$ 54,734	\$ 19,788,343
Other taxes and licenses	1,126,371	370,771	1,497,142
Unrestricted intergovernmental	7,952,368	-	7,952,368
Restricted intergovernmental	1,408,486	651,362	2,059,848
Sales and services	1,920,737	-	1,920,737
Investment earnings	478,538	2,001	480,539
Miscellaneous	706,040	73,124	779,164
Total revenues	<u>33,326,149</u>	<u>1,151,992</u>	<u>34,478,141</u>
Expenditures:			
Current:			
General government	2,829,038	-	2,829,038
Transportation	2,879,146	-	2,879,146
Public safety	15,844,045	-	15,844,045
Culture and recreation	4,375,019	-	4,375,019
Economic and physical development	-	1,294,437	1,294,437
Capital outlay	-	568,163	568,163
Debt service:			
Principal retirement	1,123,770	-	1,123,770
Interest and other charges	163,593	-	163,593
Total expenditures	<u>27,214,611</u>	<u>1,862,600</u>	<u>29,077,211</u>
Revenues over (under) expenditures	<u>6,111,538</u>	<u>(710,608)</u>	<u>5,400,930</u>
Other Financing Sources (Uses):			
Transfers from other funds	11,123	1,153,363	1,164,486
Transfers to other funds	(3,210,360)	(11,123)	(3,221,483)
Installment purchase obligations issued	850,000	-	850,000
Total other financing sources (uses)	<u>(2,349,237)</u>	<u>1,142,240</u>	<u>(1,206,997)</u>
Net change in fund balances	3,762,301	431,632	4,193,933
Fund Balances:			
Beginning of year, July 1	<u>21,205,628</u>	<u>2,027,339</u>	<u>23,232,967</u>
End of year, June 30	<u>\$ 24,967,929</u>	<u>\$ 2,458,971</u>	<u>\$ 27,426,900</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MONROE, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

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

Net change in fund balances - total governmental funds (Exhibit 5)	\$ 4,193,933
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 depreciation exceeded capital outlays in the current period (Note II.B.).	(734,980)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenue	(45,504)
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 in the government-wide statements. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items (Note II.B.).	(19,324)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(95,001)
Net pension obligation	(62,367)
OPEB liability	<u>(839,099)</u>
	(996,467)
The Internal Service Fund, determined to be governmental fund type, is used by management to charge the costs, net of investment earnings.	<u>326,655</u>
Change in net position of governmental activities (Exhibit 2)	<u>\$ 2,724,313</u>

The notes to the financial statements are an integral part of this statement.



CITY OF MONROE, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 19,145,363	\$ 19,187,363	\$ 19,733,609	\$ 546,246
Other taxes and licenses	948,425	948,425	1,126,371	177,946
Unrestricted intergovernmental	6,942,353	6,954,095	7,952,368	998,273
Restricted intergovernmental	1,125,855	1,529,735	1,408,486	(121,249)
Sales and services	1,790,589	1,804,614	1,920,737	116,123
Investment earnings	250,000	250,000	478,538	228,538
Miscellaneous	623,821	650,899	706,040	55,141
Total revenues	<u>30,826,406</u>	<u>31,325,131</u>	<u>33,326,149</u>	<u>2,001,018</u>
Expenditures:				
Current:				
General government	3,847,283	4,564,116	2,829,038	1,735,078
Transportation	3,035,184	3,241,288	2,879,146	362,142
Public safety	16,872,880	17,352,669	15,844,045	1,508,624
Culture and recreation	4,891,026	5,082,882	4,375,019	707,863
Debt service:				
Principal retirement	1,547,132	1,547,132	1,123,770	423,362
Interest and other charges	163,593	163,593	163,593	-
Total expenditures	<u>30,357,098</u>	<u>31,951,680</u>	<u>27,214,611</u>	<u>4,737,069</u>
Revenues over (under) expenditures	<u>469,308</u>	<u>(626,549)</u>	<u>6,111,538</u>	<u>6,738,087</u>
Other Financing Sources (Uses):				
Transfers from other funds	9,600	9,600	11,123	1,523
Transfers to other funds	(2,393,360)	(3,526,880)	(3,210,360)	316,520
Installment purchase obligations issued	850,000	850,000	850,000	-
Total other financing sources (uses)	<u>(1,533,760)</u>	<u>(2,667,280)</u>	<u>(2,349,237)</u>	<u>318,043</u>
Appropriated fund balance	<u>1,064,452</u>	<u>3,293,829</u>	<u>-</u>	<u>(3,293,829)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,762,301</u>	<u>\$ 3,762,301</u>
Fund Balance:				
Beginning of year, July 1			<u>21,205,628</u>	
End of year, June 30			<u>\$ 24,967,929</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF MONROE, NORTH CAROLINA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2014

	Major Enterprise Funds			
	Water and Sewer	Electric	Natural Gas	Airport
Assets:				
Current assets:				
Cash and cash equivalents	\$ 26,356,479	\$ 40,847,527	\$ 17,184,840	\$ 1,300,908
Accounts receivable	1,361,136	4,954,772	906,872	210,199
Note receivable	-	-	1,079,884	-
Prepaid expenses	183,565	17,402	4,516	2,519
Inventories	286,394	3,235,914	235,057	151,920
Total current assets	<u>28,187,574</u>	<u>49,055,615</u>	<u>19,411,169</u>	<u>1,665,546</u>
Non-current assets:				
Restricted assets:				
Cash and cash equivalents:				
Customer deposits	85,756	353,951	143,120	-
Advance to other funds	-	2,888,706	-	-
Long-term note receivable	-	-	1,042,539	-
Capital assets:				
Land and other non-depreciable assets	868,262	9,511,100	2,532,352	12,501,409
Other capital assets, net of depreciation	70,012,540	72,217,910	57,876,067	19,471,836
Capital assets (net)	<u>70,880,802</u>	<u>81,729,010</u>	<u>60,408,419</u>	<u>31,973,245</u>
Total non-current assets	<u>70,966,558</u>	<u>84,971,667</u>	<u>61,594,078</u>	<u>31,973,245</u>
Total assets	<u>99,154,132</u>	<u>134,027,282</u>	<u>81,005,247</u>	<u>33,638,791</u>
Deferred Outflows of Resources	<u>128,136</u>	<u>33,612</u>	<u>14,602</u>	<u>212,691</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	465,846	5,072,471	429,403	252,931
Unearned revenue	-	13,321	-	-
Due to other funds	-	-	1,029,838	-
Compensated absences	207,279	137,842	48,369	16,315
Installment purchase obligations	-	210,321	15,071	41,333
Certificates of participation	-	-	663,452	-
Revenue bonds payable	614,676	939,690	227,301	611,420
State revolving loans payable	1,121,420	-	-	-
Total current liabilities	<u>2,409,221</u>	<u>6,373,645</u>	<u>2,413,434</u>	<u>921,999</u>
Liabilities payable from restricted assets:				
Customer deposits	85,756	353,951	143,120	-
Non-current liabilities:				
Advance from other funds	-	-	962,222	-
Compensated absences	102,092	67,892	23,823	8,035
Installment purchase obligations	-	-	-	10,365
Certificates of participation - net of unamortized discounts	-	-	29,208,609	-
Revenue bonds payable - net unamortized premium	7,602,122	19,708,097	3,600,516	10,090,673
State revolving loans payable	9,470,090	-	-	-
Other post-employment benefits payable	1,055,819	461,134	234,021	195,349
Total non-current liabilities	<u>18,315,879</u>	<u>20,591,074</u>	<u>34,172,311</u>	<u>10,304,422</u>
Total liabilities	<u>20,725,100</u>	<u>26,964,719</u>	<u>36,585,745</u>	<u>11,226,421</u>
Net investment in capital assets	52,200,630	60,904,514	26,708,072	21,432,145
Unrestricted	26,356,538	46,191,661	17,726,032	1,192,916
Total net position	<u>\$ 78,557,168</u>	<u>\$ 107,096,175</u>	<u>\$ 44,434,104</u>	<u>\$ 22,625,061</u>

Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds
 Net position of business-type activities

The notes to the financial statements are an integral part of this statement.

Exhibit 8

<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities</u> <u>Internal Service Funds</u>
\$ 2,672,885	\$ 88,362,639	\$ 2,992,526
367,080	7,800,059	156,553
-	1,079,884	-
3,170	211,172	110,254
7,756	3,917,041	-
<u>3,050,891</u>	<u>101,370,795</u>	<u>3,259,333</u>
-	582,827	20,169
-	2,888,706	-
-	1,042,539	-
925,594	26,338,717	-
<u>8,093,531</u>	<u>227,671,884</u>	<u>-</u>
<u>9,019,125</u>	<u>254,010,601</u>	<u>-</u>
9,019,125	258,524,673	20,169
-	-	-
<u>12,070,016</u>	<u>359,895,468</u>	<u>3,279,502</u>
-	389,041	-
225,117	6,445,768	441,026
28,750	42,071	-
-	1,029,838	-
78,019	487,824	-
192,885	459,610	-
-	663,452	-
-	2,393,087	-
-	1,121,420	-
<u>524,771</u>	<u>12,643,070</u>	<u>441,026</u>
-	582,827	20,169
-	962,222	-
38,429	240,271	-
350,507	360,872	-
-	29,208,609	-
-	41,001,408	-
-	9,470,090	-
564,766	2,511,089	-
<u>953,702</u>	<u>84,337,388</u>	<u>20,169</u>
<u>1,478,473</u>	<u>96,980,458</u>	<u>461,195</u>
8,475,733	169,721,094	-
2,115,810	93,582,957	2,818,307
<u>\$ 10,591,543</u>	<u>263,304,051</u>	<u>\$ 2,818,307</u>
	(280,293)	
	<u>\$ 263,023,758</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF MONROE, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Major Enterprise Funds			
	Water and Sewer	Electric	Natural Gas	Airport
Operating Revenues:				
Charges for services	\$ 14,266,033	\$ 57,735,813	\$ 17,015,195	\$ 1,763,322
Interfund charges and employee contributions	-	-	-	-
Other operating revenues	<u>394,576</u>	<u>292,710</u>	<u>2,114</u>	<u>174,903</u>
Total operating revenues	<u>14,660,609</u>	<u>58,028,523</u>	<u>17,017,309</u>	<u>1,938,225</u>
Operating Expenses:				
Distribution systems	5,061,007	3,840,799	3,355,734	-
Water filter plant	4,811,230	-	-	-
Waste treatment plant	2,515,475	-	-	-
Electric power purchases	-	47,920,117	-	-
Natural gas purchases	-	-	8,147,023	-
Aquatics and Fitness Center operations	-	-	-	-
Airport operations	-	-	-	2,531,100
Stormwater operations	-	-	-	-
Solidwaste operations	-	-	-	-
Operating expenses	152,278	66,508	33,752	28,175
Workers' compensation claims and premiums	-	-	-	-
Health benefit claims and premiums	-	-	-	-
Property and liability claims and premiums	-	-	-	-
Depreciation and amortization	<u>2,210,676</u>	<u>2,744,371</u>	<u>1,526,487</u>	<u>565,486</u>
Total operating expenses	<u>14,750,666</u>	<u>54,571,795</u>	<u>13,062,996</u>	<u>3,124,761</u>
Operating income (loss)	<u>(90,057)</u>	<u>3,456,728</u>	<u>3,954,313</u>	<u>(1,186,536)</u>
Non-Operating Revenues (Expenses)				
Gain (loss) on sale of capital assets	(37,647)	-	8,561	-
Availability fees	848,121	-	145,319	-
Other nonoperating revenues (expenses)	162,300	179,553	86,672	-
Investment earnings	469,976	726,503	245,840	-
Interest income interfund loans	-	88,622	-	-
Interest and other charges	<u>(411,197)</u>	<u>(986,818)</u>	<u>(1,781,116)</u>	<u>(454,793)</u>
Total non-operating revenues (expenses)	<u>1,031,553</u>	<u>7,860</u>	<u>(1,294,724)</u>	<u>(454,793)</u>
Income (loss) before capital contributions and transfers	941,496	3,464,588	2,659,589	(1,641,329)
Capital grants and contributions	474,930	-	-	3,115,962
Transfers (to) from other funds	<u>(52,060)</u>	<u>(44,607)</u>	<u>(57,333)</u>	<u>1,763,497</u>
Change in net position	1,364,366	3,419,981	2,602,256	3,238,130
Net Position:				
Beginning of year, July 1	<u>77,192,802</u>	<u>103,676,194</u>	<u>41,831,848</u>	<u>19,386,931</u>
End of year, June 30	<u>\$ 78,557,168</u>	<u>\$ 107,096,175</u>	<u>\$ 44,434,104</u>	<u>\$ 22,625,061</u>

Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds
Change in net position of business-type activities

The notes to the financial statements are an integral part of this statement.

Exhibit 9

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
\$ 7,457,973	\$ 98,238,336	\$ -
-	-	6,671,144
<u>196,197</u>	<u>1,060,500</u>	<u>798,218</u>
<u>7,654,170</u>	<u>99,298,836</u>	<u>7,469,362</u>
-	12,257,540	-
-	4,811,230	-
-	2,515,475	-
-	47,920,117	-
-	8,147,023	-
3,266,905	3,266,905	-
-	2,531,100	-
1,512,352	1,512,352	-
1,931,976	1,931,976	-
81,455	362,168	339,666
-	-	284,767
-	-	6,305,430
-	-	623,775
<u>542,247</u>	<u>7,589,267</u>	<u>-</u>
<u>7,334,935</u>	<u>92,845,153</u>	<u>7,553,638</u>
<u>319,235</u>	<u>6,453,683</u>	<u>(84,276)</u>
-	(29,086)	-
-	993,440	-
4,119	432,644	-
50,404	1,492,723	36,479
-	88,622	-
<u>(13,720)</u>	<u>(3,647,644)</u>	<u>-</u>
<u>40,803</u>	<u>(669,301)</u>	<u>36,479</u>
360,038	5,784,382	(47,797)
-	3,590,892	-
<u>(895,785)</u>	<u>713,712</u>	<u>500,000</u>
(535,747)	10,088,986	452,203
<u>11,127,290</u>		<u>2,366,104</u>
<u>\$ 10,591,543</u>		<u>\$ 2,818,307</u>
	<u>125,548</u>	
	<u>\$ 10,214,534</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF MONROE, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Major Enterprise Funds			
	Water and Sewer	Electric	Natural Gas	Airport
Cash Flows from Operating Activities:				
Cash received from customers	\$ 15,215,924	\$ 57,058,915	\$ 16,870,417	\$ 2,123,559
Cash paid for goods and services	(9,298,510)	(48,485,874)	(10,571,298)	(2,026,002)
Cash paid to or on behalf of employees for services	(3,856,714)	(2,407,352)	(907,257)	(450,513)
Other operating revenues	-	-	-	-
Net cash provided (used) by operating activities	<u>2,060,700</u>	<u>6,165,689</u>	<u>5,391,862</u>	<u>(352,956)</u>
Cash Flows from Non-Capital Financing Activities:				
Advances (to) from other funds	-	1,142,646	(1,009,460)	-
Non-operating revenues	162,300	179,553	86,672	-
Transfers (to) from other funds	(52,060)	(44,607)	(57,333)	1,763,497
Net cash provided (used) by non-capital financing activities	<u>110,240</u>	<u>1,277,592</u>	<u>(980,121)</u>	<u>1,763,497</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from issuance of long-term debt	2,914,379	-	-	-
Proceeds from sale of capital assets	105,437	-	8,561	-
Acquisition and construction of capital assets	(4,030,972)	(3,182,395)	(630,228)	(4,410,990)
Note receivable collected (granted)	-	415,382	1,023,037	-
Capital contributions	-	-	-	3,115,962
Principal paid on bond maturities and equipment obligations	(1,405,176)	(1,108,161)	(899,408)	(590,646)
Interest paid on bond maturities and equipment obligations	(411,197)	(986,819)	(1,781,116)	(454,793)
Availability fees	848,121	-	145,319	-
Net cash used by capital and related financing activities	<u>(1,979,408)</u>	<u>(4,861,993)</u>	<u>(2,133,835)</u>	<u>(2,340,467)</u>
Cash Flows from Investing Activities:				
Earnings on investments	469,976	815,125	245,840	-
Net cash used by capital and related investing activities	<u>469,976</u>	<u>815,125</u>	<u>245,840</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	661,508	3,396,413	2,523,746	(929,926)
Cash and Cash Equivalents:				
Beginning of year, July 1	<u>25,780,727</u>	<u>37,805,065</u>	<u>14,804,214</u>	<u>2,230,834</u>
End of year, June 30	<u>\$ 26,442,235</u>	<u>\$ 41,201,478</u>	<u>\$ 17,327,960</u>	<u>\$ 1,300,908</u>

Non-Cash Investing, Capital, and Financing Activities:

The Water and Sewer Fund received \$474,930 in capital contributions during the year.

Additionally, the Aquatic Center Fund transferred \$843,285 representing capital assets and debt to the General Fund during the year.

The notes to the financial statements are an integral part of this statement.

Exhibit 10
Page 1 of 2

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
\$ 7,571,833	\$ 98,840,648	\$ 6,531,961
(4,307,986)	(74,689,670)	(7,463,519)
(2,354,471)	(9,976,307)	-
-	-	798,218
909,376	14,174,671	(133,340)
(38,296)	94,890	-
4,119	432,644	-
(52,500)	1,556,997	500,000
(86,677)	2,084,531	500,000
-	2,914,379	-
-	113,998	-
(541,859)	(12,796,444)	-
-	1,438,419	-
-	3,115,962	-
(230,744)	(4,234,135)	-
(13,720)	(3,647,645)	-
-	993,440	-
(786,323)	(12,102,026)	-
50,404	1,581,345	36,479
50,404	1,581,345	36,479
86,780	5,738,521	403,139
2,586,105	83,206,945	2,609,556
\$ 2,672,885	\$ 88,945,466	\$ 3,012,695

The notes to the financial statements are an integral part of this statement.

CITY OF MONROE, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Major Enterprise Funds			
	Water and Sewer	Electric	Natural Gas	Airport
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (90,057)	\$ 3,456,728	\$ 3,954,313	\$ (1,186,536)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	2,210,676	2,744,371	1,526,487	565,486
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	742,013	(922,182)	(136,599)	70,068
(Increase) decrease in inventories	(5,111)	304,357	(51,395)	(151,920)
(Increase) decrease in prepaid expenses	(183,565)	(17,402)	(4,516)	115,266
Increase (decrease) in accounts payable and accrued liabilities	(779,273)	527,329	71,671	202,451
Increase (decrease) in customer deposits	(3,133)	(30,024)	(5,777)	-
Increase (decrease) in net OPEB liability	152,278	66,508	33,752	28,175
Increase (decrease) in compensated absences	16,872	36,004	3,926	4,054
Total adjustments	<u>2,150,757</u>	<u>2,708,961</u>	<u>1,437,549</u>	<u>833,580</u>
Net cash provided (used) by operating activities	<u>\$ 2,060,700</u>	<u>\$ 6,165,689</u>	<u>\$ 5,391,862</u>	<u>\$ (352,956)</u>

The notes to the financial statements are an integral part of this statement.

Exhibit 10
Page 2 of 2

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
\$ 319,235	\$ 6,453,683	\$ (84,276)
542,247	7,589,267	-
(79,167)	(325,867)	(126,796)
27,388	123,319	-
(3,170)	(93,387)	(12,387)
15,050	37,228	90,119
-	(38,934)	-
81,455	362,168	-
6,338	67,194	-
590,141	7,720,988	(49,064)
\$ 909,376	\$ 14,174,671	\$ (133,340)

The notes to the financial statements are an integral part of this statement.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

I. Summary of Significant Accounting Policies

The accounting policies of the City of Monroe and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Monroe 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 a separate column in the City's financial statements in order to emphasize that they are legally separate from the City.

City of Monroe ABC Board

The members of the City of Monroe ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute a portion of 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 Monroe ABC Board, 1771 Dickerson Boulevard, Monroe, North Carolina 28110.

City of Monroe Tourism Development Authority

The members of the City of Monroe Tourism Development Authority's governing board are appointed by the Monroe City Council. The Authority must expend revenues as established in N.C. Session Law 2001-439. Specifically, for the first ten years at least two-thirds of the proceeds shall be used for tourism-related purposes including tourism-related capital expenditures. The remainder of the funds shall be used to promote travel and tourism as defined by session law. After ten years, two-thirds of the proceeds shall be expended to promote travel and tourism, and one-third expended for tourism-related purposes. The Tourism Development Authority, which has a June 30 year end, is presented as if it were a general government fund (discrete presentation). Complete financial statements for the Authority may be obtained from the entity's administrative offices at City of Monroe Tourism Development Authority, 300 West Crowell Street, Monroe, North Carolina 28112.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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 non-major 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 fund:

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, federal and State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, culture and recreation activities, and general government services.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The City reports the following non-major governmental funds:

Community Development. This fund is used to account for specific revenues that are restricted to fund continuing rehabilitation of housing within certain targeted areas of the City.

Downtown Monroe. This fund is used to account for specific revenues that are restricted for the purpose of downtown revitalization.

Occupancy Tax. This fund is used to account for specific revenues that are restricted for the purpose of tourism development.

State Grant Programs. This fund is used to account for specific state grant revenues that are restricted for housing rehabilitation throughout the County.

Monroe Union County Economic Development. This fund is used to account for specific revenues that are restricted for the purpose of county-wide economic development.

Capital Projects Fund. This fund is used to account for the purchase, renovation, furnishing, or construction of roadway and facility improvements.

Occupancy Tax Project. This fund is used to account for tourism related capital expenditures.

Governmental Capital Reserve Fund. This fund is used to accumulate funds for the purpose of constructing greenways.

The City reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for the activities associated with the production, distribution and transmission of potable water and the activities associated with operating and maintaining the City's sewer system.

Electric Fund. This fund is used to account for the activities associated with the distribution and transmission of electricity by the City to its users.

Natural Gas Fund. This fund is used to account for the activities associated with the distribution of natural gas by the City to its users.

Airport Fund. This fund is used to account for the activities associated with the operation of the City's Airport.

The City reports the following non-major enterprise funds:

Aquatics and Fitness Center. This fund is used to account for the activities associated with the operation of the City's Aquatics and Fitness Center.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Stormwater Fund. This fund is used to account for the activities associated with the operation and maintenance of the City's stormwater system.

Solid Waste. This fund is used to account for the activities associated with the operation of the City's solid waste services.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of fees intended to recover the cost of connecting new or reconnecting current customers to the water and sewer system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable 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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there 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 all funds except those which operate under project ordinances. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Capital Projects Funds, Special Revenue Project Fund, and the Enterprise Capital Projects Funds which are consolidated with their respective operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Manager. The legal level of budgetary control is at the functional level for all annually budgeted funds, and any transfers of appropriations between functions require the approval of the City Council. The legal level of budgetary control is at the object level for the funds budgeted by project ordinance, and any transfers of appropriations between objects require the approval of the City Council. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

1. Deposits and Investments

All deposits of the City, the ABC Board, and the Tourism Development Authority are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City, ABC Board, and the Tourism Development Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City, the ABC Board, and the Tourism Development 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, the ABC Board, and the Tourism Development 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 values, which is the NCCMT's share price. The NCCMT – Term Portfolio's securities are valued at fair value.

The City, the ABC Board, and the Tourism Development Authority's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

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

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board and the Tourism Development Authority consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

3. *Restricted Assets*

The unexpended bond proceeds of various enterprise fund serial bonds and unexpended installment financing obligations received by the City are classified as restricted for the enterprise fund and the general fund because their use is completely restricted to the purpose for which the bonds and installment obligations were issued. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they 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.

Governmental Activities:

General Fund:

Streets	\$	563,970
Unexpended debt proceeds		113,836

Health and Dental Fund:

Deposits		10,169
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Workers' Compensation Fund:

Deposits		10,000
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Total governmental activities	\$	<u>697,975</u>
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Business-Type Activities:

Water & Sewer Fund:

Customer deposits		85,756
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Electric Fund:

Customer deposits		353,951
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Natural Gas Fund:

Customer deposits		143,120
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Total business-type activities	\$	<u>582,827</u>
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Total restricted cash	\$	<u>1,280,802</u>
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4. *Ad Valorem Taxes Receivable*

In accordance with State Law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2013. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund ad valorem tax revenues are reported net of such discounts.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

5. *Other Taxes and Licenses*

The City also levies a tax of five dollars per motor vehicle residing in the City of Monroe. The revenue relating to this is accounted for under "Other Taxes and Licenses" in the General Fund. Union County is responsible for billing and collecting this special vehicle tax in addition to the property taxes on registered motor vehicles residing in the City of Monroe.

6. *Allowance for Doubtful Accounts*

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

7. *Inventories and Prepaid Items*

The inventories of the City, Monroe TDA, and the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventories of the City's general fund and enterprise funds and those of the Monroe TDA and ABC Board 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.

8. *Capital Assets*

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$100,000; furniture and equipment, \$5,000; computer software, \$5,000 and vehicles, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003 consist of the road network assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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	30-50
Buildings and improvements	20-45
Dams and reservoirs	45
Plants and distribution systems	30-60
Vehicles and motorized equipment	6-12
Computer software	5
Other equipment	5-15

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Furniture/Equipment	5-7
Vehicles	5

The Tourism Development Authority had no capital assets at June 30, 2014.

9. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, an unamortized loss on a bond defeasance for Refunding bonds. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has only three items that meet the criterion for this category – prepaid taxes, other receivables, and property taxes receivable.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

10. *Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. *Compensated Absences*

The vacation policy of the City provides for the accumulation of earned vacation leave with such leave being fully vested when earned as follows:

Employees Hired before July 1, 1992

Vacation leave may be accumulated without any applicable maximum until June 30 each year. However, if the employee separates from service, payment for accumulated vacation leave shall not exceed sixty (60) days. On June 30 of each year, any employee with more than (60) days of accumulated leave shall have the excess accumulation removed so that only sixty (60) days are carried forward to July 1 of the next fiscal year. The remaining excess amount will be converted to sick leave and added to the employee's sick leave balance.

Employees Hired after July 1, 1992

Vacation leave may be accumulated without any applicable maximum until June 30 of each year. However, if the employee separates from service, payment for accumulated vacation leave shall not exceed two times the employee's annual accrual rate (i.e. if the accrual rate is 15 days per year, the employee may only be paid for 30 days). On June 30 of each year, each employee may only carry over into the new fiscal year two times the employee's annual accrual rate. The remaining excess amount will be converted to sick leave and added to the employee's sick leave balance.

Employees of the City of Monroe ABC Board earn two weeks paid vacation each year. Employees must take vacation leave in the year earned and are not allowed to carry forward any vacation time to subsequent years.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, the ABC Board's, and the Tourism Development Authority's sick leave policies provide 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 neither the City, the ABC Board, nor the Tourism Development Authority has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

12. 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.

Prepays – Portion of fund balance that is not an available resource because it represents certain payments to vendors applicable to future accounting periods and is, therefore, not in spendable form.

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

Restricted for Stabilization by State Statute – Portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Restricted for Public Safety – Portion of fund balance that is restricted by revenue source for certain law enforcement operations.

Restricted for Transportation – 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.

Restricted for Occupancy Tax Capital Projects – Portion of fund balance that is restricted by revenue source for tourism capital projects.

Restricted for Economic Development – Portion of fund balance that is restricted by revenue source for economic development purposes.

Restricted fund balance per Exhibit 3 differs from Restricted Net Position per Exhibit 1 by unspent debt proceeds of \$113,836.

Committed Fund Balance – This classification includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that 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 for Culture and Recreation – portion of fund balance that is committed for culture and recreation purposes.

Committed for Capital Projects – portion of fund balance that is committed for use in capital projects.

Assigned Fund Balance – Portion of fund balance that the City of Monroe intends to use for specific purposes that are neither considered restricted or committed. City Council has the responsibility for assigning fund balance by majority vote.

Minimum Fund Balance Requirement – The Monroe City Council has adopted a minimum fund balance policy.

Airport Grant Acceptance – The Monroe City Council has approved money to be spent at the Charlotte-Monroe Executive Airport to match federal and state grants during the airport expansion project.

Airport Operations 5-Year Subsidy – The Monroe City Council has approved an assignment to be used over five years to subsidize airport operations.

Street Resurfacing 5-Year Program – The Monroe City Council has approved an assignment to be used over five years to provide funding for additional resurfacing projects.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Subsequent Year's Expenditures – The Monroe City Council has approved a budget ordinance to use fund balance as a resource in next year's budget to cover a projected excess of expected expenditures over expected revenues.

Community Development – The Monroe City Council has approved an assignment to be used to fund continuing rehabilitation of housing within certain targeted areas of the City.

Downtown Monroe – The Monroe City Council has approved an assignment to be used for downtown revitalization.

Unassigned Fund Balance – The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The City of Monroe 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 Monroe has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the City in such a manner that assigned fund balance is the greater of \$7,500,000 or 25% of the next year's original adopted budget, net of Federal and State pass-through revenues. Any portion of the general fund unassigned fund balance in excess of the \$7,500,000 or 25% minimum requirement may be appropriated by City Council in a subsequent fiscal year to fund capital or debt service expenditures as determined by the City Council during the budget process. If during a fiscal year an excess over the stipulated \$7,500,000 or 25% exists, the City Council may request an appropriation to fund unforeseen needs.

13. Management 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 those estimates.

14. Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Transfers – to other funds" in the General Fund and "Transfers – from other funds" in the receiving fund.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

II. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in government-wide Statement of Net Position. One element of that reconciliation explains that “long-term liabilities, including installment purchase obligations, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$11,965,257 difference are as follows:

Installment purchase obligations	\$ 4,322,069
Compensated absences	1,974,652
Net OPEB liability	<u>5,668,536</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 11,965,257</u>

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes reconciliation between *net change in fund balances - total governmental funds* and *change in net position of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains that “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.” The details of this \$(734,980) difference are as follows:

Capital outlay	\$ 2,075,987
Assets transferred from business-type activities	1,207,032
Contributed capital	474,880
Disposal	(376,950)
Depreciation expense	<u>(4,115,929)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (734,980)</u>

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Another element of that reconciliation states that “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.” The details of this \$19,324 are as follows:

Transfers of debt from business-type activities	\$ (293,094)
Debt issued or incurred:	(850,000)
Principal payments:	
Installment purchase obligations	<u>1,123,770</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (19,324)</u>

III. Detail on All Funds

A. Assets

1. Deposits

All of the deposits of the City, the ABC Board, and the Tourism Development 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, the ABC Board's, or the Tourism Development 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, the ABC Board, and the Tourism Development Authority, these deposits are considered to be held by the City's, the ABC Board's, and the Tourism Development 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 ABC Board, the Tourism Development Authority, or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City, the ABC Board, and the Tourism Development Authority under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City, the ABC Board and the Tourism Development Authority do not have formal policies regarding custodial credit risk for deposits, but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City, the ABC Board and the Tourism Development Authority comply with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

At June 30, 2014 the City's deposits had a carrying amount of \$5,689,621 and a bank balance of \$5,203,354. Of the bank balance, \$363,836 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The City's petty cash fund totaled \$5,925.

At June 30, 2014 the ABC Board's deposits had a carrying amount of \$708,074 and a bank balance of \$762,868. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$512,868 was covered by collateral held under the Pooling Method. The ABC Board had an additional \$3,900 in the drawers and petty cash to cover operating needs on a daily basis.

At June 30, 2014, the Tourism Development Authority's deposits had a carrying amount of \$51,622 and a bank balance of \$51,622. Of the bank balance, \$27,687 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

2. *Investments*

As of June 30, 2014, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>1 Year</u>	<u>1-3 Years</u>	<u>5+ Years</u>
U.S. Government Agencies	\$ 61,345,931	\$ -	\$ -	\$ 61,345,931
NC Capital Management Trust - Cash Portfolio	47,356,986	N/A	N/A	N/A
NC Capital Management Trust - Term Portfolio	3,007,088	3,007,088	-	-
Total	<u>\$ 111,710,005</u>	<u>\$ 3,007,088</u>	<u>\$ -</u>	<u>\$ 61,345,931</u>

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The investment in U.S. Government Agencies (Federal Home Loan Bank and Federal Farm Credit Bank) is rated AA+ by Standard and Poor's and Aaa by Moody's Investors Service. The City's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2014. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high-grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Custodial Credit Risk. For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no policy on custodial credit risk.

Concentration of Credit Risk. The City's Board places no limit on the amount that the City may invest in any one issuer. More than 55 percent of the City's investments are in Federal Farm and Federal Home Loan Bank securities. In addition, the City had 42.4% of its investment portfolio in the NCCMT – cash portfolio at June 30, 2014.

3. *Note Receivable*

The City granted a promissory note in the amount of \$6,000,000 to a natural gas supplier for capacity charges related to the leased capacity of a natural gas line. The remaining balance of the promissory note is payable in monthly installments of \$97,363 through June 2016. The note calls for interest to be paid monthly at the annual rate of 5.42%. Principal collections for the fiscal year ended June 30, 2014 totaled \$1,023,039.

	2014
Total receivable	\$ 2,122,423
Less current portion	<u>1,079,884</u>
Total note receivable - non-current	<u>\$ 1,042,539</u>

Scheduled future maturities of the note receivable are as follows:

<u>Year Ending</u>	<u>Total</u>
2015	\$ 1,079,884
2016	<u>1,042,539</u>
Total	<u>\$ 2,122,423</u>

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The City granted a promissory note in December 2010 in the amount of \$1,250,000 to a developer as an incentive agreement to undertake an economic development project to renovate and rehabilitate a downtown historic structure. Modification to the note on May 1, 2014 calls for interest to be paid monthly at the annual rate of 3.35%. Beginning in June 2014, the promissory note will be repaid through monthly installments of \$6,855 through May 2034.

	<u>2014</u>
Total receivable	\$ 1,194,405
Less current portion	<u>42,908</u>
Total note receivable - non-current	<u>\$ 1,151,497</u>

Scheduled future maturities of the note receivable are as follows:

<u>Year</u>	<u>Total</u>
<u>Ending</u>	
2015	\$ 42,908
2016	44,367
2017	45,857
2018	47,437
2019	49,051
Thereafter	<u>964,785</u>
Total	<u>\$ 1,194,405</u>

The City granted a promissory note in the amount of \$63,255 to an Association for repair of streets in a subdivision. The remaining balance of the promissory note is payable in monthly installments of \$6,326 through May 2024. The note allows for no interest. There were no principal collections for the fiscal year ended June 30, 2014.

	<u>2014</u>
Total receivable	\$ 63,255
Less current portion	<u>6,326</u>
Total note receivable - non-current	<u>\$ 56,929</u>

CITY OF MONROE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Scheduled future maturities of the note receivable are as follows:

<u>Year Ending</u>	<u>Total</u>
2015	\$ 6,326
2016	6,326
2017	6,326
2018	6,326
2019	6,326
Thereafter	<u>31,625</u>
Total	<u>\$ 63,255</u>

4. *Receivables and Allowances for Doubtful Accounts*

Receivables as of year-end for the governmental activities and the business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts receivable, net	\$ 338,617	\$ 7,618,804
Other, net	<u>165,615</u>	<u>181,255</u>
Total	<u>\$ 504,232</u>	<u>\$ 7,800,059</u>

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	<u>\$ 350,390</u>
Downtown Monroe:	
Taxes receivable	<u>\$ 345</u>

CITY OF MONROE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

5. Capital Assets

Primary Government

Capital asset activity for the primary government for the year ended June 30, 2014, was as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Governmental Activities:					
General Fund:					
Non-Depreciable Capital Assets:					
Land and land improvements	\$ 4,787,786	\$ 170,000	\$ -	\$ 139,500	\$ 5,097,286
Construction in progress	43,488	223,119	-	-	266,607
Total non-depreciable capital assets	<u>4,831,274</u>	<u>393,119</u>	<u>-</u>	<u>139,500</u>	<u>5,363,893</u>
Depreciable Capital Assets:					
Buildings and improvements	19,639,596	124,593	432,864	1,718,649	21,049,974
Equipment	4,370,871	538,943	146,200	355,074	5,118,688
Vehicles and motorized equipment	14,122,495	824,396	183,668	462,181	15,225,404
Other intangibles	426,489	102,653	-	-	529,142
Infrastructure	88,493,186	304,880	-	-	88,798,066
Total depreciable capital assets	<u>127,052,637</u>	<u>1,895,465</u>	<u>762,732</u>	<u>2,535,904</u>	<u>130,721,274</u>
Less Accumulated Depreciation:					
Buildings and improvements	7,666,550	525,874	85,927	967,695	9,074,192
Equipment	3,130,086	369,343	146,200	249,841	3,603,070
Vehicles and motorized equipment	10,705,587	936,275	167,664	250,836	11,725,034
Other intangibles	304,896	87,595	-	-	392,491
Infrastructure	36,238,313	2,155,821	-	-	38,394,134
Total accumulated depreciation	<u>58,045,432</u>	<u>\$ 4,074,908</u>	<u>\$ 399,791</u>	<u>\$ 1,468,372</u>	<u>63,188,921</u>
Total depreciable capital assets, net	<u>69,007,205</u>				<u>67,532,353</u>
General Fund capital assets, net	<u>73,838,479</u>				<u>72,896,246</u>

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Downtown Monroe Fund:					
Non-Depreciable Capital Assets:					
Land and land improvements	80,149	\$ -	\$ -	\$ -	80,149
Total non-depreciable capital assets	80,149	-	-	-	80,149
Depreciable Capital Assets:					
Equipment	98,071	-	-	-	98,071
Total depreciable capital assets	98,071	-	-	-	98,071
Less Accumulated Depreciation:					
Equipment	49,035	14,010	-	-	63,045
Total accumulated depreciation	49,035	\$ 14,010	\$ -	\$ -	63,045
Total depreciable capital assets, net	49,036				35,026
Downtown Monroe Fund capital assets, net	129,185				115,175
Occupancy Tax Fund:					
Depreciable Capital Assets:					
Buildings and improvements	8,175	\$ 248,273	\$ -	\$ -	256,448
Equipment	168,500	-	-	-	168,500
Total depreciable capital assets	176,675	248,273	-	-	424,948
Less Accumulated Depreciation:					
Buildings and improvements	91	2,940	-	-	3,031
Equipment	57,535	24,071	-	-	81,606
Total accumulated depreciation	57,626	\$ 27,011	\$ -	\$ -	84,637
Total depreciable capital assets, net	119,049				340,311
Occupancy Tax Fund capital assets, net	119,049				340,311
Governmental activities capital assets, net	\$ 74,086,713				\$ 73,351,732

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

General Fund:

General government	\$ 360,597
Transportation	2,407,414
Public safety	786,258
Culture and recreation	511,565
Economic and physical development	<u>9,074</u>
Total General Fund	<u>4,074,908</u>

Downtown Monroe Fund:

General government	<u>14,010</u>
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Occupancy Tax Fund:

Economic and physical development	<u>27,011</u>
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Total governmental activities	<u>\$ 4,115,929</u>
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CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Business-Type Activities:					
Water and Sewer Fund:					
Non-Depreciable Capital Assets:					
Land and land improvements	\$ 829,827	\$ -	\$ -	\$ -	\$ 829,827
Construction in progress	7,199,469	-	7,161,034	-	38,435
Total non-depreciable capital assets	<u>8,029,296</u>	<u>-</u>	<u>7,161,034</u>	<u>-</u>	<u>868,262</u>
Depreciable Capital Assets:					
Buildings and improvements	22,973,684	10,181,918	-	-	33,155,602
Equipment	4,042,356	693,049	432,972	-	4,302,433
Vehicles and motorized equipment	3,219,468	313,041	54,496	(10,239)	3,467,774
Infrastructure	61,487,756	474,930	-	-	61,962,686
Total depreciable capital assets	<u>91,723,264</u>	<u>11,662,938</u>	<u>487,468</u>	<u>(10,239)</u>	<u>102,888,495</u>
Less Accumulated Depreciation:					
Buildings and improvements	11,328,313	592,794	-	-	11,921,107
Equipment	2,445,366	375,256	289,887	-	2,530,735
Vehicles and motorized equipment	2,573,050	128,896	54,496	(10,239)	2,637,211
Infrastructure	14,696,023	1,090,879	-	-	15,786,902
Total accumulated depreciation	<u>31,042,752</u>	<u>\$ 2,187,825</u>	<u>\$ 344,383</u>	<u>\$ (10,239)</u>	<u>32,875,955</u>
Total depreciable capital assets, net	<u>60,680,512</u>				<u>70,012,540</u>
Water and Sewer Fund capital assets, net	<u>68,709,808</u>				<u>70,880,802</u>
Electric Fund:					
Non-Depreciable Capital Assets:					
Land and land improvements	4,418,383	\$ 117,544	\$ -	\$ -	4,535,927
Construction in progress	5,449,887	-	474,714	-	4,975,173
Total non-depreciable capital assets	<u>9,868,270</u>	<u>117,544</u>	<u>474,714</u>	<u>-</u>	<u>9,511,100</u>
Depreciable Capital Assets:					
Buildings and improvements	5,581,079	-	-	-	5,581,079
Equipment	4,611,365	8,076	1,730,070	-	2,889,371
Vehicles and motorized equipment	3,099,576	72,842	30,880	(19,102)	3,122,436
Infrastructure	93,087,211	3,458,646	-	-	96,545,857
Total depreciable capital assets	<u>106,379,231</u>	<u>3,539,564</u>	<u>1,760,950</u>	<u>(19,102)</u>	<u>108,138,743</u>
Less Accumulated Depreciation:					
Buildings and improvements	283,908	125,685	-	-	409,593
Equipment	3,338,949	205,592	1,730,070	-	1,814,471
Vehicles and motorized equipment	2,059,761	276,468	30,880	(19,102)	2,286,247
Infrastructure	29,292,509	2,118,013	-	-	31,410,522
Total accumulated depreciation	<u>34,975,127</u>	<u>\$ 2,725,758</u>	<u>\$ 1,760,950</u>	<u>\$ (19,102)</u>	<u>35,920,833</u>
Total depreciable capital assets, net	<u>71,404,104</u>				<u>72,217,910</u>
Electric Fund capital assets, net	<u>81,272,374</u>				<u>81,729,010</u>

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Natural Gas Fund:					
Non-Depreciable Capital Assets:					
Land and land improvements	780,785	\$ -	\$ -	\$ -	780,785
Construction in progress	<u>1,625,352</u>	<u>126,215</u>	<u>-</u>	<u>-</u>	<u>1,751,567</u>
Total non-depreciable capital assets	<u>2,406,137</u>	<u>126,215</u>	<u>-</u>	<u>-</u>	<u>2,532,352</u>
Depreciable Capital Assets:					
Buildings and improvements	569,484	-	-	-	569,484
Equipment	558,160	-	-	-	558,160
Vehicles and motorized equipment	891,197	-	-	63,003	954,200
Infrastructure	<u>65,564,762</u>	<u>504,013</u>	<u>-</u>	<u>-</u>	<u>66,068,775</u>
Total depreciable capital assets	<u>67,583,603</u>	<u>504,013</u>	<u>-</u>	<u>63,003</u>	<u>68,150,619</u>
Less Accumulated Depreciation:					
Buildings and improvements	166,640	13,256	-	-	179,896
Equipment	365,160	49,574	-	-	414,734
Vehicles and motorized equipment	573,451	70,404	-	63,003	706,858
Infrastructure	<u>7,604,165</u>	<u>1,368,899</u>	<u>-</u>	<u>-</u>	<u>8,973,064</u>
Total accumulated depreciation	<u>8,709,416</u>	<u>\$ 1,502,133</u>	<u>\$ -</u>	<u>\$ 63,003</u>	<u>10,274,552</u>
Total depreciable capital assets, net	<u>58,874,187</u>				<u>57,876,067</u>
Natural Gas Fund capital assets, net	<u>61,280,324</u>				<u>60,408,419</u>
Airport Fund:					
Non-Depreciable Capital Assets:					
Land and land improvements	9,796,782	\$ -	\$ -	\$ -	9,796,782
Construction in progress	<u>8,792,744</u>	<u>-</u>	<u>6,088,117</u>	<u>-</u>	<u>2,704,627</u>
Total non-depreciable capital assets	<u>18,589,526</u>	<u>-</u>	<u>6,088,117</u>	<u>-</u>	<u>12,501,409</u>
Depreciable Capital Assets:					
Buildings and improvements	14,149,346	10,499,106	-	-	24,648,452
Equipment	469,785	-	-	-	469,785
Vehicles and motorized equipment	458,068	-	-	19,102	477,170
Infrastructure	<u>3,138,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,138,867</u>
Total depreciable capital assets	<u>18,216,066</u>	<u>10,499,106</u>	<u>-</u>	<u>19,102</u>	<u>28,734,274</u>
Less Accumulated Depreciation:					
Buildings and improvements	7,714,948	540,664	-	-	8,255,612
Equipment	356,767	57,646	-	-	414,413
Vehicles and motorized equipment	318,712	33,663	-	19,102	371,477
Infrastructure	<u>158,159</u>	<u>62,777</u>	<u>-</u>	<u>-</u>	<u>220,936</u>
Total accumulated depreciation	<u>8,548,586</u>	<u>\$ 694,750</u>	<u>\$ -</u>	<u>\$ 19,102</u>	<u>9,262,438</u>
Total depreciable capital assets, net	<u>9,667,480</u>				<u>19,471,836</u>
Airport Fund capital assets, net	<u>28,257,006</u>				<u>31,973,245</u>

CITY OF MONROE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Aquatics and Fitness Center Fund:					
Non-Depreciable Capital Assets:					
Land and land improvements	1,065,094	\$ -	\$ -	\$ (139,500)	925,594
Total non-depreciable capital assets	<u>1,065,094</u>	<u>-</u>	<u>-</u>	<u>(139,500)</u>	<u>925,594</u>
Depreciable Capital Assets:					
Buildings and improvements	11,296,244	375,587	-	(1,718,649)	9,953,182
Equipment	490,796	22,357	-	(355,074)	158,079
Vehicles and motorized equipment	544,762	-	-	(514,945)	29,817
Total depreciable capital assets	<u>12,331,802</u>	<u>397,944</u>	<u>-</u>	<u>(2,588,668)</u>	<u>10,141,078</u>
Less Accumulated Depreciation:					
Buildings and improvements	4,067,454	267,112	-	(967,695)	3,366,871
Equipment	327,105	15,904	-	(249,841)	93,168
Vehicles and motorized equipment	326,531	1,967	-	(303,600)	24,898
Total accumulated depreciation	<u>4,721,090</u>	<u>\$ 284,983</u>	<u>\$ -</u>	<u>\$ (1,521,136)</u>	<u>3,484,937</u>
Total depreciable capital assets, net	<u>7,610,712</u>				<u>6,656,141</u>
Aquatics and Fitness Center Fund capital assets, net	<u>8,675,806</u>				<u>7,581,735</u>
Stormwater Fund:					
Depreciable Capital Assets:					
Buildings and improvements	20,495	\$ -	\$ -	\$ -	20,495
Equipment	34,448	-	-	-	34,448
Vehicles and motorized equipment	917,978	-	-	-	917,978
Infrastructure	162,048	-	-	-	162,048
Total depreciable capital assets	<u>1,134,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,134,969</u>
Less Accumulated Depreciation:					
Buildings and improvements	683	455	-	-	1,138
Equipment	14,843	4,921	-	-	19,764
Vehicles and motorized equipment	340,970	121,556	-	-	462,526
Infrastructure	1,622	3,241	-	-	4,863
Total accumulated depreciation	<u>358,118</u>	<u>\$ 130,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>488,291</u>
Total depreciable capital assets, net	<u>776,851</u>				<u>646,678</u>
Stormwater Fund capital assets, net	<u>776,851</u>				<u>646,678</u>

CITY OF MONROE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Solid Waste Fund:					
Depreciable Capital Assets:					
Other intangibles	967,361	\$ -	\$ -	\$ -	967,361
Buildings and improvements	-	143,914	-	-	143,914
Total depreciable capital assets	<u>967,361</u>	<u>143,914</u>	<u>-</u>	<u>-</u>	<u>1,111,275</u>
Less Accumulated Depreciation:					
Other intangibles	193,472	123,493	-	-	316,965
Buildings and improvements	-	3,598	-	-	3,598
Total accumulated depreciation	<u>193,472</u>	<u>\$ 127,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>320,563</u>
Total depreciable capital assets, net	<u>773,889</u>				<u>790,712</u>
Solid Waste Fund capital assets, net	<u>773,889</u>				<u>790,712</u>
Business-type activities					
capital assets, net	<u>\$ 249,746,057</u>				<u>\$ 254,010,601</u>

Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-Type</u>
	<u>Activities</u>	<u>Activities</u>
Capital assets	\$ 73,351,732	\$ 254,010,601
Less: Long-term debt	4,322,069	84,678,548
Add: Deferred outflows	-	389,041
Add: Unexpended debt proceeds	113,836	-
Net investment in capital assets	<u>\$ 69,143,499</u>	<u>\$ 169,721,094</u>

CITY OF MONROE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Discretely Presented Component Units

Capital asset activity for the ABC Board for the year ended June 30, 2014, was as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Non-Depreciable Capital Assets:				
Land and land improvements	\$ 317,013	\$ -	\$ -	\$ 317,013
Total non-depreciable capital assets	<u>317,013</u>	<u>-</u>	<u>-</u>	<u>317,013</u>
Depreciable Capital Assets:				
Buildings and improvements	1,037,379	-	-	1,037,379
Equipment	121,212	3,302	-	124,514
Vehicles and motorized equipment	15,830	-	-	15,830
Total depreciable capital assets	<u>1,174,421</u>	<u>3,302</u>	<u>-</u>	<u>1,177,723</u>
Less Accumulated Depreciation:				
Buildings and improvements	391,902	28,372	-	420,274
Equipment	98,638	8,532	-	107,170
Vehicles and motorized equipment	15,830	-	-	15,830
Total accumulated depreciation	<u>506,370</u>	<u>\$ 36,904</u>	<u>\$ -</u>	<u>543,274</u>
Total depreciable capital assets, net	<u>668,051</u>			<u>634,449</u>
ABC Board capital assets, net	<u>\$ 985,064</u>			<u>\$ 951,462</u>

The Tourism Development Authority had no capital assets.

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Payables at the government-wide level at June 30, 2014, were as follows:

	<u>Vendors</u>
Governmental Activities:	
General Fund	<u>\$ 689,985</u>
Business-Type Activities:	
Enterprise Funds	<u>\$ 6,445,768</u>

CITY OF MONROE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Component units' payables at June 30, 2014, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
ABC Board	\$ 170,823	\$ 3,605	\$ 97,000	\$ 271,428
Tourism Development Authority	\$ 8,490	\$ -	\$ 20,886	\$ 29,376

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Monroe and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute 6.00% of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 7.07% of annual covered payroll. The contribution requirements of members and of the City of Monroe and the ABC Board are established and may be amended by the North Carolina General Assembly.

The City's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012, were \$1,604,438, \$1,525,289, and \$1,606,917, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$15,759, \$16,653, and \$15,409, respectively. The contributions made by the City and the ABC Board equaled the required contributions for each year.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

b. *Law Enforcement Officers' Special Separation Allowance*

Plan Description. The City of Monroe 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.

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	9
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>85</u>
Total	<u>94</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.

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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year.

CITY OF MONROE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2012 was 18 years.

Annual Pension Cost and Net Pension Obligation. The City’s annual pension cost and net pension obligation (prepayment) to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 218,895
Interest on net pension obligation	1,701
Adjustment to annual required contribution	<u>(2,772)</u>
Annual pension cost	217,824
Contributions made	<u>155,457</u>
Increase in net pension obligation	62,367
Net pension obligation:	
Beginning of year, July 1	<u>34,024</u>
End of year, June 30	<u>\$ 96,391</u>

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 199,047	78.53%	\$ (26,594)
2013	209,095	71.01%	34,024
2014	217,824	71.37%	96,391

Funded Status and Funding Progress. As of December 31, 2013, 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 \$2,076,814. The covered payroll (annual payroll of active employees covered by the plan) was \$4,466,855, and the ratio of the UAAL to the covered payroll was 46.49%.

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.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

c. *Supplemental Retirement Income Plan*

Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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, 2014, were \$321,343 which consisted of \$227,608 from the City and \$93,735 from the law enforcement officers.

General Employees

The City has elected to contribute to the Supplemental Retirement Income Plan for general employees as well as for law enforcement officers. Participation begins after six months of employment. The City has elected to contribute each month an amount equal to three percent of each employee's salary, the employee contribution will be matched two percent by the City and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014, were \$1,341,025, which consisted of \$525,129 in regular contributions and \$294,996 in matching contributions from the City and \$520,900 from the employees.

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

Plan Description. The State of North Carolina contributes, on behalf of the City of Monroe, to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

and required supplementary information for the Fund. 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. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

On-Behalf Payments. For the fiscal year ended June 30, 2014, the City of Monroe has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$20,391 for the 57 employed Firefighter who perform firefighting duties for the City's fire department. The employees elected to be members of the Firefighter and Rescue Squad Worker's Pension Fund.

e. *Other Post-Employment Benefits*

Healthcare Benefits

Plan Description. Under the terms of a City resolution, the City administers a single employer Health and Dental Care Plan. This plan provides postemployment healthcare and dental benefits to retirees of the City provided they participate in the North Carolina Local Government Employees' Retirement System and have twenty (20) years of creditable service with the City. The amount the City pays towards these benefits is based on years of service with the City. The City pays the full cost of coverage for these benefits through private insurers. A stand-alone financial report is not issued.

Funding Policy. Employees with 20 to 25 years of service – the City pays 50% and 75% of the cost of health and dental insurance, respectively.

Employees with 30 years of service – the City pays 100% of the cost of health and dental insurance. In addition, retirees with 30 years of service receive \$5,500 of life insurance coverage.

When a retiree reaches age 65, they are transferred to the Medicare Supplement Group Plan and Part D Group Plan at the above referenced percentage of cost based on years of service. At that time, any dependents covered are offered COBRA coverage.

Membership of the Health Care Plan consisted of the following at December 31, 2013:

Retirees and dependents receiving benefits	78
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	455
Total	<u>533</u>

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The current ARC rate is 9.21% of annual covered payroll. For the current year, the City contributed \$888,171 or 3.98% of annual covered payroll. For the year ended June 30, 2014, the City made payments for postretirement health benefit premiums of \$888,171. The City's obligation to contribute to Health Care Plan is established and may be amended by the City Council. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

Summary of Significant Accounting Policies. Post-employment expenditures are made from the Health and Dental Self-Insurance Fund. 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 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 healthcare benefits:

Annual required contribution	\$	2,055,383
Interest on net obligation		279,996
Adjustment to annual required contribution		<u>(267,483)</u>
Annual OPEB cost (expense)		2,067,896
Contributions made		<u>(888,171)</u>
Increase (decrease) in net OPEB obligation		1,179,725
Net OPEB obligation:		
Beginning of year, July 1		<u>6,999,900</u>
End of year, June 30		<u><u>\$ 8,179,625</u></u>

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2012	\$ 2,043,816	23.5%	\$ 5,415,967
2013	2,005,199	21.0%	6,999,900
2014	2,067,896	43.0%	8,179,625

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Funded Status and Funding Progress. As of December 31, 2013, 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 \$26,144,876. The covered payroll (annual payroll of active employees covered by the plan) was \$22,305,806, and the ratio of the UAAL to the covered payroll was 117.2%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include factors such as changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status) and changes in the plan provisions or applicable law. 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 experiences and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00% investment rate of return, which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00% annually. Both rates included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using market value of investments. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013 was 30 years.

3. Other Employment Benefits

The City 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

CITY OF MONROE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
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months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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 upon 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. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2014, the City made no contributions to the State for death benefits. Due to a surplus, a decision was made to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. There will, therefore, be a temporary relief period based on the number of years the employer has contributed to the Death Benefit Plan as of December 31, 2010: 1) One Year Relief – for employers contributing for less than 10 years, 2) Two Years Relief – for employers contribution for 10 or more (but less than 20) years, 3) Three Years Relief – for employers contributing for 20 or more years.

4. *Deferred Outflows and Inflows of Resources*

Deferred outflows of resources is the deferred amount for loss on defeasance of debt. Deferred inflows of resources at year-end is comprised of the following:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Property taxes receivable:		
General	\$ 1,125,942	\$ -
Nonmajor governmental	6,557	-
Occupancy tax receivable:		
Nonmajor governmental	37,334	-
Privilege license receivable:		
General	12,182	-
Loans receivable:		
Nonmajor governmental	34,516	-
Special vehicle tax receivable:		
General	10,557	-
Code enforcement liens receivable:		
General	187,775	-
Prepaid taxes and licenses:		
General	-	3,883
Total	<u>\$ 1,414,863</u>	<u>\$ 3,883</u>

CITY OF MONROE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

5. Construction and Other Significant Commitments

Construction Commitments

The government has active construction projects as of June 30, 2014. These projects include sidewalk improvements, the design of Fire Station #4, customs building construction, and runway safety area improvements. At year-end, the government's commitments with contractors are as follows:

<u>Projects</u>	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
Governmental:		
Capital Projects	\$ 266,607	\$ 43,659
Enterprise:		
Water and Sewer	38,435	53,985
Electric	4,975,172	43,031
Natural Gas	1,751,568	-
Airport	<u>2,704,628</u>	<u>501,532</u>
Total	<u>\$ 9,736,410</u>	<u>\$ 642,207</u>

Encumbrances

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At June 30, 2014 the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Activities:

General Fund	\$ 797,641
Nonmajor funds	<u>77,678</u>
Total governmental activities	<u>\$ 875,319</u>

Business-Type Activities:

Water and Sewer Fund	\$ 554,556
Electric Fund	649,973
Natural Gas Fund	28,134
Airport Fund	20,136
Nonmajor funds	<u>29,742</u>
Total business-type activities	<u>\$ 1,282,541</u>

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

6. *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 is self-funded with regard to group health and workers' compensation insurance coverages. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

Flood Insurance

The City carries flood insurance for properties located in Flood Zones B, C and X through participation in the North Carolina League of Municipalities Interlocal Risk Financing Fund of North Carolina. The City does not have properties of significant value in these Flood Zones.

Self-Funded Insurance

The City has established three Internal Service Funds to account for self-insured risk financing. Funding of the Health Benefit Fund is based upon an analysis of historical and projected medical and dental claims paid by the third party administrator and the availability of unrestricted net position to fund projected claims. Funding of the Workers' Compensation Fund is based upon payroll rates established by the State of North Carolina and the availability of unrestricted net position to fund projected claims. Funding of the Property and Casualty Fund is based upon experience and exposure risks associated with City operations and the availability of unrestricted net position to fund projected claims.

Group Health Insurance

Effective July 1, 2002, the City established an employee medical benefit plan to self-insure claims up to \$70,000 per year for each individual covered; claims above \$70,000 and aggregate claims exceeding 125% of expected incurred and paid claims are covered by a stop loss insurance policy.

CITY OF MONROE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Workers' Compensation Insurance

The City has a self-funded workers' compensation insurance plan. Through this plan the City has workers' compensation coverage of up to the statutory limits. The self-insurance plan has a \$400,000 retained risk per occurrence for firefighters, police officers, and electrical line workers. All other employees have a \$350,000 retained risk per occurrence with a \$1,000,000 aggregate limit. The City also carries employer's liability coverage with similar retention and limit amounts.

Due to the degree of turnover of the outstanding claims, the claims payable as of June 30, 2014 are considered to be current liabilities. Changes in the balance of claims liabilities during the year ended June 30, 2014 are as follows:

	Health Benefit Fund	Workers' Compensation Fund	Property & Casualty Fund
Unpaid claims as of June 30, 2012	\$ 431,005	\$ -	\$ 19,013
Claims and premiums paid	5,561,258	194,992	741,074
Incurred claims and premiums	<u>(5,616,722)</u>	<u>(188,574)</u>	<u>(750,801)</u>
Unpaid claims as of June 30, 2013	375,541	6,418	9,286
Claims and premiums paid	6,207,456	284,767	674,700
Incurred claims and premiums	<u>(6,139,778)</u>	<u>(273,756)</u>	<u>(683,439)</u>
Unpaid claims as of June 30, 2014	<u>\$ 443,219</u>	<u>\$ 17,429</u>	<u>\$ 547</u>

The City protects itself from potential loss through participation in the North Carolina League of Municipalities Interlocal Risk Financing Fund of North Carolina for general liability, automobile liability, public officials and law enforcement liability. The City maintains coverage of \$5,000,000 for comprehensive general liability, automobile liability, public officials and law enforcement liability. The City's potential loss for liability coverage is limited to the deductible amount of \$50,000 per claim for all coverage except for real and personal property which has a deductible of \$25,000 per claim.

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 \$250,000 each. The Deputy Tax Collector is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The City of Monroe ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has commercial property, general liability, automobile liability, workers compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. In accordance with G.S. 18B-700(i), each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000 secured by a corporate surety.

The Tourism Development Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority does not carry commercial insurance to cover these risks of loss. Since the Authority is an entity of the City, the City's insurance coverage for these risks also covers the Authority. The Authority does not carry flood insurance. In accordance with G.S. 159-29, the Finance Officer for the Authority is individually bonded for \$50,000. All risk management activities are reported in the Authority's General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Based on available information, the Authority had no liability claims at June 30, 2014.

7. Claims, Judgments, and Contingent Liabilities

The City was a defendant in various matters of litigation as of June 30, 2014. While any litigation contains an element of uncertainty, City officials believe that the outcome of any lawsuit or claim which is pending, or all of them combined, will not have a materially adverse effect on the City's financial condition or operations. In addition, there are known incidents that may result in the assertion of claims, as well as claims from unknown incidents that may be asserted for which the City could be liable for a material amount. However, since such claims have not been asserted and are not determinable or measurable, no provision for loss has been included in the financial statements. Also, City officials believe the City's insurance is adequate for the actual or pending lawsuits or claims mentioned above.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

8. Long-Term Obligations

a. Installment Purchase Obligations

The City has entered into various installment purchase obligations to acquire certain equipment and to finance building improvements:

	Governmental Funds	Enterprise Funds	Total
\$1,542,000 Executed September 22, 1999, and refinanced on May 19, 2004 to finance acquisition, renovation, and furnishing of a police headquarters, requiring 21 semi-annual installments of \$73,429 plus interest at 2.8%	\$ 73,429	\$ -	\$ 73,429
\$1,036,000 Executed August 12, 2004, to finance construction of a street maintenance building, requiring 30 semi-annual installments of \$34,533 plus interest at 3.89%	379,867	-	379,867
\$1,900,000 Executed February 8, 2008, to finance facility improvements, requiring 20 semi-annual installments of \$95,000 plus interest at 3.827%	760,000	-	760,000
\$2,391,720 Executed January 30, 2009 to finance construction of a recreation center, requiring 30 semi-annual installments of \$79,724. Interest Rate Modified June 2013 to 2.67%	1,594,480	-	1,594,480
\$1,697,000 Executed June 11, 2010 with a bank, to finance equipment, requiring 10 semi-annual installments of \$181,609 including interest at 2.585%	99,690	256,604	356,294
\$771,100 Executed June 24, 2011 with a bank, to finance equipment, requiring 10 semi-annual installments of \$82,034 including interest at 2.29%	109,069	210,033	319,102
\$747,500 Executed June 25, 2012 with a bank, to finance equipment, to semi-annual installments of \$78,005 including interest at .78%	455,534	-	455,534
\$500,000 Executed July 20, 2013 with a bank, to finance equipment to semi-annual installments of \$52,037 including interest at 1.47%	-	353,845	353,845
\$850,000 Executed May 29, 2014 with a bank, to finance equipment, to semi-annual installments of \$88,355 including interest at 1.465%	850,000	-	850,000
Total	\$ 4,322,069	\$ 820,482	\$ 5,142,551

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Annual debt service payments of the installment purchase obligations as of June 30, 2014, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 960,869	\$ 105,410	\$ 459,610	\$ 14,043
2016	792,793	83,186	206,963	5,100
2017	742,565	63,122	102,186	1,888
2018	590,769	44,691	51,723	315
2019	403,301	29,760	-	-
2020-2024	831,772	59,209	-	-
Total	<u>\$ 4,322,069</u>		<u>\$ 820,482</u>	
Total interest payments		<u>\$ 385,378</u>		<u>\$ 21,346</u>

At June 30, 2014, the City had a legal debt margin of \$260,116,851.

b. Revenue Bonds

The City also issues bonds where it pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year-end are as follows:

Serviced by the Water and Sewer Fund, Electric Fund, Airport Fund, and Natural Gas Fund:

\$30,920,000 Combined Enterprise System Revenue Bonds, Series 2008A, due annually in amounts ranging from \$795,000 to \$2,055,000 through March 1, 2033, interest rate varying between 4.0% and 5.0%. The amount shown includes \$241,146 in unamortized bond premiums associated with the bonds. \$ 27,026,146

\$19,620,000 Combined Enterprise System Revenue Bonds, Series 2011, due annually in amounts ranging from \$945,000 to \$1,460,000 through March 1, 2028, interest rate varying between 2.0% and 5.0%. The amount shown includes \$723,349 in unamortized bond premiums and \$389,041 of unamortized deferred loss on defeasance associated with the bonds. 15,979,308

\$ 43,005,454

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The future payments of the revenue bonds for the years ending June 30 2014, are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2015	\$ 2,265,001	\$ 1,872,719
2016	2,355,000	1,782,119
2017	2,470,000	1,677,019
2018	2,575,000	1,563,569
2019	2,675,000	1,465,419
2020-2024	11,025,000	5,864,394
2025-2029	11,390,000	3,330,618
2030-2033	7,674,999	933,575
Total	\$ 42,430,000	\$ 18,489,432

The future payments as presented above, have not been reduced by the \$964,495 in unamortized bond premiums.

The City has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 704 of the Bond Order Authorizing the Issuance of Combined Enterprise System Revenue Bonds (Bond Order) since its adoption on May 3, 1994. Section 704(a) of the Bond Order requires the debt service coverage ratio to be no less than 125% parity indebtedness and 100% of the long term debt service requirement for subordinated indebtedness for the fiscal year. The debt service coverage ratio calculation for the year ended June 30, 2014, is as follows:

Operating revenues	\$ 91,644,666
Operating expenses (1)	78,463,198
Operating income	13,181,468
Non-operating revenues (2)	1,442,319
Income available for debt service	14,623,787
Parity debt service	5,022,237
Debt service coverage ratio	291%
Income available for debt service	14,623,787
Subordinated debt service	7,579,837
Debt service coverage ratio	193%

(1) Per rate covenants, this does not include the depreciation expense of \$7,047,020

(2) Per rate covenants, this includes investment earnings only.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The City has pledged future water and sewer, electric, airport, and natural gas customer revenues, net of specified operating expenses, to repay \$50.5 million in revenue bonds issued in 2008 and 2011. Proceeds from the bonds provided financing for various capital projects and refunded prior issues. The bonds are payable solely from the revenue sources of the enterprise funds noted above and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 5% of net revenues. The total principal and interest remaining to be paid on the bonds is \$60,919,432. Principal and interest paid for the current year and total customer net revenues were \$4,134,724 and \$90.8 million, respectively.

c. State Revolving Loans

The City has entered into seven State Revolving Loans to finance water and sewer improvements. All State Revolving Loans are being serviced by revenues from the Water and Sewer Fund:

Loan payable to the State of North Carolina Water Pollution Control Revolving Loan Fund with a maximum limit of \$7,382,765 payable over 20 years with interest at 3.385%	\$ 369,138
Loan payable to the State of North Carolina Water Bond Loan Fund with a maximum limit of \$1,515,662 payable over 20 years with interest at 5.85%.	151,566
Loan payable to the State of North Carolina Water Bond Loan Fund with a maximum limit of \$1,484,338 payable over 20 years with a revised interest rate of 3.43% effective May 1, 2003 (previous rate was 5.3%)	148,434
Loan payable to the State of North Carolina Water Pollution Control Revolving Loan Fund with a maximum limit of \$1,159,030 payable over 20 years with interest at 3.035%	173,855
Loan payable to the State of North Carolina Water Pollution Control Revolving Loan Fund with a maximum limit of \$1,270,105 payable over 20 years with interest at 2.89%	126,452
Loan payable to the State of North Carolina Water Pollution Control Revolving Loan Fund with a maximum limit of \$10,334,605 payable over 20 years with interest at 2.22%. As of June 30, 2014, total drawdowns on the loan were \$9,622,065.	<u>9,622,065</u>
Total	<u>\$ 10,591,510</u>

CITY OF MONROE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Annual debt service requirements to maturity for the State Revolving Loans are as follows:

<u>Year Ending June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,121,420	\$ 285,163
2016	752,281	211,862
2017	539,055	194,008
2018	481,103	181,568
2019	481,103	170,888
2020-2024	2,405,516	694,232
2025-2029	2,405,516	427,220
2030-2034	2,405,516	160,207
Total	<u>\$ 10,591,510</u>	<u>\$ 2,325,148</u>

d. *Certificates of Participation*

The City has entered into a Certification of Participation agreement to finance natural gas improvements. All Certificates of Participation are being serviced by revenues from the Natural Gas Fund.

On March 1, 2009 the City issued \$32,665,000 in Certificates of Participation (COPS) Installment Contracts to finance the construction of natural gas improvements. These 30-year COPS have interest rates of 3.00%. Annual payments of principal and interest range from approximately \$1,900,000 to \$1,744,429. Total principal and interest over a 30-year period will be \$65,490,748. The amount shown is net of the unamortized bond discount of \$282,939.

\$ 29,872,061

CITY OF MONROE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Annual debt service requirements for Certificates of Participation are as follows:

<u>Year Ending June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 675,000	\$ 1,522,650
2016	695,000	1,500,713
2017	720,000	1,476,388
2018	750,000	1,449,388
2019	780,000	1,419,388
2020-2024	4,410,000	6,582,488
2025-2029	5,560,000	5,436,756
2030-2034	7,180,000	3,807,925
2035-2039	9,385,000	1,604,075
Total	<u>\$ 30,155,000</u>	<u>\$ 24,799,771</u>

The future payments presented above, have not been reduced by \$282,939 the unamortized bond discount incurred as a result of the issuance.

CITY OF MONROE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

e. Changes in Long-term Liabilities

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental Activities:						
General and Parks & Recreation Fund:						
Installment purchasing obligations	\$ 4,302,746	\$ 850,000	\$ 1,021,873	\$ -	\$ 4,130,873	\$ 884,192
Compensated absences	1,879,650	1,020,564	957,784	-	1,942,430	1,301,428
Net pension obligation	34,024	62,367	-	-	96,391	-
OPEB liability	4,829,437	813,928	-	-	5,643,365	-
Golf Course:						
Installment purchasing obligations	-	-	101,897	293,093	191,196	76,677
Compensated absences	-	13,545	30,436	49,113	32,222	21,589
OPEB liability	-	3,630	-	21,541	25,171	-
Total governmental activities	\$ 11,045,857	\$ 2,764,034	\$ 2,111,990	\$ 363,747	\$ 12,061,648	\$ 2,283,886
	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Business-Type Activities:						
Water & Sewer Fund:						
Compensated absences	\$ 292,499	\$ 193,270	\$ 176,398	\$ -	\$ 309,371	\$ 207,279
OPEB liability	903,541	152,278	-	-	1,055,819	-
Installment purchase obligations	20,563	-	20,563	-	-	-
Revenue bonds	8,460,094	-	557,536	-	7,902,558	580,697
Plus bond premium	247,906	102,831	36,497	-	314,240	33,979
Total revenue bonds	8,708,000	102,831	594,033	-	8,216,798	614,676
State revolving loans	8,504,208	2,914,379	827,077	-	10,591,510	1,121,420
Total Water & Sewer Fund	\$ 18,428,811	\$ 3,362,758	\$ 1,618,071	\$ -	\$ 20,173,498	\$ 1,943,375
Electric Fund:						
Compensated absences	\$ 169,730	\$ 134,147	\$ 98,143	\$ -	\$ 205,734	\$ 137,842
OPEB liability	394,626	66,508	-	-	461,134	-
Installment purchase obligations	449,289	-	238,968	-	210,321	210,321
Revenue bonds	21,273,647	-	869,193	-	20,404,454	907,155
Plus bond premium	274,256	3,444	34,367	-	243,333	32,535
Total revenue bonds	21,547,903	3,444	903,560	-	20,647,787	939,690
Total Electric Fund	\$ 22,561,548	\$ 204,099	\$ 1,240,671	\$ -	\$ 21,524,976	\$ 1,287,853

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Natural Gas Fund:						
Compensated absences	\$ 68,266	\$ 41,193	\$ 37,267	\$ -	\$ 72,192	\$ 48,369
OPEB liability	200,269	33,752	-	-	234,021	-
Installment purchase obligations	51,212	-	36,141	-	15,071	15,071
Certificates of participation	30,810,000	-	655,000	-	30,155,000	675,000
Less unamortized discounts	<u>(294,487)</u>	<u>-</u>	<u>(11,548)</u>	<u>-</u>	<u>(282,939)</u>	<u>(11,548)</u>
Total certificates of participation	<u>30,515,513</u>	<u>-</u>	<u>643,452</u>	<u>-</u>	<u>29,872,061</u>	<u>663,452</u>
Revenue bonds	3,976,255	-	208,267	-	3,767,988	217,149
Plus bond premium	<u>69,166</u>	<u>1,497</u>	<u>10,834</u>	<u>-</u>	<u>59,829</u>	<u>10,152</u>
Total revenue bonds	<u>4,045,421</u>	<u>1,497</u>	<u>219,101</u>	<u>-</u>	<u>3,827,817</u>	<u>227,301</u>
Total Natural Gas Fund	<u>\$ 34,880,681</u>	<u>\$ 76,442</u>	<u>\$ 935,961</u>	<u>\$ -</u>	<u>\$ 34,021,162</u>	<u>\$ 954,193</u>
Airport Fund:						
Compensated absences	\$ 20,296	\$ 14,078	\$ 10,024	\$ -	\$ 24,350	\$ 16,315
OPEB liability	167,174	28,175	-	-	195,349	-
Installment purchase obligations	102,344	-	50,646	-	51,698	41,333
Revenue bonds	10,895,000	-	540,000	-	10,355,000	560,000
Plus bond premium	<u>510,366</u>	<u>-</u>	<u>163,273</u>	<u>-</u>	<u>347,093</u>	<u>51,420</u>
Total revenue bonds	<u>11,405,366</u>	<u>-</u>	<u>703,273</u>	<u>-</u>	<u>10,702,093</u>	<u>611,420</u>
Total Airport Fund	<u>\$ 11,695,180</u>	<u>\$ 42,253</u>	<u>\$ 763,943</u>	<u>\$ -</u>	<u>\$ 10,973,490</u>	<u>\$ 669,068</u>
Aquatics & Fitness Center Fund:						
Compensated absences	\$ 106,909	\$ 38,748	\$ 24,884	\$ (49,113)	\$ 71,660	\$ 48,012
OPEB liability	350,794	55,491	-	(21,541)	384,744	-
Installment purchase obligations	<u>293,093</u>	<u>-</u>	<u>-</u>	<u>(293,093)</u>	<u>-</u>	<u>-</u>
Total Aquatics & Fitness Center Fund	<u>\$ 750,796</u>	<u>\$ 94,239</u>	<u>\$ 24,884</u>	<u>\$ (363,747)</u>	<u>\$ 456,404</u>	<u>\$ 48,012</u>
Stormwater Fund:						
Compensated absences	\$ 49,789	\$ 17,019	\$ 23,322	\$ -	\$ 43,486	\$ 29,135
OPEB liability	143,980	24,266	-	-	168,246	-
Installment purchase obligations	<u>322,498</u>	<u>-</u>	<u>132,951</u>	<u>-</u>	<u>189,547</u>	<u>93,649</u>
Total Stormwater Fund	<u>\$ 516,267</u>	<u>\$ 41,285</u>	<u>\$ 156,273</u>	<u>\$ -</u>	<u>\$ 401,279</u>	<u>\$ 122,784</u>
Solid Waste Fund:						
Compensated absences	\$ 2,525	\$ 2,819	\$ 4,042	\$ -	\$ 1,302	\$ 872
OPEB liability	10,078	1,698	-	-	11,776	-
Installment purchase obligations	<u>451,638</u>	<u>-</u>	<u>97,793</u>	<u>-</u>	<u>353,845</u>	<u>99,236</u>
Total Solid Waste Fund	<u>\$ 464,241</u>	<u>\$ 4,517</u>	<u>\$ 101,835</u>	<u>\$ -</u>	<u>\$ 366,923</u>	<u>\$ 100,108</u>
Total Business-Type Activities	<u>\$ 89,297,524</u>	<u>\$ 3,825,593</u>	<u>\$ 4,841,638</u>	<u>\$ (363,747)</u>	<u>\$ 87,917,732</u>	<u>\$ 5,125,393</u>

CITY OF MONROE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

For governmental activities, compensated absences, net pension obligation, and other post-employment benefit liabilities are liquidated by the General Fund. For business-type activities, compensated absences and other post-employment benefit liabilities are liquidated by the respective business-type fund.

C. Interfund Balances and Activity

Interfund balances at June 30, 2014, consist of the following:

<u>Due to</u>	<u>Due from</u>			<u>Total</u>
	<u>General Fund</u>	<u>Natural Gas Fund</u>	<u>State Grant Programs</u>	
Electric Fund	\$ 896,646	\$ 1,992,060	\$ -	2,888,706
General Fund	-	-	1,768	1,768
Total	<u>\$ 896,646</u>	<u>\$ 1,992,060</u>	<u>\$ 1,768</u>	<u>\$ 2,890,474</u>

The balance of \$896,646 due to the Electric Fund from the General Fund resulted from financing of the Propel and Allvac land for economic development incentives. The promissory note is for \$1,494,020 payable annually over 15 years with interest accruing at 3.69%. The current portion of this note is \$98,391 and the balance of \$798,255 is not scheduled to be collected in the subsequent year.

The balance of \$1,992,060 due to the Electric fund from the Natural Gas fund is to cover the costs of the Public Service Company of North Carolina’s share of the natural gas pipeline project to be repaid in anticipation of receipt of payments from the Public Service Company pursuant to a Joint Venture agreement. The promissory note is for \$6,000,000 payable monthly over 6 years with interest accruing at 5.42%. The current portion of this note is \$1,029,838 and the balance of \$962,222 is not scheduled to be collected in the subsequent year.

The balance of \$1,768 due to the General fund from the State Grant Programs fund is for expenditures under a CDBG grant that did not meet the threshold for reimbursement as of June 30, 2014. The entire amount will be collected once a grant reimbursement request is filed and the CDBG reimburses the City. The City has received reimbursement subsequent to June 30, 2014.

Balances due to/from component units at June 30, 2014, consist of the following:

Due to the Primary Government for profit distributions from:	
Monroe ABC Board	\$ 48,500
Due to the Primary Government for Occupancy Tax:	
Monroe Tourism Development Authority	29,376
Total	<u>\$ 77,876</u>

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Transfers to/from other funds at June 30, 2014, consist of the following:

From the General Fund to the Airport Fund for current operating needs and construction projects	\$	1,622,702
From the General Fund to the Downtown Monroe Special Revenue Fund for general operations		233,138
From the Occupancy Tax Special Revenue Fund to the General Fund for administrative fees		11,123
From the General Fund to the Monroe-Union County Economic Development Special Revenue Fund for county-wide economic development		300,000
From the General Fund to the Airport Capital Project Fund for airport improvements		140,795
From the General Fund to the Capital Project Fund for Streetscape Phase III construction, Secret Shortcut Sidewalk project, St. James Subdivision Street project, and City hall renovations		292,725
From the General Fund to the Water Fund for cost share for Operation Center parking lot resurfacing & gate repairs		21,000
From the General Fund to the Self Insured Health and Dental Fund to establish reserve for health claim expenses		500,000
From the General Fund to the Governmental Capital Reserve for Future Greenway Project (year 1 of 6)		100,000
From the Water Capital Project Fund to the Electric Capital Project Fund for the reimbursement of excess funds from construction project		35,726
From the Electric Capital Project Fund to the Natural Gas Fund for the reimbursement of excess funds from construction project		1,001

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

From the Electric Fund to the Capital Project Fund for Downtown Monroe Streetscape Design	58,333
From the Electric Fund to the Water Fund for cost share for Operation Center parking lot resurfacing & gate repairs	21,000
From the Stormwater Fund to the Capital Project Fund for Downtown Monroe Streetscape Design	52,500
From the Natural Gas Fund to the Capital Project Fund for Downtown Monroe Streetscape Design	58,334
From the Water Fund to the Capital Project Fund for Downtown Monroe Streetscape Design	58,333

On the government-wide statements, an additional transfer of \$843,285 from the business-type activities to the governmental activities is shown. This transfer represents the book value of assets and the debt transferred from business-type activities to governmental activities during the year.

D. Revenues, Expenditures, and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2014, the City of Monroe has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$20,391 for the 57 employed Firefighter who perform firefighting duties for the City's Fire Department. The employees elected to be members of the Firefighter and Rescue Squad Worker's 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 \$10 monthly contribution paid by each member, investment income, and a State appropriation.

Also, the City has recognized as a revenue and an expenditure on-behalf of payments for fringe benefits and salaries of \$27,472 for the salary supplement and stipend benefits paid to eligible Firefighter by the local Board of Trustees of the Firefighter's Relief Fund during the fiscal year ended June 30, 2014. Under State law, the local Board of Trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible Firefighter or their departments.

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

IV. **Jointly Governed Organizations**

The City, in conjunction with eighteen other local governments, is a member of the North Carolina Municipal Power Agency Number 1 (Agency). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency's governing board. The nineteen members, which receive power from the Agency, have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2014 were \$46,604,746.

Also, the City, in conjunction with nine Central North Carolina counties and sixty-six other municipalities established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$7,871 to the Council during the fiscal year ended June 30, 2014.

V. **Joint Venture**

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firefighter's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firefighter's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these monies to the local board of the Firefighter's Relief Fund. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2014, the City reported revenues and expenditures for the payments of \$27,472 made through the Firefighter's Relief Fund. 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, 2014. The Firefighter's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firefighter's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

The City has entered into a joint venture agreement with Public Service Company of North Carolina, Incorporated, a South Carolina corporation d/b/a PSNC Energy ("PSNC"). The City has agreed to design, construct and install natural gas pipeline, a control station, an emergency connector, various valves and electronic data control equipment in Iredell and Cabarrus Counties which is located in PSNC's service area. These facilities will be "joint facilities" to be owned by the City subject to PSNC's right to lease capacity in these facilities. PSNC has agreed to pay the City capacity charges in the amount of \$6,000,000 payable in monthly installments over a period of six (6) years commencing June 30, 2010. The City will be responsible for providing all operation, maintenance, inspection and repair of the joint facilities. PSNC has agreed to reimburse the City for its share of the costs of operation and maintenance in proportion to the

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

percentage of PSNC's capacity in the joint facilities, which initially will be 25%. PSNC files SCANA's annual SEC Form 10-K with the North Carolina Utilities Commission. A full copy of this report can be obtained from the Commission's website in Docket No. G-5, Sub 400A or on SCANA's website at: <http://www.scana.com/en/investor-relations/financial-reports/>. In addition, PSNC's financial statements can be found on PSNC's website at: <http://www.psnenergy.com/en/financial-statements/>.

VI. Related Organization

The seven-member board of the Monroe Housing Authority is appointed by the City Council and Mayor of the City of Monroe. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Monroe is also disclosed as a related organization in the notes to the financial statements for the Monroe Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Authority's offices at Post Office Box 805, Monroe, North Carolina 28111.

VII. Related Party Transactions

The City and its discretely presented component units engaged in the following transactions during the year ended June 30, 2014:

City of Monroe ABC Board:

Payments to the City for profit distributions	\$	132,000
Payments to the City for law enforcement		<u>92,743</u>
Total	\$	<u>224,743</u>

Monroe Tourism Development Authority:

Payments of a pro-rata portion of the occupancy tax by the City to the Authority	\$	<u>359,648</u>
Payment by the Authority to the City for the Occupancy Tax Project	\$	<u>239,764</u>

CITY OF MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

VIII. Fund Balance

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

Total fund balance - General Fund	\$ 24,967,929
Less:	
Inventories	224,143
Prepays	914,342
Stabilization by State Statute	3,836,873
Public safety	439,050
Streets -	
Powell Bill reserves	563,970
Minimum fund balance requirement	8,197,194
Airport grant acceptance	829,678
Airport operations 5-year subsidy	1,000,000
Street resurfacing 5-year program	1,200,000
Subsequent year's expenditures	<u>1,230,000</u>
Remaining fund balance	<u>\$ 6,532,679</u>

The City of Monroe has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that assigned fund balance is the greater of \$7,500,000 or 25% of the next year's original adopted budget, net of Federal and State pass-through revenues. Any portion of the general fund unassigned fund balance in excess of the \$7,500,000 or 25% minimum requirement may be appropriated by City Council in a subsequent fiscal year to fund capital or debt service expenditures as determined by the City Council during the budget process. If during a fiscal year an excess over the stipulated \$7,500,000 or 25% exists, the City Council may request an appropriation to fund unforeseen needs.

IX. Summary Disclosures 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 MONROE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

X. Subsequent Events

Events occurring subsequent to year-end have been evaluated through October 29, 2014. This is the date on which the financial statements were available to be issued.

On September 17, 2014, the City of Monroe finalized a debt issuance for installment debt in the amount of \$4,400,000 for the design and construction of Fire Station #4. This new fire station will replace the temporary facility currently located at this location.



CITY OF MONROE, NORTH CAROLINA

**LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2003	\$ -	\$ 1,295,336	\$ 1,295,336	0.00%	\$ 2,910,965	44.50%
12/31/2004	-	1,406,395	1,406,395	0.00%	2,865,536	49.08%
12/31/2005	-	1,400,593	1,400,593	0.00%	3,368,588	41.58%
12/31/2006	-	1,442,095	1,442,095	0.00%	3,623,857	39.79%
12/31/2007	-	1,650,670	1,650,670	0.00%	3,761,162	43.89%
12/31/2008	-	1,703,401	1,703,401	0.00%	3,933,354	43.31%
12/31/2009	-	2,184,631	2,184,631	0.00%	4,461,289	48.97%
12/31/2010	-	1,852,860	1,852,860	0.00%	4,406,310	42.05%
12/31/2011	-	1,868,661	1,868,661	0.00%	4,513,819	41.40%
12/31/2012	-	1,885,736	1,885,736	0.00%	4,507,055	41.84%
12/31/2013	-	2,076,814	2,076,814	0.00%	4,466,855	46.49%

CITY OF MONROE, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED JUNE 30, 2014**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	\$ 111,195	99.37%
2004	116,909	106.01%
2005	121,658	113.76%
2006	137,815	119.31%
2007	138,373	149.68%
2008	143,756	112.24%
2009	164,695	127.34%
2010	174,367	131.97%
2011	225,936	174.70%
2012	198,378	286.13%
2013	208,770	71.01%
2014	218,895	71.02%

Notes to the Required Schedules:

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

Valuation date	December 31, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
Cost-of-living adjustments	none

*Includes inflation at 3.00%

CITY OF MONROE, NORTH CAROLINA

**THE HEALTH CARE PLAN OF THE CITY OF MONROE
 SUPPLEMENTAL INFORMATION SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Accrued Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$ -	\$ 15,877,000	\$ 15,877,000	0.00%	\$ 18,700,000	84.9%
7/1/2009	-	19,201,000	19,201,000	0.00%	19,927,000	93.4%
12/31/2010	-	20,670,010	20,670,010	0.00%	21,957,134	94.1%
12/31/2011	-	20,626,771	20,626,771	0.00%	21,838,049	94.5%
12/31/2013	-	26,144,876	26,144,876	0.00%	22,305,806	117.2%

CITY OF MONROE, NORTH CAROLINA

**THE HEALTH CARE PLAN OF THE CITY OF MONROE
 SUPPLEMENTAL INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTION
 FOR THE YEAR ENDED JUNE 30, 2014**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 1,502,000	23.2%
2010	1,513,000	26.2%
2011	1,837,058	13.8%
2012	2,043,813	23.5%
2013	1,995,517	21.0%
2014	2,055,383	43.2%

Notes to the Required Schedules:

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

Valuation date	December 31, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	7.75%-5.00%
Post-Medicare trend rate	5.75%-5.00%
Year of ultimate trend rate	2019
Cost-of-living adjustments	none
*Includes inflation at	3.00%

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes.

Community Development - This fund is used to account for specific revenues that are restricted to fund continuing rehabilitation of housing within certain targeted areas of the City.

Downtown Monroe - This fund is used to account for specific revenues that are restricted for the purpose of downtown revitalization.

Occupancy Tax - This fund is used to account for specific revenues that are restricted for the purpose of tourism development.

State Grant Programs - This fund is used to account for specific state grant revenues that are restricted for housing rehabilitation throughout the County.

Monroe Union County Economic Development – This fund is used to account for specific revenues that is restricted for the purpose of county-wide economic development.

Capital Projects Funds

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Capital Projects - This fund is used to account for the purchase, renovation, furnishing, or construction of roadway and facility improvements.

Occupancy Tax Projects - This fund is used to account for tourism related capital expenditures.

Capital Reserve Funds

Capital Reserve Funds account for financial resources to be accumulated and used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Governmental Capital Reserve - This fund is used to accumulate funds for the purpose of constructing greenways.

CITY OF MONROE, NORTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Special Revenue Funds					
	Community Development	Downtown Monroe	Occupancy Tax	State Grant Programs	Monroe Union Economic Development	Total
Assets:						
Cash and cash equivalents	\$ 56,562	\$ 52,070	\$ -	\$ -	\$ 200,488	\$ 309,120
Taxes receivable	-	6,557	37,334	-	-	43,891
Accounts receivable	-	-	-	1,768	19	1,787
Prepaid items	-	75	-	-	3,219	3,294
Due from other governments	-	240	-	-	-	240
Due from component unit	-	-	-	-	-	-
Loans receivable	34,516	-	-	-	-	34,516
Total assets	<u>\$ 91,078</u>	<u>\$ 58,942</u>	<u>\$ 37,334</u>	<u>\$ 1,768</u>	<u>\$ 203,726</u>	<u>\$ 392,848</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:						
Liabilities:						
Cash due to General Fund	\$ -	\$ -	\$ -	\$ 1,768	\$ -	\$ 1,768
Accounts payable and accrued liabilities	-	2,582	-	-	13,380	15,962
Total liabilities	<u>-</u>	<u>2,582</u>	<u>-</u>	<u>1,768</u>	<u>13,380</u>	<u>17,730</u>
Deferred Inflows of Resources	<u>34,516</u>	<u>6,557</u>	<u>37,334</u>	<u>-</u>	<u>-</u>	<u>78,407</u>
Fund Balances:						
Non-spendable:						
Prepays	-	75	-	-	3,219	3,294
Restricted:						
Stabilization by State Statute	-	4,542	-	1,768	1,869	8,179
Occupancy tax capital projects	-	-	-	-	-	-
Economic development	-	-	-	-	185,258	185,258
Committed:						
Culture and recreation	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Assigned	56,562	45,186	-	-	-	101,748
Unassigned	-	-	-	(1,768)	-	(1,768)
Total fund balances	<u>56,562</u>	<u>49,803</u>	<u>-</u>	<u>-</u>	<u>190,346</u>	<u>296,711</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 91,078</u>	<u>\$ 58,942</u>	<u>\$ 37,334</u>	<u>\$ 1,768</u>	<u>\$ 203,726</u>	<u>\$ 392,848</u>

Capital Project Funds				
Capital Projects	Occupancy Tax Projects	Governmental Capital Reserve	Total	Total Nonmajor Governmental Funds
\$ 613,750	\$ 1,534,999	\$ 100,000	\$ 2,248,749	\$ 2,557,869
-	-	-	-	43,891
-	-	-	-	1,787
-	10,000	-	10,000	13,294
-	-	-	-	240
-	29,376	-	29,376	29,376
-	-	-	-	34,516
<u>\$ 613,750</u>	<u>\$ 1,574,375</u>	<u>\$ 100,000</u>	<u>\$ 2,288,125</u>	<u>\$ 2,680,973</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,768
<u>125,865</u>	<u>-</u>	<u>-</u>	<u>125,865</u>	<u>141,827</u>
<u>125,865</u>	<u>-</u>	<u>-</u>	<u>125,865</u>	<u>143,595</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,407</u>
-	10,000	-	10,000	13,294
-	100,902	-	100,902	109,081
-	1,463,473	-	1,463,473	1,463,473
-	-	-	-	185,258
-	-	100,000	100,000	100,000
487,885	-	-	487,885	487,885
-	-	-	-	101,748
-	-	-	-	(1,768)
<u>487,885</u>	<u>1,574,375</u>	<u>100,000</u>	<u>2,162,260</u>	<u>2,458,971</u>
<u>\$ 613,750</u>	<u>\$ 1,574,375</u>	<u>\$ 100,000</u>	<u>\$ 2,288,125</u>	<u>\$ 2,680,973</u>

CITY OF MONROE, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds					
	Community Development	Downtown Monroe	Occupancy Tax	State Grant Programs	Monroe Union Economic Development	Total
Revenues:						
Ad valorem taxes	\$ -	\$ 54,734	\$ -	\$ -	\$ -	\$ 54,734
Other taxes and licenses	-	-	370,771	-	-	370,771
Restricted intergovernmental	-	-	-	12,153	399,445	411,598
Miscellaneous	-	60,939	-	-	12,185	73,124
Investment earnings	-	-	-	-	2,001	2,001
Total revenues	<u>-</u>	<u>115,673</u>	<u>370,771</u>	<u>12,153</u>	<u>413,631</u>	<u>912,228</u>
Expenditures:						
Current:						
Economic and physical development:						
Administration	-	338,407	-	-	584,229	922,636
Program costs	-	-	-	12,153	-	12,153
Tourism	-	-	359,648	-	-	359,648
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>338,407</u>	<u>359,648</u>	<u>12,153</u>	<u>584,229</u>	<u>1,294,437</u>
Revenues over (under) expenditures	<u>-</u>	<u>(222,734)</u>	<u>11,123</u>	<u>-</u>	<u>(170,598)</u>	<u>(382,209)</u>
Other Financing Sources (Uses):						
Transfers from other funds	-	233,138	-	-	300,000	533,138
Transfers to other funds	-	-	(11,123)	-	-	(11,123)
Total other financing sources (uses)	<u>-</u>	<u>233,138</u>	<u>(11,123)</u>	<u>-</u>	<u>300,000</u>	<u>522,015</u>
Net change in fund balances	-	10,404	-	-	129,402	139,806
Fund Balances:						
Beginning of year, July 1	<u>56,562</u>	<u>39,399</u>	<u>-</u>	<u>-</u>	<u>60,944</u>	<u>156,905</u>
End of year, June 30	<u>\$ 56,562</u>	<u>\$ 49,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,346</u>	<u>\$ 296,711</u>

Capital Project Funds					Total Nonmajor Governmental Funds
Capital Projects	Occupancy Tax Projects	Governmental Capital Reserve	Total		
\$ -	\$ -	\$ -	\$ -	\$	54,734
-	-	-	-	-	370,771
-	239,764	-	239,764	-	651,362
-	-	-	-	-	73,124
-	-	-	-	-	2,001
-	239,764	-	239,764	-	1,151,992
-	-	-	-	-	922,636
-	-	-	-	-	12,153
-	-	-	-	-	359,648
319,890	248,273	-	568,163	-	568,163
319,890	248,273	-	568,163	-	1,862,600
(319,890)	(8,509)	-	(328,399)	-	(710,608)
520,225	-	100,000	620,225	-	1,153,363
-	-	-	-	-	(11,123)
520,225	-	100,000	620,225	-	1,142,240
200,335	(8,509)	100,000	291,826	-	431,632
287,550	1,582,884	-	1,870,434	-	2,027,339
\$ 487,885	\$ 1,574,375	\$ 100,000	\$ 2,162,260	\$	2,458,971

CITY OF MONROE, NORTH CAROLINA

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Health and Dental Fund</u>	<u>Workers' Compensation Fund</u>	<u>Property and Liability Fund</u>	<u>Total Fund</u>
Assets:				
Current assets:				
Cash and investments	\$ 1,697,113	\$ 765,773	\$ 529,640	\$ 2,992,526
Accounts receivable (net)	156,553	-	-	156,553
Prepays	98,354	-	11,900	110,254
Restricted assets:				
Deposits	<u>10,169</u>	<u>10,000</u>	<u>-</u>	<u>20,169</u>
Total current assets	<u>1,962,189</u>	<u>775,773</u>	<u>541,540</u>	<u>3,279,502</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	433,050	7,429	547	441,026
Liabilities payable from restricted assets:				
Deposits	<u>10,169</u>	<u>10,000</u>	<u>-</u>	<u>20,169</u>
Total current liabilities	<u>443,219</u>	<u>17,429</u>	<u>547</u>	<u>461,195</u>
Net Position:				
Unrestricted	<u>\$ 1,518,970</u>	<u>\$ 758,344</u>	<u>\$ 540,993</u>	<u>\$ 2,818,307</u>

CITY OF MONROE, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Health and Dental Fund	Workers' Compensation Fund	Property and Liability Fund	Total
Operating Revenues:				
Interfund charges and employee contributions	\$ 5,726,144	\$ -	\$ 645,000	\$ 6,371,144
Receipts for interfund charges	-	300,000	-	300,000
Other operating revenue	765,725	-	32,493	798,218
Total operating revenues	<u>6,491,869</u>	<u>300,000</u>	<u>677,493</u>	<u>7,469,362</u>
Operating Expenses:				
Operating expenses	235,975	52,766	50,925	339,666
Workers' compensation claims and premiums	-	284,767	-	284,767
Health care clinic	82,495	-	-	82,495
Insurance	15,479	-	-	15,479
Health benefit claims and premiums	6,207,456	-	-	6,207,456
Property and liability claims and premiums	-	-	623,775	623,775
Total operating expenses	<u>6,541,405</u>	<u>337,533</u>	<u>674,700</u>	<u>7,553,638</u>
Operating income (loss)	<u>(49,536)</u>	<u>(37,533)</u>	<u>2,793</u>	<u>(84,276)</u>
Non-Operating Revenues:				
Investment earnings	22,073	14,911	(505)	36,479
Total non-operating revenues	<u>22,073</u>	<u>14,911</u>	<u>(505)</u>	<u>36,479</u>
Income (loss) before transfers	(27,463)	(22,622)	2,288	(47,797)
Transfers from other funds	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Change in net position	472,537	(22,622)	2,288	452,203
Net Position:				
Beginning of year, July 1	1,046,433	780,966	538,705	2,366,104
End of year, June 30	<u>\$ 1,518,970</u>	<u>\$ 758,344</u>	<u>\$ 540,993</u>	<u>\$ 2,818,307</u>

CITY OF MONROE, NORTH CAROLINA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Health and Dental Fund	Workers' Compensation Fund	Property and Liability Fund	Total
Cash Flows from Operating Activities:				
Cash received for services	\$ 5,598,861	\$ -	\$ 633,100	\$ 6,231,961
Other operating revenue	765,725	-	32,493	798,218
Receipts for interfund charges	-	300,000	-	300,000
Cash paid for goods and services	<u>(6,463,558)</u>	<u>(316,522)</u>	<u>(683,439)</u>	<u>(7,463,519)</u>
Net cash provided (used) by operating activities	<u>(98,972)</u>	<u>(16,522)</u>	<u>(17,846)</u>	<u>(133,340)</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers (to) from other funds	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Cash Flows from Investing Activities:				
Investment earnings	<u>22,073</u>	<u>14,911</u>	<u>(505)</u>	<u>36,479</u>
Net cash provided (used) by investing activities	<u>22,073</u>	<u>14,911</u>	<u>(505)</u>	<u>36,479</u>
Net increase (decrease) in cash and cash equivalents	423,101	(1,611)	(18,351)	(96,861)
Cash and Cash Equivalents:				
Beginning of year, July 1	<u>1,284,181</u>	<u>777,384</u>	<u>547,991</u>	<u>2,609,556</u>
End of year, June 30	<u>\$ 1,707,282</u>	<u>\$ 775,773</u>	<u>\$ 529,640</u>	<u>\$ 2,512,695</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	<u>\$ (49,536)</u>	<u>\$ (37,533)</u>	<u>\$ 2,793</u>	<u>\$ (84,276)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Change in assets and liabilities				
(Increase) decrease in accounts receivable	(126,796)	-	-	(126,796)
(Increase) decrease in prepaid expenses	(487)	-	(11,900)	(12,387)
Increase (decrease) in accounts payable and accrued liabilities	<u>77,847</u>	<u>21,011</u>	<u>(8,739)</u>	<u>90,119</u>
Total adjustments	<u>(49,436)</u>	<u>21,011</u>	<u>(20,639)</u>	<u>(49,064)</u>
Net cash provided (used) by operating activities	<u>\$ (98,972)</u>	<u>\$ (16,522)</u>	<u>\$ (17,846)</u>	<u>\$ (133,340)</u>

CITY OF MONROE, NORTH CAROLINA

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Aquatics and Fitness Center Fund	Stormwater Fund	Solid Waste Fund	Total Fund
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,632,260	\$ 664,734	\$ 375,891	\$ 2,672,885
Accounts receivable	1,667	155,844	209,569	367,080
Prepaid expenses	2,029	519	622	3,170
Inventories	7,756	-	-	7,756
Total current assets	<u>1,643,712</u>	<u>821,097</u>	<u>586,082</u>	<u>3,050,891</u>
Non-current assets:				
Capital assets:				
Land and other non-depreciable assets	925,594	-	-	925,594
Other capital assets, net of depreciation	6,656,141	646,678	790,712	8,093,531
Capital assets (net)	<u>7,581,735</u>	<u>646,678</u>	<u>790,712</u>	<u>9,019,125</u>
Total non-current assets	<u>7,581,735</u>	<u>646,678</u>	<u>790,712</u>	<u>9,019,125</u>
Total assets	<u>9,225,447</u>	<u>1,467,775</u>	<u>1,376,794</u>	<u>12,070,016</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	70,775	12,013	142,329	225,117
Unearned revenue	28,750	-	-	28,750
Compensated absences	48,012	29,135	872	78,019
Installment purchase obligations	-	93,649	99,236	192,885
Total current liabilities	<u>147,537</u>	<u>134,797</u>	<u>242,437</u>	<u>524,771</u>
Non-current liabilities:				
Compensated absences	23,648	14,351	430	38,429
Installment purchase obligations	-	95,898	254,609	350,507
Other post-employment benefits payable	384,744	168,246	11,776	564,766
Total non-current liabilities	<u>408,392</u>	<u>278,495</u>	<u>266,815</u>	<u>953,702</u>
Total liabilities	<u>555,929</u>	<u>413,292</u>	<u>509,252</u>	<u>1,478,473</u>
Net investment in capital assets	7,581,735	457,131	436,867	8,475,733
Unrestricted	1,087,783	597,352	430,675	2,115,810
Total net position	<u>\$ 8,669,518</u>	<u>\$ 1,054,483</u>	<u>\$ 867,542</u>	<u>\$ 10,591,543</u>

CITY OF MONROE, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Aquatics and Fitness Center</u>	<u>Stormwater</u>	<u>Solid Waste</u>	<u>Total</u>
Operating Revenues:				
Charges for services	\$ 3,440,719	\$ 1,874,738	\$ 2,142,516	\$ 7,457,973
Other operating revenues	136,104	13,300	46,793	196,197
Total operating revenues	<u>3,576,823</u>	<u>1,888,038</u>	<u>2,189,309</u>	<u>7,654,170</u>
Operating Expenses:				
Airport operations	3,322,396	-	-	3,322,396
Stormwater operations	-	1,536,618	-	1,536,618
Solidwaste operations	-	-	1,933,674	1,933,674
Depreciation and amortization	284,983	130,173	127,091	542,247
Total operating expenses	<u>3,607,379</u>	<u>1,666,791</u>	<u>2,060,765</u>	<u>7,334,935</u>
Operating income (loss)	<u>(30,556)</u>	<u>221,247</u>	<u>128,544</u>	<u>319,235</u>
Non-Operating Revenues (Expenses):				
Other non-operating revenues (expenses)	3,300	819	-	4,119
Investment earnings	33,715	8,855	7,834	50,404
Interest and other charges	-	(7,438)	(6,282)	(13,720)
Total non-operating revenues (expenses)	<u>37,015</u>	<u>2,236</u>	<u>1,552</u>	<u>40,803</u>
Income (loss) before capital contributions and transfers	6,459	223,483	130,096	360,038
Transfers (to) from other funds	<u>(843,285)</u>	<u>(52,500)</u>	<u>-</u>	<u>(895,785)</u>
Change in net position	(836,826)	170,983	130,096	(535,747)
Net Position:				
Beginning of year, July 1	<u>9,506,344</u>	<u>883,500</u>	<u>737,446</u>	<u>11,127,290</u>
End of year, June 30	<u>\$ 8,669,518</u>	<u>\$ 1,054,483</u>	<u>\$ 867,542</u>	<u>\$ 10,591,543</u>

CITY OF MONROE, NORTH CAROLINA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Aquatics and Fitness Center</u>	<u>Stormwater</u>	<u>Solid Waste</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Cash received from customers	\$ 3,573,127	\$ 1,852,669	\$ 2,146,037	\$ 7,571,833
Cash paid for goods and services	(1,513,356)	(929,848)	(1,864,782)	(4,307,986)
Cash paid to or on behalf of employees for services	(1,684,545)	(602,335)	(67,591)	(2,354,471)
Net cash provided (used) by operating activities	<u>375,226</u>	<u>320,486</u>	<u>213,664</u>	<u>909,376</u>
Cash Flows from Non-Capital Financing Activities:				
Advances (to) from other funds	-	(38,296)	-	(38,296)
Non operating revenues	3,300	819	-	4,119
Transfers (to) from other funds	-	(52,500)	-	(52,500)
Net cash provided (used) by non-capital financing activities	<u>3,300</u>	<u>(89,977)</u>	<u>-</u>	<u>(86,677)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(397,945)	-	(143,914)	(541,859)
Principal paid on bond maturities and equipment obligations	-	(132,951)	(97,793)	(230,744)
Interest paid on bond maturities and equipment obligations	-	(7,438)	(6,282)	(13,720)
Net cash provided (used) by capital and related financing activities	<u>(397,945)</u>	<u>(140,389)</u>	<u>(247,989)</u>	<u>(786,323)</u>
Cash Flows from Investing Activities:				
Earnings on investments	<u>33,715</u>	<u>8,855</u>	<u>7,834</u>	<u>50,404</u>
Net cash provided (used) by investing activities	<u>33,715</u>	<u>8,855</u>	<u>7,834</u>	<u>50,404</u>
Net increase (decrease) in cash and cash equivalents	14,296	98,975	(26,491)	86,780
Cash and Cash Equivalents:				
Beginning of year, July 1	<u>1,617,964</u>	<u>565,759</u>	<u>402,382</u>	<u>2,586,105</u>
End of year, June 30	<u>\$ 1,632,260</u>	<u>\$ 664,734</u>	<u>\$ 375,891</u>	<u>\$ 2,672,885</u>

Non-Cash Investing, Capital and Financing Activities:

The Aquatic Center Fund transferred \$843,285 representing capital assets and debt to the General Fund during the year.

CITY OF MONROE, NORTH CAROLINA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Aquatics and Fitness Center</u>	<u>Stormwater</u>	<u>Solid Waste</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (30,556)	\$ 221,247	\$ 128,544	\$ 319,235
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	284,983	130,173	127,091	542,247
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(1,667)	(34,850)	(42,650)	(79,167)
(Increase) decrease in inventories	27,388	-	-	27,388
(Increase) decrease in prepaid expenses	(2,029)	(519)	(622)	(3,170)
Increase (decrease) in accounts payable and accrued liabilities	27,752	(13,528)	826	15,050
Increase (decrease) in net OPEB liability	55,491	24,266	1,698	81,455
Increase (decrease) in compensated absences	13,864	(6,303)	(1,223)	6,338
Total adjustments	<u>405,782</u>	<u>99,239</u>	<u>85,120</u>	<u>590,141</u>
Net cash provided (used) by operating activities	<u>\$ 375,226</u>	<u>\$ 320,486</u>	<u>\$ 213,664</u>	<u>\$ 909,376</u>

CITY OF MONROE, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 19,117,363	\$ 19,623,638	\$ 506,275
Penalties and interest	70,000	109,971	39,971
Total	<u>19,187,363</u>	<u>19,733,609</u>	<u>546,246</u>
Other Taxes and Licenses:			
Privilege licenses	726,225	865,681	139,456
Gross receipts tax on short-term rental property	47,200	63,446	16,246
Local franchise fees	50,000	-	(50,000)
Motor vehicle tax	<u>125,000</u>	<u>197,244</u>	<u>72,244</u>
Total	<u>948,425</u>	<u>1,126,371</u>	<u>177,946</u>
Unrestricted Intergovernmental:			
Local option sales taxes	4,564,242	5,136,372	572,130
Telecommunications sales tax	411,000	424,268	13,268
Utility franchise tax	1,504,000	1,887,999	383,999
Cablevision franchise fees	215,000	223,343	8,343
Beer and wine tax	140,000	145,231	5,231
State fire fees	3,853	3,155	(698)
ABC profit distribution	<u>116,000</u>	<u>132,000</u>	<u>16,000</u>
Total	<u>6,954,095</u>	<u>7,952,368</u>	<u>998,273</u>
Restricted Intergovernmental:			
Powell Bill allocation	920,855	960,634	39,779
Public safety reimbursement grants	31,380	14,322	(17,058)
On-behalf payments - Fire and Rescue	-	47,863	47,863
ABC Revenue for law enforcement	75,000	92,743	17,743
Resource officer reimbursement	130,000	156,925	26,925
Fire reimbursement grants	45,000	21,845	(23,155)
Economic development grants	252,500	-	(252,500)
Equitable sharing of federally forfeited property	-	114,154	114,154
Transportation Reimbursement grant	<u>75,000</u>	<u>-</u>	<u>(75,000)</u>
Total	<u>1,529,735</u>	<u>1,408,486</u>	<u>(121,249)</u>
Sales and Services:			
Recreational fees	763,718	822,113	58,395
Utilities collection fees	410,600	413,436	2,836
Building permit fees	300,000	336,922	36,922
Cemetery revenues	30,600	54,770	24,170
Sale of fixed assets	54,025	44,080	(9,945)
Rentals	75,786	85,913	10,127
Other fees	<u>169,885</u>	<u>163,503</u>	<u>(6,382)</u>
Total	<u>1,804,614</u>	<u>1,920,737</u>	<u>116,123</u>

CITY OF MONROE, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Investment Earnings	250,000	478,538	228,538
Miscellaneous:			
Payment in lieu of taxes	548,644	562,910	14,266
Donations	18,286	19,454	1,168
Other	83,969	123,676	39,707
Total	<u>650,899</u>	<u>706,040</u>	<u>55,141</u>
 Total revenues	 <u>31,325,131</u>	 <u>33,326,149</u>	 <u>2,001,018</u>
Expenditures:			
Current:			
General Government:			
Administration			
Salaries and employee benefits	1,894,514	1,722,448	172,066
Operating expenditures	2,382,519	1,395,464	987,055
Capital outlay	221,722	165,048	56,674
Interdepartmental charges	(1,976,307)	(1,975,485)	(822)
Total	<u>2,522,448</u>	<u>1,307,475</u>	<u>1,214,973</u>
Planning and Zoning:			
Salaries and employee benefits	537,938	529,066	8,872
Operating expenditures	429,901	81,018	348,883
Capital outlay	-	25,653	-
Interdepartmental charges	(32,415)	(32,415)	-
Total	<u>935,424</u>	<u>603,322</u>	<u>357,755</u>
Engineering:			
Salaries and employee benefits	812,905	769,931	42,974
Operating expenditures	52,457	42,858	9,599
Interdepartmental charges	(279,457)	(279,457)	-
Total	<u>585,905</u>	<u>533,332</u>	<u>52,573</u>
Finance:			
Salaries and employee benefits	1,904,961	1,901,320	3,641
Operating expenditures	425,567	358,315	67,252
Capital outlay	8,000	-	8,000
Interdepartmental charges	(2,084,780)	(2,084,780)	-
Total	<u>253,748</u>	<u>174,855</u>	<u>78,893</u>
Operations Center:			
Salaries and employee benefits	529,410	522,367	7,043
Operating expenditures	118,606	101,952	16,654
Interdepartmental charges	(662,177)	(628,557)	(33,620)
Total	<u>(14,161)</u>	<u>(4,238)</u>	<u>(9,923)</u>

CITY OF MONROE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Special Appropriations:			
Operating expenditures	280,752	214,292	66,460
Total general government	<u>4,564,116</u>	<u>2,829,038</u>	<u>1,760,731</u>
Transportation:			
Streets and highways			
Salaries and employee benefits	1,081,478	974,566	106,912
Operating expenditures	1,706,529	1,491,308	215,221
Capital outlay	903,736	900,203	3,533
Interdepartmental charges	<u>(450,455)</u>	<u>(486,931)</u>	<u>36,476</u>
Total	<u>3,241,288</u>	<u>2,879,146</u>	<u>362,142</u>
Public Safety:			
Police:			
Salaries and employee benefits	7,421,242	7,387,762	33,480
Operating expenditures	1,381,456	1,074,185	307,271
Capital outlay	<u>422,025</u>	<u>419,518</u>	<u>2,507</u>
Total	<u>9,224,723</u>	<u>8,881,465</u>	<u>343,258</u>
Fire:			
Salaries and employee benefits	5,778,492	5,714,127	64,365
Operating expenditures	737,915	660,683	77,232
Capital outlay	<u>1,009,344</u>	<u>30,697</u>	<u>978,647</u>
Total	<u>7,525,751</u>	<u>6,405,507</u>	<u>1,120,244</u>
Building Standards and Code Enforcement:			
Salaries and employee benefits	468,899	463,792	5,107
Operating expenditures	<u>133,296</u>	<u>93,281</u>	<u>40,015</u>
Total	<u>602,195</u>	<u>557,073</u>	<u>45,122</u>
Total public safety	<u>17,352,669</u>	<u>15,844,045</u>	<u>1,508,624</u>
Culture and Recreation:			
Salaries and employee benefits	2,233,215	2,096,658	136,557
Operating expenditures	1,410,639	1,206,107	204,532
Capital outlay	656,322	444,910	211,412
Interdepartmental charges	<u>(254,463)</u>	<u>(254,463)</u>	<u>-</u>
Total	<u>4,045,713</u>	<u>3,493,212</u>	<u>552,501</u>

CITY OF MONROE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Golf:			
Salaries and employee benefits	626,497	524,198	102,299
Operating expenditures	410,672	357,609	53,063
Total	<u>1,037,169</u>	<u>881,807</u>	<u>155,362</u>
 Total culture and recreation	 <u>5,082,882</u>	 <u>4,375,019</u>	 <u>707,863</u>
Debt Service:			
Principal retirement	1,547,132	1,123,770	423,362
Interest and other charges	163,593	163,593	-
Total	<u>1,710,725</u>	<u>1,287,363</u>	<u>423,362</u>
 Total expenditures	 <u>31,951,680</u>	 <u>27,214,611</u>	 <u>4,762,722</u>
 Revenues over (under) expenditures	 <u>(626,549)</u>	 <u>6,111,538</u>	 <u>6,738,087</u>
Other Financing Sources (Uses):			
Transfers from (to) other funds:			
Special revenue funds			
Occupancy Tax Fund	9,600	11,123	1,523
Monroe Union County Economic Development Fund	(300,000)	(300,000)	-
Capital projects funds			
Capital projects	(292,725)	(292,725)	-
Downtown Monroe Fund	(256,094)	(233,138)	22,956
Governmental Capital Reserve Fund	(100,000)	(100,000)	-
Internal service funds			
Self Insured Health And Dental Fund	(500,000)	(500,000)	-
Water and Sewer Fund	(21,000)	(21,000)	-
Airport Capital Projects Fund	(140,795)	(140,795)	-
Airport Fund	(1,916,266)	(1,622,702)	293,564
Installment purchase obligations issued	850,000	850,000	-
Total other financing sources (uses)	<u>(2,667,280)</u>	<u>(2,349,237)</u>	<u>318,043</u>
 Appropriated fund balance	 <u>3,293,829</u>	 <u>-</u>	 <u>(3,293,829)</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>3,762,301</u>	 <u>\$ 3,762,301</u>
Fund Balance:			
Beginning of year, July 1		<u>21,205,628</u>	
End of year, June 30		<u>\$ 24,967,929</u>	

CITY OF MONROE, NORTH CAROLINA

**SPECIAL REVENUE FUNDS
COMMUNITY DEVELOPMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Program income	\$ 1,000	\$ -	\$ (1,000)
Expenditures:			
Current:			
Economic and physical development:			
Administration	100	-	100
Contingency	<u>900</u>	<u>-</u>	<u>900</u>
Total expenditures	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:			
Beginning of year, July 1		<u>56,562</u>	
End of year, June 30		<u>\$ 56,562</u>	

CITY OF MONROE, NORTH CAROLINA

SPECIAL REVENUE FUNDS

DOWNTOWN MONROE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad valorem taxes	\$ 48,034	\$ 54,734	\$ 6,700
Miscellaneous	73,290	60,939	(12,351)
Investment earnings	<u>2,900</u>	<u>-</u>	<u>(2,900)</u>
Total	<u>124,224</u>	<u>115,673</u>	<u>(8,551)</u>
Expenditures:			
Current:			
Economic and physical development:			
Administration	<u>417,826</u>	<u>338,407</u>	<u>79,419</u>
Total	<u>417,826</u>	<u>338,407</u>	<u>79,419</u>
Revenues over (under) expenditures	<u>(293,602)</u>	<u>(222,734)</u>	<u>70,868</u>
Other Financing Sources (Uses)			
Transfers from (to) other funds:			
General Fund	<u>256,094</u>	<u>233,138</u>	<u>(22,956)</u>
Total other financing sources (uses)	<u>256,094</u>	<u>233,138</u>	<u>(22,956)</u>
Appropriated fund balance	<u>37,508</u>	<u>-</u>	<u>(37,508)</u>
Net change in fund balance	<u>\$ -</u>	<u>10,404</u>	<u>\$ 10,404</u>
Fund Balance:			
Beginning of year, July 1		<u>39,399</u>	
End of year, June 30		<u>\$ 49,803</u>	

CITY OF MONROE, NORTH CAROLINA

SPECIAL REVENUE FUNDS

OCCUPANCY TAX

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses:			
Occupancy tax	\$ 320,000	\$ 370,771	\$ 50,771
Expenditures:			
Current:			
Economic and physical development:			
Tourism	<u>310,400</u>	<u>359,648</u>	<u>(49,248)</u>
Revenues over expenditures	9,600	11,123	1,523
Other Financing Sources (Uses):			
Transfers to other funds:			
General Fund	<u>(9,600)</u>	<u>(11,123)</u>	<u>(1,523)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:			
Beginning of year, July 1		<u>-</u>	
End of year, June 30		<u><u>\$ -</u></u>	

CITY OF MONROE, NORTH CAROLINA

**SPECIAL REVENUE FUNDS
STATE GRANT PROGRAMS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<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:					
Restricted intergovernmental (09-C-1999)	\$ 225,000	\$ -	\$ 12,153	\$ 12,153	\$ 212,847
Total revenues	<u>225,000</u>	<u>-</u>	<u>12,153</u>	<u>12,153</u>	<u>212,847</u>
Expenditures:					
Current:					
Economic and physical development:					
Program costs (09-C-1999)	225,000	-	12,153	12,153	212,847
Total expenditures	<u>225,000</u>	<u>-</u>	<u>12,153</u>	<u>12,153</u>	<u>212,847</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

CITY OF MONROE, NORTH CAROLINA

**SPECIAL REVENUE FUNDS
MONROE UNION COUNTY ECONOMIC DEVELOPMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Interlocal agreement	\$ 426,639	\$ 399,445	\$ (27,194)
Miscellaneous	12,185	12,185	-
Investment earnings	-	2,001	2,001
Total	<u>438,824</u>	<u>413,631</u>	<u>(25,193)</u>
Expenditures:			
Current:			
Economic and physical development:			
Administration	<u>756,234</u>	<u>584,229</u>	<u>172,005</u>
Total	<u>756,234</u>	<u>584,229</u>	<u>172,005</u>
Revenues over (under) expenditures	<u>(317,410)</u>	<u>(170,598)</u>	<u>146,812</u>
Other Financing Sources (Uses):			
Transfers from (to) other funds:			
General Fund	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Appropriated fund balance	<u>17,410</u>	<u>-</u>	<u>(17,410)</u>
Net change in fund balance	<u>\$ -</u>	<u>129,402</u>	<u>\$ 129,402</u>
Fund Balance:			
Beginning of year, July 1		<u>60,944</u>	
End of year, June 30		<u>\$ 190,346</u>	

CITY OF MONROE, NORTH CAROLINA

CAPITAL PROJECTS FUNDS

CAPITAL PROJECTS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<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:					
Restricted intergovernmental	\$ 2,455,000	\$ -	\$ -	\$ -	\$ (2,455,000)
Miscellaneous	<u>-</u>	<u>153</u>	<u>-</u>	<u>153</u>	<u>153</u>
Total revenues	<u>2,455,000</u>	<u>153</u>	<u>-</u>	<u>153</u>	<u>(2,454,847)</u>
Expenditures:					
Capital outlay:					
Construction costs capitalized	540,486	440,486	96,771	537,257	3,229
Construction in progress	<u>6,506,110</u>	<u>43,488</u>	<u>223,119</u>	<u>266,607</u>	<u>6,239,503</u>
Total expenditures	<u>7,046,596</u>	<u>483,974</u>	<u>319,890</u>	<u>803,864</u>	<u>6,242,732</u>
Revenues over (under) expenditures	<u>(4,591,596)</u>	<u>(483,821)</u>	<u>(319,890)</u>	<u>(803,711)</u>	<u>3,787,885</u>
Other Financing Sources (Uses):					
Transfers from (to) other funds:					
Stormwater Fund	52,500	-	52,500	52,500	-
Electric Fund	58,333	-	58,333	58,333	-
Natural Gas Fund	58,334	-	58,334	58,334	-
Water & Sewer Fund	58,333	-	58,333	58,333	-
General Fund	1,014,096	721,371	292,725	1,014,096	-
Parks & Recreation Fund	50,000	50,000	-	50,000	-
Installment purchase obligations issued	<u>3,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,300,000)</u>
Total other financing sources (uses)	<u>4,591,596</u>	<u>771,371</u>	<u>520,225</u>	<u>1,291,596</u>	<u>(3,300,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 287,550</u>	200,335	<u>\$ 487,885</u>	<u>\$ 487,885</u>
Fund Balance:					
Beginning of year, July 1			<u>287,550</u>		
End of year, June 30			<u>\$ 487,885</u>		

CITY OF MONROE, NORTH CAROLINA

**CAPITAL PROJECT FUNDS
OCCUPANCY TAX CAPITAL PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental	\$ 206,933	\$ 239,764	\$ 32,831
Total revenues	<u>206,933</u>	<u>239,764</u>	<u>32,831</u>
Expenditures:			
Current:			
Capital outlay	<u>350,000</u>	<u>248,273</u>	<u>101,727</u>
Total expenditures	<u>350,000</u>	<u>248,273</u>	<u>101,727</u>
Revenues over (under) expenditures	(143,067)	(8,509)	134,558
Appropriated fund balance	<u>143,067</u>	<u>-</u>	<u>(143,067)</u>
Net change in fund balance	<u>\$ -</u>	<u>(8,509)</u>	<u>\$ (8,509)</u>
Fund Balance:			
Beginning of year, July 1		<u>1,582,884</u>	
End of year, June 30		<u>\$ 1,574,375</u>	

CITY OF MONROE, NORTH CAROLINA

**CAPITAL PROJECT FUNDS
GOVERNMENTAL CAPITAL RESERVE
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfers from (to) other funds:			
Parks & Recreation Fund	\$ 100,000	\$ 100,000	\$ -
Capital Projects Fund	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>
Total other financing sources (uses)	<u>-</u>	<u>100,000</u>	<u>100,000</u>
 Net change in fund balance	 <u>\$ -</u>	 100,000	 <u>\$ 100,000</u>
 Fund Balance:			
Beginning of year, July 1		<u>-</u>	
 End of year, June 30		 <u>\$ 100,000</u>	

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Water sales	\$ 5,697,660	\$ 6,033,658	\$ 335,998
Sewer charges	6,983,798	7,591,982	608,184
Water and sewer taps	35,849	61,154	25,305
County waste water charges	<u>600,000</u>	<u>579,239</u>	<u>(20,761)</u>
Total	13,317,307	14,266,033	948,726
Other operating revenues	<u>289,415</u>	<u>394,576</u>	<u>105,161</u>
Total operating revenues	<u>13,606,722</u>	<u>14,660,609</u>	<u>1,053,887</u>
Non-operating revenues:			
Availability fees	272,238	848,121	575,883
Other non-operating revenues	219,940	267,738	47,798
Investment earnings	<u>453,200</u>	<u>469,976</u>	<u>16,776</u>
Total non-operating revenues	<u>945,378</u>	<u>1,585,835</u>	<u>640,457</u>
Total revenues	<u>14,552,100</u>	<u>16,246,444</u>	<u>1,694,344</u>
Other Financing Sources (Uses):			
Transfers from other funds:			
General Fund	21,000	21,000	-
Electric Fund	21,000	21,000	-
Water Capital Project Fund	<u>1,001</u>	<u>1,001</u>	<u>-</u>
Total other financing sources (uses)	<u>43,001</u>	<u>43,001</u>	<u>-</u>
Appropriated fund balance	<u>2,688,299</u>	<u>-</u>	<u>(2,688,299)</u>
Total revenues and other financing sources (uses)	<u>\$ 17,283,400</u>	<u>\$ 16,289,445</u>	<u>\$ (993,955)</u>

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
Distribution system:			
Salaries and employee benefits	\$ 2,362,437	\$ 2,269,556	\$ 92,881
Repairs and maintenance	739,139	657,579	81,560
Operating expenditures	<u>2,269,348</u>	<u>2,114,219</u>	<u>155,129</u>
Total	<u>5,370,924</u>	<u>5,041,354</u>	<u>329,570</u>
Water filter plant:			
Salaries and employee benefits	834,141	785,764	48,377
Operating expenditures	<u>4,221,792</u>	<u>4,022,362</u>	<u>199,430</u>
Total	<u>5,055,933</u>	<u>4,808,126</u>	<u>247,807</u>
Waste treatment plant:			
Salaries and employee benefits	986,449	970,544	15,905
Operating expenditures	<u>1,824,519</u>	<u>1,550,816</u>	<u>273,703</u>
Total	<u>2,810,968</u>	<u>2,521,360</u>	<u>289,608</u>
Debt service:			
Principal retirement	1,405,624	1,405,176	448
Interest and other charges	<u>413,816</u>	<u>411,197</u>	<u>2,619</u>
Total	<u>1,819,440</u>	<u>1,816,373</u>	<u>3,067</u>
Capital outlay	<u>1,917,802</u>	<u>1,198,934</u>	<u>718,868</u>
Total expenditures	<u>16,975,067</u>	<u>15,386,147</u>	<u>1,588,920</u>
Other Financing Sources (Uses):			
Transfers to other funds:			
Capital projects	58,333	58,333	-
Water and Sewer Capital Projects Fund	<u>250,000</u>	<u>100,000</u>	<u>150,000</u>
Total other financing sources (uses)	<u>308,333</u>	<u>158,333</u>	<u>150,000</u>
Total expenditures and other financing sources (uses)	<u>\$ 17,283,400</u>	<u>\$ 15,544,480</u>	<u>\$ 1,738,920</u>

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

**Reconciliation from Budgetary Basis (Modified Accrual)
to Full Accrual:**

Total revenues and other financing sources (uses)	\$ 16,289,445
Total expenditures and other financing sources (uses)	<u>15,544,480</u>
Revenues and other financing sources sources over (under) expenditures and other financing uses	<u>744,965</u>
Reconciling items:	
Debt principal	1,405,176
Amortization of deferred loss on refunding	43,482
Amortization of bond premium	(66,333)
Contributed capital	474,930
Capital outlay	1,198,934
Disposal of capital asset	(143,085)
Project transfers	63,272
Increase in compensated absences	(16,872)
Increase in OPEB liability	(152,278)
Depreciation	<u>(2,187,825)</u>
Total reconciling items	<u>619,401</u>
Change in net position	<u>\$ 1,364,366</u>

CITY OF MONROE, NORTH CAROLINA

**WATER AND SEWER CAPITAL PROJECTS FUNDS
CAPITAL RESERVE
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfers from other funds:			
Water and Sewer Capital Projects Funds	\$ -	\$ -	\$ -
Increase in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:			
Beginning of year, July 1		<u>3,318,739</u>	
End of year, June 30		<u>\$ 3,318,739</u>	

CITY OF MONROE, NORTH CAROLINA

**WATER AND SEWER CAPITAL PROJECTS FUNDS
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<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>	
Expenditures:					
Construction costs capitalized	\$ 14,098,272	\$ 7,197,338	\$ 2,791,734	\$ 9,989,072	\$ 4,109,200
Construction in progress	4,120,000	2,131	36,304	38,435	4,081,565
Other costs	-	918	-	918	(918)
Total expenditures	<u>18,218,272</u>	<u>7,200,387</u>	<u>2,828,038</u>	<u>10,028,425</u>	<u>8,189,847</u>
Revenues over (under) expenditures	<u>(18,218,272)</u>	<u>(7,200,387)</u>	<u>(2,828,038)</u>	<u>(10,028,425)</u>	<u>8,189,847</u>
Other Financing Sources (Uses):					
Transfers from (to) other funds:					
Water and Sewer Fund	4,770,000	4,670,000	100,000	4,770,000	-
Water and Sewer Capital Reserve Fund	50,000	50,000	-	50,000	-
Electric Capital Project Fund	(101,728)	(65,000)	(36,728)	(101,728)	-
Proceeds from State Revolving Loan Fund	<u>13,500,000</u>	<u>6,707,686</u>	<u>2,914,379</u>	<u>9,622,065</u>	<u>(3,877,935)</u>
Total other financing sources (uses)	<u>18,218,272</u>	<u>11,362,686</u>	<u>2,977,651</u>	<u>14,340,337</u>	<u>(3,877,935)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 4,162,299</u>	<u>\$ 149,613</u>	<u>\$ 4,311,912</u>	<u>\$ 4,311,912</u>

**ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Electric power sales	\$ 58,300,000	\$ 56,701,342	\$ (1,598,658)
Sales tax	<u>1,494,556</u>	<u>1,034,471</u>	<u>(460,085)</u>
Total	59,794,556	57,735,813	(2,058,743)
Other operating revenues	<u>266,800</u>	<u>292,710</u>	<u>25,910</u>
Total operating revenues	<u>60,061,356</u>	<u>58,028,523</u>	<u>(2,032,833)</u>
Non-operating revenues:			
Other non-operating revenues	453,721	594,936	141,215
Investment earnings	<u>604,500</u>	<u>726,503</u>	<u>122,003</u>
Total non-operating revenues	<u>1,058,221</u>	<u>1,321,439</u>	<u>263,218</u>
Total revenues	<u>61,119,577</u>	<u>59,349,962</u>	<u>(1,769,615)</u>
Interest income from other funds:			
General Fund	14,546	36,588	22,042
Stormwater Fund	1,220	1,222	2
Natural Gas Fund	<u>1,060,272</u>	<u>50,812</u>	<u>(1,009,460)</u>
Total	<u>1,076,038</u>	<u>88,622</u>	<u>(987,416)</u>
Total revenues	<u>\$ 62,195,615</u>	<u>\$ 59,438,584</u>	<u>\$ (2,757,031)</u>

**ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
Operations:			
Salaries and employee benefits	\$ 2,714,356	\$ 2,509,864	\$ 204,492
Operating expenditures	<u>3,647,451</u>	<u>3,293,326</u>	<u>354,125</u>
Total	<u>6,361,807</u>	<u>5,803,190</u>	<u>558,617</u>
 Electric power purchases	 <u>51,363,117</u>	 <u>47,920,117</u>	 <u>3,443,000</u>
 Debt service:			
Principal retirement	1,118,308	1,108,161	10,147
Interest and other charges	<u>978,321</u>	<u>986,818</u>	<u>(8,497)</u>
Total	<u>2,096,629</u>	<u>2,094,979</u>	<u>1,650</u>
 Capital outlay	 <u>715,500</u>	 <u>80,919</u>	 <u>634,581</u>
 Total expenditures	 <u>60,537,053</u>	 <u>55,899,205</u>	 <u>4,637,848</u>
 Other Financing Sources (Uses):			
Transfers to other funds:			
Electric Capital Projects Fund	79,344	79,345	(1)
Capital projects	58,333	58,333	-
Water and Sewer Fund	<u>21,000</u>	<u>21,000</u>	<u>-</u>
Total other financing sources (uses)	<u>158,677</u>	<u>158,678</u>	<u>(1)</u>
 Appropriated fund balance	 <u>1,499,885</u>	 <u>-</u>	 <u>1,499,885</u>
 Total expenditures and other financing sources (uses)	 <u>\$ 62,195,615</u>	 <u>\$ 56,057,883</u>	 <u>\$ 6,137,732</u>

**ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

**Reconciliation from Budgetary Basis (Modified Accrual)
to Full Accrual:**

Total revenues	\$ 59,438,584
Total expenditures and other financing sources (uses)	<u>56,057,883</u>
Revenues and other financing sources sources over (under) expenditures and other financing uses	<u>3,380,701</u>
Reconciling items:	
Debt principal	1,108,161
Amortization of deferred loss on refunding	(49,538)
Amortization of bond premium	30,924
Capital items	2,079,316
Payments received on note receivable	(415,382)
Transfer to Electric Capital Projects Fund	79,344
Net revenue from capital projects consolidation	34,725
Increase in compensated absences	(36,004)
Increase in OPEB liability	(66,508)
Depreciation and amortization	<u>(2,725,758)</u>
Total reconciling items	<u>39,280</u>
Change in net position	<u>\$ 3,419,981</u>

CITY OF MONROE, NORTH CAROLINA

**ELECTRIC CAPITAL PROJECTS FUNDS
CAPITAL PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<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:					
Power agency funding	\$ 5,805,850	\$ 5,592,648	\$ -	\$ 5,592,648	\$ (213,202)
Investment earnings	-	360,250	-	360,250	360,250
Total revenues	<u>5,805,850</u>	<u>5,952,898</u>	<u>-</u>	<u>5,952,898</u>	<u>147,048</u>
Expenditures:					
Construction costs capitalized	29,658,679	29,559,960	190,566	29,750,526	(91,847)
Construction in progress	10,194,943	3,978,567	996,605	4,975,172	5,219,771
Other costs	6,684,596	348,379	-	348,379	6,336,217
Total expenditures	<u>46,538,218</u>	<u>33,886,906</u>	<u>1,187,171</u>	<u>35,074,077</u>	<u>11,464,141</u>
Revenues over (under) expenditures	<u>(40,732,368)</u>	<u>(27,934,008)</u>	<u>(1,187,171)</u>	<u>(29,121,179)</u>	<u>11,611,189</u>
Other Financing Sources (Uses):					
Transfers from (to) other funds:					
Electric Fund	20,448,468	20,369,117	79,344	20,448,461	(7)
Water and Sewer Capital Project Fund	292,571	256,845	35,726	292,571	-
Natural Gas Fund	2,604,093	2,605,094	(1,001)	2,604,093	-
Proceeds from refunding revenue bonds	17,387,236	17,387,236	-	17,387,236	-
Total other financing sources (uses)	<u>40,732,368</u>	<u>40,618,292</u>	<u>114,069</u>	<u>40,732,361</u>	<u>(7)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 12,684,284</u>	<u>\$ (1,073,102)</u>	<u>\$ 11,611,182</u>	<u>\$ 11,611,182</u>

**NATURAL GAS FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Natural gas sales	\$ 15,631,000	\$ 17,015,195	\$ 1,384,195
Other operating revenues	-	2,114	2,114
Total operating revenues	<u>15,631,000</u>	<u>17,017,309</u>	<u>1,386,309</u>
Non-operating revenues:			
Availability fees	1,168,356	1,168,356	-
Other non-operating revenues	-	95,233	95,233
Investment earnings	307,300	245,840	(61,460)
Total non-operating revenues	<u>1,475,656</u>	<u>1,509,429</u>	<u>33,773</u>
Total revenues	<u>17,106,656</u>	<u>18,526,738</u>	<u>1,420,082</u>
Other Financing Sources (Uses):			
Transfers from other funds			
Natural Gas Capital Project Fund	89,329	89,329	-
Electric Capital Project Fund	1,001	1,001	-
Total other financing sources (uses)	<u>90,330</u>	<u>90,330</u>	<u>-</u>
Total revenues and other financing sources (uses)	<u>\$ 17,196,986</u>	<u>\$ 18,617,068</u>	<u>\$ 1,420,082</u>

**NATURAL GAS FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
Operations:			
Salaries and employee benefits	\$ 1,013,247	\$ 944,935	\$ 68,312
Operating expenditures	<u>4,117,501</u>	<u>2,876,056</u>	<u>1,241,445</u>
Total	<u>5,130,748</u>	<u>3,820,991</u>	<u>1,309,757</u>
Natural gas purchases	<u>8,061,861</u>	<u>8,147,023</u>	<u>(85,162)</u>
Debt service:			
Principal retirement	900,541	899,408	1,133
Interest and other charges	<u>2,789,008</u>	<u>1,781,116</u>	<u>1,007,892</u>
Total	<u>3,689,549</u>	<u>2,680,524</u>	<u>1,009,025</u>
Total expenditures	<u>16,882,158</u>	<u>14,648,538</u>	<u>2,233,620</u>
Other Financing Sources (Uses):			
Transfers to other funds:			
Capital Project Fund	<u>58,334</u>	<u>58,334</u>	<u>-</u>
Total other financing sources (uses)	<u>58,334</u>	<u>58,334</u>	<u>-</u>
Appropriated fund balance	<u>256,494</u>	<u>-</u>	<u>256,494</u>
Total expenditures and other financing sources (uses)	<u>\$ 17,196,986</u>	<u>\$ 14,706,872</u>	<u>\$ 2,490,114</u>

**NATURAL GAS FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

**Reconciliation from Budgetary Basis (Modified Accrual)
to Full Accrual:**

Total revenues and other financing sources (uses)	\$ 18,617,068
Total expenditures and other financing sources (uses)	<u>14,706,872</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>3,910,196</u>
Reconciling items:	
Debt principal	899,408
Amortization of deferred loss on refunding	(22,144)
Amortization of bond premium	9,337
Amortization of bond discount	(11,548)
Capital items	504,013
Payment from outside party on note receivable	(1,023,037)
Transfer to Natural Gas Capital Projects Fund	(89,329)
Project expenses not capitalized	(34,829)
Increase in compensated absences	(3,926)
Increase in OPEB liability	(33,752)
Depreciation and amortization	<u>(1,502,133)</u>
Total reconciling items	<u>(1,307,940)</u>
Change in net position	<u>\$ 2,602,256</u>

CITY OF MONROE, NORTH CAROLINA

**NATURAL GAS CAPITAL PROJECTS FUNDS
CAPITAL PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Miscellaneous	\$ -	\$ 8,298	\$ -	\$ 8,298	\$ 8,298
Investment earnings	-	160,032	-	160,032	160,032
Total revenues	-	168,330	-	168,330	168,330
Expenditures:					
Construction costs capitalized	51,533,813	50,314,287	-	50,314,287	1,219,526
Construction in progress	6,640,880	1,625,352	126,215	1,751,567	4,889,313
Other costs	117,047	82,218	34,829	117,047	-
Total expenditures	58,291,740	52,021,857	161,044	52,182,901	6,108,839
Revenues over (under) expenditures	(58,291,740)	(51,853,527)	(161,044)	(52,014,571)	6,277,169
Other Financing Sources (Uses):					
Transfers from (to) other funds:					
Natural Gas Fund	19,682,301	19,771,630	(89,329)	19,682,301	-
Electric Fund	3,330,000	3,330,000	-	3,330,000	-
Certificates of Participation	31,628,998	31,628,998	-	31,628,998	-
Proceeds from refunding revenue bonds	3,650,441	3,650,441	-	3,650,441	-
Total other financing sources (uses)	58,291,740	58,381,069	(89,329)	58,291,740	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 6,527,542	\$ (250,373)	\$ 6,277,169	\$ 6,277,169

**AQUATICS AND FITNESS CENTER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Recreational fees	\$ 3,431,000	\$ 3,440,719	\$ 9,719
Other operating revenues	145,000	136,104	(8,896)
Total operating revenues	<u>3,576,000</u>	<u>3,576,823</u>	<u>823</u>
Non-operating revenues:			
Other non-operating revenues	-	3,300	3,300
Investment earnings	44,600	33,715	(10,885)
Total non-operating revenues	<u>44,600</u>	<u>37,015</u>	<u>(7,585)</u>
Total revenues	3,620,600	3,613,838	(6,762)
Appropriated fund balance	<u>301,939</u>	-	<u>(301,939)</u>
Total revenues and other financing sources (uses)	<u>\$ 3,922,539</u>	<u>\$ 3,613,838</u>	<u>\$ (308,701)</u>

**AQUATICS AND FITNESS CENTER FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
Operations:			
Salaries and employee benefits	\$ 1,881,660	\$ 1,753,900	\$ 127,760
Operating expenditures	<u>1,630,879</u>	<u>1,499,141</u>	<u>131,738</u>
Total	3,512,539	3,253,041	259,498
Capital outlay	<u>410,000</u>	<u>397,944</u>	<u>12,056</u>
Total expenditures	<u>\$ 3,922,539</u>	<u>\$ 3,650,985</u>	<u>\$ 271,554</u>

**AQUATICS AND FITNESS CENTER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

**Reconciliation from Budgetary Basis (Modified Accrual)
to Full Accrual:**

Total revenues and other financing sources (uses)	\$ 3,613,838
Total expenditures and other financing sources (uses)	<u>3,650,985</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(37,147)</u>
Reconciling items:	
Capital outlay	397,944
Transfer of golf assets and debt	(843,285)
Increase in compensated absences	(13,864)
Increase in OPEB liability	(55,491)
Depreciation and amortization	<u>(284,983)</u>
Total reconciling items	<u>(799,679)</u>
Change in net position	<u><u>\$ (836,826)</u></u>

AIRPORT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Leases	\$ 333,914	\$ 319,709	\$ (14,205)
Sales of fuel	1,550,000	1,443,613	(106,387)
Total	1,883,914	1,763,322	(120,592)
Other operating revenues	237,413	174,903	(62,510)
Total operating revenues	2,121,327	1,938,225	(183,102)
Total revenues	2,121,327	1,938,225	(183,102)
Other Financing Sources (Uses):			
Transfers from other funds:			
General Fund	1,916,266	1,622,702	(293,564)
Total other financing sources (uses)	1,916,266	1,622,702	(293,564)
Total revenues and other financing sources (uses)	4,037,593	3,560,927	(476,666)
Appropriated fund balance	1,719	-	1,719
Total revenues, other financing sources (uses), and appropriated fund balance	<u>\$ 4,039,312</u>	<u>\$ 3,560,927</u>	<u>\$ (474,947)</u>

AIRPORT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
Operations:			
Salaries and employee benefits	\$ 564,963	\$ 482,742	\$ 82,221
Operating expenditures	<u>2,419,369</u>	<u>2,014,334</u>	<u>405,035</u>
Total	<u>2,984,332</u>	<u>2,497,076</u>	<u>487,256</u>
Debt service:			
Principal retirement	592,907	590,646	2,261
Interest and other charges	<u>452,213</u>	<u>454,793</u>	<u>(2,580)</u>
Total	<u>1,045,120</u>	<u>1,045,439</u>	<u>(319)</u>
Capital outlay	<u>9,860</u>	<u>-</u>	<u>9,860</u>
Total expenditures	<u>\$ 4,039,312</u>	<u>\$ 3,542,515</u>	<u>\$ 496,797</u>

AIRPORT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014

Reconciliation from Budgetary Basis (Modified Accrual)
to Full Accrual:

Total revenues and other financing sources (uses)	\$ 3,560,927
Total expenditures	<u>3,542,515</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>18,412</u>
Reconciling items:	
Debt principal	590,646
Amortization of bond premium	163,274
Amortization of deferred loss on defeasance	(34,010)
Project expenditures not capitalized	(29,970)
Net revenue from capital projects consolidation	3,256,757
Increase in compensated absences	(4,054)
Increase in OPEB liability	(28,175)
Depreciation and amortization	<u>(694,750)</u>
Total reconciling items	<u>3,219,718</u>
Change in net position	<u><u>\$ 3,238,130</u></u>

CITY OF MONROE, NORTH CAROLINA

**AIRPORT CAPITAL PROJECTS FUNDS
CAPITAL PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental	\$ 7,298,043	\$ 2,384,898	\$ 3,115,962	\$ 5,500,860	\$ (1,797,183)
Investment earnings	-	33,310	-	33,310	33,310
Total revenues	<u>7,298,043</u>	<u>2,418,208</u>	<u>3,115,962</u>	<u>5,534,170</u>	<u>(1,763,873)</u>
Expenditures:					
Construction costs capitalized	11,709,920	8,128,361	2,400,716	10,529,077	1,180,843
Construction in progress	<u>4,702,268</u>	<u>664,384</u>	<u>2,040,244</u>	<u>2,704,628</u>	<u>1,997,640</u>
Total expenditures	<u>16,412,188</u>	<u>8,792,745</u>	<u>4,440,960</u>	<u>13,233,705</u>	<u>3,178,483</u>
Revenues over (under) expenditures	<u>(9,114,145)</u>	<u>(6,374,537)</u>	<u>(1,324,998)</u>	<u>(7,699,535)</u>	<u>1,414,610</u>
Other Financing Sources (Uses):					
Transfers from (to) other funds:					
General Fund	2,717,066	2,576,271	140,795	2,717,066	-
Airport Fund	332,849	332,849	-	332,849	-
Proceeds from refunding revenue bonds	<u>6,064,230</u>	<u>6,042,104</u>	<u>-</u>	<u>6,042,104</u>	<u>(22,126)</u>
Total other financing sources (uses)	<u>9,114,145</u>	<u>8,951,224</u>	<u>140,795</u>	<u>9,092,019</u>	<u>(22,126)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,576,687</u>	<u>\$ (1,184,203)</u>	<u>\$ 1,392,484</u>	<u>\$ 1,392,484</u>

**STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Storm water receipts	\$ 1,840,166	\$ 1,874,738	\$ 34,572
Other operating revenues	<u>14,700</u>	<u>13,300</u>	<u>(1,400)</u>
Total operating revenues	<u>1,854,866</u>	<u>1,888,038</u>	<u>33,172</u>
Non-operating revenues:			
Other non-operating revenues	-	819	-
Investment earnings	<u>10,470</u>	<u>8,855</u>	<u>(1,615)</u>
Total non-operating revenues	<u>10,470</u>	<u>9,674</u>	<u>(1,615)</u>
Total revenues	1,865,336	1,897,712	31,557
Appropriated fund balance	<u>69,485</u>	<u>-</u>	<u>(69,485)</u>
Total revenues and other financing sources (uses)	<u>\$ 1,934,821</u>	<u>\$ 1,897,712</u>	<u>\$ (37,928)</u>

**STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
Operations:			
Salaries and employee benefits	\$ 697,167	\$ 620,298	\$ 76,869
Reimbursements	560,347	561,770	(1,423)
Operating expenditures	<u>483,817</u>	<u>336,587</u>	<u>147,230</u>
Total	<u>1,741,331</u>	<u>1,518,655</u>	<u>222,676</u>
Debt service:			
Principal retirement	139,768	132,951	6,817
Interest and other charges	<u>1,222</u>	<u>7,438</u>	<u>(6,216)</u>
Total	<u>140,990</u>	<u>140,389</u>	<u>601</u>
Total expenditures	<u>1,882,321</u>	<u>1,659,044</u>	<u>223,277</u>
Other Financing Sources (Uses):			
Transfers from other funds:			
Capital projects	<u>52,500</u>	<u>52,500</u>	<u>-</u>
Total other financing sources (uses)	<u>52,500</u>	<u>52,500</u>	<u>-</u>
Total expenditures and other financing sources (uses)	<u>\$ 1,934,821</u>	<u>\$ 1,711,544</u>	<u>\$ 223,277</u>

STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014

Reconciliation from Budgetary Basis (Modified Accrual)
to Full Accrual:

Total revenues and other financing sources (uses)	\$ 1,897,712
Total expenditures and other financing sources (uses)	<u>1,711,544</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>186,168</u>
Reconciling items:	
Debt principal	132,951
Decrease in compensated absences	6,303
Increase in OPEB liability	(24,266)
Depreciation and amortization	<u>(130,173)</u>
Total reconciling items	<u>(15,185)</u>
Change in net position	<u>\$ 170,983</u>

SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Refuse collection fees	\$ 2,246,157	\$ 2,142,516	\$ (103,641)
Total	<u>2,246,157</u>	<u>2,142,516</u>	<u>(103,641)</u>
Other operating revenues	<u>35,500</u>	<u>46,793</u>	<u>11,293</u>
Total operating revenues	<u>2,281,657</u>	<u>2,189,309</u>	<u>(92,348)</u>
Non-operating revenues:			
Investment earnings	<u>12,275</u>	<u>7,834</u>	<u>(4,441)</u>
Total non-operating revenues	<u>12,275</u>	<u>7,834</u>	<u>(4,441)</u>
Total revenues	<u>2,293,932</u>	<u>2,197,143</u>	<u>(96,789)</u>
Appropriated fund balance	<u>117,715</u>	<u>-</u>	<u>(117,715)</u>
Total revenues, other financing sources (uses) and appropriated fund balance	<u>\$ 2,411,647</u>	<u>\$ 2,197,143</u>	<u>\$ (214,504)</u>

**SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
Operations:			
Salaries and employee benefits	\$ 67,231	\$ 68,066	\$ (835)
Operating expenditures	<u>2,093,942</u>	<u>1,865,133</u>	<u>228,809</u>
Total	<u>2,161,173</u>	<u>1,933,199</u>	<u>227,974</u>
Debt service:			
Principal retirement	97,792	97,793	(1)
Interest and other charges	<u>6,282</u>	<u>6,282</u>	<u>-</u>
Total	<u>104,074</u>	<u>104,075</u>	<u>(1)</u>
Capital outlay	<u>146,400</u>	<u>143,914</u>	<u>2,486</u>
Total expenditures	<u>\$ 2,411,647</u>	<u>\$ 2,181,188</u>	<u>\$ 230,459</u>

**SOLID WASTE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2014**

**Reconciliation from Budgetary Basis (Modified Accrual)
 to Full Accrual:**

Total revenues, other financing sources (uses) and appropriated fund balance	\$ 2,197,143
Total expenditures	<u>2,181,188</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>15,955</u>
Reconciling items:	
Debt principal	97,793
Capital outlay capitalized	143,914
Depreciation	(127,091)
Decrease in compensated absences	1,223
Increase in OPEB liability	<u>(1,698)</u>
Total reconciling items	<u>114,141</u>
Change in net position	<u>\$ 130,096</u>

CITY OF MONROE, NORTH CAROLINA

**HEALTH AND DENTAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Interfund charges and employee contributions	\$ 5,824,383	\$ 5,726,144	\$ (98,239)
Other operating revenue	<u>573,959</u>	<u>765,725</u>	<u>191,766</u>
Total operating revenues	<u>6,398,342</u>	<u>6,491,869</u>	<u>93,527</u>
Non-operating revenues:			
Investment earnings	<u>8,000</u>	<u>22,073</u>	<u>14,073</u>
Total non-operating revenues	<u>8,000</u>	<u>22,073</u>	<u>14,073</u>
Other Financing Sources (Uses):			
Transfers from other funds	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Total revenues	<u>6,906,342</u>	<u>7,013,942</u>	<u>107,600</u>
Expenditures:			
Operating expenditures:			
Other operating expenses	244,907	235,975	8,932
Healthcare clinic	101,385	82,495	18,890
Insurance	15,623	15,479	144
Health benefit claims and premiums	<u>6,544,427</u>	<u>6,207,456</u>	<u>336,971</u>
Total operating expenditures	<u>6,906,342</u>	<u>6,541,405</u>	<u>364,937</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 472,537</u>	<u>\$ 472,537</u>

CITY OF MONROE, NORTH CAROLINA

**WORKERS' COMPENSATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Interfund charges	\$ 300,000	\$ 300,000	\$ -
Total operating revenues	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Non-operating revenues:			
Investment earnings	4,530	14,911	10,381
Total non-operating revenues	<u>4,530</u>	<u>14,911</u>	<u>10,381</u>
Total revenues	<u>304,530</u>	<u>314,911</u>	<u>10,381</u>
Expenditures:			
Operating expenditures:			
Other operating expenses	52,766	52,766	-
Workers' compensation claims and premiums paid	298,750	284,767	13,983
Total operating expenditures	<u>351,516</u>	<u>337,533</u>	<u>13,983</u>
Total expenditures	<u>351,516</u>	<u>337,533</u>	<u>13,983</u>
Appropriated fund balance	46,986	-	(46,986)
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (22,622)</u>	<u>\$ (22,622)</u>

CITY OF MONROE, NORTH CAROLINA

**PROPERTY AND CASUALTY FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Interfund charges and employee contributions	\$ 645,000	\$ 645,000	\$ -
Other operating revenue	<u>14,740</u>	<u>32,493</u>	<u>17,753</u>
Total operating revenues	<u>659,740</u>	<u>677,493</u>	<u>17,753</u>
Non-operating revenues:			
Investment earnings	<u>3,000</u>	<u>(505)</u>	<u>(3,505)</u>
Total non-operating revenues	<u>3,000</u>	<u>(505)</u>	<u>(3,505)</u>
Total revenues	<u>662,740</u>	<u>676,988</u>	<u>14,248</u>
Expenditures:			
Operating expenditures:			
Other operating expenses	50,925	50,925	-
Property and liability claims and premiums	<u>648,575</u>	<u>623,775</u>	<u>24,800</u>
Total expenditures	<u>699,500</u>	<u>674,700</u>	<u>24,800</u>
Appropriated fund balance	<u>36,760</u>	<u>-</u>	<u>(36,760)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 2,288</u>	<u>\$ 2,288</u>

CITY OF MONROE, NORTH CAROLINA

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2014**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013 - 2014	\$ -	\$ 19,998,419	\$ 19,243,361	\$ 755,058
2012 - 2013	498,130	-	268,413	229,717
2011 - 2012	201,683	-	62,393	139,290
2010 - 2011	157,215	-	26,807	130,408
2009 - 2010	101,619	-	25,114	76,505
2008 - 2009	43,978	-	4,556	39,422
2007 - 2008	41,801	-	4,190	37,611
2006 - 2007	38,860	-	3,558	35,302
2005 - 2006	19,428	-	1,717	17,711
2004 - 2005	16,301	-	993	15,308
2003 - 2004	14,571	-	14,571	-
Total	<u>\$ 1,133,586</u>	<u>\$ 19,998,419</u>	<u>\$ 19,655,673</u>	1,476,332

Less: Allowance for uncollectible ad valorem taxes receivable 350,390

Ad valorem taxes receivable \$ 1,125,942

Reconciliation with Revenues:

	<u>General Fund</u>
Ad valorem taxes - General Fund	\$ 19,733,609
Amounts written off per Statute of Limitations	14,558
Refunds, releases of prior years' taxes	17,475
Interest and advertising cost recovery	<u>(109,969)</u>
Total collections and credits	<u>\$ 19,655,673</u>

CITY OF MONROE, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2014**

	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	\$ 3,516,281,757	0.555	\$ 19,127,566	\$ 17,810,831	\$ 1,316,735
Registered motor vehicles taxed at prior year's rate	<u>89,070,282</u>		<u>533,435</u>	-	<u>533,435</u>
Total	3,605,352,039		19,661,001	17,810,831	1,850,170
Public Utility Allocation	62,105,195	0.555	344,684	344,684	-
Discoveries	12,292,844	0.555	81,403	70,250	11,153
Abatements	<u>(17,321,757)</u>	<u>0.555</u>	<u>(88,669)</u>	<u>(28,640)</u>	<u>(60,029)</u>
Total property valuation	<u>\$ 3,662,428,321</u>				
Net Levy			19,998,419	18,197,125	1,801,294
Uncollected taxes at June 30, 2014			<u>(755,058)</u>	<u>(714,722)</u>	<u>(40,336)</u>
Current Year's Taxes Collected			<u>\$ 19,243,361</u>	<u>\$ 17,482,403</u>	<u>\$ 1,760,958</u>
Current Levy Collection Percentage			<u>96.22%</u>	<u>96.07%</u>	<u>97.76%</u>
<u>Secondary Market Disclosures:</u>					
	<u>Property Valuation</u>	<u>Rate</u>	<u>Levy</u>		
Assessed Valuation:					
Assessment Ratio ¹	100%				
Real property	\$ 2,466,609,708				
Personal property	740,862,162				
Public Service Companies ²	<u>62,105,195</u>				
	3,269,577,065	0.555	18,197,126		
Motor Vehicle Property	<u>392,851,256</u>	0.555	<u>1,801,293</u>		
Total levy (includes discoveries, releases, and abatements) ³	<u>\$ 3,662,428,321</u>		<u>\$ 19,998,419</u>		
Distribution of levy:					
General Fund			<u>\$ 19,998,419</u>		

¹Percentage of appraised value has been established by statute.

²Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

³The levy includes interest and penalties.

CITY OF MONROE, NORTH CAROLINA

**SCHEDULE OF MUNICIPAL SERVICE DISTRICT TAXES RECEIVABLE
JUNE 30, 2014**

Fiscal Year	Uncollected Balance June 30, 2013	Additions	Collections And Credits	Uncollected Balance June 30, 2014
2013 - 2014	\$ -	\$ 53,784	\$ 51,357	\$ 2,427
2012 - 2013	2,681	-	1,243	1,438
2011 - 2012	2,170	-	673	1,497
2010 - 2011	788	-	381	407
2009 - 2010	592	-	380	212
2008 - 2009	265	-	-	265
2007 - 2008	144	-	-	144
2006 - 2007	409	-	-	409
2005 - 2006	99	-	-	99
2004 - 2005	4	-	-	4
2003 - 2004	255	-	255	-
Total	\$ 7,407	\$ 53,784	\$ 54,289	6,902

Less: Allowance for uncollectible ad valorem taxes receivable 345

Ad valorem taxes receivable \$ 6,557

Reconciliation with Revenues:

Ad valorem taxes - Downtown Monroe Fund	\$ 54,734
Amounts written off per Statute of Limitations	255
Refunds, releases of prior years' taxes	4
Interest and advertising cost recovery	<u>(704)</u>
Total collections and credits	<u>\$ 54,289</u>

CITY OF MONROE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
MUNICIPAL SERVICE DISTRICT LEVY
FOR THE YEAR ENDED JUNE 30, 2014

	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	\$ 25,008,225	0.200	\$ 50,371	\$ 49,045	\$ 1,326
Registered motor vehicles taxed at prior year's rate	230,180		460	-	460
Total	25,238,405		50,831	49,045	1,786
Public Utility Allocation	1,488,590	0.200	2,977	2,977	-
Discoveries	4,610	0.200	9	-	9
Abatements	(16,630)	0.200	(33)	-	(33)
Total property valuation	<u>\$ 26,714,975</u>				
Net Levy			53,784	52,022	1,762
Uncollected taxes at June 30, 2014			(2,427)	(2,378)	(49)
Current Year's Taxes Collected			<u>\$ 51,357</u>	<u>\$ 49,644</u>	<u>\$ 1,713</u>
Current Levy Collection Percentage			<u>95.49%</u>	<u>95.43%</u>	<u>97.21%</u>
<u>Secondary Market Disclosures:</u>					
	Property Valuation	Rate	Levy		
Assessed Valuation:					
Assessment Ratio ¹	100%				
Real property	\$ 22,655,230				
Personal property	1,689,445				
Public Service Companies ²	1,488,590				
	25,833,265	0.200	52,022		
Motor Vehicle Property	881,710	0.200	1,762		
Total levy (includes discoveries, releases, and abatements) ³	<u>\$ 26,714,975</u>		<u>\$ 53,784</u>		
Distribution of levy:					
Municipal Service District - Downtown Monroe Fund			<u>\$ 53,784</u>		

¹Percentage of appraised value has been established by statute.

²Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

³The levy includes interest and penalties.



Statistical Section

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

	<u>Page</u>
Financial Trends – These tables contain trend information to help the reader understand how the City’s financial performance and well being have been changed over time.....	155
Revenue Capacity – These tables contain information to help the reader assess the City’s most significant local revenue source, the property tax.....	160
Debt Capacity – These tables present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.....	164
Demographic and Economic Information – These tables offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.....	169
Operation Information – These tables contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities.....	171

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports to the relevant year.



CITY OF MONROE, NORTH CAROLINA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(in thousands of dollars)

	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 74,193	\$ 73,177	\$ 71,568	\$ 73,467	\$ 74,438	\$ 73,296	\$ 71,692	\$ 70,561	\$ 69,784	\$ 69,143
Restricted	624	239	144	45	2	255	670	6,740	5,665	6,484
Unrestricted	<u>19,717</u>	<u>18,683</u>	<u>20,924</u>	<u>20,718</u>	<u>20,739</u>	<u>20,359</u>	<u>20,979</u>	<u>16,261</u>	<u>16,315</u>	<u>18,861</u>
Total governmental activities net position	<u>\$ 94,534</u>	<u>\$ 92,099</u>	<u>\$ 92,636</u>	<u>\$ 94,229</u>	<u>\$ 95,179</u>	<u>\$ 93,910</u>	<u>\$ 93,341</u>	<u>\$ 93,562</u>	<u>\$ 91,764</u>	<u>\$ 94,488</u>
Business-type activities										
Net investment in capital assets	\$ 101,382	\$ 109,561	\$ 118,219	\$ 127,957	\$ 127,104	\$ 141,269	\$ 144,182	\$ 152,078	\$ 160,289	\$ 169,721
Unrestricted	<u>63,956</u>	<u>68,479</u>	<u>77,350</u>	<u>84,078</u>	<u>91,595</u>	<u>86,319</u>	<u>94,053</u>	<u>95,183</u>	<u>92,520</u>	<u>93,303</u>
Total business-type activities net position	<u>\$ 165,338</u>	<u>\$ 178,040</u>	<u>\$ 195,569</u>	<u>\$ 212,035</u>	<u>\$ 218,699</u>	<u>\$ 227,588</u>	<u>\$ 238,235</u>	<u>\$ 247,261</u>	<u>\$ 252,809</u>	<u>\$ 263,024</u>
Primary government										
Net investment in capital assets	\$ 175,575	\$ 182,738	\$ 189,787	\$ 201,424	\$ 201,542	\$ 214,565	\$ 215,874	\$ 222,639	\$ 230,073	\$ 238,864
Restricted	624	239	144	45	2	255	670	6,740	5,665	6,484
Unrestricted	<u>83,673</u>	<u>87,162</u>	<u>98,274</u>	<u>104,796</u>	<u>112,334</u>	<u>106,678</u>	<u>115,032</u>	<u>111,444</u>	<u>108,835</u>	<u>112,164</u>
Total primary government net position	<u>\$ 259,872</u>	<u>\$ 270,139</u>	<u>\$ 288,205</u>	<u>\$ 306,264</u>	<u>\$ 313,878</u>	<u>\$ 321,498</u>	<u>\$ 331,576</u>	<u>\$ 340,823</u>	<u>\$ 344,573</u>	<u>\$ 357,512</u>

Notes:

Fiscal year 2012 reflects implementation of GASB Statement 54. Prior year amounts have not been restated.
The classification of restricted net position amounts is discussed in the notes to the financial statements section I.E.12.

CITY OF MONROE, NORTH CAROLINA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(in thousands of dollars)

EXPENSES	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
General government	\$ 4,133	\$ 4,600	\$ 4,176	\$ 4,945	\$ 4,725	\$ 4,952	\$ 5,294	\$ 5,562	\$ 4,354	\$ 4,897
Transportation	4,119	4,482	4,444	4,966	5,441	5,667	4,699	5,109	4,801	5,216
Public safety	10,776	12,069	13,557	14,247	17,974	17,775	18,224	19,512	19,067	19,813
Environmental protection	1,903	2,007	2,349	2,551	-	-	-	-	-	-
Culture and recreation	3,197	3,483	3,802	3,922	4,914	4,906	4,545	5,067	4,069	4,899
Economic and physical development	898	1,404	2,140	948	859	1,784	1,119	953	1,016	1,579
Interest on long-term debt	158	187	205	238	312	161	107	54	229	164
Total governmental activities expenses	<u>25,184</u>	<u>28,232</u>	<u>30,673</u>	<u>31,817</u>	<u>34,225</u>	<u>35,245</u>	<u>33,988</u>	<u>36,257</u>	<u>33,536</u>	<u>36,568</u>
Business-type activities:										
Water and sewer	8,826	8,525	8,907	11,381	11,543	11,520	11,955	11,687	12,356	15,162
Electric	33,990	35,491	37,042	39,703	41,629	43,588	46,840	49,158	51,729	55,559
Natural gas	19,305	20,791	16,037	16,942	16,867	17,585	13,913	11,131	12,710	14,844
Aquatics and Fitness Center	2,779	2,881	2,934	3,187	3,725	3,436	3,549	3,783	4,886	3,607
Stormwater	-	-	-	-	795	1,351	1,709	1,734	1,874	1,674
Solid Waste	-	-	-	-	2,698	2,702	2,697	2,564	2,213	2,067
Airport	596	1,272	2,187	2,865	3,232	3,498	3,553	3,611	3,771	3,580
Total business-type activities expenses	<u>65,496</u>	<u>68,960</u>	<u>67,107</u>	<u>74,077</u>	<u>80,489</u>	<u>83,680</u>	<u>84,216</u>	<u>83,668</u>	<u>89,539</u>	<u>96,493</u>
Total primary government expenses	<u>\$ 90,680</u>	<u>\$ 97,192</u>	<u>\$ 97,780</u>	<u>\$ 105,894</u>	<u>\$ 114,714</u>	<u>\$ 118,925</u>	<u>\$ 118,204</u>	<u>\$ 119,925</u>	<u>\$ 123,075</u>	<u>\$ 133,061</u>
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	\$ 1,118	\$ 1,279	\$ 1,261	\$ 1,132	\$ 2,029	\$ 1,979	\$ 1,955	\$ 1,978	\$ 2,079	\$ 2,349
Transportation	-	-	-	-	243	236	202	218	203	297
Public safety	84	96	65	51	2,065	2,213	2,312	2,491	2,230	3,055
Environmental protection	1,914	2,062	2,761	2,795	43	-	-	-	-	-
Culture and recreation	708	761	814	844	1,239	1,194	1,232	1,289	653	1,499
Economic and physical development	8	4	13	3	2	8	3	2	-	-
Operating grants and contributions:										
General government	32	69	85	8	-	-	-	-	-	-
Transportation	986	998	1,004	1,154	1,082	986	1,032	930	978	961
Public safety	206	246	897	1,017	604	732	616	786	312	448
Environmental protection	2	4	2	2	1	-	-	-	-	-
Culture and recreation	172	243	197	216	223	195	204	214	223	240
Economic and physical development	236	93	83	7	194	326	135	220	264	412
Capital grants and contributions:										
General government	-	-	-	-	-	-	-	-	-	170
Transportation	1,147	647	45	2,435	3,460	1,187	-	478	438	304
Public safety	-	-	-	-	-	-	49	-	-	-
Culture and recreation	-	-	-	-	-	785	304	-	-	-
Total governmental activities program revenues	<u>\$ 6,613</u>	<u>\$ 6,502</u>	<u>\$ 7,227</u>	<u>\$ 9,665</u>	<u>\$ 11,184</u>	<u>\$ 9,841</u>	<u>\$ 8,044</u>	<u>\$ 8,606</u>	<u>\$ 7,380</u>	<u>\$ 9,735</u>

Business-type activities:										
Charge for services:										
Water and sewer	11,180	12,080	13,303	12,705	12,207	12,365	12,917	13,642	14,000	15,529
Electric	35,993	39,118	39,854	43,051	40,926	43,089	48,454	51,334	53,044	58,057
Natural gas	21,064	22,683	18,163	18,836	20,116	24,251	17,320	11,907	14,261	17,185
Aquatics and Fitness Center	3,336	3,734	4,057	4,162	4,069	3,907	3,927	3,877	4,297	3,588
Stormwater	-	-	-	-	822	1,776	1,794	1,820	1,846	1,897
Solid Waste	-	-	-	-	2,748	2,839	2,822	2,552	2,214	2,190
Airport	255	676	1,398	1,897	1,559	1,493	1,653	2,012	1,984	1,943
Capital grants and contributions:										
Water and sewer	1,234	1,004	2,451	2,918	527	-	-	-	408	475
Stormwater	-	-	-	-	109	-	-	-	162	-
Solid Waste	-	-	-	-	-	-	-	-	75	-
Airport	681	324	903	-	154	483	2,150	-	235	3,116
Total business-type activities program revenues	<u>73,743</u>	<u>79,619</u>	<u>80,129</u>	<u>83,569</u>	<u>83,236</u>	<u>90,203</u>	<u>91,037</u>	<u>87,144</u>	<u>92,526</u>	<u>103,980</u>
Total primary government revenues	<u>\$ 80,356</u>	<u>\$ 86,121</u>	<u>\$ 87,356</u>	<u>\$ 93,234</u>	<u>\$ 94,421</u>	<u>\$ 100,044</u>	<u>\$ 99,081</u>	<u>\$ 95,750</u>	<u>\$ 99,906</u>	<u>\$ 113,715</u>
NET (EXPENSE) REVENUE										
Governmental activities	\$ (18,571)	\$ (21,730)	\$ (23,446)	\$ (22,152)	\$ (23,041)	\$ (25,404)	\$ (25,944)	\$ (27,651)	\$ (26,156)	\$ (26,833)
Business-type activities	<u>8,247</u>	<u>10,659</u>	<u>13,022</u>	<u>9,492</u>	<u>2,748</u>	<u>6,523</u>	<u>6,821</u>	<u>3,476</u>	<u>2,987</u>	<u>7,487</u>
Total primary government net (expense) revenue	<u>\$ (10,324)</u>	<u>\$ (11,071)</u>	<u>\$ (10,424)</u>	<u>\$ (12,660)</u>	<u>\$ (20,293)</u>	<u>\$ (18,881)</u>	<u>\$ (19,123)</u>	<u>\$ (24,175)</u>	<u>\$ (23,169)</u>	<u>\$ (19,346)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Taxes:										
Property taxes, levied for general purpose	\$ 11,577	\$ 12,107	\$ 13,851	\$ 15,304	\$ 16,286	\$ 16,954	\$ 19,314	\$ 19,357	\$ 19,434	\$ 19,767
Local option sales tax	4,672	4,406	4,958	4,884	4,096	3,537	3,906	4,770	4,906	5,136
Utility taxes	1,199	1,299	1,364	1,430	1,364	1,432	1,543	1,627	1,723	1,888
Other taxes	1,449	1,610	1,790	1,878	1,931	1,745	2,212	2,436	2,187	1,922
Grants and contributions not restricted to specific programs	127	127	202	251	225	242	218	178	173	-
Unrestricted investment earnings	553	381	1,141	1,259	495	273	65	822	(544)	366
Miscellaneous	327	301	441	476	520	565	726	807	1,002	1,192
Gain on sale of capital assets	72	99	-	199	(19)	96	11	-	116	-
Transfers	(745)	(1,035)	237	(442)	(908)	(710)	(2,619)	(2,126)	(4,640)	(714)
Total governmental activities	<u>19,231</u>	<u>19,295</u>	<u>23,985</u>	<u>25,239</u>	<u>23,990</u>	<u>24,134</u>	<u>25,376</u>	<u>27,871</u>	<u>24,357</u>	<u>29,557</u>
Business-type activities:										
Grants and contributions not restricted to specific programs										
Unrestricted investment earnings	84	862	3,465	4,853	2,992	971	289	2,936	(1,698)	1,493
Interest earnings on interfund loans	-	-	-	-	-	-	-	-	113	88
Miscellaneous	-	150	65	60	63	395	858	443	390	433
Gain on sale of capital assets	-	(5)	1,214	1	(47)	291	60	45	14	-
Transfers	744	1,035	(237)	442	908	710	2,619	2,126	4,640	714
Total business-type activities	<u>2,460</u>	<u>2,042</u>	<u>4,508</u>	<u>5,356</u>	<u>3,916</u>	<u>2,367</u>	<u>3,826</u>	<u>5,550</u>	<u>3,459</u>	<u>2,728</u>
Total primary government	<u>\$ 21,691</u>	<u>\$ 21,337</u>	<u>\$ 28,492</u>	<u>\$ 30,596</u>	<u>\$ 27,906</u>	<u>\$ 26,501</u>	<u>\$ 29,202</u>	<u>\$ 33,421</u>	<u>\$ 27,816</u>	<u>\$ 32,285</u>
CHANGE IN NET POSITION										
Governmental activities	\$ 660	\$ (2,435)	\$ 539	\$ 3,087	\$ 950	\$ (1,270)	\$ (568)	\$ 220	\$ (1,799)	\$ 2,724
Business-type activities	<u>10,707</u>	<u>12,701</u>	<u>17,529</u>	<u>14,848</u>	<u>6,664</u>	<u>8,890</u>	<u>10,647</u>	<u>9,026</u>	<u>6,446</u>	<u>10,215</u>
Total primary government	<u>\$ 11,367</u>	<u>\$ 10,266</u>	<u>\$ 18,069</u>	<u>\$ 17,935</u>	<u>\$ 7,614</u>	<u>\$ 7,620</u>	<u>\$ 10,079</u>	<u>\$ 9,246</u>	<u>\$ 4,647</u>	<u>\$ 12,939</u>

Notes:

Solid Waste and Stormwater funds were established in 2009. Previously, these expenditures were included in the General Fund.

Internal service funds were established in 2009. Per GASB, revenues for these funds are allocated between business type and governmental type activities.

**CITY OF MONROE, NORTH CAROLINA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(in thousands of dollars)**

	FISCAL YEAR									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund										
Reserved	\$ 5,601	\$ 5,590	\$ 4,251	\$ 4,972	\$ 4,058	\$ 4,012	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>13,375</u>	<u>12,582</u>	<u>13,803</u>	<u>15,635</u>	<u>13,808</u>	<u>15,614</u>	-	-	-	-
Nonspendable							\$ 331	\$ 339	\$ 256	\$ 1,138
Restricted							4,130	6,009	5,664	4,840
Assigned							2,975	9,134	11,679	12,457
Unassigned							<u>13,042</u>	<u>5,827</u>	<u>3,607</u>	<u>6,533</u>
Total General Fund	<u>\$ 18,976</u>	<u>\$ 18,172</u>	<u>\$ 18,054</u>	<u>\$ 20,607</u>	<u>\$ 17,866</u>	<u>\$ 19,626</u>	<u>\$ 20,478</u>	<u>\$ 21,309</u>	<u>\$ 21,206</u>	<u>\$ 24,968</u>
All Other Governmental Funds										
Reserved	\$ 825	\$ 286	\$ 430	\$ 3	\$ 93	\$ 233	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue Funds	307	433	1,552	1,418	1,600	1,609	-	-	-	-
Capital Projects Funds	<u>1,101</u>	<u>1,076</u>	<u>1,884</u>	<u>1,179</u>	<u>3,328</u>	<u>(114)</u>	-	-	-	-
Nonspendable							\$ -	\$ -	\$ 1	\$ 13
Restricted							-	-	-	1,758
Committed							-	-	-	588
Assigned							1,281	1,560	2,026	102
Unassigned							<u>-</u>	<u>-</u>	<u>-</u>	<u>(2)</u>
Total all other governmental funds	<u>\$ 2,233</u>	<u>\$ 1,795</u>	<u>\$ 3,866</u>	<u>\$ 2,600</u>	<u>\$ 5,021</u>	<u>\$ 1,728</u>	<u>\$ 1,281</u>	<u>\$ 1,560</u>	<u>\$ 2,027</u>	<u>\$ 2,459</u>

Notes:
Fiscal year 2011 reflects implementation of GASB Statement 54. Prior year amounts have not been restated.
The classification of fund balance amounts is discussed in the notes to the financial statements section I.E.12.

CITY OF MONROE, NORTH CAROLINA
CHANGES IN FUND BALANCES , GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(in thousands of dollars)

	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUES										
Ad valorem taxes	\$ 11,578	\$ 12,049	\$ 13,655	\$ 15,265	\$ 16,134	\$ 16,909	\$ 19,217	\$ 19,426	\$ 19,443	\$ 19,788
Other taxes and licenses	912	1,040	1,044	1,227	1,220	874	1,249	1,313	1,558	1,497
Unrestricted intergovernmental	6,490	6,332	7,176	7,177	6,360	6,044	6,586	7,408	7,567	7,952
Restricted intergovernmental	2,505	2,240	2,195	2,378	2,826	3,274	2,399	2,217	1,846	2,060
Program income	10	6	84	6	2	7	2	2	-	-
Sales and services (1)	3,742	4,292	5,012	5,137	1,961	1,740	1,708	1,766	1,420	1,921
Investment earnings	553	381	1,141	1,259	495	273	64	822	(544)	481
Miscellaneous	563	396	522	650	611	548	747	793	747	779
Total revenues	<u>26,353</u>	<u>26,736</u>	<u>30,829</u>	<u>33,099</u>	<u>29,609</u>	<u>29,669</u>	<u>31,972</u>	<u>33,747</u>	<u>32,037</u>	<u>34,478</u>
EXPENDITURES										
General government	4,207	4,273	3,801	4,578	4,086	4,170	3,410	3,327	2,052	2,796
Transportation	1,858	2,144	2,162	2,426	2,452	1,727	1,484	1,802	1,970	1,979
Public safety	9,957	10,996	12,593	13,304	13,864	14,385	14,332	15,654	15,147	15,394
Environmental protection (1)	1,784	1,896	2,349	2,551	-	-	-	-	-	-
Culture and recreation	2,924	3,037	3,426	3,536	3,902	3,554	3,894	3,896	3,018	3,930
Economic and physical development	610	585	1,460	830	986	1,909	2,045	951	1,415	1,614
Capital outlay	5,131	3,878	2,446	5,487	2,619	2,832	1,091	2,298	2,806	2,076
Debt service:										
Principal retirement	1,555	1,659	1,617	1,660	1,828	1,922	1,962	1,685	1,311	1,124
Interest and other charges	158	187	205	182	310	337	61	54	229	164
Total expenditures	<u>28,184</u>	<u>28,655</u>	<u>30,059</u>	<u>34,554</u>	<u>30,047</u>	<u>30,836</u>	<u>28,279</u>	<u>29,667</u>	<u>27,948</u>	<u>29,077</u>
Excess (deficiency) of revenues over (under) expenditures	(1,831)	(1,919)	770	(1,456)	(438)	(1,167)	3,693	4,080	4,089	5,401
OTHER FINANCING SOURCES (USES)										
Transfers from (to) others	(745)	(1,035)	237	(573)	(3,430)	(710)	(3,419)	(2,548)	(3,725)	(2,057)
Repayment of advance from other funds						(131)	(131)	-	-	-
Installment purchase obligations issued	2,492	1,713	945	3,317	3,661	475	263	748	-	850
Total other financing sources (uses)	<u>1,747</u>	<u>678</u>	<u>1,182</u>	<u>2,744</u>	<u>231</u>	<u>(366)</u>	<u>(3,287)</u>	<u>(1,800)</u>	<u>(3,725)</u>	<u>(1,207)</u>
Net change in fund balances	<u>\$ (84)</u>	<u>\$ (1,241)</u>	<u>\$ 1,952</u>	<u>\$ 1,288</u>	<u>\$ (207)</u>	<u>\$ (1,533)</u>	<u>\$ 406</u>	<u>\$ 2,280</u>	<u>\$ 364</u>	<u>\$ 4,194</u>
Debt service as a percentage of noncapital expenditures	7.43%	7.45%	6.60%	6.34%	7.79%	8.07%	7.44%	6.35%	6.13%	4.77%

Note:

(1) The Solid Waste Fund was established in 2009. Previously, these revenues and expenditures were included in the General Fund.

CITY OF MONROE, NORTH CAROLINA
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year	Real Property		Personal Property		Public Service Companies	Total Assessed Value	Total Direct Tax Rate (1)
	Commercial	Residential	Motor Vehicle	Other			
2005	\$ 861,358	\$ 830,018	\$ 198,995	\$ 444,329	\$ 41,408	\$ 2,376,108	0.480
2006	739,892	957,402	238,446	459,106	43,934	2,438,780	0.490
2007	769,343	1,009,984	226,844	521,941	43,261	2,571,373	0.530
2008	810,780	1,067,270	227,535	583,078	49,984	2,738,647	0.550
2009	1,081,987	1,264,542	207,793	659,913	49,487	3,263,722	0.495
2010	1,097,648	1,288,641	186,439	765,537	60,724	3,398,989	0.495
2011	1,133,184	1,296,350	189,559	777,420	69,218	3,465,731	0.555
2012	1,151,666	1,298,253	197,410	761,938	66,714	3,475,981	0.555
2013	1,172,544	1,308,774	219,424	740,811	66,312	3,507,865	0.555
2014	1,162,848	1,326,417	393,733	742,552	63,594	3,689,144	0.555

Notes: (1) Property is assessed at actual value; therefore, the assessed value is equal to actual value.
Tax Rates are per \$100 of assessed value.

Sources: Union County Tax Assessor's Office and North Carolina Property Tax Commission.

**CITY OF MONROE, NORTH CAROLINA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(rate per \$100 of assessed value)**

Fiscal Year	City of Monroe			Overlapping Rates		Total Direct and Overlapping Rates
	General Fund Basic Rate	Municipal Service District Basic Rate	Total Weighted Average Rate⁽¹⁾	Union County Basic Rate	Monroe School District	
2005	0.4800	0.2000	0.4794	0.5250	0.0700	1.0744
2006	0.4900	0.2000	0.4938	0.5600	0.0700	1.1238
2007	0.5300	0.2000	0.5338	0.6367	-	1.1705
2008	0.5500	0.2000	0.5491	0.7111	-	1.2602
2009	0.4950	0.2000	0.4955	0.6650	-	1.1605
2010	0.4950	0.2000	0.4964	0.6650	-	1.1614
2011	0.5550	0.2000	0.5547	0.6650	-	1.2197
2012	0.5550	0.2000	0.5549	0.6650	-	1.2199
2013	0.5550	0.2000	0.5527	0.6600	-	1.2127
2014	0.5550	0.2000	0.5435	0.6600	-	1.2035

Notes: (1) Total City tax rate is a weighted average of all types of City of Monroe tax rates.
Union County rate is a direct rate.

Source: Union County, Tax Assessment Division

**CITY OF MONROE, NORTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(in thousands of dollars)**

<u>Taxpayer</u>	<u>2005</u>			<u>2014</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Allegheny Technologies (Allvac)	\$ 52,082	2	2.2%	\$ 291,172	1	7.9%
Charlotte Pipe & Foundry Co.	113,083	1	4.8%	92,360	2	2.5%
Tyson Farms, Inc. (Tyson Foods, Inc.)	46,302	3	1.9%	41,565	3	1.1%
Turbomeca	-		-	32,927	4	0.9%
Greiner Bio-One	-		-	27,155	5	0.7%
Inland American Monroe Poplin	-		-	27,050	6	0.7%
Yale Security (Assa Abloy - Door Security)	18,078	6	0.8%	24,313	7	0.7%
Consolidated Metco, Inc.	25,602	4	1.1%	23,250	8	0.6%
Scott Technologies	16,055	8	0.7%	21,684	9	0.6%
Monroe Mall (Madison)	15,363	9	0.6%	20,961	10	0.6%
Verizon South, Inc.	21,284	5	0.9%	-		-
Goulston Technologies	17,507	7	0.7%	-		-
Wal-Mart Stores, Inc.	13,334	10	0.6%	-		-
Total	\$ 338,690		14.3%	\$ 602,437		16.3%

Source: City of Monroe Tax System

**CITY OF MONROE, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(in thousands of dollars)**

Fiscal Year	Taxes Levied for the Fiscal Year	Public Utility Allocation	Discoveries	Abatements	Taxes Levied for the Fiscal Year (Adjusted)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
						Amount	Percentage of Levy		Amount	Percentage of Adjusted Levy
2005	\$ 10,869	\$ 199	\$ 472	\$ 106	\$ 11,434	\$ 11,178	97.77%	\$ 241	\$ 11,419	99.87%
2006	11,959	215	17	100	12,091	11,754	97.22	319	12,073	99.85
2007	13,429	229	407	137	13,928	13,290	96.45	602	13,892	99.74
2008	14,647	275	278	107	15,093	14,607	96.78	448	15,055	99.75
2009	16,100	245	45	159	16,231	15,669	96.54	522	16,191	99.75
2010	16,490	300	160	78	16,872	16,292	96.56	503	16,795	99.54
2011	18,859	384	69	88	19,224	18,646	96.99	447	19,093	99.32
2012	18,962	362	299	335	19,288	18,780	97.37	367	19,147	99.27
2013	18,983	361	130	86	19,388	18,887	97.42	270	19,157	98.81
2014	19,712	348	81	89	20,052	19,295	96.22	-	19,295	96.22

Source: City of Monroe Tax System

CITY OF MONROE, NORTH CAROLINA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities		Business-type Activities				Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
	Installment Purchase Obligations	General Obligation Bonds	Revenue Bonds	State Revolving Loans	Installment Purchase Obligations				
2005	\$ 6,777	\$ 2,815	\$ 11,485	\$ 8,413	\$ 7,453	\$ 36,943	\$ 1,183	0.74%	
2006	6,832	2,125	10,950	7,586	6,793	34,286	1,056	0.61	
2007	6,150	1,450	10,385	6,759	5,770	30,514	900	0.49	
2008	7,821	790	53,810	5,932	5,061	73,414	2,041	1.13	
2009	9,656	140	53,185	5,105	36,011	104,097	2,792	1.58	
2010	8,209	-	51,320	4,278	36,291	100,098	2,626	1.45	
2011	6,736	-	48,980	3,451	35,134	94,301	2,857	1.29	
2012	6,024	-	47,425	4,654	32,671	90,774	2,731	1.14	
2013 (2)	4,303	-	45,707	8,504	32,206	90,720	2,732	-	
2014 (2)	4,322	-	43,394	10,592	30,693	89,001	2,640	-	

- Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
- (1) Personal income and population data are on the Demographic and Economic Statistics table. These ratios are calculated using personal income and population for prior calendar year. Calendar year 2012 and 2013 personal income not available to calculate fiscal year 2013 and 2014.
- (2) Personal income not available for 2013 and 2014.

CITY OF MONROE, NORTH CAROLINA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(dollars in thousands, except per capita)

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property (2)	Per Capita (1)
2005	\$ 2,815	0.12%	\$ 90
2006	2,125	0.09	65
2007	1,450	0.06	43
2008	790	0.03	22
2009	140	0.004	4
2010	-	N/A	N/A
2011	-	N/A	N/A
2012	-	N/A	N/A
2013	-	N/A	N/A
2014	-	N/A	N/A

Notes : Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Demographic and Economic Statistics table for population data.

(2) See the Assessed Value and Actual Value of Taxable Property table for total assessed value of property.

CITY OF MONROE, NORTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2014
(in thousands of dollars)

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Union County, overlapping debt	\$ 441,157	16.6%	\$ 73,313
Total direct debt	<u>4,322</u>	100%	<u>4,322</u>
Total direct and overlapping debt	<u>\$ 445,479</u>		<u>\$ 77,635</u>

Notes: (1) Includes governmental activities debt only.

(2) Determined by ratio of assessed value of property subject to taxation in Union County (\$22,199,118,575) and City of Monroe (\$3,689,143,296).

Source: Union County Finance Department

**CITY OF MONROE, NORTH CAROLINA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(in thousands of dollars)**

	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit (8% of assessed value)	\$ 190,088	\$ 195,102	\$ 205,710	\$ 219,092	\$ 261,098	\$ 271,919	\$ 277,258	\$ 278,078	\$ 280,629	\$ 295,131
Total net debt applicable to limit	14,229	13,624	11,920	12,882	46,667	44,500	41,871	38,500	36,509	35,014
Legal debt margin	\$ 175,859	\$ 181,478	\$ 193,790	\$ 206,210	\$ 214,431	\$ 227,419	\$ 135,387	\$ 238,578	\$ 244,120	\$ 260,117
Total net debt applicable to the limit as a percentage of debt limit	7.49%	6.98%	5.79%	5.88%	17.87%	16.37%	15.10%	14.20%	13.01%	11.86%

**Legal Debt Margin
Calculation for Fiscal Year 2014**

Assessed value		<u>\$3,689,143</u>
Debt limit (8% of total assessed value)		295,131
Bonded debt	\$ -	
Debt not evidenced by bonds	<u>35,014</u>	
Gross debt		\$ 35,014
Less: deductions allowed by North Carolina General Statutes:		
Bonded debt incurred for water purposes	-	
Bonded debt incurred for sewer purposes	<u>-</u>	
Total deductions		<u>-</u>
Net debt applicable to limit		<u>35,014</u>
Legal debt margin		<u>\$ 260,117</u>

Note: NC Statute GS 159-55 limits the City's debt to 8% of the appraised value of property subject to taxation. The following deductions are made from gross to arrive at net debt applicable to the limit: money held for payment of principal; debt incurred for water, sewer, gas, or electric purposes; uncollected special assessments, funding and refunding bonds not yet issued; and revenue bonds. The legal debt margin is the difference between the debt limit and the City's net debt outstanding applicable to the limit, and represents the City's legal borrowing authority.

**CITY OF MONROE, NORTH CAROLINA
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS
 (in thousands of dollars)**

Fiscal Year	Operating Revenues	Less Operating Expenses (1)	Operating Income	Nonoperating Revenues (2)	Income Available for Debt Service	Debt Service		Coverage
						Principal	Interest	
2005	\$ 68,492	\$ 60,408	\$ 8,084	\$ 1,585	\$ 9,669	\$ 1,225	\$ 692	504%
2006	74,557	63,809	10,748	834	11,582	1,225	641	621
2007	72,718	61,629	11,088	3,343	14,431	1,240	588	789
2008	76,489	67,113	9,376	4,683	14,059	1,250	815	681
2009	74,807	66,727	8,081	2,884	10,964	1,275	2,456	294
2010	75,197	67,175	8,022	939	8,961	2,005	2,399	203
2011	80,045	66,284	13,761	277	14,038	2,772	2,461	268
2012	78,729	65,795	12,935	2,808	15,742	3,112	1,966	310
2013	83,091	70,200	12,891	(1,642)	11,249	2,917	2,132	223
2014	91,644	78,463	13,181	1,442	14,623	3,002	2,020	291

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Per rate covenants, this does not include the annual depreciation expense.

(2) Per rate covenants, this includes investment earnings only.

**CITY OF MONROE, NORTH CAROLINA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS**

Fiscal Year	(City) Population (2)	(County) Personal Income (thousands of dollars) (3)	(County) Per Capita Personal Income (3)	(County) Public School Enrollment (4)	(County) Unemployment Rate (5)
2005	31,234	\$ 4,987,416	\$ 31,064	28,815	4.50
2006	32,454	5,617,550	32,626	31,580	3.80
2007	33,908	6,207,640	33,650	34,564	4.30
2008	35,966	6,512,312	33,673	37,110	5.60
2009	37,280	6,602,954	33,240	38,554	10.80
2010	38,120	6,912,014	34,184	39,366	9.50
2011	33,007	7,304,614	35,552	39,900	9.40
2012	33,238	7,950,910	38,130	40,359	8.60
2013	(1) 33,201	-	-	40,958	8.00
2014	(1) 33,708	-	-	42,047	5.70

Note: (1) Personal income not available for 2013 and 2014.

Sources: (2) North Carolina Office of State Budget and Management
 (3) US Department of Commerce - Bureau of Economic Analysis
 (4) Union County Schools
 (5) Employment Security Commission of North Carolina

**CITY OF MONROE, NORTH CAROLINA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2005		2014	
	Employees (1)	Percentage of Total City Employment	Employees (1)	Percentage of Total City Employment (2)
Tyson Foods	-	-	1,600	10.4%
Carolinas Medical Center-Union	-	-	1,400	9.1%
ATI Allvac	-	-	1,200	7.8%
Union County	-	-	886	5.8%
SCOTT Safety	-	-	600	3.9%
Charlotte Pipe	-	-	600	3.9%
City of Monroe	-	-	445	2.9%
Wal-Mart Stores, Inc.	-	-	400	2.6%
United Technologies Aerospace Systems	-	-	300	2.0%
Colfax Corporation (IMO Pump)	-	-	300	2.0%
Total	-	-	7,731	50.3%

Notes: (1) Data for 2005 not available.

(2) Percentage of total city employment based on North Carolina Employment Security Commission labor force estimate of 15,373 as of June 30, 2014.

Sources: Monroe - Union County Economic Development

**CITY OF MONROE, NORTH CAROLINA
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS**

<u>Function</u>	<u>FISCAL YEAR</u>									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government:										
Administration	25	24	31	30	32	28	27	28	29	30
Planning and zoning	12	12	11	11	11	11	8	8	7	7
Engineering	11	10	11	10	10	10	10	10	9	9
Utility/tax billing and collection	17	14	17	18	18	18	19	17	17	18
Operations center	9	12	12	12	8	9	9	9	9	9
Transportation	22	24	25	24	21	24	19	19	19	19
Police	80	87	90	91	95	101	104	104	98	98
Fire	61	70	82	78	82	84	82	82	79	79
Building standards and code enforcement	10	10	9	9	10	11	4	6	6	6
Culture and recreation	48	49	50	50	49	39	38	40	41	37
Water and sewer:										
Distribution system	31	31	29	31	33	34	34	34	34	34
Water filter plant	10	10	10	10	11	11	11	12	12	12
Waste treatment plant	14	15	15	15	14	14	14	14	14	14
Stormwater (2)	-	-	-	-	8	9	11	10	10	11
Electric	21	22	22	25	24	27	28	28	29	29
Natural gas	14	13	13	14	13	14	13	14	14	14
Solid Waste (3)	-	-	-	-	-	1	-	1	1	1
Aquatics and Fitness Center	20	20	20	20	20	10	10	11	11	11
Airport (1)	-	7	7	7	8	9	9	9	7	7
Total	<u>405</u>	<u>430</u>	<u>454</u>	<u>455</u>	<u>467</u>	<u>464</u>	<u>450</u>	<u>456</u>	<u>446</u>	<u>445</u>

- Note: (1) The City of Monroe assumed direct management of aviation services at the Monroe Regional Airport in March of 2006. In prior years, the FBO (Fixed Base Operation) had been managed by a private enterprise under contract to the City.
- (2) City of Monroe established a Stormwater utility program in 2009
- (3) In 2010, a full time position was added to Solid Waste. Previously, the function was the responsibility of the Planning Department.

**CITY OF MONROE, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(if available or unless otherwise noted)**

Function	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Transportation:										
Street reclamation (tons)	552	2,232	4,052	6,545	8,065	2,858	2,295	2,720	2,503	1,730
Street repair (tons)	2,131	1,057	1,765	2,100	1,219	595	456	915	929	1,012
Utility repair (tons)	368	119	314	296	321	527	780	1,019	868	784
Sidewalk repair (cubic yards concrete)	565	444	646	451	25	66	116	271	178	329
Pipe repair and replacement (linear feet)	247	956	440	911	2,016	2,132	2,526	2,151	1,300	832
Police:										
Physical arrests (calendar year)	4,443	4,335	4,596	4,094	3,468	3,204	3,132	3,025	2,367	-
Parking violations (calendar year)	1,263	3,707	3,686	3,918	3,408	3,510	3,558	3,074	3,346	-
Traffic violations (calendar year)	5,571	8,433	7,282	6,672	4,889	6,368	9,179	6,704	6,305	-
Fire:										
Calls for service (calendar year)	4,169	4,329	4,626	4,664	4,993	5,514	5,699	5,714	5,734	-
Fire code inspections (calendar year)	1,633	1,974	1,348	1,860	1,860	1,220	1,244	1,343	1,114	-
Civilian fire injuries (calendar year)	1	1	1	8	6	2	2	4	-	-
Building standards & code enforcement:										
Building permits issued	4,943	5,129	3,943	3,951	3,845	2,876	2,701	3,901	3,771	3,429
Building inspections	11,728	13,750	13,817	11,381	8,642	7,553	7,009	7,300	7,411	8,331
Code enforcement inspections	3,398	1,431	1,341	2,565	5,518	6,422	1,750	2,415	1,938	1,240
Environmental protection: (2)										
Solid waste collected (annual tonnage)	42,660	44,533	44,917	42,352	35,928	34,155	31,968	24,405	8,609	9,989
Recyclables collected (annual tonnage)	747	756	973	925	707	788	748	626	1,467	1,976
Culture and recreation:										
Rounds of golf played (calendar year)	30,888	35,364	32,988	28,667	30,075	26,556	26,565	27,105	27,492	-
Aquatics and fitness center members	16,138	17,546	18,200	20,824	20,889	20,444	19,972	19,628	19,814	19,169
Youth athletic program participants (calendar year)	750	800	775	775	486	400	335	467	572	-
Water:										
Average daily production (millions of gallons per day)	6.3	6.6	6.0	5.7	5.5	5.8	6.0	6.2	5.8	6.1
Maximum daily production (millions of gallons per day)	8.9	9.2	10.0	8.7	8.1	9.1	9.1	9.1	8.5	8.3
Customers	10,532	10,919	11,405	11,534	11,436	11,462	11,478	11,630	11,700	11,842
Gallons Billed (in thousands)	2,018,600	2,149,000	2,096,600	1,973,800	1,796,500	1,748,800	1,803,119	1,817,981	1,778,535	1,782,067
Sewer:										
Average daily treatment (millions of gallons per day)	7.2	6.8	7.0	6.1	6.5	6.8	5.8	5.7	6.6	7.2
Customers	9,002	9,400	9,861	10,025	9,948	9,959	9,970	10,099	10,171	10,302
Gallons Billed (in thousands)	2,436,000	2,433,000	2,407,200	2,264,600	2,126,800	2,016,900	2,005,753	2,012,091	2,063,159	2,204,230
Electric:										
Sales (megawatt hours)	524,129	585,253	587,377	620,185	595,689	591,112	655,358	656,485	648,350	656,312
Customers	9,892	10,142	10,452	10,467	10,331	10,324	10,307	10,425	10,483	10,546
Natural gas:										
Sales/deliveries (thousand cubic feet)	257,326	261,484	279,446	275,840	264,370	273,909	308,852	288,498	297,961	316,627
Customers	9,167	9,533	10,113	10,340	10,287	10,216	10,233	10,345	10,575	10,671
Airport: (1)										
Fuel sales (thousands of gallons)	367	377	390	421	324	345	339	291	297	284
Based aircraft	76	84	103	111	114	95	96	90	105	109

Notes (1) The City of Monroe assumed direct management of aviation services at the Monroe Regional Airport in March of 2006. In prior years, the FBO (Fixed Base Operation) had been managed by a private enterprise under contract to the City.
(2) The City of Monroe stopped providing commercial dumpster collection services in 2012. The City of Monroe now provides 95 gallon recycling carts verses 18 gallon bins.

Sources: Various City departments.

**CITY OF MONROE, NORTH CAROLINA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
(unless otherwise noted)**

Function	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Transportation:										
Municipal Boundary (square miles)	28.75	29.09	29.45	29.60	29.63	29.63	29.63	29.63	29.63	29.63
Streets (miles)	158	158	158	161	164	166	166	167	169	170
Sidewalks (miles)	44	44	45	50	54	61	61	62	63	64
Curb and gutter (miles)	110	110	111	119	124	127	127	128	130	131
Stormwater (miles)	29	29	30	32	33	34	34	35	35	36
Bridges (square feet)	15,468	15,468	15,884	15,884	15,884	15,884	15,884	15,884	15,884	15,884
Speed humps/cushions (each)	184	204	232	232	242	279	286	301	309	330
Public safety:										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	85	89	89	89	92	92	92	92	92	92
Fire stations	5	5	5	5	5	5	5	5	5	5
Fire apparatus (line and reserve)	14	14	14	14	14	14	14	15	15	15
Culture and recreation:										
Acreage (city limits)	552	552	552	552	552	552	552	552	552	552
Aquatics and Fitness Center	1	1	1	1	1	1	1	1	1	1
Playgrounds	8	8	8	8	8	8	8	8	8	8
Gymnasiums (1)	3	3	3	3	3	4	4	4	4	4
Basketball courts	8	8	8	8	8	8	8	8	8	11
Tennis courts	10	10	10	10	10	10	10	10	10	10
Playing fields (baseball/soccer/football) (2)	15	20	20	20	20	20	20	20	20	20
Swimming pools	3	3	3	3	3	3	3	3	3	3
Golf course	1	1	1	1	1	1	1	1	1	1
Driving range	1	1	1	1	1	1	1	1	1	1
Greenway (miles)	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Water:										
Water mains (miles)	289	292	293	291	291	291	291	291	291	291
Treatment capacity (millions of gallons per day)	11	11	11	11	11	11	11	11	11	12.99
Sewer:										
Sanitary sewers (miles) (3)	285	287	283	294	294	295	295	295	295	295
Treatment capacity (millions of gallons per day)	10.4	10.4	10.4	10.4	10.4	10.4	10.4	10.4	10.4	10.4
Electric:										
Substations (4)	7	7	7	8	9	9	9	9	9	9
Lines (miles per calendar year)	235	243	246	269	281	293	293	285	285	-
Natural gas:										
Lines (miles per calendar year)	373	375	379	383	399	443	449	455	455	-
Airport:										
Runway (feet) (6)	5,500	5,500	5,500	5,500	5,500	5,500	7,000	7,000	7,000	7,000
Hangars (square feet) (5)	42,659	53,134	53,134	77,292	87,603	87,603	87,603	87,603	87,603	87,603

- Notes:
- (1) A new gymnasium was built at the J Ray Shute recreation center in 2010.
 - (2) In 2006, the City received a Parks and Recreation Trust Fund (PARTF) grant for Phase II development of the Parks Williams Athletic Complex. The complex increased the number of soccer and softball fields.
 - (3) In 2007, miles reported were lower than the prior year, as a result of GIS mapping corrections and refinements.
 - (4) In 2009, a substation was added to serve the airport and surrounding area.
 - (5) In 2008, the City purchased an existing T-hangar from the Maxwell Group and built a new one. In 2009, the City bought the Southern Cross hangar. In addition to City owned hangars, there are private hangars on airport property. When these leases expire 20 years from initiation, they become property of the City. Currently, there is 7,200 square feet of private hangar space.
 - (6) In 2011, an extension of runway 5 was completed.

Sources: Various City departments.



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"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 Monroe, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 29, 2014. The financial statements of the City of Monroe ABC Board and the Monroe Tourism Development Authority 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 Monroe'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 Monroe's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Monroe'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of Monroe's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Monroe'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*.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 29, 2014

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Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Monroe's compliance with the types of compliance requirements described in the (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Monroe's major federal programs for the year ended June 30, 2014. The City of Monroe's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Monroe's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Monroe's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Monroe's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Monroe complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Monroe is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Monroe's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Monroe's internal control over compliance.

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 29, 2014

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Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Monroe, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Monroe's major State programs for the year ended June 30, 2014. The City of Monroe's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Monroe's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Monroe's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the City of Monroe's compliance.

Opinion on Each Major State Program

In our opinion, the City of Monroe complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Monroe is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City of Monroe's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 29, 2014

CITY OF MONROE, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	_____ Yes <u> X </u> No
• Significant deficiency(s) identified that are not considered to be material weaknesses?	_____ Yes <u> X </u> None reported
Non-compliance material to financial statements noted?	_____ Yes <u> X </u> No

Federal Awards

Internal control over major federal programs:	
• Material weaknesses identified?	_____ Yes <u> X </u> No
• Significant deficiency(s) identified that are not considered to be material weaknesses?	_____ Yes <u> X </u> None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ Yes <u> X </u> No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Airport Improvement Program	20.106
Clean Water State Revolving Fund Cluster	66.458, 66.482
Dollar threshold used to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	<u> X </u> Yes _____ No

CITY OF MONROE, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

None

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
Federal Grants:				
Cash Programs:				
U.S. Department of Justice:				
Direct Programs:				
Drug Enforcement Administration	16.579	\$ 108,959	\$ 4,650	\$ 8,900
JAG Program Cluster:				
ARRA - Recovery Act Edward Byrne Memorial Justice Assistance Grant	16.804	-	-	3,782
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12,065	-	-
U.S. Department of Transportation:				
Direct Programs:				
Airport Improvement Program	20.106	3,161,373	-	-
Technical Assistance Grant	20.710	20,426	-	-
U.S. Environmental Protection Agency:				
Passed-Through:				
NC Dept. of Environmental and Natural Resources Division of Water Quality Clean Water State Revolving Fund Cluster: Capitalization Grant for State Revolving Fund (SRF) Stewart Creek Project	66.458	2,791,734	-	-
Total Assistance - Federal Programs		6,094,557	4,650	12,682
State Grants:				
Cash Assistance:				
N.C. Department of Transportation:				
Powell Bill		-	871,039	-
N.C. Department of Community Assistance:				
Scattered Site Housing		-	12,153	-
Total Assistance - State Programs		-	883,192	-
Total Federal and State Assistance		\$ 6,094,557	\$ 887,842	\$ 12,682

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of the City of Monroe and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Inception to Date Information

<u>Grant</u>	<u>Project</u>	<u>CFDA Number</u>	<u>Grant/ Contract Number</u>	<u>Total Grant Commitment</u>	<u>Federal</u>	<u>Total</u>
SRF	Stewart Creek Sanitary Sewer Upgrades	66.458	CS370564-06	\$ 9,622,065	\$ 9,622,065	\$ 9,622,065



**CITY
OF
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a heritage of progress

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