

**CITY OF ALBEMARLE, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**For the fiscal year ended June 30, 2016**

**CITY OF ALBEMARLE, NORTH CAROLINA  
CITY GOVERNING BODY AND OFFICIALS**

**JUNE 30, 2016**

MAYOR

G. R. MICHAEL

CITY COUNCIL

MARTHA SUE HALL - MAYOR PRO-TEM

DR. CHRIS BRAMLETT

BENTON H, DRY, II

CHRIS WHITLEY

BILL ALDRIDGE

DEXTER G. TOWNSEND

MARTHA E. HUGHES

OTHER OFFICIALS

MICHAEL J. FERRIS

CITY MANAGER

CHRISTINA L. ALPHIN

ASSISTANT CITY MANAGER

COLLEEN CONROY

FINANCE OFFICER

DAVID A. BEAVER

CITY ATTORNEY

PAULETTE BOWERS

CITY CLERK

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# **Financial Section**



**POTTER & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Albemarle, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Albemarle's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Albemarle Downtown Development Corporation and the City of Albemarle ABC Board. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Albemarle Downtown Development Corporation and the City of Albemarle ABC Board is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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 Albemarle Downtown Development Corporation and the City of Albemarle ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

## Opinions

In our opinion, based on our audit and the reports of the other auditors, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Albemarle, North Carolina as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 7 through 16, the Law Enforcement Officers' Special Separation Allowance and the Other Postemployment Benefits Schedules of Funding Progress and Employer Contributions, on pages 66 and 67, respectively, the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 68 and 69, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Albemarle's basic financial statements. The combining and individual fund schedules, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the combining and individual fund schedules, 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.



*Reissuance of Financial Statements*

As discussed in Note 9 to the financial statements, the financial statements have been reissued for reclassification of certain amounts in the Statements of Cash Flows, Proprietary Funds. The financial statements were not restated and there is no effect on net position as of June 30, 2016.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2016 on our consideration of City of Albemarle's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Albemarle's internal control over financial reporting and compliance.

Monroe, North Carolina  
December 16, 2016

*Potter + Company*

## Management's Discussion and Analysis

As management of the City of Albemarle, we offer readers of the City of Albemarle's financial statements this narrative overview and analysis of the financial activities of the City of Albemarle for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### Financial Highlights

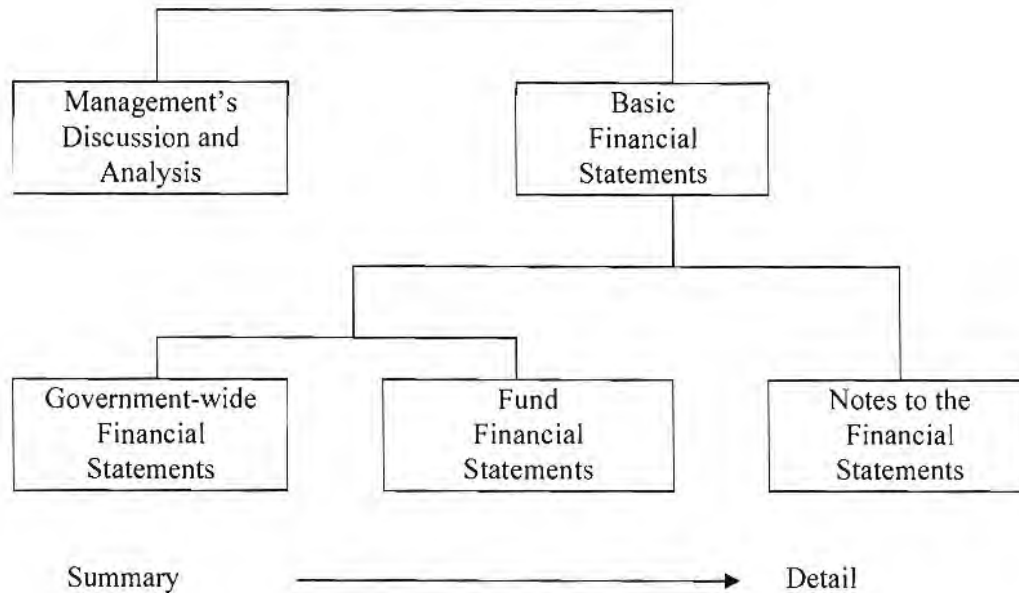
- The assets and deferred outflows of resources of the City of Albemarle exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$70,202,503.
- The government's total net position increased by \$1,314,933, primarily due to completed projects coming on line as assets. Also, due to the completion of the CKA waterline, the City is now receiving additional revenue from Concord for water.
- As of the close of the current fiscal year, the City of Albemarle's governmental funds reported combined ending fund balances of \$8,758,739 an increase of \$893,691 in comparison with the prior year. Approximately 61.5 percent of this total amount, or \$5,385,080, is available for spending at the government's discretion. At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,385,080, or 38.2 percent of total general fund expenditures for the fiscal year.
- The City of Albemarle's total debt increased by \$6,154,402 during the current fiscal year. The key factor of new debt is equipment purchases in the Fire Department, Public Works, and Landfill; also increase in loan proceeds from SRF funding upgrades to Water/Sewer facilities.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Albemarle'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 Albemarle.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

The next statements (Exhibits C through J) 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 four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements; and 4) the fiduciary 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 gage 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, 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 services, electric services, landfill services, and public housing offered by the City of Albemarle. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City. The City exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the City. The Albemarle Downtown Development Corporation (ADDC) is another component unit that is legally separate from the City. The City exercises control over the Board by appointing a majority of its members and the City levies a municipal service district tax, which provides funding to the ADDC.

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

### **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Albemarle, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Albemarle can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 Albemarle adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board 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 board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds** – The City of Albemarle has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Albemarle uses enterprise funds to account for its water and sewer activity, and for its electric, landfill and public housing operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Fiduciary Funds** – Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Albemarle’s own programs. The City of Albemarle has one Fiduciary Fund, which is an Agency Fund.

**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 are on pages 28 through 65 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 Albemarle’s progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on page 66 through 69 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.

**Government-Wide Financial Analysis**

**The City of Albemarle’s Net Position**

**Figure 2**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 10,209,850	\$ 9,276,645	\$ 18,960,089	\$ 19,291,396	\$ 29,169,939	\$ 28,568,041
Capital assets	16,180,348	15,893,769	67,983,674	62,269,349	84,164,022	78,163,118
Deferred outflows of resources	465,172	1,118,655	341,191	873,350	806,363	1,992,005
Total assets and deferred outflows of resources	<u>26,855,370</u>	<u>26,289,069</u>	<u>87,284,954</u>	<u>82,434,095</u>	<u>114,140,324</u>	<u>108,723,164</u>
Long-term liabilities	5,785,713	3,957,821	29,540,232	23,351,393	35,325,945	27,309,214
Other liabilities	850,994	1,438,276	7,267,626	8,205,352	8,118,620	9,643,628
Deferred inflows of resources	93,729	1,589,489	399,527	1,293,263	493,256	2,882,752
Total liabilities and deferred inflows of resources	<u>6,730,436</u>	<u>6,985,586</u>	<u>37,207,385</u>	<u>32,850,008</u>	<u>43,937,821</u>	<u>39,835,594</u>
Net position						
Net investment in capital assets	14,015,366	14,001,213	44,464,743	44,632,394	58,480,109	58,633,607
Restricted	1,985,738	1,577,201	-	-	1,985,738	1,577,201
Unrestricted	4,123,830	3,725,069	5,612,826	4,951,693	9,736,656	8,676,762
Total net position	<u>\$ 20,124,934</u>	<u>\$ 19,303,483</u>	<u>\$ 50,077,569</u>	<u>\$ 49,584,087</u>	<u>\$ 70,202,503</u>	<u>\$ 68,887,570</u>

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of the City of Albemarle exceeded liabilities and deferred inflows of resources by \$70,202,503 as of June 30, 2016. However, the largest portion (83.3%) reflects the City’s net investment in capital assets (e.g. land, buildings, and equipment). The City’s net position increased by \$1,314,933 for the fiscal year ended June 30, 2016. The City of Albemarle uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Albemarle’s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Albemarle’s net position, \$1,985,738, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,736,656 is unrestricted.

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

- Increased sales tax revenue of approximately \$187,000 due to economic growth in the City
- Continued low cost of debt due to the City's good credit
- Continued diligence in collection of property taxes by maintaining a tax collection percentage of 97.20%
- The City has completed the waterline project and Concord now buys 2 MGD take or pay
- The City has lower maintenance costs due to upgrades at Wastewater plant, inflow & infiltration and at a water intake plant
- The Landfill has instituted a fee to be put aside for closure/post closure future costs
- The City continues to upgrade Electric lines which give greater stability in the system

The following table provides a summary of the City's changes in net position:

### The City of Albemarle's Changes Net Position

Figure 3

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 1,416,004	\$ 1,248,095	\$ 46,447,891	\$ 45,590,334	\$47,863,895	\$46,838,429
Operating grants and contributions	676,998	66,402	1,895,994	1,931,665	2,572,992	1,998,067
Capital grants and contributions	562,622	949,567	417,681	236,464	980,303	1,186,031
General revenues:						
Property taxes	5,989,954	5,942,627	-	-	5,989,954	5,942,627
Other taxes	5,059,777	4,776,561	-	-	5,059,777	4,776,561
Interest earned	7,614	2,185	9,586	57,763	17,200	59,948
Other	168,849	72,132	209,570	280,781	378,419	352,913
Total revenues	<u>13,881,818</u>	<u>13,057,569</u>	<u>48,980,722</u>	<u>48,097,007</u>	<u>62,862,540</u>	<u>61,154,576</u>
Expenses:						
General government	1,954,727	1,616,772	-	-	1,954,727	1,616,772
Public safety	7,772,694	6,999,937	-	-	7,772,694	6,999,937
Public works	2,867,886	2,942,310	-	-	2,867,886	2,942,310
Cultural and recreational	1,463,717	1,387,128	-	-	1,463,717	1,387,128
Interest on long-term debt	93,070	86,493	-	-	93,070	86,493
Water and sewer	-	-	8,648,339	7,344,907	8,648,339	7,344,907
Electric	-	-	32,628,604	32,355,980	32,628,604	32,355,980
Landfill	-	-	3,002,061	3,051,070	3,002,061	3,051,070
Public housing	-	-	3,116,509	2,968,791	3,116,509	2,968,791
Total expenses	<u>14,152,094</u>	<u>13,032,640</u>	<u>47,395,513</u>	<u>45,720,748</u>	<u>61,547,607</u>	<u>58,753,388</u>
Increase (decrease) in net position before transfers	(270,276)	24,929	1,585,209	2,376,259	1,314,933	2,401,188
Transfers	<u>1,091,727</u>	<u>1,240,000</u>	<u>(1,091,727)</u>	<u>(1,240,000)</u>	<u>-</u>	<u>-</u>
Change in net position	821,451	1,264,929	493,482	1,136,259	1,314,933	2,401,188
Net position, beginning, as restated	<u>19,303,483</u>	<u>18,038,554</u>	<u>49,584,087</u>	<u>48,447,828</u>	<u>68,887,570</u>	<u>66,486,382</u>
Net position, end of year	<u>\$ 20,124,934</u>	<u>\$ 19,303,483</u>	<u>\$ 50,077,569</u>	<u>\$ 49,584,087</u>	<u>\$ 70,202,503</u>	<u>\$ 68,887,570</u>

**Governmental activities:** Governmental activities increased the City's net position by \$821,451. Key elements of this increase are as follows:

- Transfers from other funds of \$1,091,727 including payment in lieu of taxes from other funds of \$799,877
- Increase in Sales Tax Revenue
- Increase in ABC Distribution

**Business-type activities:** Business-type activities increased the City of Albemarle's net position by \$493,482. Key elements of this increase are as follows:

- Greater efficiency at Old Whitney Water intake plant; tremendous savings
- Due to upgrades to Inflow & Infiltration System the City is more efficient at the wastewater plant
- The City has done upgrades to the Wastewater Treatment plant in 2 phases and are seeing benefits from lower maintenance costs and greater efficiency
- The new Electric substation increases service and we are better able to serve with lower maintenance costs. We have 3 substations instead of two and we can switch among them and have fewer outages.

### ***Financial Analysis of the City's Funds***

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

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

The general fund is the chief operating fund of the City of Albemarle. At the end of the current fiscal year, City of Albemarle's fund balance available in the General Fund was \$7,209,005, while total fund balance amounted to \$8,770,461. The City currently has an available fund balance of 51.18 percent of total General Fund expenditures, while total fund balance represents 62.27 percent of that same amount.

At June 30, 2016, the governmental funds of City of Albemarle reported a combined fund balance of \$8,758,739 an 11.4 percent increase over last year. Included in this change in fund balance is increase in fund balance in the General Fund.

**General Fund Budgetary Highlights:** During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

The following represent items for which budget amendments were made during the year:

- Increased CKA Project Ordinance to cover Telemetry that was left out of the original budget
- Increased budget to cover cost of demolition of houses not completed in prior fiscal year
- Increased budget to cover cost of Christmas Lights for downtown area
- Transferred funds from General Fund and Powell Bill Fund for Sidewalk Grant Project
- Appropriate insurance proceeds to repair police vehicles
- Appropriate Loan Proceeds for Fire Department's purchase of Motorola Radio's
- Appropriate additional Revenue from Streets for purchase of used truck & chassis
- Appropriate Revenue from Sale of Assets, Insurance Proceeds and Drug Tax Distribution for purchase of vehicle

- Amend NCDOT sidewalk project budget
- Appropriate Fund Balance for auditorium renovation expenditure

**Proprietary Funds:** The City of Albemarle's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,528,689, for the Electric Fund, \$3,852,536; Public Housing \$910,898; and for the Landfill Fund \$(1,679,297). The total change in net position for each fund was \$606,102, \$218,003, \$(168,901), and \$(161,722), respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Albemarle's business-type activities.

### **Capital Asset and Debt Administration**

**Capital assets:** The City of Albemarle's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totals \$84,164,022 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Caterpillar Dozer for Landfill
- Caterpillar Compactor for Landfill
- Truck Cab/Chassis for Water/Sewer Fund
- Began Engineering Design on new Building for Landfill Office
- Truck Camera System & Panel for Water/Sewer Fund
- SCADA Computer System for Water/Sewer Fund
- Completion of CKA Waterline
- Freightliner Dump Truck for Public Works
- Asphalt Recycler for Public Works Department
- Pro Patch Truck on Freightliner for Public Works/Powell Bill
- Continued work on Headworks project at Wastewater Treatment Plant
- Picnic Shelter at Rock Creek Park for Parks/Recreation
- Morehead Park Renovation began
- Transit Van for Electric Fund
- Repave parking lot at Public Housing
- Electric Relocation at Olive Place
- Electric Fund 4kv to 25kv Conversion upgrades
- Highway 52 Sidewalk Project



**City of Albemarle's Capital Assets  
Net of Accumulated Depreciation  
Figure 4**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,651,407	\$ 2,640,255	\$ 1,031,182	\$ 1,031,182	\$ 3,682,589	\$ 3,634,922
Infrastructure	3,598,496	3,418,544	21,906,714	14,022,206	25,505,210	17,440,750
Other improvements	189,042	216,937	584,302	561,590	773,344	815,042
Buildings	6,782,185	7,122,994	29,271,687	30,756,545	36,053,872	37,879,538
Furniture and fixtures	956,675	968,061	-	3,159,103	956,675	4,127,163
Equipment	1,507,101	1,359,871	8,540,918	1,411,221	10,048,019	2,771,094
Construction in progress	495,442	167,107	6,648,871	9,118,069	7,144,313	9,285,176
Total	<u>\$ 16,180,348</u>	<u>\$ 15,893,769</u>	<u>\$ 67,983,674</u>	<u>\$ 60,059,916</u>	<u>\$ 84,164,022</u>	<u>\$ 75,953,685</u>

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

**Long-term Debt:** As of June 30, 2016, the City of Albemarle had no outstanding bonded debt.

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

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Installment debt	<u>\$2,164,982</u>	<u>\$1,892,556</u>	<u>\$23,518,931</u>	<u>\$17,636,955</u>	<u>\$25,683,913</u>	<u>\$19,529,511</u>

**City of Albemarle's Outstanding Debt**

The City of Albemarle's total debt increased \$6,154,402 during the past fiscal year, primarily due to additional debt for upgrades to the Water Treatment Plant and purchase of equipment. The City of Albemarle also owes \$1,074,438 on an inter-fund loan for the addition and renovation to the Public Safety Facility issued by the water/sewer and electric departments.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Albemarle is \$54,933,744.

Additional information regarding the City of Albemarle's long-term debt can be found in note 2.B.

## ***Economic Factors and Next Year's Budgets and Rates***

The following key economic indicators reflect the current and underlying economic conditions surrounding the City of Albemarle.

- The unemployment rate in Stanly County was 4.8 percent which is below the statewide rate of 5.2% and a national average of 4.9% for June 2016.
- The City of Albemarle issued \$22,769,425 in Construction permits for the fiscal year ended June 30, 2016 per our City's Economic Development director.

## **Budget Highlights for the Fiscal Year Ending June 30, 2017**

**Governmental Activities:** The budget allows the City to continue to carry out its obligations in the General fund with no proposed property tax increase as well as no increases in other fees. Overall, the General Fund budget totals \$14,789,325 representing a 4.79% increase from the 15/16 Fiscal Year Adjusted budget. Major initiatives in the General Fund include an appropriation toward the Central School Project, a PARTF Grant match for improvements at Morehead Park, moving the downtown development operations and personnel to a City function, removal of dilapidated residential structures, implementation of the branding and streetscape initiatives, continued engagement of Retail Strategies for the recruitment and retention of retail businesses to prevent leakage to other communities, continued funding for street resurfacing and repair, the acquisition of three Police vehicles, the assumption of the full cost of a traffic position created by a Governor's Highway Safety Grant, a service area and station location study to plan for future Fire Department needs and the locating of a new Fire Station #2, and the continued bolstering of the City's technology infrastructure.

The Powell Bill Fund is proposed at \$616,000 which is a 23.13% decrease from the prior year due to prior year having debt proceeds for the purchase of equipment. Powell Bill Fund does include a significant increase in funds for street repair and resurfacing.

**Business-Type Activities:** The Water and Sewer Fund is proposed at \$10,098,250 which is 4.88% greater than the prior fiscal year adjusted budget. A 4% increase is proposed for both the water and sewer rates to keep pace with new debt coming online, for committed projects, and to maintain the reliability and quality of our system. A customer with a usage of 668 cubic feet per month will see an increase of \$1.55 monthly on a combined water and sewer bill. According to the UNC Environmental Finance Center rate dashboard, we will continue to have rates in the lowest 10 percentile of all state-wide systems as well as in comparison to systems of comparable size. FY 15/16 saw the elimination of transfers to the General Fund and instead established a payment in lieu of taxes based on the taxable value of the water and sewer system assets, and the proposed budget continues this practice. The City is currently meeting its debt obligations but will have additional principal and interest payments coming online in 16/17 as well as in future years with projects such as the Headworks project, the renovation to the US Highway 52 Plant, Phase 2 Inflow & Infiltration project, and electrical improvements and screw pump replacements at the Wastewater Treatment Plant. These projects alone total approximately \$18,500,000 and will double our existing Water and Sewer debt when all payments are online. Additionally, the City will continue to fund the existing debt service on the first phase of the sewer rehabilitation initiative to reduce inflow and infiltration, the improvements to the Old Whitney raw water pump station, the CKA project, and the US Highway 52 Equalization basin.

Proposed Water Treatment Plant projects include a continuation of repairs and upgrades to the Tuckertown WTP including purchasing flocculator paddles, the repairing of backwash filters, valves and drains, significant maintenance to the stripping tower, and the replacement of the filter control panel at Tuckertown. Other expenditures include the modification of the main pump control panel for Pfeiffer-North Stanly pump in order to monitor activity at Tuckertown, and routine vehicle and equipment replacement. While we refer to the Tuckertown Plant as the new plant, it is at the age where improvements are now needed and we are pleased that

we are addressing issues as they arise and avoiding costly plant overhauls and upgrades in the future as a result of maintenance that was deferred.

In the Waste Water Treatment Plant Division, we propose the replacement of aerators, demolition of antiquated and unused structures at the Plant, the purchase of a 4-wheel drive truck to access all system locations in all weather events, the replacement of effluent sampling equipment, and 5-actuators.

The Water & Sewer Systems Division section of the Budget includes a rate study, survey of the raw water line from Old Whitney to the US Highway 52 Plant and mapping onto GIS, design and replacement of two waterlines experiencing the greatest maintenance and repair needs, pre-design of water line relocations associated with the NC 24/27 widening project, continuation of our I&I work with the sealing and venting of manholes, and a Mobile Sewer Jetter to get into tight places where the large Jet Truck cannot access.

The Electric Fund has a proposed budget of \$34,496,175 and represents a 2.78% decrease from the current adjusted budget. Following last year's electric rate decrease of 1.6%, the budget proposes no change in the electric rates. The recent restructuring of the debt by North Carolina Municipal Power Agency One has provided more stability with wholesale rates. Overall, major initiatives include: Valley Drive 4kv to 14kv conversion project, various upgrades to the system to address growth demands, the increase of electric system materials and supplies to address both planned and unforeseen needs, equipment replacements, the continued use of contract labor to maintain our system, funding of the pole inspection and replacement program that began in 15/16, mobile meter testing equipment, and the replacement of a service truck and a Derrick truck experiencing multiple maintenance and hydraulic issues.

The Solid Waste Disposal Fund is proposed at \$3,464,000 in fiscal year 16/17, representing a decrease of 8.22% from fiscal year 15/16 adjusted budget. There is no recommended increase in the tipping fees for municipal solid waste (MSW) or construction and demolition (C&D) disposal, remaining at \$40 per ton. The budget also proposes no change in the \$1.00 per ton fee specifically designated to fund closure and post-closure costs. Overall, we have increased appropriations for the closure and post-closure cost in the proposal to \$150,000. The Solid Waste Disposal Budget includes the construction of a new Landfill Office and Employee Facility to provide much needed improvements for office space, a shower facility, break room and lockers, and other basic employee needs.

In all funds, the budget does include a 1% cost of living adjustment for all employees to be effective in July. Additionally, it provides a 1.5% increase in July for all current employees in lieu of any merit pay while we evaluate methods for compensation. By providing this increase, we begin to address the issue of the salaries and movement of new hires in comparison to the salaries of existing employees that was discussed at length at a budget work session. The increase provides additional separation in salaries of current employees from those of new hires while evaluating future options.

#### 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 Director of Finance, City of Albemarle, P O Box 190, Albemarle, North Carolina 28002.

# **Basic Financial Statements**

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

*Exhibit A*  
*Page 1 of 2*

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Albemarle Downtown Development Corporation	City of Albemarle ABC Board
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 8,180,266	\$ 6,308,250	\$ 14,488,516	\$ 200,953	\$ 346,212
Restricted cash	357,878	891,738	1,249,616	-	-
Receivables:					
Taxes receivable - net	546,065	-	546,065	565	-
Accounts receivable - net	168,078	5,555,410	5,723,488	-	-
Due from other governments	1,792,298	1,748,914	3,541,212	-	-
Internal balances	(1,074,438)	1,074,438	-	-	-
Inventories	18,448	3,210,667	3,229,115	-	254,260
Prepaid expenses	221,255	170,672	391,927	-	6,685
Total current assets	<u>10,209,850</u>	<u>18,960,089</u>	<u>29,169,939</u>	<u>201,518</u>	<u>607,157</u>
Non-current assets					
Net pension asset	-	-	-	-	45,933
Capital assets					
Land, improvements and construction in progress	3,146,849	7,680,053	10,826,902	116,423	261,417
Other capital assets, net of depreciation	13,033,499	60,303,621	73,337,120	519,962	751,251
Total capital assets	<u>16,180,348</u>	<u>67,983,674</u>	<u>84,164,022</u>	<u>636,385</u>	<u>1,012,668</u>
Total non-current assets	<u>16,180,348</u>	<u>67,983,674</u>	<u>84,164,022</u>	<u>636,385</u>	<u>1,058,601</u>
Total assets	<u>26,390,198</u>	<u>86,943,763</u>	<u>113,333,961</u>	<u>837,903</u>	<u>1,665,758</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension deferrals	465,172	341,191	806,363	-	23,335
Total assets and deferred outflows of resources	<u>26,855,370</u>	<u>87,284,954</u>	<u>114,140,324</u>	<u>837,903</u>	<u>1,689,093</u>

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

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

*Exhibit A*  
*Page 2 of 2*

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Albemarle Downtown Development Corporation	City of Albemarle ABC Board
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable and accrued liabilities	\$ 837,867	\$ 4,704,169	\$ 5,542,036	\$ 28,550	\$ 141,132
Prepaid tenant rents	-	1,258	1,258	-	-
Deposits	-	891,738	891,738	-	-
Current portion of long-term liabilities	621,956	1,618,297	2,240,253	9,845	-
Due to other government	-	-	-	2,500	-
Accrued interest payable	13,127	52,164	65,291	406	-
Total current liabilities	<u>1,472,950</u>	<u>7,267,626</u>	<u>8,740,576</u>	<u>41,301</u>	<u>141,132</u>
Long-term liabilities					
Deposits	62,295	-	62,295	-	-
Accrued landfill closure and postclosure costs	-	5,612,059	5,612,059	-	-
Long-term liabilities:					
Due in more than one year	<u>5,101,462</u>	<u>23,928,173</u>	<u>29,029,635</u>	<u>10,170</u>	<u>57,782</u>
Total long-term liabilities	<u>5,163,757</u>	<u>29,540,232</u>	<u>34,703,989</u>	<u>10,170</u>	<u>57,782</u>
Total liabilities	<u>6,636,707</u>	<u>36,807,858</u>	<u>43,444,565</u>	<u>51,471</u>	<u>198,914</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid license fees	4,882	-	4,882	-	-
Pension deferrals	88,847	399,527	488,374	-	17,817
Total deferred inflows of resources	<u>93,729</u>	<u>399,527</u>	<u>493,256</u>	<u>-</u>	<u>17,817</u>
<b>Net Position</b>					
Net investment in capital assets	14,015,366	44,464,743	58,480,109	-	1,012,668
Restricted for:					
Stabilization by State Statute	1,561,456	-	1,561,456	-	-
Streets	357,626	-	357,626	-	-
Other functions	66,656	-	66,656	24,452	85,223
Unrestricted	<u>4,123,830</u>	<u>5,612,826</u>	<u>9,736,656</u>	<u>761,980</u>	<u>374,471</u>
Total net position	<u>\$ 20,124,934</u>	<u>\$ 50,077,569</u>	<u>\$ 70,202,503</u>	<u>\$ 786,432</u>	<u>\$ 1,472,362</u>

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

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

*Exhibit B*

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 1,954,727	\$ 14,268	\$ 69,885	\$ -	\$ (1,870,574)	\$ -	\$ (1,870,574)	\$ -
Public safety	7,772,694	33,698	74,827	-	(7,664,169)	-	(7,664,169)	-
Public works	2,867,886	1,267,508	532,286	526,337	(541,755)	-	(541,755)	-
Cultural and recreational	1,463,717	100,530	-	36,285	(1,326,902)	-	(1,326,902)	-
Interest on long-term debt	93,070	-	-	-	(93,070)	-	(93,070)	-
Total governmental activities	<u>14,152,094</u>	<u>1,416,004</u>	<u>676,998</u>	<u>562,622</u>	<u>(11,496,470)</u>	<u>-</u>	<u>(11,496,470)</u>	<u>-</u>
Business-type activities								
Water and sewer	8,648,339	9,448,941	10,000	-	-	810,602	810,602	-
Electric	32,628,604	33,553,769	-	-	-	925,165	925,165	-
Landfill	3,002,061	2,874,421	-	-	-	(127,640)	(127,640)	-
Department of public housing	3,116,509	570,760	1,885,994	417,681	-	(242,074)	(242,074)	-
Total business-type activities	<u>47,395,513</u>	<u>46,447,891</u>	<u>1,895,994</u>	<u>417,681</u>	<u>-</u>	<u>1,366,053</u>	<u>1,366,053</u>	<u>-</u>
Total primary government	<u>\$ 61,547,607</u>	<u>\$ 47,863,895</u>	<u>\$ 2,572,992</u>	<u>\$ 980,303</u>	<u>\$ (11,496,470)</u>	<u>\$ 1,366,053</u>	<u>\$ (10,130,417)</u>	<u>\$ -</u>
Component units								
Albemarle Downtown Development Corporation	\$ 501,456	\$ 420,171	\$ 47,780	\$ -	\$ -	\$ -	\$ -	\$ (33,505)
Albemarle ABC Board	2,831,955	2,877,355	-	-	-	-	-	45,400
Total component units	<u>\$ 3,333,411</u>	<u>\$ 3,297,526</u>	<u>\$ 47,780</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,895</u>
General revenues								
Taxes								
Property taxes, levied for general purposes					5,938,844	-	5,938,844	48,154
Local option sales tax					3,213,145	-	3,213,145	-
Other taxes and licenses					1,897,742	-	1,897,742	-
Unrestricted investment earnings					7,614	9,586	17,200	472
Miscellaneous					168,849	209,570	378,419	21,935
Transfers					1,091,727	(1,091,727)	-	-
Total general revenues and transfers					<u>12,317,921</u>	<u>(872,571)</u>	<u>11,445,350</u>	<u>70,561</u>
Change in net position					821,451	493,482	1,314,933	82,456
Net position, beginning, as restated					<u>19,303,483</u>	<u>49,584,087</u>	<u>68,887,570</u>	<u>2,166,338</u>
Net position, end of year					<u>\$ 20,124,934</u>	<u>\$ 50,077,569</u>	<u>\$ 70,202,503</u>	<u>\$ 2,248,794</u>

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

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

*Exhibit C*

	Major Fund	Total	Total
	General	Non-Major Funds	Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,168,203	\$ 12,061	\$ 8,180,264
Restricted cash	357,878	-	357,878
Receivables, net			
Taxes	546,065	-	546,065
Accounts	168,078	-	168,078
Due from other governments	1,460,034	332,264	1,792,298
Due from other funds	105,723	-	105,723
Inventories	18,448	-	18,448
Prepaid expenses	221,255	-	221,255
Total assets	\$ 11,045,684	\$ 344,325	\$ 11,390,009
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable and accrued liabilities	\$ 587,543	\$ 250,324	\$ 837,867
Due to other funds	1,074,438	105,723	1,180,161
Deposits	62,295	-	62,295
Total liabilities	1,724,276	356,047	2,080,323
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	546,065	-	546,065
Prepaid license fees	4,882	-	4,882
Total deferred inflows of resources	550,947	-	550,947
<b>Fund balances</b>			
<b>Nonspendable</b>			
Inventories	18,448	-	18,448
Prepays	216,373	-	216,373
<b>Restricted</b>			
Stabilization by State Statute	1,561,456	-	1,561,456
Streets - Powell Bill	357,626	-	357,626
Public safety	33,173	-	33,173
Parks and recreation	29,360	-	29,360
Economic development	4,123	-	4,123
<b>Committed</b>			
General government	155,027	-	155,027
Public safety	-	4,058	4,058
Economic development	-	8,125	8,125
Parks and recreation	1,009,796	(23,905)	985,891
<b>Unassigned</b>			
Total fund balances	8,770,461	(11,722)	8,758,739
Total liabilities, deferred inflows of resources and fund balances	\$ 11,045,684	\$ 344,325	\$ 11,390,009

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

Total Fund balance - governmental funds		\$ 8,758,739
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		16,180,348
Deferred outflows of resources related to pensions are not reported in the funds		465,173
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		546,065
Long-term liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the governmental funds		
Installation purchases	(2,164,982)	
Net law enforcement officers' separation allowance	(461,801)	
Other postemployment benefits	(1,823,405)	
Compensated absences	(735,862)	
Net pension liability	(537,367)	
Accrued interest payable	(13,127)	(5,736,544)
Deferred inflows of resources related to pensions are not reported in the funds		(88,847)
Net position of governmental activities		\$ 20,124,934

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



CITY OF ALBEMARLE, NORTH CAROLINA

Exhibit D

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

	Major Fund		
	General	Total Non-Major Funds	Total Governmental Funds
Revenues			
Ad valorem taxes	\$ 5,984,454	\$ -	\$ 5,984,454
Other taxes and licenses	204,587	-	204,587
Unrestricted intergovernmental	4,906,300	-	4,906,300
Restricted intergovernmental	645,908	591,282	1,237,190
Permits and fees	47,539	-	47,539
Sales and services	1,368,465	-	1,368,465
Investment earnings	7,614	-	7,614
Miscellaneous	221,472	-	221,472
Total revenues	<u>13,386,339</u>	<u>591,282</u>	<u>13,977,621</u>
Expenditures			
Current			
General government	1,996,872	-	1,996,872
Public safety	7,298,379	57,023	7,355,402
Public works	3,076,021	-	3,076,021
Cultural and recreation	1,267,422	-	1,267,422
Debt service:			
Principal retirement	366,507	-	366,507
Interest and other changes	79,943	-	79,943
Capital outlay	-	672,424	672,424
Total expenditures	<u>14,085,144</u>	<u>729,447</u>	<u>14,814,591</u>
Excess (deficiency) of revenues over expenditures	<u>(698,805)</u>	<u>(138,165)</u>	<u>(836,970)</u>
Other financing sources (uses)			
Transfers from other funds	1,116,727	102,258	1,218,985
Transfers to other funds	(127,258)	-	(127,258)
Installment purchase obligations issued	638,934	-	638,934
Total other financing sources (uses)	<u>1,628,403</u>	<u>102,258</u>	<u>1,730,661</u>
Net change in fund balances	929,598	(35,907)	893,691
Fund balances - beginning	<u>7,840,863</u>	<u>24,185</u>	<u>7,865,048</u>
Fund balances - end of year	<u>\$ 8,770,461</u>	<u>\$ (11,722)</u>	<u>\$ 8,758,739</u>

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

**CITY OF ALBEMARLE, NORTH CAROLINA** **Exhibit E**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

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

Net changes in fund balances - total governmental funds		\$ 893,691
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		1,300,498
Depreciation		(963,726)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		2,430
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities		794,325
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Taxes including interest and penalties		(45,612)
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	(184,245)	
Pension expense	(486,966)	
Net pension obligation (LEO)	(13,184)	
Other postemployment benefits	<u>(137,584)</u>	(821,979)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New installment purchase obligations issued	(638,934)	
Principal payments on installment purchase obligations	366,508	
Increase in accrued interest payable	<u>(13,127)</u>	(285,553)
Basis of property disposed of during the year		<u>(52,623)</u>
Total changes in net position of governmental activities		<u>\$ 821,451</u>

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

**CITY OF ALBEMARLE, NORTH CAROLINA** *Exhibit F*  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
*For the Year Ended June 30, 2016*

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 5,850,850	\$ 5,850,850	\$ 5,984,454	\$ 133,604
Other taxes and licenses	187,400	187,400	204,587	17,187
Unrestricted intergovernmental	4,521,150	4,521,150	4,906,300	385,150
Restricted intergovernmental	620,550	628,050	645,908	17,858
Permits and fees	34,200	34,200	47,539	13,339
Sales and services	1,344,600	1,344,600	1,368,465	23,865
Investment earnings	2,100	2,100	7,614	5,514
Miscellaneous	82,150	136,500	221,472	84,972
<b>Total revenues</b>	<b>12,643,000</b>	<b>12,704,850</b>	<b>13,386,339</b>	<b>681,489</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	2,091,250	2,175,370	1,996,872	178,498
Public safety	7,267,650	7,517,850	7,298,379	219,471
Public works	3,230,850	3,251,450	3,076,021	175,429
Cultural and recreational	1,322,776	1,312,826	1,267,422	45,404
<b>Debt service</b>				
Principal	418,050	418,050	366,507	51,543
Interest	92,200	92,200	79,943	12,257
<b>Total expenditures</b>	<b>14,422,776</b>	<b>14,767,746</b>	<b>14,085,144</b>	<b>682,602</b>
<b>Revenues over (under) expenditures</b>	<b>(1,779,776)</b>	<b>(2,062,896)</b>	<b>(698,805)</b>	<b>1,364,091</b>
<b>Other financing sources (uses)</b>				
Transfers from other funds	1,369,050	1,369,050	1,116,727	(252,323)
Transfers to other funds	(87,900)	(122,850)	(127,258)	(4,408)
Installment purchase obligations issued	420,000	628,950	638,934	9,984
<b>Total other financing sources (uses)</b>	<b>1,701,150</b>	<b>1,875,150</b>	<b>1,628,403</b>	<b>(246,747)</b>
<b>Appropriated fund balance</b>	<b>78,626</b>	<b>187,746</b>	<b>-</b>	<b>(187,746)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>929,598</b>	<b>\$ 929,598</b>
<b>Fund balance - beginning</b>			<b>7,840,863</b>	
<b>Fund balance - end of year</b>			<b>\$ 8,770,461</b>	

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

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2016**

*Exhibit G*

	Major Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 1,124,092	\$ 40,224	\$ 4,022,974	\$ 1,120,960	\$ 6,308,250
Accounts receivable - net	1,454,359	3,818,380	215,713	66,958	5,555,410
Due from other governments	1,748,914	-	-	-	1,748,914
Due from other funds	153,088	921,350	-	-	1,074,438
Inventories	400,737	2,809,930	-	-	3,210,667
Prepaid expenses	68,414	83,268	10,453	8,537	170,672
Restricted cash and cash equivalents	111,005	778,758	1,975	-	891,738
<b>Total current assets</b>	<u>5,060,609</u>	<u>8,451,910</u>	<u>4,251,115</u>	<u>1,196,455</u>	<u>18,960,089</u>
<b>Noncurrent assets</b>					
<b>Capital assets</b>					
Land, improvements and construction in progress	5,915,069	286,903	897,504	580,577	7,680,053
Other capital assets, net of depreciation	<u>43,165,086</u>	<u>9,403,852</u>	<u>2,418,898</u>	<u>5,315,785</u>	<u>60,303,621</u>
<b>Total capital assets, net</b>	<u>49,080,155</u>	<u>9,690,755</u>	<u>3,316,402</u>	<u>5,896,362</u>	<u>67,983,674</u>
<b>Total noncurrent assets</b>	<u>49,080,155</u>	<u>9,690,755</u>	<u>3,316,402</u>	<u>5,896,362</u>	<u>67,983,674</u>
<b>Total assets</b>	<u>54,140,764</u>	<u>18,142,665</u>	<u>7,567,517</u>	<u>7,092,817</u>	<u>86,943,763</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension deferrals	<u>167,695</u>	<u>124,172</u>	<u>35,596</u>	<u>13,728</u>	<u>341,191</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	1,426,101	3,054,222	103,161	120,685	4,704,169
Prepaid tenant rent	-	-	-	1,258	1,258
Customer deposits	111,005	778,758	1,975	-	891,738
Compensated absences - current	99,653	87,499	29,135	15,387	231,674
Accrued interest payable	46,189	5,668	307	-	52,164
Installment purchase agreements payable - current	<u>1,038,162</u>	<u>142,920</u>	<u>204,361</u>	<u>1,180</u>	<u>1,386,623</u>
<b>Total current liabilities</b>	<u>2,721,110</u>	<u>4,069,067</u>	<u>338,939</u>	<u>138,510</u>	<u>7,267,626</u>
<b>Noncurrent liabilities</b>					
Accrued landfill closure and postclosure costs	-	-	5,612,059	-	5,612,059
Compensated absences	99,652	87,499	29,135	15,387	231,673
Other postemployment benefits	592,886	380,342	134,238	100,679	1,208,145
Installment purchase agreements payable - noncurrent	20,707,587	854,028	569,048	1,645	22,132,308
Net pension liability	<u>174,727</u>	<u>112,089</u>	<u>39,561</u>	<u>29,670</u>	<u>356,047</u>
<b>Total noncurrent liabilities</b>	<u>21,574,852</u>	<u>1,433,958</u>	<u>6,384,041</u>	<u>147,381</u>	<u>29,540,232</u>
<b>Total liabilities</b>	<u>24,295,962</u>	<u>5,503,025</u>	<u>6,722,980</u>	<u>285,891</u>	<u>36,807,858</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension deferrals	<u>149,402</u>	<u>217,469</u>	<u>16,437</u>	<u>16,219</u>	<u>399,527</u>
<b>Total deferred inflows of resources</b>	<u>149,402</u>	<u>217,469</u>	<u>16,437</u>	<u>16,219</u>	<u>399,527</u>
<b>Net position</b>					
Net investment in capital assets	27,334,406	8,693,807	2,542,993	5,893,537	44,464,743
Unrestricted	<u>2,528,689</u>	<u>3,852,536</u>	<u>(1,679,297)</u>	<u>910,898</u>	<u>5,612,826</u>
<b>Total net position</b>	<u>\$ 29,863,095</u>	<u>\$ 12,546,343</u>	<u>\$ 863,696</u>	<u>\$ 6,804,435</u>	<u>\$ 50,077,569</u>

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

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

Exhibit H

	Major Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
Operating Revenues					
Charges for sales and services	\$ 9,448,941	32,515,918	\$ 2,552,748	\$ -	\$ 44,517,607
Rental income	-	-	-	514,659	514,659
Other	-	1,037,851	321,673	56,101	1,415,625
Total operating revenues	<u>9,448,941</u>	<u>33,553,769</u>	<u>2,874,421</u>	<u>570,760</u>	<u>46,447,891</u>
Operating Expenses					
Administration	1,032,533	1,557,015	-	706,871	3,296,419
Water Treatment Plant	2,233,972	-	-	-	2,233,972
Sewer Treatment Plant	1,627,009	-	-	-	1,627,009
Systems Division	1,628,994	-	-	-	1,628,994
Customer Service	-	191,519	-	-	191,519
Electric Operations	-	30,238,003	-	-	30,238,003
Landfill Operations	-	-	1,676,240	-	1,676,240
Utilities	-	-	-	405,393	405,393
Ordinary maintenance and operation	-	-	-	282,056	282,056
General expenses	-	-	-	137,257	137,257
Housing assistance program	-	-	-	1,116,655	1,116,655
Nonroutine maintenance	-	-	-	39,248	39,248
Depreciation	1,668,192	609,058	1,315,145	428,669	4,021,064
Total operating expense	<u>8,190,700</u>	<u>32,595,595</u>	<u>2,991,385</u>	<u>3,116,149</u>	<u>46,893,829</u>
Operating income (loss)	<u>1,258,241</u>	<u>958,174</u>	<u>(116,964)</u>	<u>(2,545,389)</u>	<u>(445,938)</u>
Nonoperating revenues (expenses)					
Operating grants	10,000	-	-	1,885,994	1,895,994
Gain on disposal of assets	18,721	19,964	860	-	39,545
Investment earnings	1,144	2,180	3,605	2,657	9,586
Interest and other charges	(457,639)	(33,009)	(10,676)	(360)	(501,684)
Other	51,402	34,030	-	84,593	170,025
Total nonoperating revenues (expenses)	<u>(376,372)</u>	<u>23,165</u>	<u>(6,211)</u>	<u>1,972,884</u>	<u>1,613,466</u>
Income (loss) before contributions and transfers	<u>881,869</u>	<u>981,339</u>	<u>(123,175)</u>	<u>(572,505)</u>	<u>1,167,528</u>
Capital contributions	-	-	-	417,681	417,681
Transfers from (to) other funds	<u>(275,767)</u>	<u>(763,336)</u>	<u>(38,547)</u>	<u>(14,077)</u>	<u>(1,091,727)</u>
Change in net position	<u>606,102</u>	<u>218,003</u>	<u>(161,722)</u>	<u>(168,901)</u>	<u>493,482</u>
Total net position, beginning as previously reported	29,175,394	10,066,560	1,006,943	6,959,480	47,208,377
Restatement (Note 8)	81,599	2,261,780	18,475	13,856	2,375,710
Total net position, beginning as restated	<u>29,256,993</u>	<u>12,328,340</u>	<u>1,025,418</u>	<u>6,973,336</u>	<u>49,584,087</u>
Total net position, ending	<u>\$ 29,863,095</u>	<u>\$ 12,546,343</u>	<u>\$ 863,696</u>	<u>\$ 6,804,435</u>	<u>\$ 50,077,569</u>

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

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2016**

**Exhibit I**

	Enterprise Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
Cash flows from operating activities:					
Cash received from customers	\$ 8,844,396	\$32,547,043	\$ 2,754,926	\$ 510,759	\$ 44,657,124
Cash paid for goods and services	(3,010,698)	(29,812,874)	(1,041,531)	(2,226,155)	(36,091,258)
Cash paid to employees for services	(3,396,920)	(2,692,374)	(726,052)	(389,563)	(7,204,909)
Other operating revenues	-	1,037,851	321,673	56,101	1,415,625
Net cash provided (used) by operating activities	<u>2,436,778</u>	<u>1,079,646</u>	<u>1,309,016</u>	<u>(2,048,858)</u>	<u>2,776,582</u>
Cash flows from noncapital financing activities:					
Operating grants and subsidies	10,000	-	-	1,885,994	1,895,994
Non operating revenue	51,402	34,030	-	84,593	170,025
Decreases in due to other funds	48,054	487,253	(300,000)	-	235,307
Transfers to other funds	(275,767)	(763,336)	(38,547)	(14,077)	(1,091,727)
Total cash flows from noncapital financing activities	<u>(166,311)</u>	<u>(242,053)</u>	<u>(338,547)</u>	<u>1,956,510</u>	<u>1,209,599</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(7,963,223)	(856,202)	(1,445,629)	(454,979)	(10,720,033)
Principal paid on bonds and installment purchase agreements	(1,104,629)	(146,435)	(176,015)	(1,053)	(1,428,132)
Interest paid on bonds and installment purchase agreements	(411,450)	(27,341)	(10,369)	(360)	(449,520)
Proceeds from issuance of long term debt	5,678,984	-	757,170	-	6,436,154
Capital grants	-	-	-	417,681	417,681
Proceeds from sale of assets	18,721	19,964	860	-	39,545
Net cash provided (used) by capital and related financing activities	<u>(3,781,597)</u>	<u>(1,010,014)</u>	<u>(873,983)</u>	<u>(38,711)</u>	<u>(5,704,305)</u>
Cash flows from investing activities:					
Interest earned on investments	1,144	2,180	3,605	2,657	9,586
Net increase (decrease) in cash and cash equivalents	(1,509,986)	(170,241)	100,091	(128,402)	(1,708,538)
Cash and cash equivalents at beginning of year	2,745,083	989,223	3,924,858	1,249,362	8,908,526
Cash and cash equivalents at end of year	<u>\$ 1,235,097</u>	<u>\$ 818,982</u>	<u>\$ 4,024,949</u>	<u>\$ 1,120,960</u>	<u>\$ 7,199,988</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	<u>\$ 1,258,241</u>	<u>\$ 958,174</u>	<u>\$ (116,964)</u>	<u>\$ (2,545,389)</u>	<u>\$ (445,938)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,668,192	609,058	1,315,145	428,669	4,021,064
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:					
(Increase) decrease in accounts receivable	(498,316)	62,630	(20,677)	13,263	(443,100)
(Increase) decrease in inventory	56,219	(250,882)	-	-	(194,663)
(Increase) decrease in prepaid expenses	(44,677)	(37,484)	(10,453)	(8,207)	(100,821)
(Increase) decrease in net pension asset	261,176	217,450	51,999	-	530,625
(Increase) decrease in deferred outflows - pensions	753	483	170	127	1,533
Increase (decrease) in accounts payable and accrued liabilities	81,681	(288,706)	(89,845)	50,732	(246,138)
Increase (decrease) in net pension liability	174,727	112,089	39,561	29,670	356,047
Increase (decrease) in deferred inflows of resources - pensions	(487,148)	(312,510)	(110,297)	16,219	(893,736)
Increase (decrease) in customer deposits	(106,229)	(31,505)	(25)	(41,528)	(179,287)
Increase (decrease) in current compensated absences	24,081	10,006	16,618	9,701	60,406
Increase (decrease) in postemployment benefits payable	48,078	30,843	10,885	(2,115)	87,691
Increase (decrease) in accrued landfill postclosure costs	-	-	222,899	-	222,899
Total adjustments	<u>1,178,537</u>	<u>121,472</u>	<u>1,425,980</u>	<u>496,531</u>	<u>3,222,520</u>
Net cash provided (used) by operating activities	<u>\$ 2,436,778</u>	<u>\$ 1,079,646</u>	<u>\$ 1,309,016</u>	<u>\$ (2,048,858)</u>	<u>\$ 2,776,582</u>
NON CASH TRANSACTIONS					
Debt issued during the year	\$ 6,552,938	\$ -	\$ -	\$ -	\$ 6,552,938
Change in accounts receivable other governments	(873,954)	-	-	-	(873,954)
Proceeds From Long Term Debt	<u>\$ 5,678,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,678,984</u>

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

*CITY OF ALBEMARLE, NORTH CAROLINA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
For the Year Ended June 30, 2016*

*Exhibit J*

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ <u>584</u>
Liabilities and Net Position	
Liabilities:	
Miscellaneous liabilities	<u>584</u>
Net position	<u>\$ -</u>

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

# **Notes to the Financial Statements**



**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Albemarle, North Carolina 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 Albemarle, North Carolina, is a municipal corporation which is governed by an elected mayor and a six-member council. As required by generally accepted accounting principles, these financial statements present the City and its component units, legally-separate entities for which the City is financially accountable. The discretely presented component units presented below are reported in separate columns in the City's financial statements in order to emphasize that they are legally separate from the City.

Albemarle Downtown Development Corporation

The Albemarle Downtown Development Corporation (ADDC) is a nonprofit organization dedicated to the revitalization of the downtown area of the City of Albemarle. The majority of the ADDC's board of directors is appointed by the City. The city also levies a municipal service district tax, which is distributed directly to the ADDC. The ADDC and its wholly owned subsidiary, Market Station, Inc., have a June 30 year end, and the consolidated financial information is presented as if it were a proprietary fund. Complete financial statements may be obtained from the entity's administrative offices located in City Hall at 144 North Second Street, Albemarle, North Carolina 28001.

Effective July 1, 2016, the ADDC was merged into the operations of the City.

City of Albemarle ABC Board

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute its surpluses to the general fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices located at 1930 E. Main Street, Albemarle, North Carolina 28001.

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***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. 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, including the fiduciary fund. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The City reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, and state-shared revenues. The primary expenditures are for public safety, public works, cultural and recreation, and general governmental services.

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The City reports the following non-major governmental funds:

**North Carolina Department of Transportation.** This fund is used to account for grant funds that are restricted for sidewalk construction.

**Parks and Recreation Grant Fund.** This fund is used to account for grant and other funds for the renovation of Morehead Park.

**Governor's Highway Safety Grant Fund.** This fund is used to account for grant and other funds for the Governor's Highway Safety Grant Fund expenditures.

The City reports the following major enterprise funds:

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

**Electric Fund.** This fund is used to account for the City's electric operations.

**Municipal Solid Waste Landfill Fund.** This fund is used to account for the City's landfill operations.

**Albemarle Department of Public Housing.** This fund is used to account for the City's public housing operations.

The City reports the following fund type:

**Agency Fund.** Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the City holds on behalf of others. The City maintains the Municipal Service District, which accounts for tax revenues that the City is required to remit to the Albemarle Downtown Development Corporation.

***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, and Fiduciary Fund Financial Statements.* The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary 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.

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Albemarle because the tax is levied by Stanly County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

***D. Budgetary Data***

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Special Revenue Funds, and the Enterprise Capital Project Funds. The enterprise fund projects 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 project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the City, the ADDC, and the ABC Board are made in board-designated official depositories and are secured as required by state law [G.S. 159-31]. The City, the ADDC, and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City, the ADDC, and the ABC Board 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 ADDC, and the ABC Board 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, the ADDC's and the ABC Board's investments are reported at fair value. The NCCMT Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ADDC and the ABC Board consider all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Restricted Assets

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 classified as restricted because they can be expended only for purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

City of Albemarle Restricted Cash

Governmental Activities		
General Fund		
Streets	\$	<u>357,878</u>
Total Governmental Activities		<u>357,878</u>
Business-type Activities		
Water and Sewer Fund		
Customer deposits		111,005
Electric Fund		
Customer deposits		778,758
Landfill Fund		
Customer deposits		<u>1,975</u>
Total Business-type Activities		<u>891,738</u>
Total Restricted Cash	\$	<u><u>1,249,616</u></u>

3. 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 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015. As allowed by State law, the City has established a schedule of discounts that apply to taxes which 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 ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

4. Allowances for Doubtful Accounts

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

5. Inventories and Prepaid Items

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

The inventories of the City's Enterprise Funds consist of materials and supplies held for subsequent use. The inventories of the ABC Board consist of items held for resale. 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 the government-wide and fund financial statements and expensed as the items are used.

6. 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.

Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the time of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are \$5,000 for the following types of assets: land, improvements, buildings, infrastructure, substations, lines, plant and distribution systems, equipment and vehicles. 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. General infrastructure capital assets consist of roads, bridges, streets and sidewalks, curbs and gutters, water and sewer system assets and electric system assets. General infrastructure capital assets acquired prior to July 1, 2003, or that received substantial improvements subsequent to July 1, 1980, are reported at estimated historical cost using deflated replacement cost.

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Capital assets used in the governmental and business-type activities of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	25 – 30
Electric Distribution System	25
Water Distribution Lines	30 – 50
Sewer Distribution Lines	30
Infrastructure	30 – 50
Equipment	5 – 15
Vehicles	4 – 6

Property and equipment of the ADDC are depreciated over their estimated useful lives on a straight-line basis.

Property and equipment 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>
Building and Improvements	40
Equipment	5 – 10

**7. 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, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category, prepaid license fees, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

**8. 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.



**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

In fund financial statements, the face amount of debt issued is reported as other financing sources.

9. Compensated Absences

The vacation policy of the City provides for the accumulation of up to two hundred (200) hours earned vacation leave with such leave being fully vested when earned. The number of maximum accumulated hours depends on years of service. 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 Albemarle Downtown Development Corporation has no specific policy regarding accrual of earned vacation leave. The ADDC has no liability for unused vacation leave at June 30, 2016.

The ABC Board vacation policy does not permit carryforward of unused hours to a subsequent calendar year.

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

10. 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 Balance*

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.

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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 the year end balance of prepaid expenses, which are not spendable resources.

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

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

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

Restricted for Parks and Recreation – portion of fund balance that is restricted by revenue source for certain parks and recreation expenditures.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for certain public safety expenditures.

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Albemarle’s governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Public Safety – portion of fund balance committed by the City Council for public safety.

Committed for Economic Development - portion of fund balance committed by the City Council for economic development.

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Committed for Parks and Recreation – portion of fund balance committed by the City Council for construction of a sports complex and other parks and recreation expenditures.

Committed for General Government – portion of fund balance committed by the City Council for expenditures related to gaming machine fees.

Assigned fund balance – portion of fund balance that the City of Albemarle intends to use for specific purposes.

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

11. Pensions

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

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS**

**A. Assets**

1. Deposits

All deposits of the City, the ADDC and the ABC Board 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 ADDC's, or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, the ADDC, and the ABC Board, these deposits are considered to be held by the City's, the ADDC's, and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for noninterest 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 ADDC, or the ABC Board, or with the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City, the ADDC, or the ABC Board 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 has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance.

The City complies with the provisions of G.S.159-31 when designating official depositories and verifying that deposits are properly secured. The ADDC and the ABC Board have no formal policies regarding custodial credit risk for deposits.

At June 30, 2016, the City's deposits had a carrying amount of \$11,947,918 and a bank balance of \$11,993,603. Of the bank balance, \$1,250,000 was covered by federal depository insurance, \$840,684 was covered by collateral held under the Dedicated Method and \$9,902,919 was covered by collateral held under the pooling method. At June 30, 2016, the City's petty cash fund totaled \$3,348. At June 30, 2016, the carrying amount of the deposits for the ADDC was \$200,953. All deposits of the ADDC were covered by federal depository insurance. At June 30, 2016, the carrying amount of deposits for the ABC Board was \$343,694 and the bank balance was \$443,187. Of the bank balance, the portion not covered by federal depository insurance was collateralized under the pooling method. At June 30, 2016, the ABC Board's petty cash fund totaled \$2,518.

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

2. Investments

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

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/16</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust – Cash Portfolio	Amortized Cost	\$ 768,299	N/A	AAAm
NC Capital Management Trust – Term Portfolio	Fair Value Level 1	<u>3,018,566</u>	0.14 years	Unrated
Total		\$ <u>3,786,865</u>		

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

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

*Interest Rate Risk.* The City has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's internal investment policy limits 100% of the City's investment portfolio to maturities of less than 12 months.

*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 City's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2016. 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.

3. Receivables - Allowances for Doubtful Accounts

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

General Fund:	
Taxes receivable	<u>\$164,397</u>

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

4. Capital Assets

**Primary Government**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 2,640,255	\$ 11,152	\$ -	\$ 2,651,407
Construction in progress	<u>167,107</u>	<u>733,382</u>	<u>405,047</u>	<u>495,442</u>
Total capital assets not being depreciated	<u>2,807,362</u>	<u>744,534</u>	<u>405,047</u>	<u>3,146,849</u>
Capital assets being depreciated:				
Buildings	10,931,105	45,137	38,290	10,937,952
Other improvements	655,482	-	-	655,482
Infrastructure	5,879,922	366,100	-	6,246,022
Furniture and fixtures	2,457,370	203,149	59,196	2,601,323
Equipment	<u>5,067,334</u>	<u>349,055</u>	<u>743,390</u>	<u>4,672,999</u>
Total capital assets being depreciated	<u>24,991,213</u>	<u>963,441</u>	<u>840,876</u>	<u>25,113,778</u>
Less accumulated depreciation:				
Buildings	3,808,111	384,269	36,613	4,155,767
Other improvements	438,545	27,895	-	466,440
Infrastructure	2,461,378	186,148	-	2,647,526
Furniture and fixtures	1,489,309	176,168	20,829	1,644,648
Equipment	<u>3,707,463</u>	<u>189,246</u>	<u>730,811</u>	<u>3,165,898</u>
Total accumulated depreciation	<u>11,904,806</u>	<u>963,726</u>	<u>788,253</u>	<u>12,080,279</u>
Total capital assets being depreciated – net	<u>13,086,407</u>			<u>13,033,499</u>
Governmental Activities				
Capital assets - net	<u>\$ 15,893,769</u>			<u>\$ 16,180,348</u>

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

General government	\$ 275,313
Public safety	253,502
Public works	237,779
Cultural and recreation	<u>197,132</u>
Total depreciation expense	<u>\$ 963,726</u>

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

Capital asset activity for Business-type activities for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-Type Activities</b>				
<b>Water and Sewer Fund</b>				
Capital assets not being depreciated				
Land	\$ 139,933	\$ -	\$ -	\$ 139,933
Construction in progress	8,953,505	6,430,578	9,608,947	5,775,136
Total capital assets not being depreciated	9,093,438	6,430,578	9,608,947	5,915,069
Capital assets being depreciated				
Buildings	41,431,541	-	-	41,431,541
Water and sewer lines	33,525,613	6,545,666	-	40,071,279
Equipment and vehicles	5,168,331	3,611,279	40,742	8,738,868
Total capital assets being depreciated	80,125,485	10,156,945	40,742	90,241,688
Less accumulated depreciation				
Buildings	21,271,416	886,184	-	22,157,600
Water and sewer lines	21,335,378	494,027	-	21,829,405
Equipment and vehicles	2,842,359	287,980	40,742	3,089,597
Total accumulated depreciation	45,449,153	1,668,191	40,742	47,076,602
Total capital assets being depreciated – net	34,676,332			43,165,086
<b>Water and Sewer Fund</b>				
Capital assets - net	43,769,770			49,080,155

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-Type Activities (Continued)</b>				
<b>Electric Fund</b>				
Capital assets not being depreciated				
Land	\$ 145,963	\$ -	\$ -	\$ 145,963
Construction in progress	<u>102,841</u>	<u>233,106</u>	<u>195,007</u>	<u>140,940</u>
Total capital assets not being depreciated	<u>248,804</u>	<u>233,106</u>	<u>195,007</u>	<u>286,903</u>
Capital assets being depreciated				
Buildings	7,169,367	-	481,000	6,688,367
Distribution lines	20,383,691	739,511	3,096,444	18,026,758
Equipment and vehicles	<u>2,966,604</u>	<u>78,592</u>	<u>44,910</u>	<u>3,000,286</u>
Total capital assets being depreciated	<u>30,519,662</u>	<u>818,103</u>	<u>3,622,354</u>	<u>27,715,411</u>
Less accumulated depreciation				
Buildings	2,061,927	239,275	481,000	1,820,202
Distribution lines	17,311,301	197,503	3,096,444	14,412,360
Equipment and vehicles	<u>1,951,627</u>	<u>172,280</u>	<u>44,910</u>	<u>2,078,997</u>
Total accumulated depreciation	<u>21,324,855</u>	<u>609,058</u>	<u>3,622,354</u>	<u>18,311,559</u>
Total capital assets being depreciated – net	<u>9,194,807</u>			<u>9,403,852</u>
Electric Fund Capital Assets - Net	<u>9,443,611</u>			<u>9,690,755</u>
<b>Landfill Fund</b>				
Capital assets not being depreciated				
Land	\$ 581,781	\$ -	\$ -	\$ 581,781
Construction in progress	<u>53,233</u>	<u>262,490</u>	<u>-</u>	<u>315,723</u>
Total capital assets not being depreciated	<u>635,014</u>	<u>262,490</u>	<u>-</u>	<u>897,504</u>
Capital assets being depreciated				
Buildings	758,732	-	-	758,732
Landfill cell construction	6,814,278	-	-	6,814,278
Equipment and vehicles	<u>3,342,020</u>	<u>1,183,139</u>	<u>15,853</u>	<u>4,509,306</u>
Total capital assets being depreciated	<u>10,915,030</u>	<u>1,183,139</u>	<u>15,853</u>	<u>12,082,316</u>
Less accumulated depreciation				
Buildings	176,366	28,681	-	205,047
Landfill cell construction	5,845,263	918,573	-	6,763,836
Equipment and vehicles	<u>2,342,497</u>	<u>367,891</u>	<u>15,853</u>	<u>2,694,535</u>
Total accumulated depreciation	<u>8,364,126</u>	<u>1,315,145</u>	<u>15,853</u>	<u>9,663,418</u>
Total capital assets being depreciated – net	<u>2,550,904</u>			<u>2,418,898</u>
Landfill Fund Capital Assets - Net	<u>3,185,918</u>			<u>3,316,402</u>



**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-Type Activities (Continued)				
<b>Department of Public Housing</b>				
Capital assets not being depreciated				
Land	\$ 163,505	\$ -	\$ -	\$ 163,505
Construction in progress	8,490	408,582	-	417,072
Total capital assets not being depreciated	<u>171,995</u>	<u>408,582</u>	<u>-</u>	<u>580,577</u>
Capital assets being depreciated				
Buildings	10,536,094	-	-	10,536,094
Improvements	1,025,374	42,900	-	1,068,274
Equipment	<u>656,095</u>	<u>3,497</u>	<u>-</u>	<u>659,592</u>
Total capital assets being depreciated	<u>12,217,563</u>	<u>46,397</u>	<u>-</u>	<u>12,263,960</u>
Less accumulated depreciation				
Buildings	5,648,031	312,167	-	5,960,198
Improvements	445,233	38,739	-	483,972
Equipment	<u>426,242</u>	<u>77,762</u>	<u>-</u>	<u>504,005</u>
Total accumulated depreciation	<u>6,519,506</u>	<u>428,668</u>	<u>-</u>	<u>6,948,175</u>
Total capital assets being depreciated – net	<u>5,698,057</u>			<u>5,315,785</u>
Department of Public Housing Capital Assets - Net	<u>5,870,052</u>			<u>5,896,362</u>
Business-Type Activities Capital Assets, Net	<u>\$ 60,059,917</u>			<u>\$ 67,983,674</u>

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

<u>Project</u>	<u>Spent-To- Date</u>	<u>Remaining Commitment</u>
Leonard Avenue Sidewalk Project	\$ 365,237	\$ 204,663
Morehead Park Renovation	67,710	203,210
Hwy 52 Water Treatment Plant Upgrades	5,742,136	5,306,524
Concord/Kannapolis/Albemarle Waterline	6,545,665	264,045
Headworks (WWTP2)	3,063,281	30,000
Leachate Force Main	257,256	2,228,194
Landfill Office	42,534	757,500
Public Housing HVAC	417,680	366,709
Valley Drive 4kv to 25kv Conversion	<u>140,940</u>	<u>359,100</u>
	<u>\$ 16,642,439</u>	<u>\$ 9,719,945</u>

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

**Discretely Presented Component Units**

Capital asset activity for discretely presented component units for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>ADDC Board</b>				
Capital assets not being depreciated				
Land	\$ 116,423	\$ -	\$ -	\$ 116,423
Capital assets being depreciated				
Buildings	915,274	-	-	915,274
Equipment	3,997	-	-	3,997
Total capital assets being depreciated	919,271	-	-	919,271
Less accumulated depreciation	371,561	27,748	-	399,309
Total capital assets being depreciated – net	547,710	\$ 27,748	\$ -	519,962
ADDC Board Capital Assets - Net	\$ 664,133			\$ 636,385
<b>ABC Board</b>				
Capital assets not being depreciated				
Land	\$ 261,417	\$ -	\$ -	\$ 261,417
Capital assets being depreciated				
Buildings	1,035,540	-	-	1,035,540
Equipment	191,846	4,958	480	196,324
Total capital assets being depreciated	1,227,386	4,958	480	1,231,864
Less accumulated depreciation				
Buildings	269,777	26,688	-	296,465
Equipment	177,252	7,376	480	184,148
Total accumulated depreciation	447,029	34,064	480	480,613
Total capital assets being depreciated – net	780,357	\$ 29,106	\$ -	751,251
ABC Board Capital Assets - Net	\$ 1,041,774			\$ 1,012,668

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

**B. Liabilities**

1. Payables

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

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities			
General	\$ 339,447	\$ 248,096	\$ 587,543
Other governmental	<u>250,324</u>	<u>-</u>	<u>250,324</u>
Total Governmental Activities	<u>\$ 589,771</u>	<u>\$ 248,096</u>	<u>\$ 837,867</u>
Business-Type Activities			
Water and sewer fund	\$ 1,331,134	\$ 94,967	\$ 1,426,101
Electric fund	2,977,041	77,181	3,054,222
Landfill fund	83,000	20,161	103,161
Department of public housing	<u>102,133</u>	<u>18,552</u>	<u>120,685</u>
Total Business-Type Activities	<u>\$ 4,493,308</u>	<u>\$ 210,861</u>	<u>\$ 4,704,169</u>

2. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

*Plan Description.* The City and the ABC Board are participating employers in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at [www.osc.nc.gov](http://www.osc.nc.gov).

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.76% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Albemarle were \$794,325 for the year ended June 30, 2016.

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

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

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

At June 30, 2016, the City reported a liability of \$893,414 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the City's proportion was 0.19907%, which was a decrease of 0.00132% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$481,441. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 210,003
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	254,352
Changes in proportion and differences between City contributions and proportionate share of contributions	12,038	24,019
City contributions subsequent to the measurement date	794,325	-
Total	\$ 806,363	\$ 488,374

\$794,325 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (298,626)
2018	(298,626)
2019	(298,345)
2020	419,262
2021	-
Total	\$ (476,336)

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

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

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

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

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City’s proportionate share of the net pension liability (asset)	\$ 6,229,900	\$ 893,414	\$ (3,602,458)

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

**b. Law Enforcement Officers Special Separation Allowance**

*(1) Plan Description*

The City of Albemarle, NC 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. The plan does not issue a separate financial report.

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	12
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>50</u>
Total	<u><u>62</u></u>

*(2) Summary of Significant Accounting Policies*

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

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

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

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

*(3) Contributions*

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

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 3.57% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.50% to 7.35% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases.



**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

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

Annual required contribution	\$	171,658
Interest on net pension obligation		22,431
Adjustment to annual required contribution		(39,423)
Annual pension cost		<u>154,666</u>
Contributions made		<u>141,482</u>
Increase (decrease) in net pension obligation		13,184
Net pension obligation beginning of fiscal year		<u>448,617</u>
Net pension obligation end of fiscal year	\$	<u><u>461,801</u></u>

**Three Year Trend Information**

For the Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 118,187	101.96%	\$ 437,201
2015	148,116	92.29%	448,617
2016	154,666	91.48%	461,801

*Funded Status and Funding Progress*

As of December 31 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,969,751. The covered payroll (annual payroll of active employees covered by the plan) was \$2,298,076, and the ratio of the UAAL to the covered payroll was 85.71 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

*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 of 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.

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

*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, law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$121,604, which consisted of \$108,575 from the City and \$13,029 from the law enforcement officers.

d. Supplemental Retirement Income Plan for City Employees (non-law enforcement employees)

*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 all active full-time employees of the City that are non-law enforcement officers. Article G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

*Funding policy:* The City does not make contributions for non-law enforcement employees. The City's employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$66,954, which was entirely from the employees. Contribution requirements are established and may be amended by the City Council.

e. Other Postemployment Benefit

Healthcare Benefits

*Plan Description.* Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of July 1, 1984 this plan provides postemployment healthcare benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the City. The City has elected to partially pay the future overall cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the City's group rates. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

Membership of the HCB Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	38	12
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	238	36
Total	<u>276</u>	<u>48</u>

*Funding Policy.* Under a City resolution that can be amended by City Council, the City pays a percentage of retiree insurance premiums based on years of creditable service beginning at ten years of creditable service with 100% of premiums paid for retirees with twenty-five years of creditable service. The City's members pay the actual cost per month for dependent coverage. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current annual required contribution (ARC) rate is 6.41% of annual covered payroll. For the current year, the City contributed \$341,173 or 3.0% of annual covered payroll. The City obtains healthcare coverage through private insurers. Contributions made by employees amounted to \$37,281 for the year ended June 30, 2016. The City's obligation to contribute to HCB Plan is established and may be amended by the City Council.

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

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual OPEB cost (expense) is calculated based on the ARC of the employer, 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	\$ 697,676
Interest on net OPEB obligation	112,251
Adjustment to annual required contribution	<u>(107,235)</u>
Annual OPEB cost (expense)	702,692
Contributions made	<u>477,416</u>
Increase (decrease) in net OPEB obligation	225,276
Net OPEB obligation, beginning of year	<u>2,806,275</u>
Net OPEB obligation, end of year	<u>\$ 3,031,551</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 711,483	62.10%	\$ 2,561,429
2015	737,950	66.80%	2,806,275
2016	702,692	67.90%	3,031,551

*Funded Status and Funding Progress.* As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$9,096,374. The covered payroll (annual payroll of active employees covered by the plan) was \$11,390,571, and the ratio of the UAAL to the covered payroll was 79.9 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

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

In the December 31, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015, was 30 years.

f. Other Employment Benefits

The City has also 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 month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based 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.

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

3. Deferred Outflows and Inflows of Resources

The City had deferred outflows of resources comprised of the following:

Source	Amounts
Contributions to pension plan in current fiscal year	\$ 794,325
Changes in proportion and differences between City contributions and proportionate share of contributions	12,038
	<u>\$ 806,363</u>

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

Prepaid licenses (General fund)	\$ 4,882
Taxes receivable, net (General fund)	546,065
Pension deferrals	488,374
Total	<u>\$ 1,039,321</u>

4. 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 participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, and excess loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The ADDC 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 ADDC has insurance coverage for property, general liability, workers' compensation, and employee health coverage.

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

The ABC Board 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 ABC Board has insurance coverage for property, general liability, workers' compensation, employee health coverage and liquor legal liability coverage. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. In accordance with G.S. 18B-700(i), each Board member is bonded in the amount of \$50,000, secured by a corporate surety.

The City does not carry flood insurance as none of their buildings are located in flood prone areas.

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 \$150,000 and \$100,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2016, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

6. Long-Term Obligations

a. Installment Purchases

	Serviced by	
	Governmental Activities	Business-Type Activities
Installment financing contract with a bank for fire trucks and related equipment; payable in twenty eight quarterly installments of \$31,908, including interest at 1.89%, secured by trucks and equipment.	\$ 310,941	\$ -
Installment financing contract with a bank for mobile computer equipment; payable in twenty quarterly installments of \$3,604 through December 2016, including interest at 2.19%, secured by equipment.	7,149	-
Installment financing contract with a bank for the expansion of the New City Hall Building; payable in sixty quarterly installments at \$87,500 through April 2023, plus interest at 2.37%, secured by land and building.	980,000	1,470,000
Lease-purchase agreement with Motorola Solutions, Inc.; payable in four annual installments of \$80,831, including interest at 2.91%, secured by equipment.	229,228	-
Note payable to a bank for fire department radios; payable in fifteen quarterly installments of \$13,507 through April 2020, including interest at 1.579%, secured by equipment.	208,934	-

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

	Serviced by	
	Governmental Activities	Business-Type Activities
Note payable to a bank for transportation equipment; payable in monthly installments of \$7,585 through February 2021, including interest at 1.584%, secured by equipment.	\$ 408,958	\$ -
In April 2010, the City accepted a \$3,000,000 Clean Water State Revolving Grant through the N.C. Department of Environment and Natural Resources. The loan is still in the draw down period.	-	2,447,488
Installment financing contract with a bank for the Highway 52 EQ Basin; payable in forty quarterly installments of \$35,003, plus interest at 1.97%, secured by land and building.	-	944,956
Lease-purchase agreement with a finance company for information systems equipment; payable in quarterly installments of \$7,064, including interest imputed at 9.71%, secured by equipment.	19,772	36,721
Installment financing contract with a bank for the CKA Water Line Extension Project; payable in quarterly installments of \$80,000 through September 2033, plus interest at 3.59%, secured by land and building.	-	5,520,000
Installment financing contract with a bank for the Rehabilitation of Old Whitney Raw Water Pump Station; payable in quarterly installments of \$43,054 through September 2020, plus interest at 1.63%, secured by equipment.	-	731,911
In April 2014, the City entered into an installment contract to finance the Water/Sewer Inflow & Infiltration System. The obligation is to be repaid in bi-annual principal payments of \$176,263, interest of 2.0%, secured by the equipment.	-	3,219,171
Installment financing contract with a bank for the purchase of equipment; payable in monthly installments of \$4,584 through July 2018, including interest at 1.616%, secured by equipment.	-	112,608
Installment financing contract with a bank for the purchase of equipment; payable in monthly installments of \$6,779 through March 2019, including interest at 1.55%, secured by equipment.	-	218,810
Installment financing contract with a bank for the purchase of equipment; payable in monthly installments of \$13,354 including interest at 1.579%, secured by equipment.	-	657,977
2015 Sewer Revolving Loan from the Water Pollution Control Revolving Fund (WPCRF) for the Waste Water Treatment Headworks Project, payable in twenty annual installments of \$158,282 beginning November 2016 through May 2036, plus semi-annual interest payments at 2%. The loan is still in the drawdown period.	-	2,936,093



**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

2015 Water Revolving Loan from the Drinking Water State Revolving Fund (SRF) for the US Highway 52 Water Treatment Plant Rehabilitation, payable in twenty annual installments of \$552,240 beginning May 2018. The loan is non-interest bearing and is in the draw down period at June 30, 2016.

	-	5,223,196
Total Installment Purchases	\$ 2,164,982	\$ 23,518,931

**b. Installment Purchases**

Annual debt service payments of the installment purchase contracts as of June 30, 2016, are as follows:

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 488,265	\$ 44,325	\$ 1,612,132	\$ 460,923
2018	488,635	33,429	2,170,465	416,199
2019	425,009	22,503	2,091,553	378,793
2020	282,792	14,285	2,024,411	343,969
2021	200,281	9,066	1,776,914	310,829
2022-2026	280,000	7,466	7,384,500	1,152,274
2027-2031	-	-	4,211,448	605,150
2032-2036	-	-	2,247,508	123,090
Totals	\$ 2,164,982	\$ 131,074	\$ 23,518,931	\$ 3,791,227

At June 30, 2016 the City had a legal debt margin of \$54,933,744.

**c. Changes in Long-Term Liabilities**

The following is a summary of changes in the City's long-term debt for the year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Installment purchases	\$ 1,892,556	\$ 638,934	\$ 366,508	\$ 2,164,982	\$ 346,147
Compensated absences	551,617	448,453	264,208	735,862	275,809
Net pension obligation (LEO)	448,617	13,184	-	461,801	-
Net pension liability (LGRS)	-	537,367	-	537,367	-
Other postemployment benefits	1,685,821	137,584	-	1,823,405	-
Governmental Activity Long-Term Liabilities	\$ 4,578,611	\$ 1,775,522	\$ 630,716	\$ 5,723,417	\$ 621,956

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion of Balance
<b>Business-Type Activities:</b>					
<b>Water and Sewer Fund</b>					
Installment purchases	\$ 16,297,440	\$ 6,552,938	\$ 1,104,629	\$ 21,745,749	\$ 1,038,162
Compensated absences	175,224	99,139	75,058	199,305	99,653
Net pension liability (LGERS)	-	174,727	-	174,727	-
Other postemployment benefits	544,808	48,078	-	592,886	-
Total Water and Sewer Fund	<u>17,017,472</u>	<u>6,874,882</u>	<u>1,179,687</u>	<u>22,712,667</u>	<u>1,137,815</u>
<b>Business-Type Activities:</b>					
<b>Electric Fund</b>					
Installment purchases	1,143,383	-	146,435	996,948	142,920
Compensated absences	164,991	82,303	72,296	174,998	87,499
Net pension liability (LGERS)	-	112,089	-	112,089	-
Other postemployment benefits	349,499	30,843	-	380,342	-
Total Electric Fund	<u>1,657,873</u>	<u>225,235</u>	<u>218,731</u>	<u>1,664,377</u>	<u>230,419</u>
<b>Business-Type Activities:</b>					
<b>Landfill Fund</b>					
Installment purchases	192,254	757,170	176,015	773,409	204,361
Compensated absences	41,652	31,510	14,892	58,270	29,135
Net pension liability (LGERS)	-	39,561	-	39,561	-
Other postemployment benefits	123,353	10,885	-	134,238	-
Total Landfill Fund	<u>357,259</u>	<u>839,126</u>	<u>190,907</u>	<u>1,005,478</u>	<u>233,496</u>
<b>Business-Type Activities:</b>					
<b>Public Housing Fund</b>					
Installment purchases	3,878	-	1,053	2,825	1,180
Compensated absences	21,073	26,677	16,976	30,774	15,387
Net pension liability (LGERS)	-	29,670	-	29,670	-
Other postemployment benefits	102,794	-	2,115	100,679	-
Total Public Housing Fund	<u>127,745</u>	<u>56,347</u>	<u>20,144</u>	<u>163,948</u>	<u>16,567</u>
<b>Business Activity</b>					
Long-Term Liabilities	<u>\$ 19,160,349</u>	<u>\$ 7,995,590</u>	<u>\$ 1,609,469</u>	<u>\$ 25,546,470</u>	<u>\$ 1,618,297</u>

Compensated absences for governmental activities have typically been liquidated in the general fund. The LGERS plan had a net pension liability as of June 30, 2016; however, the plan had a net pension asset at the beginning of the fiscal year.

**7. Long-Term Obligations – Albemarle Downtown Development Corporation**

The ADDC has entered into a note payable for the purchase of real property, secured by a deed of trust. Principal, along with interest at the rate of 5.25%, is due in annual installments of \$10,904. Annual debt service requirements for this note payable are as follows:

Year Ending June 30	Principal	Interest
2017	\$ 9,845	\$ 1,992
2018	10,170	1,439
	<u>\$ 20,015</u>	<u>\$ 3,431</u>

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 2 - DETAIL NOTES ON ALL FUNDS – Continued**

**C. Interfund Balances and Activity**

1. Balances due/to from other funds at June 30, 2016, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer Fund	General Fund	\$ 153,088
Electric Fund	General Fund	921,350

Interfund loan – On March 1, 2004, the General Fund borrowed a total of \$1,935,000 from the Electric and Water and Sewer Funds to fund construction of a public safety facility. The terms of the arrangement require the General Fund to repay the Electric and Water and Sewer Funds over 15 years with an interest of 3.0%.

Interfund loan – On December 30, 2012, the General Fund borrowed a total of \$911,300 from the Electric and Water and Sewer Funds to fund construction of a parks and recreation facility. The terms of the arrangement require the General Fund to repay the Electric and Water and Sewer Funds over 10 years with an interest rate of 2%.

2. Transfers to/from other funds at June 30, 2016, consist of the following:

From the Water and Sewer Fund to the General Fund for payment in lieu of taxes	\$ 242,900
From the Water and Sewer Fund to the General Fund for economic development	32,867
From the Electric Fund to the General Fund for payment in lieu of taxes	517,500
From the Electric Fund to the General Fund for economic development	45,836
From the Electric Fund to the General Fund for financing	225,000
From the Landfill Fund to the General Fund for payment in lieu of taxes	25,400
From the Landfill Fund to the General Fund for economic development	13,147
From the Public Housing Fund to the General Fund for payment in lieu of taxes	14,077
	<u>\$ 1,116,727</u>
From the General Fund to the Parks and Recreation Grant Fund	\$ 9,950
From the General Fund to the Governor’s Highway Safety Grant Fund	25,933
From the General Fund to the NCDOT Hwy 52 Project Fund	66,375
From the General Fund to the Electric Fund for street lights	25,000
	<u>\$ 127,258</u>

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

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 3 - JOINTLY GOVERNED ORGANIZATIONS**

North Carolina Municipal Power Agency Number 1

The City, in conjunction with twenty other local governments, is a member of the North Carolina City 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 twenty-one 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, 2016 were \$27,410,591.

Centralina Council of Governments

The City, in conjunction with nine counties and sixty-four other municipalities, participates in 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 \$3,817 to the Council during the year ended June 30, 2016.

**NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

**NOTE 5 - CLOSURE AND POSTCLOSURE CARE COSTS – CITY OF ALBEMARLE LANDFILL FACILITY**

The City operates two landfills which are referred to as the "old landfill" and the "new landfill." State and federal laws and regulations require the City to place a final cover on its landfills when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although certain closure and post-closure care costs will be paid only near or after the date each landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$5,612,059 reported as landfill closure and post-closure care liability at June 30, 2016 represents a cumulative amount reported to date, based on the use of 57% of the total estimated capacity of each landfill. The City will recognize the remaining estimated closure and postclosure care of \$4.2 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 5 - CLOSURE AND POSTCLOSURE CARE COSTS – CITY OF ALBEMARLE  
 LANDFILL FACILITY - Continued**

The following is an analysis of landfill closure and post-closure liability at June 30, 2016:

Old Landfill	\$	3,115,057
New Landfill		<u>2,497,002</u>
	\$	<u>5,612,059</u>

The City has met the requirements of a local government financial test that is one option under state and federal laws and regulations that help determine if a unit is financially able to meet closure and post-closure care requirements.

**NOTE 6 - 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	\$	<u>8,770,461</u>
Less:		
Inventories		18,448
Prepays		216,373
Stabilization by State Statute		1,561,456
Streets – Powell Bill		357,626
Parks and Recreation		1,039,156
Public Safety		33,173
Economic Development		4,123
General Government		<u>155,027</u>
Remaining Fund Balance	\$	<u>5,385,079</u>

**NOTE 7 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Deficit in Fund Balance

North Carolina General Statutes prohibits the City from having a deficit fund balance in any fund. The Parks and Recreation Grant Fund had deficit fund balance in the amount of \$23,905. The deficit balance in fund balance for the Parks and Recreation Grant Fund resulted from an excess of construction expenses over interfund transfers received. This deficit will be reduced in the coming year when the City’s matching funds are transferred from the general fund.

**CITY OF ALBEMARLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 8 - PRIOR PERIOD ADJUSTMENTS**

During the year ended June 30, 2016, the City determined that amounts included in deferred outflows of resources for City contributions subsequent to the measurement date were understated. Therefore, an adjustment to beginning net position has been recorded to account for these contributions, the effect of which increased net position for the governmental and business-type activities by \$250,956 and \$166,277, respectively.

During the year ended June 30, 2016, the City determined that certain capital assets of the electric fund had not been capitalized in prior years when they were placed in service. Therefore, an adjustment to beginning capital assets and net position has been recorded, the effect of which increased capital assets and net position of the electric fund and business-type activities by \$2,209,433.

During the year ended June 30, 2016, the ADDC determined that net asset balances were incorrectly stated. Therefore, an adjustment to beginning net assets has been recorded, the effect of which decreased in net assets by \$56,000.

**NOTE 9 - REISSUANCE OF FINANCIAL STATEMENTS**

Subsequent to issuance of the financial statements for the year ended June 30, 2016, certain amounts in the statement of cash flows for the Water and Sewer Fund were reclassified. The decrease in accounts payable related to capital projects amounting to \$984,646 was reclassified from operating activities to capital and related financing activities in Exhibit I, Statements of Cash Flows – Proprietary Funds, Water and Sewer Fund in these reissued financial statements. No restatement of net position was required in these reissued financial statements.

# Required Supplemental Financial Data

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

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- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for the Other Postemployment Benefits and Schedule of Employer Contributions
- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**

*Exhibit K*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
12/31/2009	\$ -	\$ 1,363,832	\$ 1,363,832	0%	\$ 2,107,167	64.72%
12/31/2010	-	1,294,483	1,294,483	0%	1,999,596	64.74%
12/31/2011	-	1,382,946	1,382,946	0%	1,986,058	69.63%
12/31/2012	-	1,365,807	1,365,807	0%	1,869,417	73.06%
12/31/2013	-	1,395,437	1,395,437	0%	2,075,326	67.24%
12/31/2014	-	1,451,269	1,451,269	0%	2,003,893	72.42%
12/31/2015	-	1,969,751	1,969,751	0%	2,298,076	85.71%



**CITY OF ALBEMARLE, NORTH CAROLINA  
OTHER POSTEMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION**

*Exhibit L*

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as of % of Covered Payroll ((b - a)/c)
12/31/2009	\$ -	\$ 8,983,695	\$ 8,983,695	0%	\$ 11,186,584	80.3%
12/31/2010	-	8,395,508	8,395,508	0%	10,854,228	77.3%
12/31/2011	-	7,895,663	7,895,663	0%	10,607,572	74.4%
12/31/2012	-	8,540,573	8,540,573	0%	10,507,091	81.3%
12/31/2013	-	8,714,541	8,714,541	0%	10,826,345	80.5%
12/31/2014	-	8,254,239	8,254,239	0%	10,855,191	76.0%
12/31/2015	-	9,096,374	9,096,374	0%	11,390,571	79.9%

**Schedule of Employer Contributions**

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 707,386	44.40%
2015	733,371	47.90%
2016	697,676	48.90%

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
*Last Three Fiscal Years\**

*Exhibit M*

**Local Government Employees' Retirement System**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Albemarle's proportion of the net pension liability (asset) %	0.19907%	0.20039%	0.19690%
Albemarle's proportion of net pension liability (asset) \$	\$ 893,414	\$ (1,181,792)	\$ 2,373,401
Albemarle's covered-employee payroll	\$ 11,148,197	\$ 10,816,329	\$ 10,757,264
Albemarle's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	8.01%	(10.93%)	22.06%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	102.64%	94.35%

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

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**SCHEDULE OF CONTRIBUTIONS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
*Last Three Fiscal Years*

*Exhibit N*

**Local Government Employees' Retirement System**

	2016	2015	2014
Contractually required contribution	\$ 806,049	\$ 795,267	\$ 769,059
Contributions in relation to the contractually required contribution	806,049	795,267	769,059
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Albemarle's covered-employee payroll	\$ 11,796,289	\$ 11,148,197	\$ 10,816,329
Contributions as a percentage of covered-employee payroll	6.83%	7.13%	7.11%

# **Combining and Individual Fund Financial Statements**

## **Major Governmental Funds**

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

**CITY OF ALBEMARLE, NORTH CAROLINA  
GENERAL FUND**

*Schedule 1  
Page 1 of 5*

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2016**

	2016		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues</b>			
Ad valorem taxes			
Current year	\$ 5,602,350	\$ 5,739,709	\$ 137,359
Prior years	200,000	183,102	(16,898)
Penalties and interest	48,500	61,643	13,143
Total	<u>5,850,850</u>	<u>5,984,454</u>	<u>133,604</u>
Other taxes and licenses			
Gross receipts tax on short-term rental property	18,500	21,302	2,802
Local occupancy tax	100,000	131,250	31,250
Privilege license fee	-	925	925
or vehicle fees	68,900	51,110	(17,790)
Total	<u>187,400</u>	<u>204,587</u>	<u>17,187</u>
Unrestricted intergovernmental revenues			
Local option sales tax	3,121,150	3,213,145	91,995
Utility franchise tax	800,000	1,093,948	293,948
Telecommunications tax	170,000	137,239	(32,761)
Cable TV franchise	132,000	117,508	(14,492)
Piped natural gas sales tax	50,000	37,261	(12,739)
Beer and wine tax	68,000	70,199	2,199
ABC profit distribution	180,000	237,000	57,000
Total	<u>4,521,150</u>	<u>4,906,300</u>	<u>385,150</u>
Restricted intergovernmental revenue			
ABC - law enforcement	9,000	11,169	2,169
Powell Bill allocation	525,000	523,800	(1,200)
Street sweeper contract	4,000	8,486	4,486
Federal grants	4,000	6,574	2,574
State grants	6,000	7,040	1,040
Drug tax distribution	7,500	14,765	7,265
Schools	72,550	69,885	(2,665)
On-behalf payments - fire	-	4,189	4,189
Total	<u>628,050</u>	<u>645,908</u>	<u>17,858</u>
Permits and fees			
Fire Department fees	25,700	33,271	7,571
Inspection and rezoning fees	8,000	10,340	2,340
Nuisance abatements	500	3,928	3,428
Total	<u>34,200</u>	<u>47,539</u>	<u>13,339</u>

**CITY OF ALBEMARLE, NORTH CAROLINA  
GENERAL FUND**

*Schedule 1  
Page 2 of 5*

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

*For the Fiscal Year Ended June 30, 2016*

	2016		Variance Positive (Negative)
	Budget	Actual	
Revenues (continued)			
Sales and service			
Court costs and fees	\$ 400	\$ 427	\$ 27
Refuse collection fees	1,250,500	1,267,508	17,008
Cultural and recreational fees	93,700	100,530	6,830
Total	<u>1,344,600</u>	<u>1,368,465</u>	<u>23,865</u>
Investment earnings	<u>2,100</u>	<u>7,614</u>	<u>5,514</u>
Miscellaneous			
Miscellaneous	55,700	89,023	33,323
Sale of surplus property	50	5,452	5,402
Sale of fixed assets	37,170	48,541	11,371
Rental revenue	18,800	34,101	15,301
Contributions	5,200	21,425	16,225
Insurance reimbursement	19,580	22,930	3,350
Total	<u>136,500</u>	<u>221,472</u>	<u>84,972</u>
Total revenues	<u>12,704,850</u>	<u>13,386,339</u>	<u>681,489</u>
Expenditures			
General government			
Administration			
Salaries and employee benefits	225,150	223,855	1,295
Other operating expenditures	677,500	592,512	84,988
Total	<u>902,650</u>	<u>816,367</u>	<u>86,283</u>
Information systems			
Salaries and employees benefits	100,750	95,868	4,882
Other operating expenditures	144,570	128,381	16,189
Capital outlay	30,650	24,481	6,169
Total	<u>275,970</u>	<u>248,730</u>	<u>27,240</u>
Engineering			
Salaries and employees benefits	22,750	22,875	(125)
Other operating expenditures	6,000	4,020	1,980
Total	<u>28,750</u>	<u>26,895</u>	<u>1,855</u>

**CITY OF ALBEMARLE, NORTH CAROLINA  
GENERAL FUND**

**Schedule 1  
Page 3 of 5**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2016**

	2016		Variance Positive (Negative)
	Budget	Actual	
Expenditures (Continued)			
General government (continued)			
Human resources			
Salaries and employee benefits	\$ 71,930	\$ 72,311	\$ (381)
Other operating expenditures	34,250	20,131	14,119
Total	<u>106,180</u>	<u>92,442</u>	<u>13,738</u>
Finance			
Salaries and employee benefits	129,950	129,120	830
Other operating expenditures	181,550	177,107	4,443
Total	<u>311,500</u>	<u>306,227</u>	<u>5,273</u>
Community Development			
Salaries and employee benefits	317,000	317,779	(779)
Other operating expenditures	233,320	188,432	44,888
Total	<u>550,320</u>	<u>506,211</u>	<u>44,109</u>
Total general government	<u>2,175,370</u>	<u>1,996,872</u>	<u>178,498</u>
Public Safety			
Police			
Salaries and employee benefits	3,464,320	3,397,023	67,297
School resource officers	139,770	132,732	7,038
Other operating expenditures	535,030	496,204	38,826
Capital outlay	117,500	74,626	42,874
Total	<u>4,256,620</u>	<u>4,100,585</u>	<u>156,035</u>
Fire department			
Salaries and employee benefits	2,632,400	2,599,435	32,965
Other operating expenditures	600,330	584,896	15,434
Fire Marshall	-	-	-
Capital outlay	28,500	13,463	15,037
Total	<u>3,261,230</u>	<u>3,197,794</u>	<u>63,436</u>
Total public safety	<u>7,517,850</u>	<u>7,298,379</u>	<u>219,471</u>
Public works			
Administration			
Salaries and employees benefits	162,500	160,735	1,765
Solid waste disposal fee	327,000	353,754	(26,754)
Downtown Services	105,950	103,671	2,279
Other operating expenditures	43,500	37,815	5,685
Total	<u>638,950</u>	<u>655,975</u>	<u>(17,025)</u>



**CITY OF ALBEMARLE, NORTH CAROLINA**  
**GENERAL FUND**

*Schedule 1*  
*Page 4 of 5*

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**

*For the Fiscal Year Ended June 30, 2016*

	2016		Variance Positive (Negative)
	Budget	Actual	
Expenditures (Continued)			
Streets and Highways			
Salaries and employee benefits	\$ 698,300	\$ 642,566	\$ 55,734
Other operating expenditures	368,400	223,997	144,403
Capital outlay	458,950	476,886	(17,936)
Total	<u>1,525,650</u>	<u>1,343,449</u>	<u>182,201</u>
Shop and Warehouse			
Salaries and employee benefits	106,450	93,148	13,302
Other operating expenditures	47,900	42,522	5,378
Total	<u>154,350</u>	<u>135,670</u>	<u>18,680</u>
Solid Waste Division			
Solid waste	925,500	931,515	(6,015)
Bad debt expense	7,000	9,412	(2,412)
Total	<u>932,500</u>	<u>940,927</u>	<u>(8,427)</u>
Total public works	<u>3,251,450</u>	<u>3,076,021</u>	<u>175,429</u>
Cultural and recreation			
Parks and recreation			
Salaries and employee benefits	873,450	884,421	(10,971)
Other operating expenditures	362,850	350,520	12,330
Capital outlay	76,526	32,481	44,045
Total cultural and recreation	<u>1,312,826</u>	<u>1,267,422</u>	<u>45,404</u>
Debt service			
Principal retirement	418,050	366,507	51,543
Interest and fees	92,200	79,943	12,257
Total debt service	<u>510,250</u>	<u>446,450</u>	<u>63,800</u>
Total expenditures	<u>14,767,746</u>	<u>14,085,144</u>	<u>682,602</u>
Revenues over (under) expenditures	<u>(2,062,896)</u>	<u>(698,805)</u>	<u>1,364,091</u>

**CITY OF ALBEMARLE, NORTH CAROLINA  
GENERAL FUND**

*Schedule 1  
Page 5 of 5*

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2016**

	2016		Variance Positive (Negative)
	Budget	Actual	
Other financing sources (uses)			
Operating transfers (to) from other funds			
Water and sewer fund	\$ 280,200	\$ 275,767	\$ (4,433)
Electric fund	1,038,500	788,336	(250,164)
Landfill fund	40,350	38,547	(1,803)
Public housing fund	10,000	14,077	4,077
Electric fund	(25,000)	(25,000)	-
NCDOT US HWY 52 Project	(60,000)	(66,375)	(6,375)
Governor's Highway Safety Grant	(27,900)	(25,933)	1,967
Parks and recreation grant fund	(9,950)	(9,950)	-
Installment purchase obligations issued	628,950	638,934	9,984
 Total other financing sources (uses)	 1,875,150	 1,628,403	 (246,747)
 Revenues over (under) expenditures and other financing sources (uses)	 (187,746)	 929,598	 1,117,344
 Fund balance appropriated	 187,746	 -	 (187,746)
 Net change in fund balance	 \$ -	 929,598	 \$ 929,598
 Fund balance - beginning		 7,840,863	
 Fund balance - ending		 \$ 8,770,461	

## **Non-Major Governmental Funds**

*NCDOT Leonard Avenue Project Fund* – This fund is used to account for grant monies restricted for street and related expenditures.

*NCDOT US Hwy 52 Project Fund* – This fund is used to account for grant monies restricted for street and related expenditures.

*Parks and Recreation Grant Fund* – This fund is used to account for grant monies restricted for Morehead Park renovation.

*Governor's Highway Safety Grant Fund* – This fund is used to account for grant and other monies for the Governor's Highway Safety Grant Fund.

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2016**

*Schedule 2*

	Special Revenue Funds				
	NCDOT Leonard Avenue Project	NCDOT US Hwy 52 Project	Parks And Recreation Grant Fund	Governor's Highway Safety Grant Fund	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>					
Current Assets					
Cash and investments	\$ -	\$ 125	\$ 9,950	\$ 1,986	\$ 12,061
Due from other governments	<u>296,337</u>	<u>-</u>	<u>33,855</u>	<u>2,072</u>	<u>332,264</u>
<b>Total assets</b>	<b><u>\$ 296,337</u></b>	<b><u>\$ 125</u></b>	<b><u>\$ 43,805</u></b>	<b><u>\$ 4,058</u></b>	<b><u>\$ 344,325</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable and accrued liabilities	\$ 182,614	\$ -	\$ 67,710	\$ -	\$ 250,324
Due to other funds	<u>105,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,723</u>
<b>Total liabilities</b>	<b><u>288,337</u></b>	<b><u>-</u></b>	<b><u>67,710</u></b>	<b><u>-</u></b>	<b><u>356,047</u></b>
Fund balances					
Restricted					
Public safety	-	-	-	4,058	4,058
Economic development	8,000	125	-	-	8,125
Cultural and recreational	<u>-</u>	<u>-</u>	<u>(23,905)</u>	<u>-</u>	<u>(23,905)</u>
<b>Total fund balances</b>	<b><u>8,000</u></b>	<b><u>125</u></b>	<b><u>(23,905)</u></b>	<b><u>4,058</u></b>	<b><u>(11,722)</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 296,337</u></b>	<b><u>\$ 125</u></b>	<b><u>\$ 43,805</u></b>	<b><u>\$ 4,058</u></b>	<b><u>\$ 344,325</u></b>

**CITY OF ALBEMARLE, NORTH CAROLINA** *Schedule 3*  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**  
*For the Fiscal Year Ended June 30, 2016*

	Special Revenue Funds				Total Nonmajor Special Revenue Funds
	NCDOT Leonard Avenue Project	NCDOT US Hwy 52 Project	Parks And Recreation Grant Fund	Governor's Highway Safety Grant Fund	
Revenues					
Restricted intergovernmental	\$ 296,337	\$ 230,000	\$ 33,855	\$ 31,090	\$ 591,282
Total revenues	<u>296,337</u>	<u>230,000</u>	<u>33,855</u>	<u>31,090</u>	<u>591,282</u>
Expenditures					
Public safety	-	-	-	57,023	57,023
Capital outlay	296,204	308,510	67,710	-	672,424
Total expenditures	<u>296,204</u>	<u>308,510</u>	<u>67,710</u>	<u>57,023</u>	<u>729,447</u>
Revenues over (under) expenditures	<u>133</u>	<u>(78,510)</u>	<u>(33,855)</u>	<u>(25,933)</u>	<u>(138,165)</u>
Other financing sources (uses)					
Transfers from (to) other funds					
General Fund	-	66,375	9,950	25,933	102,258
Total other financing sources (uses)	<u>-</u>	<u>66,375</u>	<u>9,950</u>	<u>25,933</u>	<u>102,258</u>
Net change in fund balances	<u>133</u>	<u>(12,135)</u>	<u>(23,905)</u>	<u>-</u>	<u>(35,907)</u>
Fund balance - beginning	<u>7,867</u>	<u>12,260</u>	<u>-</u>	<u>4,058</u>	<u>24,185</u>
Fund balance - ending	<u>\$ 8,000</u>	<u>\$ 125</u>	<u>\$ (23,905)</u>	<u>\$ 4,058</u>	<u>\$ (11,722)</u>

## NCDOT LEONARD AVENUE PROJECT

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

## BUDGET AND ACTUAL

From Inception and for the Fiscal Year Ended June 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental revenues					
NCDOT Grant	\$ 493,000	\$ -	\$ 296,337	\$ 296,337	\$ (196,663)
Total revenues	493,000	-	296,337	296,337	(196,663)
Expenditures					
Legal	5,000	20,676	1,190	21,866	(16,866)
Engineering	42,250	34,373	4,629	39,002	3,248
Right of way acquisition	5,000	13,984	-	13,984	(8,984)
Construction in Progress	493,000	-	289,895	-	493,000
Contingency	24,650	-	490	490	24,160
Total expenditures	569,900	69,033	296,204	75,342	494,558
Revenues over (under) expenditures	(76,900)	(69,033)	133	220,995	297,895
Other financing sources					
Transfers from other funds					
General Fund	76,900	76,900	-	76,900	-
Total other financing sources	76,900	76,900	-	76,900	-
Net change in fund balance	\$ -	\$ 7,867	133	\$ 297,895	\$ 297,895
Fund balance - beginning			7,867		
Fund balance - ending			\$ 8,000		

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**NCDOT US HWY 52 PROJECT**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

Schedule 5

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive Negative</u>
Revenues					
NCDOT Grant	\$ 230,000	\$ -	\$ 230,000	\$ 230,000	\$ -
<b>Total revenues</b>	<u>230,000</u>	<u>-</u>	<u>230,000</u>	<u>230,000</u>	<u>-</u>
Expenditures					
Legal	5,000	16,401	673	17,074	(12,074)
Engineering	33,350	26,550	3,840	30,390	2,960
Right of way acquisition	20,000	14,639	-	14,639	5,361
Construction in progress	230,000	-	303,997	-	230,000
Contingency	11,500	-	-	-	11,500
<b>Total expenditures</b>	<u>299,850</u>	<u>57,590</u>	<u>308,510</u>	<u>62,103</u>	<u>237,747</u>
<b>Revenues (under) expenditures</b>	<u>(69,850)</u>	<u>(57,590)</u>	<u>(78,510)</u>	<u>167,897</u>	<u>(237,747)</u>
Other financing sources					
Transfer from General Fund	69,850	69,850	66,375	136,225	(66,375)
<b>Total other financing sources</b>	<u>69,850</u>	<u>69,850</u>	<u>66,375</u>	<u>136,225</u>	<u>(66,375)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 12,260</u>	<u>(12,135)</u>	<u>\$ 304,122</u>	<u>\$ (304,122)</u>
Fund balance - beginning			<u>12,260</u>		
Fund balance - ending			<u>\$ 125</u>		

**CITY OF ALBEMARLE, NORTH CAROLINA  
PARKS AND RECREATION GRANT FUND**

Schedule 6

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

*From Inception and for the Fiscal Year Ended June 30, 2016*

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	Variance Positive (Negative)
<b>Revenues</b>					
Restricted intergovernmental revenues					
Private grant	\$ 130,492	\$ -	\$ 33,855	\$ 33,855	\$ (96,637)
<b>Expenditures</b>					
Salary and benefits	7,536	-	-	-	7,536
Legal	2,000	-	-	-	2,000
Engineering	10,000	-	-	-	10,000
Equipment	80,000	-	-	-	80,000
Equipment rent	2,400	-	-	-	2,400
Construction	156,500	-	67,710	67,710	88,790
Contingency	12,484	-	-	-	12,484
<b>Total expenditures</b>	<u>270,920</u>	<u>-</u>	<u>67,710</u>	<u>67,710</u>	<u>203,210</u>
<b>Revenues over (under) expenditures</b>	<u>(140,428)</u>	<u>-</u>	<u>(33,855)</u>	<u>(33,855)</u>	<u>106,573</u>
<b>Other financing sources</b>					
Transfers from other funds					
From General Fund	140,428	-	9,950	9,950	(130,478)
<b>Total other financing sources</b>	<u>140,428</u>	<u>-</u>	<u>9,950</u>	<u>9,950</u>	<u>(130,478)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(23,905)</u>	<u>\$ (23,905)</u>	<u>\$ (23,905)</u>
<b>Fund balance - beginning</b>			<u>-</u>		
<b>Fund balance - ending</b>			<u>\$ (23,905)</u>		



**CITY OF ALBEMARLE, NORTH CAROLINA**  
**GOVERNOR'S HIGHWAY SAFETY GRANT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
*From Inception and for the Fiscal Year Ended June 30, 2016*

Schedule 7

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total</u> <u>to Date</u>	<u>Variance</u> <u>Positive</u> <u>Negative</u>
Revenues					
Police grant	\$ 133,480	\$ 102,146	\$ 31,090	\$ 133,236	\$ (244)
Total revenues	<u>133,480</u>	<u>102,146</u>	<u>31,090</u>	<u>133,236</u>	<u>(244)</u>
Expenditures					
Salaries & benefits	101,046	85,047	55,887	140,934	(39,888)
Other operating expenses	31,380	18,513	1,136	19,649	11,731
Capital outlay	<u>35,000</u>	<u>34,203</u>	<u>-</u>	<u>34,203</u>	<u>797</u>
Total expenditures	<u>167,426</u>	<u>137,763</u>	<u>57,023</u>	<u>194,786</u>	<u>(27,360)</u>
Revenues (under) expenditures	<u>(33,946)</u>	<u>(35,617)</u>	<u>(25,933)</u>	<u>(61,550)</u>	<u>27,604</u>
Other financing sources					
Transfer from the General Fund	22,000	22,276	-	22,276	276
Transfer from the General Fund	11,946	20,847	25,933	46,780	34,834
Transfer to the General Fund	<u>-</u>	<u>(3,448)</u>	<u>-</u>	<u>(3,448)</u>	<u>(3,448)</u>
Total other financing sources	<u>33,946</u>	<u>39,675</u>	<u>25,933</u>	<u>65,608</u>	<u>31,662</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 4,058</u>	<u>-</u>	<u>\$ 4,058</u>	<u>\$ 4,058</u>
Fund balance - beginning			<u>4,058</u>		
Fund balance - ending			<u>\$ 4,058</u>		

# Enterprise Funds

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Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

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

***Electric Fund*** – This fund is used to account for the City’s electric operations.

***Municipal Solid Waste Landfill Fund*** – This fund is used to account for the City’s landfill operations.

***Albemarle Department of Public Housing*** – This fund is used to account for the City’s public housing operations.

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

Schedule 8  
Page 1 of 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
<b>Operating revenues</b>			
Water sales	\$ 6,195,300	\$ 6,163,065	\$ (32,235)
Sewer charges	3,282,300	3,261,538	(20,762)
Water and sewer taps	20,000	24,338	4,338
Miscellaneous	100	-	(100)
<b>Total operating revenues</b>	<u>9,497,700</u>	<u>9,448,941</u>	<u>(48,759)</u>
<b>Nonoperating revenues</b>			
Investment earnings	800	685	(115)
Grant revenues	-	10,000	10,000
Sale of assets	31,300	18,721	(12,579)
Other	50,500	51,402	902
<b>Total nonoperating revenues</b>	<u>82,600</u>	<u>80,808</u>	<u>(1,792)</u>
<b>Total revenues</b>	<u>9,580,300</u>	<u>9,529,749</u>	<u>(50,551)</u>
 <b>Expenditures</b>			
<b>Water and Sewer Administration</b>			
Salaries and employees benefits	723,730	639,092	84,638
Other operating expenditures	249,460	185,082	64,378
Postage	48,000	43,189	4,811
Contracted services	70,750	61,792	8,958
Insurance	85,000	78,076	6,924
Uniforms	20,000	22,630	(2,630)
<b>Total</b>	<u>1,196,940</u>	<u>1,029,861</u>	<u>167,079</u>
<b>Water Treatment Plant</b>			
Salaries and employees benefits	964,110	905,567	58,543
Supplies	52,500	52,618	(118)
Repairs	323,500	304,311	19,189
Contracted services	170,550	174,829	(4,279)
Utilities	419,500	396,832	22,668
Other operating expenditures	510,490	391,840	118,650
<b>Total</b>	<u>2,440,650</u>	<u>2,225,997</u>	<u>214,653</u>

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

*Schedule 8*  
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	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures (continued)			
Sewer Treatment Plant			
Salaries and employees benefits	\$ 796,950	\$ 773,830	\$ 23,120
Supplies	41,450	28,093	13,357
Repairs	57,000	53,294	3,706
Contracted services	200,250	234,575	(34,325)
Utilities	457,050	435,449	21,601
Other operating expenditures	195,700	97,291	98,409
Total	<u>1,748,400</u>	<u>1,622,532</u>	<u>125,868</u>
System Division			
Salaries and employee benefits	1,111,300	1,078,431	32,869
Supplies	254,160	307,877	(53,717)
Repairs	49,300	53,036	(3,736)
Contracted services	113,980	98,610	15,370
Utilities	23,000	17,888	5,112
Other operating expenditures	87,310	66,609	20,701
Total	<u>1,639,050</u>	<u>1,622,451</u>	<u>16,599</u>
Debt Service			
Principal on Capital leases	1,126,380	1,104,630	21,750
Interest and fees	412,600	411,450	1,150
Total	<u>1,538,980</u>	<u>1,516,080</u>	<u>22,900</u>
Capital Outlay			
Utility administration	14,150	13,989	161
Water treatment plant	278,380	100,787	177,593
Sewer treatment plant	180,600	180,480	120
Systems division	261,000	252,742	8,258
Total	<u>734,130</u>	<u>547,998</u>	<u>186,132</u>
 Total expenditures	 <u>9,298,150</u>	 <u>8,564,919</u>	 <u>733,231</u>
 Revenues over (under) expenditures	 <u>282,150</u>	 <u>964,830</u>	 <u>682,680</u>

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

Schedule 8  
Page 3 of 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses)			
Transfers (to) from other funds			
General fund	(232,150)	\$ (275,767)	\$ (43,617)
Wastewater treatment improvements capital project	(50,000)	(50,000)	-
Total other financing sources (uses)	<u>(282,150)</u>	<u>(325,767)</u>	<u>(43,617)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 639,063</u>	<u>\$ 639,063</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ 639,063</u>	
Principal retirement		1,104,630	
Capital outlay		547,998	
Depreciation		(1,668,192)	
Decrease in net pension asset		(261,176)	
Decrease in deferred outflows of resources - pensions		(753)	
Increase in net pension liability		(174,727)	
Decrease in deferred inflows of resources - pensions		487,148	
Increase in installment purchase interest accrued		(46,189)	
Increase in accrued compensated absences		(24,081)	
Increase in other postemployment benefits		(48,078)	
Interest income from Capital Project Funds		459	
Transfer to Water & Sewer Capital (CKA) Fund		<u>50,000</u>	
Total reconciling items		<u>(32,961)</u>	
Change in net position		<u>\$ 606,102</u>	

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**WATER & SEWER CAPITAL (CKA) PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**

Schedule 9

*From Inception and for the Fiscal Year Ended June 30, 2016*

	Project Authorization	Actual		Total to Date	Variance Positive Negative
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ -	\$ 1,346	\$ 38	\$ 1,384	\$ 1,384
<b>Total revenues</b>	<u>-</u>	<u>1,346</u>	<u>38</u>	<u>1,384</u>	<u>1,384</u>
<b>Expenditures</b>					
Administration	188,585	189,353	35,415	224,768	(36,183)
Legal	11,000	7,962	-	7,962	3,038
Engineering	412,600	298,165	-	298,165	114,435
Land	20,000	19,784	-	19,784	216
Data processing equipment	96,200	-	103,946	103,946	(7,746)
Advertising	-	33	-	33	(33)
Contingency	266,725	8,758	-	8,758	257,967
Construction in process	5,814,600	5,785,401	96,848	5,882,249	(67,649)
<b>Total expenditures</b>	<u>6,809,710</u>	<u>6,309,456</u>	<u>236,209</u>	<u>6,545,665</u>	<u>264,045</u>
<b>Revenues (under) expenditures</b>	<u>(6,809,710)</u>	<u>(6,308,110)</u>	<u>(236,171)</u>	<u>(6,544,281)</u>	<u>265,429</u>
<b>Other financing sources (uses)</b>					
Transfers from other funds					
Water and sewer fund	409,710	359,710	50,000	409,710	-
Installment purchase obligations issued	6,400,000	6,400,000	-	6,400,000	-
<b>Total other financing sources (uses)</b>	<u>6,809,710</u>	<u>6,759,710</u>	<u>50,000</u>	<u>6,809,710</u>	<u>-</u>
<b>Revenues and other sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 451,600</u>	<u>\$ (186,171)</u>	<u>\$ 265,429</u>	<u>\$ 265,429</u>

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**WASTE WATER TREATMENT IMPROVEMENTS CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

*Schedule 10*

	Project Authorization	Prior Years	Actual		Variance Positive Negative
			Current Year	Total to Date	
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures					
Legal	50,000	3,654	-	3,654	46,346
Engineering	203,895	212,973	-	212,973	(9,078)
Administration	220,300	86,130	100,108	186,238	34,062
Demolition	180,000	-	-	-	180,000
Building	2,775,000	1,924,090	736,327	2,660,417	114,583
Contingency	295,500	-	-	-	295,500
Total expenditures	3,724,695	2,226,847	836,435	3,063,282	661,413
Revenues (under) expenditures	(3,724,695)	(2,226,847)	(836,435)	(3,063,282)	661,413
Other financing sources (uses)					
Transfers from other funds					
Water and sewer fund	60,300	60,300	-	60,300	-
Installment purchase obligations issued	3,664,395	1,606,351	1,329,742	2,936,093	(728,302)
Total other financing sources (uses)	3,724,695	1,666,651	1,329,742	2,996,393	(728,302)
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ (560,196)	\$ 493,307	\$ (66,889)	\$ (66,889)

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**INFLOW & INFILTRATION SEWER PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

*Schedule 11*

	Project Authorizator	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures					
Legal	30,000	1,739	-	1,739	28,261
Engineering	359,000	229,000	-	229,000	130,000
Administration	97,000	70,505	-	70,505	26,495
Other professional services	212,000	213,429	-	213,429	(1,429)
Construction	3,270,000	2,906,773	-	2,906,773	363,227
Contingency	<u>227,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227,000</u>
Total expenditures	<u>4,195,000</u>	<u>3,421,446</u>	<u>-</u>	<u>3,421,446</u>	<u>773,554</u>
Revenues (under) expenditures	<u>(4,195,000)</u>	<u>(3,421,446)</u>	<u>-</u>	<u>(3,421,446)</u>	<u>773,554</u>
Other financing sources (uses)					
Transfers from other funds					
Water and sewer fund	-	132,640	-	132,640	132,640
Installment purchase obligations issued	<u>4,195,000</u>	<u>3,388,601</u>	<u>-</u>	<u>3,388,601</u>	<u>(806,399)</u>
Total other financing sources (uses)	<u>4,195,000</u>	<u>3,521,241</u>	<u>-</u>	<u>3,521,241</u>	<u>(673,759)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 99,795</u>	<u>\$ -</u>	<u>\$ 99,795</u>	<u>\$ 99,795</u>



**CITY OF ALBEMARLE, NORTH CAROLINA**  
**WATER TREATMENT PLANT REHABILITATION PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

Schedule 12

	Project Authorization	Actual		Total to Date	Variance
		Prior Years	Current Year		Positive Negative
<b>Revenues</b>					
Investment earnings	\$ -	\$ 645	\$ 421	\$ 1,066	\$ 1,066
Total revenues	-	645	421	1,066	1,066
<b>Expenditures</b>					
Legal	10,000	376	-	376	9,624
Engineering	433,500	297,950	177,650	475,600	(42,100)
Other professional services	370,000	85,875	3,500	89,375	280,625
Administration	235,895		220,895	220,895	15,000
Construction	9,148,265	-	4,950,683	4,950,683	4,197,582
Contingency	851,000	-	5,207	5,207	845,793
Total expenditures	11,048,660	384,201	5,357,935	5,742,136	5,306,524
Revenues (under) expenditures	(11,048,660)	(383,556)	(5,357,514)	(5,741,070)	5,307,590
<b>Other financing sources (uses)</b>					
Transfers (to) from other funds					
Old Whitney capital project	-	(120,468)	-	(120,468)	(120,468)
Water and sewer fund	-	(67,000)	-	(67,000)	(67,000)
52 EQ project	3,898	-	-	-	(3,898)
Installment purchase obligations issued	11,044,762	644,656	5,223,196	5,867,852	(5,176,910)
Total other financing sources (uses)	11,048,660	457,188	5,223,196	5,680,384	(5,368,276)
<b>Revenues and other sources (uses)</b>					
over (under) expenditures	\$ -	\$ 73,632	\$ (134,318)	\$ (60,686)	\$ (60,686)

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**CURL TAIL CREEK WATERLINE PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
*From Inception and for the Fiscal Year Ended June 30, 2016*

Schedule 13

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total</u> <u>to Date</u>	<u>Variance</u> <u>Positive</u> <u>Negative</u>
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures					
Legal	2,500	-	-	-	2,500
Engineering	34,650	35,463	-	35,463	(813)
Administration	3,285	-	-	-	3,285
Land acquisition	15,000	-	-	-	15,000
Building	243,150	206,261	-	206,261	36,889
Contingency	5,000	-	-	-	5,000
Total expenditures	<u>303,585</u>	<u>241,724</u>	<u>-</u>	<u>241,724</u>	<u>61,861</u>
Revenues (under) expenditures	<u>(303,585)</u>	<u>(241,724)</u>	<u>-</u>	<u>(241,724)</u>	<u>61,861</u>
Other financing sources (uses)					
Transfers from other funds					
Water and sewer fund	<u>303,585</u>	<u>303,585</u>	<u>-</u>	<u>303,585</u>	<u>-</u>
Total other financing sources (uses)	<u>303,585</u>	<u>303,585</u>	<u>-</u>	<u>303,585</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 61,861</u>	<u>\$ -</u>	<u>\$ 61,861</u>	<u>\$ 61,861</u>

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

Schedule 14  
Page 1 of 2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenues			
Residential sales	\$16,846,700	\$15,592,929	\$(1,253,771)
Commercial and industrial sales	15,772,000	15,869,693	97,693
Sales to City Departments	<u>1,247,200</u>	<u>1,053,296</u>	<u>(193,904)</u>
Total charges for services	<u>33,865,900</u>	<u>32,515,918</u>	<u>(1,349,982)</u>
Other operating revenues	<u>1,017,450</u>	<u>1,037,851</u>	<u>20,401</u>
Total operating revenues	<u>34,883,350</u>	<u>33,553,769</u>	<u>(1,329,581)</u>
Nonoperating revenues			
Interest earned on investments	1,500	2,180	680
Miscellaneous non operating income	34,100	34,030	(70)
Sale of assets	<u>56,500</u>	<u>19,964</u>	<u>(36,536)</u>
Total nonoperating revenues	<u>92,100</u>	<u>56,174</u>	<u>(35,926)</u>
Total revenues	<u>34,975,450</u>	<u>33,609,943</u>	<u>(1,365,507)</u>
Expenditures			
Administrative and Finance			
Salaries and employees benefits	1,156,450	1,105,412	51,038
Other operating expenditures	<u>886,120</u>	<u>432,659</u>	<u>453,461</u>
Total	<u>2,042,570</u>	<u>1,538,071</u>	<u>504,499</u>
Customer Service			
Salaries and employees benefits	172,730	168,031	4,699
Other operating expenditures	<u>20,580</u>	<u>16,546</u>	<u>4,034</u>
Total	<u>193,310</u>	<u>184,577</u>	<u>8,733</u>
Electric Operations			
Salaries and employees benefits	1,458,610	1,418,931	39,679
Electric power purchases	27,900,500	27,410,591	489,909
Other operating expenditures	<u>1,889,555</u>	<u>1,376,006</u>	<u>513,549</u>
Total	<u>31,248,665</u>	<u>30,205,528</u>	<u>1,043,137</u>
Debt Service			
Principal retirement	146,450	146,435	15
Interest and other charges	<u>27,350</u>	<u>27,341</u>	<u>9</u>
Total debt service	<u>173,800</u>	<u>173,776</u>	<u>24</u>

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

*Schedule 14*  
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	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued)			
Capital Outlay			
Administrative and finance	\$ 34,400	\$ 32,896	\$ 1,504
Electric operations	606,505	731,139	(124,634)
Other capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>640,905</u>	<u>764,035</u>	<u>(123,130)</u>
Total expenditures	<u>34,299,250</u>	<u>32,865,987</u>	<u>1,433,263</u>
Revenues over (under) expenditures	<u>676,200</u>	<u>743,956</u>	<u>67,756</u>
Other financing sources (uses)			
Transfer from (to) funds			
General fund	(676,200)	(763,336)	(87,136)
Olive Place Capital Project	<u>(145,000)</u>	<u>(60,007)</u>	<u>84,993</u>
Total other financing sources (uses)	<u>(821,200)</u>	<u>(823,343)</u>	<u>(2,143)</u>
Appropriated fund balance	<u>145,000</u>	<u>-</u>	<u>(145,000)</u>
Revenues and other sources over (under) expenditures, other (uses) and appropriated fund balances	<u>\$ -</u>	<u>\$ (79,387)</u>	<u>\$ (79,387)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ (79,387)</u>	
Principal retirement		146,435	
Capital outlay		764,035	
Depreciation		(609,058)	
Decrease in net pension asset		(217,450)	
Decrease in deferred outflows of resources - pensions		(483)	
Increase in net pension liability		(112,089)	
Decrease in deferred inflows of resources - pensions		312,511	
Increase in installment purchase interest accrued		(5,668)	
Increase in accrued compensated absences		(10,007)	
Increase in postemployment benefits		(30,843)	
Transfer OLIVE electric project		<u>60,007</u>	
Total reconciling items		<u>297,390</u>	
Change in net position		<u>\$ 218,003</u>	

OLIVE PLACE

SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 From Inception and for the Fiscal Year Ended June 30, 2016

	Project Authorization	Actual		Total to Date	Variance Positive Negative
		Prior Years	Current Year		
<b>Revenues</b>					
Interest earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
<b>Expenditures</b>					
Engineering	25,000	4,864	-	4,864	20,136
Construction	230,000	97,977	92,166	190,143	39,857
Contingency	25,000	-	-	-	25,000
Total expenditures	280,000	102,841	92,166	195,007	84,993
Revenues (under) expenditures	(280,000)	(102,841)	(92,166)	(195,007)	84,993
<b>Other financing sources (uses)</b>					
Transfers from other funds					
From electric fund	280,000	135,000	60,007	195,007	(84,993)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ 32,159	\$ (32,159)	\$ -	\$ -

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**MUNICIPAL SOLID WASTE LANDFILL FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**For the Year Ended June 30, 2016**

Schedule 16  
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	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Disposal fees	\$ 2,126,000	\$ 2,458,210	\$ 332,210
Solid waste fees	109,500	125,087	15,587
Sales of mulch and scrap	1,000	6,053	5,053
Scrap tire and white goods fees	116,600	186,296	69,696
Total charges for services	<u>2,353,100</u>	<u>2,775,646</u>	<u>422,546</u>
Other operating revenues	<u>315,500</u>	<u>321,673</u>	<u>6,173</u>
Total operating revenues	<u>2,668,600</u>	<u>3,097,319</u>	<u>428,719</u>
Nonoperating revenues			
Interest earned on investments	800	3,605	2,805
Sales of assets	<u>-</u>	<u>860</u>	<u>860</u>
Total nonoperating revenues	<u>800</u>	<u>4,465</u>	<u>3,665</u>
Total revenues	<u>2,669,400</u>	<u>3,101,784</u>	<u>432,384</u>
Expenditures			
Landfill Operations			
Salaries and employees benefits	777,700	726,052	51,648
Other operating expenditures	<u>1,027,470</u>	<u>941,251</u>	<u>86,219</u>
Total	<u>1,805,170</u>	<u>1,667,303</u>	<u>137,867</u>
Debt Service			
Principal on Capital leases	176,900	176,023	877
Interest and fees	<u>11,000</u>	<u>10,369</u>	<u>631</u>
Total	<u>187,900</u>	<u>186,392</u>	<u>1,508</u>
Capital Outlay	<u>1,332,030</u>	<u>1,225,673</u>	<u>106,357</u>
Total expenditures	<u>3,325,100</u>	<u>3,079,368</u>	<u>245,732</u>
Revenues over (under) expenditures	<u>(655,700)</u>	<u>22,416</u>	<u>678,116</u>

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**MUNICIPAL SOLID WASTE LANDFILL FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**For the Year Ended June 30, 2016**

Schedule 16  
Page 2 of 2

	Budget	Actual	Variance Positive (Negative)
Other financing (uses) sources			
Transfers to other funds			
Landfill capital project fund	\$ (134,350)	\$ -	\$ 134,350
General fund	(14,950)	(38,547)	(23,597)
Electric fund	(300,000)	-	300,000
Proceeds from issuance of long term debt	<u>757,200</u>	<u>757,170</u>	<u>(30)</u>
Total other financing (uses)	<u>307,900</u>	<u>718,623</u>	<u>410,723</u>
 Revenues and other sources over (under) expenditures, other (uses)	 (347,800)	 741,039	 1,088,839
Appropriated fund balance	<u>(347,800)</u>	<u>-</u>	<u>347,800</u>
 Revenues and other sources over (under) expenditures, other (uses) and appropriated fund balances	 <u>\$ -</u>	 <u>\$ 741,039</u>	 <u>\$ 741,039</u>
 Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ 741,039</u>	
Principal retirement		176,023	
Capital outlay		1,225,673	
Depreciation		(1,315,145)	
Decrease in net pension asset		(51,999)	
Decrease in deferred outflows of resources - pensions		(170)	
Increase in net pension liability		(39,561)	
Decrease in deferred inflows of resources - pensions		110,297	
Proceeds from long term debt		(757,170)	
Increase in installment purchase interest accrued		(307)	
Increase in accrued compensated absences		(16,618)	
Increase in postemployment benefits		(10,886)	
Adjustment to accrued landfill closure and post closure costs		<u>(222,898)</u>	
Total reconciling items		<u>(902,761)</u>	
 Change in net position		 <u>\$ (161,722)</u>	

LANDFILL CAPITAL PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

From Inception and for the Fiscal Year Ended June 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Interest earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures					
Engineering	75,000	37,300	218,940	256,240	(181,240)
Legal	56,000	-	-	-	56,000
Other services	199,000	-	1,016	1,016	197,984
Construction	1,959,500	-	-	-	1,959,500
Contingency	195,950	-	-	-	195,950
Total expenditures	2,485,450	37,300	219,956	257,256	2,228,194
Revenues (under) expenditures	(2,485,450)	(37,300)	(219,956)	(257,256)	2,228,194
Other financing sources (uses)					
Proceeds from debt	2,435,450	-	-	-	(2,435,450)
Transfer from landfill	50,000	49,000	-	49,000	(1,000)
Total other financing (uses)	2,485,450	49,000	-	49,000	(2,436,450)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ 11,700	\$ (219,956)	\$ (208,256)	\$ (208,256)



**CITY OF ALBEMARLE, NORTH CAROLINA**  
**COMBINING BALANCE SHEET**  
**DEPARTMENT OF PUBLIC HOUSING**  
*June 30, 2016*

Schedule 18

	Department of Public Housing			Totals
	Conventional	Section 8	Capital Fund	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,097,273	\$ 23,687	\$ -	\$ 1,120,960
Accounts receivable - net	7,677	16,296	42,985	66,958
Prepaid expenses	6,622	1,915	-	8,537
<b>Total current assets</b>	<u>1,111,572</u>	<u>41,898</u>	<u>42,985</u>	<u>1,196,455</u>
<b>Noncurrent Assets</b>				
<b>Capital Assets</b>				
Land	580,577	-	-	580,577
Other capital assets, net of depreciation	5,244,558	71,227	-	5,315,785
<b>Total noncurrent assets</b>	<u>5,825,135</u>	<u>71,227</u>	<u>-</u>	<u>5,896,362</u>
<b>Total Assets</b>	<u>6,936,707</u>	<u>113,125</u>	<u>42,985</u>	<u>7,092,817</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	13,728	-	-	13,728
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	72,725	4,975	42,985	\$ 120,685
Prepaid tenant rent	1,258	-	-	1,258
Compensated absences - current	12,635	2,752	-	15,387
Installment purchase agreements payable - current	1,180	-	-	1,180
<b>Total current liabilities</b>	<u>87,798</u>	<u>7,727</u>	<u>42,985</u>	<u>138,510</u>
<b>Noncurrent Liabilities</b>				
Compensated absences - noncurrent	12,635	2,752	-	15,387
Other post employment benefits	78,306	22,373	-	100,679
Installment purchase agreements payable - noncurrent	1,645	-	-	1,645
Net pension liability	29,670	-	-	29,670
<b>Total noncurrent liabilities</b>	<u>122,256</u>	<u>25,125</u>	<u>-</u>	<u>147,381</u>
<b>Total liabilities</b>	<u>210,054</u>	<u>32,852</u>	<u>42,985</u>	<u>285,891</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	16,219	-	-	16,219
<b>Total deferred inflows of resources</b>	<u>16,219</u>	<u>-</u>	<u>-</u>	<u>16,219</u>
<b>Net Position</b>				
Net investment in capital assets	-	-	-	-
Unrestricted	6,724,162	80,273	-	6,804,435
<b>Total net position</b>	<u>\$ 6,724,162</u>	<u>\$ 80,273</u>	<u>\$ -</u>	<u>\$ 6,804,435</u>

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**COMBINING SCHEDULE OF REVENUES AND EXPENSES**  
**DEPARTMENT OF PUBLIC HOUSING**  
**For the Fiscal Year Ended June 30, 2016**

*Schedule 19*

	Department of Public Housing			Totals
	Conventional	Section 8	Capital Fund	
Operating Revenues				
Rental income	\$ 514,659	\$ -	\$ -	\$ 514,659
Public Housing Revenues	<u>56,101</u>	<u>-</u>	<u>-</u>	<u>56,101</u>
Total operating revenues	<u>570,760</u>	<u>-</u>	<u>-</u>	<u>570,760</u>
Operating expenses				
Administrative	494,533	203,239	9,099	706,871
Tenant services	-	-	-	-
Utilities	405,393	-	-	405,393
Ordinary maintenance and operation	282,056	-	-	282,056
General expenses	137,257	-	-	137,257
Housing assistance program	-	1,116,655	-	1,116,655
Nonroutine maintenance	39,248	-	-	39,248
Depreciation	<u>424,300</u>	<u>4,369</u>	<u>-</u>	<u>428,669</u>
Total operating expenses	<u>1,782,787</u>	<u>1,324,263</u>	<u>9,099</u>	<u>3,116,149</u>
Operating (loss)	<u>(1,212,027)</u>	<u>(1,324,263)</u>	<u>(9,099)</u>	<u>(2,545,389)</u>
Nonoperating revenues (expenses)				
Operating subsidies	663,087	1,222,907	-	1,885,994
Investment earnings	2,485	172	-	2,657
Interest and other charges	(360)	-	-	(360)
Nonoperating revenue	<u>84,593</u>	<u>-</u>	<u>-</u>	<u>84,593</u>
Total nonoperating revenues	<u>749,805</u>	<u>1,223,079</u>	<u>-</u>	<u>1,972,884</u>
Net income (loss) before contributions and transfers	<u>(462,222)</u>	<u>(101,184)</u>	<u>(9,099)</u>	<u>(572,505)</u>
Capital contributions	-	-	417,681	417,681
Transfers (to) from other funds	<u>(14,077)</u>	<u>-</u>	<u>-</u>	<u>(14,077)</u>
	<u>(14,077)</u>	<u>-</u>	<u>417,681</u>	<u>403,604</u>
Change in net position	(476,299)	(101,184)	408,582	(168,901)
Net position, July 1 - restated	<u>6,791,879</u>	<u>181,457</u>	<u>-</u>	<u>6,973,336</u>
Net position, June 30	<u>\$ 6,315,580</u>	<u>\$ 80,273</u>	<u>\$ 408,582</u>	<u>\$ 6,804,435</u>

*CITY OF ALBEMARLE, NORTH CAROLINA*  
*SCHEDULE OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (NON-GAAP)*  
*DEPARTMENT OF PUBLIC HOUSING - CONVENTIONAL*  
*For the Fiscal Year Ended June 30, 2016*

*Schedule 20*

	Original and Final Budget	Conventional Actual		Variance Favorable (Unfavorable)
Operating Revenues				
Rental income	\$ 438,000	\$ 514,659	\$	76,659
Other operating revenues	45,800	56,101		10,301
Total operating revenues	<u>483,800</u>	<u>570,760</u>		<u>86,960</u>
Operating expenditures				
Administrative	524,400	436,322		88,078
Utilities	384,000	405,393		(21,393)
Ordinary maintenance and operation	265,040	282,056		(17,016)
General expenses	61,000	137,257		(76,257)
Nonroutine maintenance	134,750	39,248		95,502
Total operating expenditures	<u>1,369,190</u>	<u>1,300,276</u>		<u>68,914</u>
Operating revenues over (under) operating expenditures	<u>(885,390)</u>	<u>(729,516)</u>		<u>155,874</u>
Nonoperating revenues				
Operating subsidies	672,000	663,087		(8,913)
Interest income	4,000	2,485		(1,515)
Insurance proceeds	-	84,593		84,593
Total nonoperating revenues	<u>676,000</u>	<u>750,165</u>		<u>74,165</u>
Nonoperating expenditures				
Lease payments	6,600	1,053		5,547
Interest and other charges	800	360		440
Capital outlay	3,550	46,397		(42,847)
Total nonoperating expenditures	<u>10,950</u>	<u>47,810</u>		<u>(36,860)</u>
Nonoperating revenues over nonoperating expenditures	<u>665,050</u>	<u>702,355</u>		<u>37,305</u>
Revenues over (under) expenditures	<u>(220,340)</u>	<u>(27,161)</u>		<u>193,179</u>
Other financing (uses) sources				
Transfer to general fund	(10,200)	(14,077)		(3,877)
Revenues and other financing sources over (under) expenditures and other financing uses	(230,540)	(41,238)		189,302
Appropriated fund balance	230,540	-		230,540
Excess of revenues and appropriated fund balance (under) expenditures - modified accrual	<u>\$ -</u>	<u>(41,238)</u>	<u>\$</u>	<u>(41,238)</u>
Reconciliation to the accrual basis:				
Depreciation		(424,300)		
Capital outlay		46,397		
Lease principal payments		1,053		
Decrease in deferred outflows of resources - pensions		(128)		
Increase in net pension liability		(29,670)		
Increase in deferred inflows of resources - pensions		(16,219)		
Increase in other postemployment benefits		(3,929)		
Increase in accrued compensated absences		(8,265)		
Change in net position		<u>\$ (476,299)</u>		

*CITY OF ALBEMARLE, NORTH CAROLINA* *Schedule 21*  
**SCHEDULE OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (NON-GAAP)**  
**DEPARTMENT OF PUBLIC HOUSING - SECTION 8**  
*For the Fiscal Year Ended June 30, 2016*

	Section 8		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Operating subsidies	\$ 1,327,950	\$ 1,222,907	\$ (105,043)
Total operating revenues	1,327,950	1,222,907	(105,043)
Operating expenditures			
Administrative	234,050	199,990	34,060
Housing assistance program	1,208,750	1,116,655	92,095
Total operating expenditures	1,442,800	1,316,645	126,155
Operating revenues (under) operating expenditures	(114,850)	(93,738)	21,112
Nonoperating revenues			
Interest income	250	172	(78)
Excess (deficiency) of revenues under expenditures modified accrual	(114,600)	(93,566)	21,034
Appropriated fund balance	114,600	-	(114,600)
Excess of revenues and appropriated fund balance (under) expenditures - modified accrual	\$ -	(93,566)	\$ (93,566)
Reconciliation to the accrual basis:			
Depreciation		(4,369)	
Increase in accrued compensated absences		(1,435)	
Increase in other postemployment benefits		(1,814)	
Change in net position		\$ (101,184)	

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**DEPARTMENT OF PUBLIC HOUSING - CAPITAL FUNDS**  
**For the Fiscal Year Ended June 30, 2016**

Schedule 22

	Capital Funds				Variance Favorable (Unfavorable)
	Project Budget	Prior Years	Actual	Total To Date	
Operating					
HUD Capital Grants	\$ 864,656	\$ 155,316	\$ 417,681	\$ 572,997	\$ (291,659)
Expenditures					
Administrative	41,333	12,603	14,447	27,050	14,283
Capital Outlay	<u>823,323</u>	<u>142,713</u>	<u>403,234</u>	<u>545,947</u>	<u>277,376</u>
Total	<u>864,656</u>	<u>155,316</u>	<u>417,681</u>	<u>572,997</u>	<u>291,659</u>
Revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Capital expenditures capitalized			<u>408,582</u>		
Change in net position			<u>\$ 408,582</u>		

# Agency Fund

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Agency Funds are used to account for assets held by the City as an agent for individual and/or other governments.

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*Municipal Service District Fund* – This fund accounts for taxes assessed from taxpayers in a special area for downtown development for that area.

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**AGENCY FUND**  
**STATEMENT OF CHANGES IN POSITION AND LIABILITIES**  
**For the Fiscal Year Ended June 30, 2016**

**Schedule 23**

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 953	\$ 48,576	\$ 48,945	\$ 584
	<u>\$ 953</u>	<u>\$ 48,576</u>	<u>\$ 48,945</u>	<u>\$ 584</u>
<b>LIABILITIES</b>				
Due to agencies	<u>953</u>	<u>48,576</u>	<u>48,945</u>	<u>584</u>
	<u>\$ 953</u>	<u>\$ 48,576</u>	<u>\$ 48,945</u>	<u>\$ 584</u>

## Other Schedules

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This section includes additional information on property taxes.

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- *Schedule of Ad Valorem Taxes Receivable*
- *Analysis of Current Tax Levy*



**CITY OF ALBEMARLE, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2016**

*Schedule 24*

<u>Fiscal Year</u>	Uncollected Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Collections and Credits</u>	Uncollected Balance <u>June 30, 2016</u>
2015-2016	\$ -	\$ 5,945,552	\$ 5,779,023	\$ 166,529
2014-2015	184,958	3,166	89,676	98,448
2013-2014	126,248	3,189	39,869	89,568
2012-2013	92,415	1,109	25,785	67,739
2011-2012	66,502		11,431	55,071
2010-2011	61,162	-	12,255	48,907
2009-2010	115,043	-	12,195	102,848
2008-2009	35,234	-	4,344	30,890
2007-2008	28,458	-	2,403	26,055
2006-2007	26,897	-	2,490	24,407
2005-2006	<u>24,759</u>	<u>-</u>	<u>24,759</u>	<u>-</u>
	<u>\$ 761,676</u>	<u>\$ 5,953,016</u>	<u>\$ 6,004,230</u>	710,462
Less: Allowance for uncollectible accounts Ad valorem taxes receivable				<u>(167,397)</u>
Ad valorem taxes receivable - net				<u>\$ 543,065</u>
Reconciliation with revenues				
Ad valorem taxes collected - General Fund				<u>\$ 5,984,454</u>
Discounts allowed				33,310
Releases and adjustments				23,440
Taxes written off				23,878
Interest collected				<u>(60,852)</u>
Total collections and credits				<u>\$ 6,004,230</u>

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**CITY-WIDE LEVY**  
**For the Fiscal Year Ended June 30, 2016**

*Schedule 25*

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxes at current year's rate	\$ 1,008,360,269	0.59	\$ 5,949,326	\$ 5,293,386	\$ 655,940
Discoveries:					
Current year taxes	5,031,754	0.59	29,687	29,687	-
Abatements:	(5,671,310)	0.59	(33,461)	(33,461)	-
Total valuation	\$ 1,007,720,713				
Net levy			5,945,552	5,289,612	655,940
Uncollected taxes at June 30, 2016			(166,529)	(160,164)	(6,365)
Current year's taxes collected			\$ 5,779,023	\$ 5,129,448	\$ 649,575
Current levy collection percentage			97.20%	96.97%	99.03%

# **Compliance Section**



**POTTER & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

**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 Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Albemarle, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises the City of Albemarle's basic financial statements, and have issued our report thereon dated December 14, 2016. Our report includes a reference to other auditors who have audited the financial statements of the Albemarle Downtown Development Corporation and the City of Albemarle ABC Board, as described in our report on the City of Albemarle, North Carolina's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Albemarle Downtown Development Corporation and the City of Albemarle ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Albemarle'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 Albemarle's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a

timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2016-1, 2016-2, 2016-3 and 2016-4 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2016-5 and 2016-6 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Albemarle's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

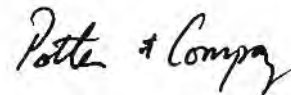
#### City of Albemarle's Responses to Findings

The City of Albemarle's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of this Report

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

December 16, 2016  
Monroe, North Carolina





**POTTER & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

**Independent Auditors' Report**

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

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

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

**Auditors' Responsibility**

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

### **Opinion on Each Major Federal Program**

In our opinion, the City of Albemarle complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

Management of the City of Albemarle 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 Albemarle's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

December 16, 2016  
Monroe, North Carolina

*Potter + Company*



**POTTER & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH OMB UNIFORM  
GUIDANCE; AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

**Independent Auditors' Report**

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

**Report on Compliance for Each Major State Program**

We have audited the City of Albemarle, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Albemarle's major state programs for the year ended June 30, 2016. The City of Albemarle's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Albemarle'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 Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Albemarle'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 Albemarle's compliance.



### **Opinion on Each Major State Program**

In our opinion, the City of Albemarle complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

Management of the City of Albemarle 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 Albemarle's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

December 16, 2016  
Monroe, North Carolina

*Potts & Company*

*CITY OF ALBEMARLE, NORTH CAROLINA*  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Fiscal Year Ended June 30, 2016*

**Section I. Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                  yes        no
  
- Significant Deficiency(s) identified that  
are not considered to be material  
weaknesses    yes        none reported

Noncompliance material to financial  
statements noted

yes        no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?                  yes        no
  
- Significant Deficiency(s) identified that  
are not considered to be material  
weaknesses    yes        none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are required  
to be reported in accordance with 2 CFR  
200.516(a)

yes        no

Identification of major federal programs:

CFDA Number  
14.850

Name of Federal Program  
Public and Indian Housing Operating Subsidy

Dollar threshold used to distinguish between  
Type A and Type B Programs

\$ 750,000

Auditee qualified as low-risk auditee?

yes        no

State Awards

Internal control over major State programs:

- Material weakness(es) identified?                  yes        no
  
- Significant Deficiency(s) identified that  
are not considered to be material  
weaknesses    yes        none reported

*CITY OF ALBEMARLE, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2016*

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Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act          yes   X   no

Identification of major State programs:

Program Name  
Powell Bill  
NC Drinking Water State Revolving Fund  
NC Clean Water State Revolving Fund

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**Section II - Financial Statement Findings**

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**Finding 2016-1**

MATERIAL WEAKNESS

Criteria: G.S. 159-13 requires the governing board to appropriate the full amount of any deficit in each fund.

Condition: The City had a deficit fund balance of \$23,905 in the Parks and Recreation Grant Special Revenue Fund at year end.

Effect: Expenditures had been made or accrued in excess of resources in the Parks and Recreation Grant Special Revenue Fund.

Cause: Expenditures were incurred or accrued in excess of grant revenues and transfers received during the year.

Recommendation: The adequacy of grant revenues and transfers should be reevaluated and revised to reflect more accurately costs incurred in their respective funds.

Views of responsible officials and planned corrective actions: The City agrees with this finding and will adhere to the corrective action plan on pages 114 and 115 of this report.

**Finding 2016-2**

MATERIAL WEAKNESS

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There appears to be a lack of segregation of duties in the accounts payable and cash disbursement functions. Essentially all functions, including vendor set up, payment, possession of the signature file, set up of electronic payments, processing of electronic payments and transmission of positive pay files to the bank, are performed by one individual. Although there are number of levels of approval for purchase orders, invoices and checks, these approvals do not mitigate this lack of segregation of duties.

Effect: Transactions could be mishandled.

Cause: The size of the City's finance staff creates certain limitations on segregation of duties.

Recommendation: We recommend the City evaluate incompatible duties and separate to the greatest extent feasible. In addition, procedures for ensuring that all disbursements have been properly authorized should be added to the control procedures currently performed by City personnel.

*CITY OF ALBEMARLE, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2016*

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**Section II - Financial Statement Findings**

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Views of responsible officials and planned corrective actions: The City agrees with this finding and will adhere to the corrective action plan on pages 114 and 115 of this report.

**Finding 2016-3**

MATERIAL WEAKNESS

Criteria: Management and the Council should ensure procedures are in place to appropriately safeguard assets.

Condition: In the collection department, cashiers do not consistently log off of their terminals when away from their work stations. In addition, cash drawers at the work stations are not locked when in use or when stored in the vault pending reconciliation.

Effect: Cashiers could record or process transactions at a workstation other than the one to which they are assigned which would not allow for identification of the source of any errors that may occur.

Cause: The area in which the cashiers work is locked from the public except for the window access and consideration of access to other cashiers and employees has been an oversight.

Recommendation: We recommend all cashiers log off of their terminals and lock the cash drawer whenever they are away from the workstation, in order to prevent unauthorized use.

Views of responsible officials and planned corrective actions: The City agrees with this finding and will adhere to the corrective action plan on pages 114 and 115 of this report.

**Finding 2016-4**

MATERIAL WEAKNESS

Criteria: Management and the Council should ensure procedures are in place to appropriately safeguard assets and to ensure all transactions are properly authorized.

Condition: While there are procedures for approval of adjustments and write offs of customer utility accounts, there appear no procedures for ensuring that all recorded account adjustments were actually authorized.

Effect: Transactions could be mishandled.

Cause: No control procedures for ensuring that adjustments recorded to customer accounts were appropriately authorized.

Recommendation: We recommend management implement procedures for periodic review of adjustments and write offs to customer accounts to ensure all such transactions are properly authorized.

Views of responsible officials and planned corrective actions: The City agrees with this finding and will adhere to the corrective action plan on pages 114 and 115 of this report.

**Finding 2016-5**

SIGNIFICANT DEFICIENCY

Criteria: Management and the Council should ensure procedures are in place to appropriately safeguard assets.

Condition: Deposits from the parks and recreation department are not consistently made on a timely basis and are not transported in a locked bag.

Effect: Cash could be mishandled.

Cause: Policies of the City are not consistently followed.

Recommendation: We recommend management reemphasize the City's policies and procedures related to timeliness of deposits and security of cash.

Views of responsible officials and planned corrective actions: The City agrees with this finding and will adhere to the corrective action plan on pages 114 and 115 of this report.

**Finding 2016-6**

SIGNIFICANT DEFICIENCY

Criteria: Management and the Council should ensure procedures are in place to appropriately safeguard assets and ensure all transactions are properly authorized.

Condition: Payment processing for procurement cards includes an electronic review and signature of the cardholder and an electronic review and approval by the cardholder's supervisor. However, there appear to be instances in which appropriate approvals are not documented prior to payment of the related procurement card bill.

Effect: Transactions could be mishandled.

Cause: Policies of the City are not consistently followed.

Recommendation: We recommend management reemphasize the City's policies and procedures related approval of procurement card transactions. The City should consider some action to enable enforcement of these policies which may include termination of procurement card access when approval procedures are not followed.

Views of responsible officials and planned corrective actions: The City agrees with this finding and will adhere to the corrective action plan on pages 114 and 115 of this report.

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**Section III - Federal Award Findings and Questioned Costs**

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None reported.

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**Section IV - State Award Findings and Questioned Costs**

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None reported.

*CITY OF ALBEMARLE, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2016*

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**Section V – Corrective Action Plan**

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**Finding 2016-1**

Name of contact person: Colleen Conroy, Finance Director

Corrective action: The Finance Director will review actual grant fund and transfers received during the year in the Parks and Recreation Grant Special Revenue Fund and Debt Service Fund to more accurately cover expenditures incurred by this fund.

Proposed Completion Date: The Finance Director has implemented this corrective action.

**Finding 2016-2**

Name of contact person: Colleen Conroy, Finance Director

Corrective Action: The City will evaluate implementation of certain detection controls in this area.

Proposed Completion Date: January 2017

**Finding 2016-3**

Name of contact person: Colleen Conroy, Finance Director

Corrective Action: The City and has implemented processes for locking cash drawers when not in use and for control of user terminals. The drawers are not locked when in the vault because the cash trays do not have a locking mechanism. However, there is a camera recording of any activity that occurs in the vault.

Proposed Completion Date: The Finance Director has implemented this corrective action.

**Finding 2016-4**

Name of contact person: Colleen Conroy, Finance Director

Corrective Action: The City will implement a procedure for periodic review of reports of adjustments to customer accounts for appropriate authorization.

Proposed Completion Date: January 2017

**Finding 2016-5**

Name of contact person: Colleen Conroy, Finance Director

Corrective Action: The Finance Director and collections supervisor have ongoing discussions with the Parks and Recreation department to reemphasize the policies and procedures of the City.

Proposed Completion Date: The Finance Director has implemented this corrective action.

*CITY OF ALBEMARLE, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2016*

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**Section V – Corrective Action Plan**

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**Finding 2016-6**

Name of contact person: Colleen Conroy, Finance Director

Corrective Action: The Finance Director has implemented a procedure for supervisors to sign a hard copy of the procurement card detail if the deadline for electronic approval is missed in order to provide documentation of approval.

Proposed Completion Date: The Finance Director has implemented this corrective action.

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**Section VI – Summary Schedule of Prior Year Findings**

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None reported.

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<u>Grantor/Pass-through Grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Direct &amp; - Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b>FEDERAL AWARDS</b>					
<u>U.S. Department of Housing &amp; Urban Development</u>					
<u>Direct Grant:</u>					
Low Income Housing:					
Public and Indian Housing Operating Subsidies	14.850		663,087	-	-
Section 8:					
Housing Choice Vouchers	14.871		1,316,625	-	-
Public Housing Capital Fund:					
NC19PO7550113	14.872		171,409	-	-
NC19PO7550114	14.872		236,115	-	-
NC19PO7550114	14.872		10,157	-	-
<u>U.S. Department of Transportation - Federal Highway Administration</u>					
Pass through NC Department of Transportation					
Transportation Enhancement (STP-EB) - US52 Sidewalk	20.205		158,621	39,655	110,234
Transportation Enhancement (STP-EB) - Leonard Ave. Sidewalk	20.205		237,070	59,267	-
Governor's Highway Safety Program (2015)	20.600	PT-15-09-15	11,434	-	6,019
Governor's Highway Safety Program (2016)	20.600	PT-16-06-22	19,655	-	19,914
<u>U.S. Department of Justice</u>					
Pass through NC Department of Justice					
Bullet Proof Vest Grant	16.607		6,574	-	-
<b>Total assistance federal programs</b>			<b>2,830,747</b>	<b>98,922</b>	<b>136,167</b>
<b>STATE AWARDS</b>					
<u>N.C. Department of Natural and Cultural Resources</u>					
NC Drinking Water State Revolving Fund (52 Rehab)		H-LRX-F-15-1868	-	5,357,935	-
NC Clean Water State Revolving Loan Program (Leachate Upgrade)		CS370522-05	-	219,956	-
NC Clean Water State Revolving Loan Program (Headworks)		ESRF-T-2013-522-03	-	836,435	-
Parks and Recreation Trust Fund (Morehead Park Renovations)		789	-	67,710	-
<u>N.C. Division of Water Infrastructure</u>					
Rural Center Capacity Grant	N/A	02-51-03	-	-	-
Alum Sludge Study		E-TAG-W-15-0020	-	10,000	-
<u>N.C. Department of Transportation</u>					
Powell Bill		DOT-4 32570	-	616,850	-
<b>Total assistance state programs</b>			<b>-</b>	<b>7,207,808</b>	<b>-</b>
<b>Total assistance</b>			<b>\$ 2,830,747</b>	<b>\$ 7,207,808</b>	<b>\$ 136,167</b>

**Note to the Schedule of Expenditures of Federal and State Financial Awards:**

**Note 1: Basis of Presentation**

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

**Note 2: Summary of Significant Accounting Policies**

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

**Note 3: Loans Outstanding**

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

<u>Program Name</u>	<u>CFDA Number</u>	<u>State / Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
NC Drinking Water State Revolving Fund (52 Rehab)		H-LRX-F-15-1868	5,357,935
NC Clean Water State Revolving Loan Program (Leachate Upgrade)		CS370522-05	219,956
NC Clean Water State Revolving Loan Program (Headworks)		ESRF-T-2013-522-03	836,435