

CITY OF ALBEMARLE, NORTH CAROLINA

FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2015

CITY OF ALBEMARLE, NORTH CAROLINA

CITY OFFICIALS

JUNE 30, 2015

MAYOR

G. R. MICHAEL

CITY COUNCIL

TROY E. ALEXANDER - MAYOR PRO-TEM

MARTHA SUE HALL

BENTON H, DRY, II

MARTHA E. HUGHES

BILL ALDRIDGE

DEXTER G. TOWNSEND

CHRIS WHITLEY

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



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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 report 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, 2015, and the respective changes in financial position and cash flows, where appropriated, thereof and the 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 4 through 12, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, on pages 56 and 57, respectively, Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 58 and 59, respectively, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 60 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 consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 2, 2015 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.

Anderson Smith + Wike PLLC

Rockingham, NC
October 2, 2015

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, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

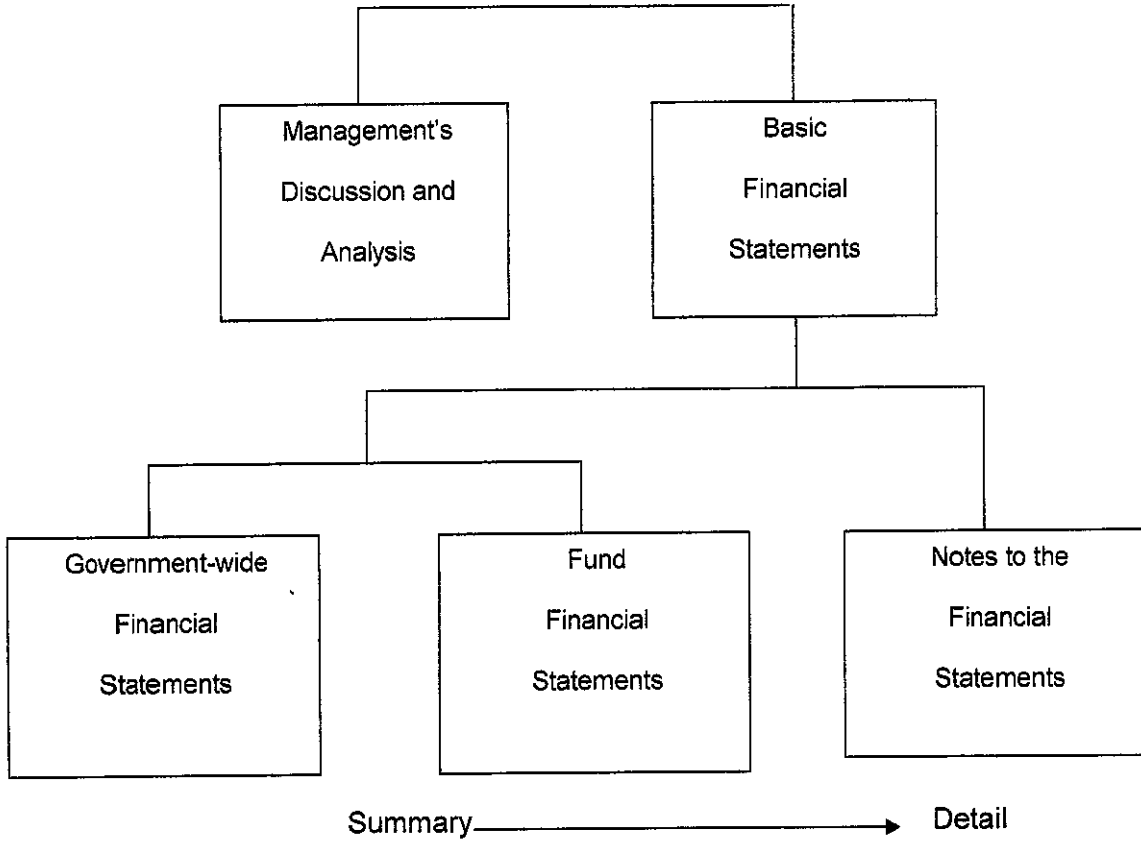
Financial Highlights

- The assets and deferred outflows of resources of the City of Albemarle exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$66,260,904.
- The government's total net position decreased by \$225,478, primarily due to expenditures exceeding revenues.
- As of the close of the current fiscal year, the City of Albemarle's governmental funds reported combined ending fund balances of \$7,865,048 an increase of \$1,219,360 in comparison with the prior year. Approximately 78.0 percent of this total amount, or \$5,133,266, 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 \$5,095,966, or 39.6 percent of total general fund expenditures for the fiscal year.
- The City of Albemarle's total debt increased by \$1,251,940 during the current fiscal year. The key factor in this increase is new debt of \$2,759,523.

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. 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



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets and 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, 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 because 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 is another example of a component unit that is legally separate from the City, but the City exercises control over the Board.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of 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 four categories: governmental funds, special revenue 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes. The City has numerous special revenue funds within the governmental fund types, those being the Fire (FEMA) Grant Fund, Clean Water Management Trust Grant Fund, Governor's Highway Safety Fund, and Governor's Crime Commission Fund. These funds are combined in the accompanying financial statements in the B-exhibits.

Proprietary Funds – City of Albemarle has four different proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Albemarle uses enterprise funds to account for its water and sewer activity, 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 accounting used for the fiduciary funds is much like that used for the proprietary funds. 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 24 through 55 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 benefits to its employees. Required supplementary information can be found on page 56 through 60 of this report.

Government-Wide Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole.

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

The City of Albemarle's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 9,276,645	\$ 8,913,672	\$ 19,291,396	\$ 22,118,454	\$ 28,568,041	\$ 31,032,126
Capital assets	15,893,769	16,362,371	60,059,916	55,538,651	75,953,685	71,901,022
Deferred outflows of resources	867,699	-	707,073	-	1,574,772	-
Total assets and deferred outflows of resources	<u>26,038,113</u>	<u>25,276,043</u>	<u>80,058,385</u>	<u>77,657,105</u>	<u>106,096,498</u>	<u>102,933,148</u>
Long-term liabilities	3,957,821	4,145,833	23,351,393	21,363,229	27,309,214	25,509,062
Other liabilities	1,438,276	1,130,024	8,205,352	7,125,698	9,643,628	8,255,722
Deferred inflows of resources	1,589,489	1,077,640	1,293,263	-	2,882,752	1,077,640
Total liabilities and deferred inflows of resources	<u>6,985,586</u>	<u>6,353,497</u>	<u>31,556,745</u>	<u>28,488,927</u>	<u>39,835,594</u>	<u>34,842,424</u>
Net position						
Net investment in capital assets	14,001,213	14,179,497	42,422,961	39,408,597	56,424,174	53,588,094
Restricted	1,577,201	1,841,563	-	-	1,577,201	1,841,563
Unrestricted	3,474,113	2,901,486	4,785,416	9,759,581	8,259,529	12,661,067
Total net position	<u>\$ 19,052,527</u>	<u>\$ 18,192,546</u>	<u>\$ 47,208,377</u>	<u>\$ 49,168,178</u>	<u>\$ 66,260,904</u>	<u>\$ 68,090,724</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Albemarle exceeded liabilities and deferred inflows of resources by \$66,260,904 as of June 30, 2015. The City's net position decreased by \$225,478 for the fiscal year ended June 30, 2015. The City of Albemarle uses 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. Also, the City of Albemarle implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share the Local Government Employee's Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$1,604,342. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Albemarle's management.

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

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

The City of Albemarle's Changes Net Position

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,248,095	\$ 1,233,228	\$ 45,590,334	\$ 45,115,371	\$ 46,838,429	\$ 46,348,599
Contributions	66,402	49,700	1,931,665	2,070,074	1,998,067	2,119,774
Contributions	949,567	985,715	236,464	192,779	1,186,031	1,178,494
General revenues:						
Property taxes	5,942,627	5,794,633	-	-	5,942,627	5,794,633
Other taxes	4,776,561	4,285,480	-	-	4,776,561	4,285,480
Interest earned	2,185	2,528	57,763	79,476	59,948	82,004
Other	72,132	134,347	280,781	121,834	352,913	256,181
Total revenues	<u>13,057,569</u>	<u>12,485,631</u>	<u>48,097,007</u>	<u>47,579,534</u>	<u>61,154,576</u>	<u>60,065,165</u>
Expenses:						
General government	1,591,598	1,856,381	-	-	1,591,598	1,856,381
Public safety	7,150,819	7,033,184	-	-	7,150,819	7,033,184
Public works	2,036,115	2,032,970	-	-	2,036,115	2,032,970
Environmental protection	940,066	930,426	-	-	940,066	930,426
Economic development	68,283	112,038	-	-	68,283	112,038
Culture and recreation	1,410,222	1,302,081	-	-	1,410,222	1,302,081
Interest on long-term debt	86,493	104,234	-	-	86,493	104,234
Water and sewer	-	-	7,426,506	7,158,112	7,426,506	7,158,112
Electric	-	-	34,617,760	34,128,798	34,617,760	34,128,798
Landfill	-	-	3,069,545	3,300,050	3,069,545	3,300,050
Public housing	-	-	2,982,647	3,041,526	2,982,647	3,041,526
Total expenses	<u>13,283,596</u>	<u>13,371,314</u>	<u>48,096,458</u>	<u>47,628,486</u>	<u>61,380,054</u>	<u>60,999,800</u>
Increase in net position before transfers	(226,027)	(885,683)	549	(48,952)	(225,478)	(934,635)
Transfers	<u>1,240,000</u>	<u>1,373,818</u>	<u>(1,240,000)</u>	<u>(1,373,818)</u>	-	-
Change in net position	1,013,973	488,135	(1,239,451)	(1,422,770)	(225,478)	(934,635)
Net position, beginning, as restated	<u>18,038,554</u>	<u>18,676,563</u>	<u>48,447,828</u>	<u>50,590,948</u>	<u>66,486,382</u>	<u>69,267,511</u>
Net position, end of year	<u>\$ 19,052,527</u>	<u>\$ 18,922,546</u>	<u>\$ 47,208,377</u>	<u>\$ 49,168,178</u>	<u>\$ 66,260,904</u>	<u>\$ 68,090,724</u>

Governmental activities: Governmental activities increased the City's net position by \$1,013,973. Key elements of this increase are as follows:

- Transfers from other funds of \$1,240,000

Business-type activities: Business-type activities decreased the City of Albemarle's net position by \$1,239,451. Key elements of this decrease are as follows:

- Transfers to other funds of \$1,240,000

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, unreserved 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 \$7,840,863, while total fund balance reached \$7,865,048. The Governing Body of City of Albemarle has determined that the City should maintain an available fund balance of 10% of general fund expenditures in case of unforeseen needs or opportunities in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 47.9 percent of total General Fund expenditures, while total fund balance represents 82.0 percent of that same amount.

At June 30, 2015, the governmental funds of City of Albemarle reported a combined fund balance of \$7,865,048 a 8.0 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.

- Appropriated proceeds from Insurance Proceeds in Landfill.
- Appropriated W/S Fund Balance for equipment ordered in prior fiscal year but not received.
- Appropriated Grant Proceeds received by Police Department to combat drug related crimes.
- Appropriated Funds donated to purchase a canine.
- To transfer funds from Capital Project to W/S plants for removal of Alum Sludge.
- Appropriate Sale of Surplus Property to W/S Systems for Aerial Sewer Line Replacement.
- To appropriate Fund Balance in General Fund & Powell Bill funds as Grant Match for NCDOT sidewalk projects on Leonard Avenue & US Highway 52 Business.
- Appropriate Sale of Surplus Property for repairs to Equipment in Electric Fund.
- Appropriate Fund Balance for refund of Gaming License fees.
- Appropriate Sale of Surplus Property and Insurance Proceeds for repairs of police vehicle and replacement of police vehicle.
- Appropriate sale of Surplus Property in Parks/Recreation to increase funds for purchase of motor vehicle and offset costs for repairs to roof and EE Waddell Center.
- Appropriate Grant funds from DENR for Alum Sludge Study.
- Transfer funds from W/S to Headworks project for DENR Loan Closing Costs.
- Transfer funds from Electric Division to Capital Project for upgrades and improvements for Shops at Olive Place.
- Transfer funds in Landfill to Capital Project for Leachate Force Main.
- Amend Plants Division of W/S budget for replacing analog meters to AMR meters.
- Appropriate DENR Grant Funds for Security Gate at Landfill.

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 \$1,991,589, those for the Electric Fund amounted to \$4,215,987, Public Housing \$1,093,307, and for the Landfill Fund \$(1,929,277). The total change in net position for all funds was \$51,180, \$(597,400), \$(551,438), and \$(275,953), 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, 2015, totals \$75,953,685 (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:

- Thermal Imagers & Thermal Cameras for the Fire Department
- Automated Entry Gate for Landfill
- Completion of Central Avenue Electric Delivery Station
- Completion of Old Whitney Pump Station rehabilitation & Upgrades
- Completion of Sanitary Sewer Inflow & Infiltration Project
- HVAC at Amhurst Gardens Public Housing
- Purchased & installed an Elevated water Tank Mixing System
- Purchased a Narcotic Canine
- Purchased an Electric Line Truck
- Paved North Second Street from North St. to Franklin St. – .28 miles
- Began work on Headworks project at Wastewater Treatment Plant
- Continue work on Concord/Kannapolis/Albemarle Waterline Project – 96% complete
- Completed repair of 8" aerial crossing in W/S Department.

City of Albemarle's Capital Assets Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,603,740	\$ 2,640,255	\$ 1,031,182	\$ 1,031,182	\$ 3,634,922	\$ 3,671,437
Infrastructure	3,418,544	3,603,166	14,022,206	11,688,504	17,440,750	15,291,670
Other improvements	253,452	249,594	561,590	617,091	815,042	866,685
Buildings	7,122,993	7,509,331	30,756,545	29,184,519	37,879,538	36,693,850
Machinery and equipment	968,060	999,371	3,159,103	195,688	4,127,163	1,195,059
Mobile equipment	1,359,873	1,344,019	1,411,221	3,664,263	2,771,094	5,008,282
Construction in progress	167,107	16,635	9,118,069	9,157,404	9,285,176	9,174,039
Total	\$ 15,893,769	\$ 16,362,371	\$ 60,059,916	\$ 55,538,651	\$ 75,953,685	\$ 71,901,022

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

Long-term Debt: As of June 30, 2015, the City of Albemarle had total paid back all their bonded debt.

**City of Albemarle's Outstanding Debt
General Obligation Bonds**

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -

City of Albemarle's Outstanding Debt

The City of Albemarle's total debt increased \$1,251,940 during the past fiscal year, primarily due to additional debt. The City of Albemarle does however owe \$1,309,745 on an inter-fund loan for the addition and renovation to the Public Safety Facility issued by the water/sewer and electric departments.

As mentioned in the financial highlights section of this document, the City of Albemarle maintained its A3 rating with Moody's Investor Service and A rating from Standard and Poor's Corporation. This bond rating is a clear indication of the sound financial condition of the City of Albemarle. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

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 \$78,740,217.

Additional information regarding the City of Albemarle's long-term debt can be found in note 2 .B. beginning on page 52 of this report.

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 is right in line with the state average of 5.8%; the civilian labor force estimates for North Carolina reports the Stanly County unemployment rate at 5.7%; the national average is 5.3%.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities: These are significant challenges continue to provide the level of services expected by our citizens. Stanly County Tax Assessor has estimated our property valuation to be \$6 million less over the upcoming fiscal year and is the lowest valuation since 2006. The 2015-16 fiscal year also presents significant challenge with the State's elimination of Privilege License tax, further reducing revenue by \$160,000. These challenges, along with the rising cost of doing business, place a greater strain and reliance on property tax revenues. Despite these challenges, the General Fund has included in the acquisition of three new vehicles in the Police Department, the assumption of the full cost of the SAGE Coordinator position, increase the City share to 50% of the Patrol position created by a Governor's Highway Safety Grant, the creation and addition of an Evidence Custodian position in the Police Department, the assumption of the full cost of 3 Firefighter positions after the expiration of the SAFER Grant, a provision to either match a Federal Grant for the acquisition of new radios in the Fire Department or to begin payments in the event the grant application is not successful, purchase of fleet maintenance software, an overhaul of the City's employee performance appraisal system, and the continued bolstering of the City's technology infrastructure.

The Powell Bill Fund is proposed at \$776,400 which is a 22.82% increase from the current Fiscal Year Adjustment budget. This increase is due to a change in the way the City has budgeted for the proposed lease purchases. Overall it does include funds for asphalt repair and street resurfacing totaling \$150,000 for this endeavor between the General Fund and Powell Bill Fund.

Business-Type Activities: The Water and Sewer Fund budget is proposed at \$9,695,350 and is 18.63% greater than the current Fiscal Year Adjustment budget. A 4% rate increase is proposed for both water and sewer, as compared to the 8% increase in the current fiscal year; the City's rates continue to be significantly below the State average. The need to continue to maintain the reliability and quality of our infrastructure as well as pay for current and planned improvement is the primary reason for the rate increase. For the first time, the budget proposes the elimination of transfers to the General Fund and instead establishes a payment in lieu of taxes based on the taxable value of the water and sewer system assets. The City is currently meeting its operational and debt obligations but will have principal and interest payments coming online in future years as we move forward with planned projects such as the Headworks project as well as the renovation to the US Highway 52 Plant. These two projects total approximately \$12,500,000 and will almost double our existing Water and Sewer Debt when they are finalized. The City will continue to fund the existing debt service rehabilitation repair and replacement projects to reduce inflow & infiltration, the improvements to the Old Whitney raw water pump station and the US Highway 52 equalization basin. Payments for the construction of the CKA revenues on the minimum take or pay arrangement, annual revenues realized from the sales of water are projected to be above the annual debt service costs. Proposed Water Treatment Plant projects include replacement of the vac-track system to remove sedimentation from the basins, security cameras at Tuckertown WTP to monitor the grounds as well as the entrance gate and water intake station, an ultrasonic algae control system and SCADA upgrades. In the Waste Water Treatment Plant, we propose the replacement of sold flatbed trucks air compressor, welder, crane and 65 actuators. Systems Division budget includes continuation of the AMR replacement program, continuation of our I&I program with the lining of manholes to prevent inflow & infiltration, replacement of a camera unit, acquisition of a boring rig and replacement of a 6" water line on Mill Street.

The Electric Fund has a proposed budget of \$35,482,750 and represents a 1.81% decrease from the current year adjusted budget. NC Municipal Power Agency One is proposing a restructuring of their debt; this will result in a retail rate decrease for our customers of 1.6% effective in October. Overall initiatives include Love Street 4kv conversion project, upgrades & expansion of the system to address growth demands, the increase of electric system material & supplies on hand, equipment replacements, and continued uses of contract labor to maintain our system & funding pole inspection and replacement programs.

The Solid Waste Disposal Fund is proposed at \$2,354,900 for fiscal year 15-16 representing a decrease of 6.18% from FY 14-15 adjusted budget. The City will increase the construction & demolition disposal fee from \$34 to \$40 per ton. The budget also includes a new \$1 per on fee specifically for funding of closure and post-closure costs. The Solid Waste Disposal Fund proposes the development of a site plan for a new Landfill office & employee facility, shower facility, break room and lockers addressing basic employee needs.

The overall budget includes the implementation of the salary study to ensure hiring and pay rates are competitive to attract and retain quality employees as well as a 1% cost of living adjustment for all employees.

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

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Albemarle Downtown Development Corporation	City of Albemarle ABC Board
ASSETS					
Current assets					
Cash and cash equivalents	\$ 8,244,298	\$ 8,908,526	\$ 17,152,824	\$ 123,283	\$ 193,443
Restricted cash	288,444	-	288,444	-	-
Receivables:					
Taxes receivable - net	591,677	-	591,677	920	-
Accounts receivable - net	131,066	5,112,310	5,243,376	56,000	-
Due from other governments	1,252,035	874,960	2,126,995	-	-
Internal balances	(1,309,745)	1,309,745	-	-	-
Inventories	17,787	3,016,004	3,033,791	-	264,003
Prepaid expenses	61,083	69,851	130,934	-	11,159
Total current assets	9,276,645	19,291,396	28,568,041	180,203	468,605
Non-current assets					
Net pension asset	651,167	530,625	1,181,792	-	16,335
Capital assets					
Land, and construction in progress	2,807,362	10,149,251	12,956,613	116,423	261,417
Other capital assets, net of depreciation	13,086,407	49,910,665	62,997,072	547,710	780,357
Total capital assets	15,893,769	60,059,916	75,953,685	664,133	1,041,774
Total non-current assets	16,544,936	60,590,541	77,135,477	664,133	1,058,109
Total assets	25,821,581	79,881,937	105,703,518	844,336	1,526,714
DEFERRED OUTFLOWS OR RESOURCES					
Contributions to pension plan in current fiscal year	216,532	176,448	392,980	-	-
Total assets and deferred outflows of resources	26,038,113	80,058,385	106,096,498	844,336	1,526,714

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Albemarle Downtown Development Corporation	City of Albemarle ABC Board
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	817,486	5,934,953	6,752,439	2,418	74,801
Deposits	-	1,072,283	1,072,283	-	-
Current portion of long-term liabilities	620,790	1,198,116	1,818,906	9,375	-
Accrued interest payable	-	-	-	596	-
Total current liabilities	<u>1,438,276</u>	<u>8,205,352</u>	<u>9,643,628</u>	<u>12,389</u>	<u>74,801</u>
Long-term liabilities					
Accrued landfill closure and postclosure cos	-	5,389,160	5,389,160	-	-
Long-term liabilities:					
Due in more than one year	<u>3,957,821</u>	<u>17,962,233</u>	<u>21,920,054</u>	<u>20,002</u>	<u>-</u>
Total long-term liabilities	<u>3,957,821</u>	<u>23,351,393</u>	<u>27,309,214</u>	<u>20,002</u>	<u>-</u>
Total liabilities	<u>5,396,097</u>	<u>31,556,745</u>	<u>36,952,842</u>	<u>32,391</u>	<u>74,801</u>
DEFERRED INFLOWS OF RESOURCES					
Prepaid license fees	-	-	-	-	41,520
Prepaid taxes	2,434	-	2,434	-	-
Pension deferrals	<u>1,587,055</u>	<u>1,293,263</u>	<u>2,880,318</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>1,589,489</u>	<u>1,293,263</u>	<u>2,882,752</u>	<u>-</u>	<u>41,520</u>
Net Position					
Net investment in capital assets	14,001,213	42,422,961	56,424,174		1,041,773
Restricted for:					
Stabilization by State Statute	1,340,283	-	1,340,283	79,285	-
Other functions	236,918	-	236,918		79,900
Unrestricted	<u>3,474,113</u>	<u>4,785,416</u>	<u>8,259,529</u>	<u>732,660</u>	<u>288,720</u>
Total net position	<u>\$ 19,052,527</u>	<u>\$ 47,208,377</u>	<u>\$ 66,260,904</u>	<u>\$ 811,945</u>	<u>\$ 1,410,393</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 26,038,113</u>	<u>\$ 80,058,385</u>	<u>\$ 106,096,498</u>	<u>\$ 844,336</u>	<u>\$ 1,485,194</u>

**CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities	\$ 1,591,598	\$ 20,973	\$ -	\$ 402,483	\$ (1,168,142)	\$ -	\$ (1,168,142)	\$ -
General government	7,150,819	28,754	66,402	17,957	(7,037,706)	-	(7,037,706)	-
Public safety	2,036,115	1,087,367	-	529,127	(419,621)	-	(419,621)	-
Public works	940,066	-	-	-	(940,066)	-	(940,066)	-
Environmental protection	68,283	-	-	-	(68,283)	-	(68,283)	-
Economic and physical development	1,410,222	111,001	-	-	(1,299,221)	-	(1,299,221)	-
Cultural and recreational	85,493	-	-	-	(86,493)	-	(86,493)	-
Interest on long-term debt	13,283,596	1,248,095	66,402	949,567	(11,019,532)	-	(11,019,532)	-
Total governmental activities								
Business-type activities	7,426,506	7,698,198	-	-	-	271,692	271,692	-
Water and sewer	34,617,760	34,904,849	-	-	-	287,089	287,089	-
Electric	3,069,545	2,462,101	-	-	-	(607,444)	(607,444)	-
Landfill	2,982,647	525,186	1,931,665	236,464	-	(289,332)	(289,332)	-
Department of public housing								
Total business-type activities	48,096,458	45,590,334	1,931,665	236,464	-	(337,995)	(337,995)	-
Total primary government	\$ 61,380,054	\$ 46,838,429	\$ 1,998,067	\$ 1,186,031	\$ (11,019,532)	\$ (337,995)	\$ (11,357,527)	\$ -
Component units								
Albemarle Downtown Development Corporation	\$ 585,228	\$ 462,013	\$ 54,500	\$ -	\$ -	\$ -	\$ -	\$ (68,715)
Albemarle ABC Board	2,650,432	2,700,452	-	-	-	-	-	50,020
Total component units	\$ 3,235,660	\$ 3,162,465	\$ 54,500	\$ -	\$ -	\$ -	\$ -	(18,695)
General revenues								
Taxes					5,942,627	-	5,942,627	49,104
Property taxes, levied for general purposes					4,776,561	-	4,776,561	-
Other taxes and licenses					2,185	57,763	59,948	65
Unrestricted investment earnings					72,132	280,781	352,913	25,534
Miscellaneous revenues					1,240,000	(1,240,000)	-	-
Transfers					12,033,505	(901,456)	11,132,049	74,703
Total general revenues and transfers					1,013,973	(1,239,451)	(225,478)	56,008
Change in net position					18,922,546	49,168,178	68,090,724	2,190,919
Net position, beginning, as previously stated					(883,992)	(720,350)	(1,604,342)	(24,589)
Restatement (Note 7)					18,038,554	48,447,828	66,486,382	2,166,330
Net position, beginning, as restated					\$ 19,052,527	\$ 47,208,377	\$ 66,260,904	\$ 2,222,338
Net position, end of year								

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

CITY OF ALBEMARLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

Exhibit 3

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Niven Center Renovation Fund		
Assets				
Cash and cash equivalents	\$ 8,191,304	\$ -	\$ 52,994	\$ 8,244,298
Restricted cash	288,444	-	-	288,444
Receivables, net				
Taxes	591,677	-	-	591,677
Accounts	131,066	-	-	131,066
Due from other governments	1,209,217	-	42,818	1,252,035
Inventories	17,787	-	-	17,787
Prepaid expenses	61,083	-	-	61,083
Total assets	\$ 10,490,578	\$ -	\$ 95,812	\$ 10,586,390
Liabilities and fund balances				
Liabilities				
Accounts payable and accrued liabilities	\$ 745,859	\$ -	\$ 71,627	\$ 817,486
Due to other funds	1,309,745	-	-	1,309,745
Total liabilities	2,055,604	-	71,627	2,127,231
DEFERRED INFLOWS OF RESOURCES				
Taxes	591,677	-	-	591,677
Prepaid license fees	2,434	-	-	2,434
Total deferred inflows of resources	594,111	-	-	594,111
Fund balances				
Nonspendable				
Inventories	17,787	-	-	17,787
Prepays	61,083	-	-	61,083
Restricted				
Stabilization by State Statute	1,340,283	-	-	1,340,283
Streets - Powell Bill	236,918	-	-	236,918
Parks and recreation	1,051,526	-	-	1,051,526
Public safety	-	-	4,058	4,058
Economic development	-	-	20,127	20,127
Committed				
Parks and recreation	-	-	-	-
Assigned				
Subsequent year's expenditures	37,300	-	-	37,300
Unassigned	5,095,966	-	-	5,095,966
Total fund balances	7,840,863	-	24,185	7,865,048
Total liabilities and fund balances	\$ 10,490,578	\$ -	\$ 95,812	\$ 9,992,279
Reconciliation of fund balance as reported in the balance sheet - governmental funds with net position - governmental activities				
Fund balance as reported in the balance sheet - governmental funds				\$ 7,865,048
Amounts reported for governmental activities in the statement of net assets are different because				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds				15,893,769
Net pension asset				651,167
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position				216,532
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds				591,677
Compensated absences not expected to be materially liquidated with expendable available resources				(551,617)
Net law enforcement officers' pension obligations				(448,617)
Other postemployment benefits				(1,685,821)
Long-term liabilities, principally Capital leases and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds				(1,892,556)
Pension related deferrals				(1,587,055)
Net position of governmental activities				\$ 19,052,527

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

Exhibit 4

	Major Fund		Total Non-Major Funds	Total Governmental Funds
	General	Niven Center Renovation Fund		
Revenues				
Ad valorem taxes	\$ 5,990,284	\$ -	\$ -	\$ 5,990,284
Other taxes and licenses	298,590	-	-	298,590
Unrestricted intergovernmental	4,477,971	-	-	4,477,971
Restricted intergovernmental	874,095	-	142,733	1,016,828
Permits and fees	49,277	-	-	49,277
Sales and services	1,221,657	-	-	1,221,657
Investment earnings	2,185	-	-	2,185
Miscellaneous	112,210	-	-	112,210
Total revenues	<u>13,026,269</u>	<u>-</u>	<u>142,733</u>	<u>13,169,002</u>
Expenditures				
Current				
General government	1,489,113	-	-	1,489,113
Public safety	6,957,825	-	119,830	7,077,655
Public works	1,857,988	-	-	1,857,988
Environmental protection	940,066	-	-	940,066
Economic and physical development	-	-	68,283	68,283
Cultural and recreation	1,253,103	-	-	1,253,103
Debt service:				
Principal retirement	290,318	-	-	290,318
Interest and other charges	86,493	-	-	86,493
Capital outlay	<u>-</u>	<u>-</u>	<u>126,623</u>	<u>126,623</u>
Total expenditures	<u>12,874,906</u>	<u>-</u>	<u>314,736</u>	<u>13,189,642</u>
Excess (deficiency) of revenues over expenditures	151,363	-	(172,003)	(20,640)
Other financing sources (uses)				
Transfers from other funds	1,354,967	-	196,263	1,551,230
Transfers to other funds	(221,264)	(67,490)	(22,476)	(311,230)
Total other financing sources (uses)	<u>1,133,703</u>	<u>(67,490)</u>	<u>173,787</u>	<u>1,240,000</u>
Net change in fund balances	<u>1,285,066</u>	<u>(67,490)</u>	<u>1,784</u>	<u>1,219,360</u>
Fund balances - beginning	<u>6,555,797</u>	<u>67,490</u>	<u>22,401</u>	<u>6,645,688</u>
Fund balances - end of year	<u>\$ 7,840,863</u>	<u>\$ -</u>	<u>\$ 24,185</u>	<u>\$ 7,865,048</u>

**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, 2015**

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

Net changes in fund balances - total governmental funds \$ 1,219,360

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.

Capital outlay	520,934
Depreciation	(948,601)
Asset transfers	(40,935)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 207,679

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	(47,657)
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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	25,775
Current pension cost	(11,416)
Pension expense	(43,043)
Other postemployment benefits	(158,441)

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.

Debt principle paid	<u>290,318</u>
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Total changes in net position of governmental activities \$ 1,013,973

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

GENERAL FUND

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues				
Ad valorem taxes	\$ 5,793,650	\$ 5,793,650	\$ 5,990,284	\$ 196,634
Other taxes and licenses	276,700	276,700	298,590	21,890
Unrestricted intergovernmental	4,149,400	4,149,400	4,477,971	328,571
Restricted intergovernmental	781,750	781,750	874,095	92,345
Permits and fees	40,400	40,400	49,277	8,877
Sales and services	1,196,175	1,236,605	1,221,657	(14,948)
Investment earnings	5,200	5,200	2,185	(3,015)
Miscellaneous	69,525	69,525	112,210	42,685
Total revenues	<u>12,312,800</u>	<u>12,353,230</u>	<u>13,026,269</u>	<u>673,039</u>
Expenditures				
Current				
General government	1,629,710	1,629,710	1,489,113	140,597
Public safety	7,296,430	7,296,430	6,957,825	338,605
Public works	1,866,615	2,107,350	1,857,988	249,362
Environmental protection	951,000	951,000	940,066	10,934
Cultural and recreational	1,295,655	1,295,655	1,253,103	42,552
Debt service				
Principal	375,690	375,690	290,318	85,372
Interest	100,000	100,000	86,493	13,507
Total expenditures	<u>13,515,100</u>	<u>13,755,835</u>	<u>12,874,906</u>	<u>880,929</u>
Revenues over (under) expenditures	<u>(1,202,300)</u>	<u>(1,402,605)</u>	<u>151,363</u>	<u>1,553,968</u>
Other financing sources (uses)				
Transfers from other funds	1,265,000	1,265,000	1,354,967	89,967
Transfers to other funds	(195,700)	(195,700)	(221,264)	(25,564)
Total other financing sources (uses)	<u>1,069,300</u>	<u>1,069,300</u>	<u>1,133,703</u>	<u>64,403</u>
Appropriated fund balance	<u>133,000</u>	<u>333,305</u>	<u>-</u>	<u>(333,305)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,285,066</u>	<u>1,285,066</u>
Fund balance, beginning			<u>6,555,797</u>	
Fund balance, end of year			<u>\$ 7,840,863</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

Exhibit 7

	Major Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
Assets					
Current assets					
Cash and cash equivalents	\$ 2,745,083	\$ 989,223	\$ 3,924,858	\$ 1,249,362	\$ 8,908,526
Accounts receivable - net	956,043	3,881,010	195,036	80,221	5,112,310
Due from other governments	874,960	-	-	-	874,960
Due from other funds	201,142	1,408,603	-	-	1,609,745
Inventories	456,956	2,559,048	-	-	3,016,004
Prepaid expenses	23,737	45,784	-	330	69,851
Total current assets	<u>5,257,921</u>	<u>8,883,668</u>	<u>4,119,894</u>	<u>1,329,913</u>	<u>19,591,396</u>
Noncurrent assets					
Net pension asset	261,176	217,450	51,999	-	530,625
Capital assets					
Land, improvements and construction in progress	9,093,438	248,804	635,014	171,995	10,149,251
Other capital assets, net of depreciation	<u>34,676,332</u>	<u>6,985,373</u>	<u>2,550,904</u>	<u>5,698,056</u>	<u>49,910,665</u>
Total capital assets, net	<u>43,769,770</u>	<u>7,234,177</u>	<u>3,185,918</u>	<u>5,870,051</u>	<u>60,059,916</u>
Total noncurrent assets	<u>44,030,946</u>	<u>7,451,627</u>	<u>3,237,917</u>	<u>5,870,051</u>	<u>60,590,541</u>
Total assets	<u>\$ 49,288,867</u>	<u>\$ 16,335,295</u>	<u>\$ 7,357,811</u>	<u>\$ 7,199,964</u>	<u>\$ 80,181,937</u>
DEFERRED OUTFLOWS OF RESOURCES					
Contributions to pension plan	86,849	72,308	17,291	-	176,448
Total assets and deferred outflows of resources	<u>49,375,716</u>	<u>16,407,603</u>	<u>7,375,102</u>	<u>7,199,964</u>	<u>80,358,385</u>
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	\$ 2,329,066	\$ 3,342,928	\$ 193,006	\$ 69,953	\$ 5,934,953
Customer deposits	217,234	810,263	2,000	42,786	1,072,283
Due to other funds	-	-	300,000	-	300,000
Compensated absences - current	87,612	82,496	20,826	10,537	201,471
Installment purchase agreements payable - current	778,055	163,912	50,800	3,878	996,645
Total current liabilities	<u>3,411,967</u>	<u>4,399,599</u>	<u>566,632</u>	<u>127,154</u>	<u>8,505,352</u>
Noncurrent liabilities					
Accrued landfill closure and postclosure costs	-	-	5,389,160	-	5,389,160
Compensated absences	87,612	82,495	20,826	10,536	201,469
Other postemployment benefits	544,808	349,499	123,353	102,794	1,120,454
Installment purchase agreements payable - noncurrent	15,519,385	979,471	141,454	-	16,640,310
Total noncurrent liabilities	<u>16,151,805</u>	<u>1,411,465</u>	<u>5,674,793</u>	<u>113,330</u>	<u>23,351,393</u>
Total liabilities	<u>19,563,772</u>	<u>5,811,064</u>	<u>6,241,425</u>	<u>240,484</u>	<u>31,856,745</u>
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	636,550	529,979	126,734	-	1,293,263
Net position					
Net investment in capital assets	27,472,330	6,090,794	2,993,664	5,866,173	42,422,961
Unrestricted	<u>1,703,064</u>	<u>3,975,766</u>	<u>(1,986,721)</u>	<u>1,093,307</u>	<u>4,785,416</u>
Total net position	<u>29,175,394</u>	<u>10,066,560</u>	<u>1,006,943</u>	<u>6,959,480</u>	<u>47,208,377</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 49,375,716</u>	<u>\$ 16,407,603</u>	<u>\$ 7,375,102</u>	<u>\$ 7,199,964</u>	<u>\$ 80,358,385</u>

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

Exhibit 8

	Major Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
Operating Revenues					
Charges for sales and services	\$ 7,603,105	\$ 33,830,974	\$ 2,404,133	\$ -	\$ 43,838,212
Rental income	-	-	-	473,217	473,217
Other operating revenues	95,093	1,073,875	57,968	51,969	1,278,905
Total operating revenues	7,698,198	34,904,849	2,462,101	525,186	45,590,334
Operating Expenses					
Administrative	862,040	1,372,608	-	663,944	2,898,592
Customer service	-	182,668	-	-	182,668
Electrical operations	-	3,038,730	-	-	3,038,730
Electric power purchases	-	29,451,866	-	-	29,451,866
Water operations	1,769,098	-	-	-	1,769,098
Sewer operations	1,632,620	-	-	-	1,632,620
Systems division	1,304,336	-	-	-	1,304,336
Utilities	-	-	-	379,279	379,279
Ordinary Maintenance and operation	-	-	-	260,077	260,077
General expenses	-	-	-	62,266	62,266
Housing assistance payments	-	-	-	1,156,781	1,156,781
Nonroutine maintenance	-	-	-	42,862	42,862
Landfill operations	-	-	1,893,825	-	1,893,825
Depreciation	1,527,808	531,864	1,156,628	416,964	3,633,264
Total operating expense	7,095,902	34,577,736	3,050,453	2,982,173	47,706,264
Operating income (loss)	602,296	327,113	(588,352)	(2,456,987)	(2,115,930)
Nonoperating revenues (expenses)					
Operating grants	-	-	-	1,931,665	1,931,665
Capital grants	24,000	-	-	212,464	236,464
Gain on disposal of assets	37,816	91,097	118,113	-	247,026
Investment earnings	8,208	44,392	1,040	4,123	57,763
Interest and other charges	(330,604)	(40,024)	(19,092)	(474)	(390,194)
Other nonoperating (expenses) income	499	-	-	33,256	33,755
Total nonoperating revenues (expenses)	(260,081)	95,465	100,061	2,181,034	2,116,479
Income (loss) before contributions and transfers	342,215	422,578	(488,291)	(275,953)	549
Transfers to other funds	(225,000)	(990,000)	(50,000)	-	(1,265,000)
Transfers from other funds	-	25,000	-	-	25,000
Change in net position	117,215	(542,422)	(538,291)	(275,953)	(1,239,451)
Total net position, beginning as previously reported	29,412,739	10,904,181	1,615,825	7,235,433	49,168,178
Restatement (Note 7)	(354,560)	(295,199)	(70,591)	-	(720,350)
Total net position, beginning as restated	29,058,179	10,608,982	1,545,234	7,235,433	48,447,828
Total net position, ending	\$ 29,175,394	\$ 10,066,560	\$ 1,006,943	\$ 6,959,480	\$ 47,208,377

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2015

Exhibit 9

	Enterprise Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
Cash flows from operating activities:					
Cash received from customers	\$ 7,761,856	\$ 33,702,272	\$ 2,371,470	\$ 470,509	\$ 44,306,107
Cash paid for goods and services	(2,128,482)	(31,121,374)	(753,063)	(1,927,067)	(35,929,986)
Cash paid to employees for services	(2,977,797)	(2,644,632)	(666,914)	(662,132)	(6,951,475)
Other operating revenues	95,093	1,073,875	57,968	51,969	1,278,905
Net cash provided (used) by operating activities	<u>2,750,670</u>	<u>1,010,141</u>	<u>1,009,461</u>	<u>(2,066,721)</u>	<u>2,703,551</u>
Cash flows from noncapital financing activities:					
Operating grants and subsidies	-	-	-	1,931,665	1,931,665
Decreases in due to other funds	46,640	334,422	(150,000)	-	231,062
Transfers to other funds	(225,000)	(990,000)	-	-	(1,215,000)
Transfers from other funds	-	25,000	(50,000)	-	(25,000)
Total cash flows from noncapital financing activities	<u>(178,360)</u>	<u>(630,578)</u>	<u>(200,000)</u>	<u>1,931,665</u>	<u>922,727</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(7,227,898)	(544,262)	(147,655)	(234,714)	(8,154,529)
Principal paid on bonds and installment purchase agreements	(954,142)	(154,169)	(104,651)	(4,303)	(1,217,265)
Interest paid on bonds and installment purchase agreements	(330,604)	(40,024)	(19,092)	(474)	(390,194)
Proceeds from installment financing	2,759,523	-	118,113	-	2,877,636
Proceeds from sale of assets	37,816	91,097	-	-	128,913
Capital grants	24,000	-	-	212,464	236,464
Net cash provided (used) by capital and related financing activities	<u>(5,691,305)</u>	<u>(647,358)</u>	<u>(153,285)</u>	<u>(27,027)</u>	<u>(6,518,975)</u>
Cash flows from investing activities:					
Interest earned on investments	8,208	44,392	1,040	4,123	57,763
Net increase (decrease) in cash and cash equivalents	(3,110,787)	(223,403)	657,216	(157,960)	(2,834,934)
Cash and cash equivalents at beginning of year	5,855,870	1,212,626	3,267,642	1,407,322	11,743,460
Cash and cash equivalents at end of year	<u>\$ 2,745,083</u>	<u>\$ 989,223</u>	<u>\$ 3,924,858</u>	<u>\$ 1,249,362</u>	<u>\$ 8,908,526</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 602,296	\$ 327,113	\$ (588,352)	\$ (2,456,987)	\$ (2,115,930)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,527,808	531,864	1,156,628	416,964	3,633,264
Pension expense	17,264	14,374	3,437	-	35,075
Other nonoperating income (expense)	499	-	-	33,256	33,755
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	158,751	(128,702)	(32,663)	(41,229)	(43,843)
(Increase) decrease in prepaid expenses	(18,786)	(34,338)	696	715	(51,713)
(Increase) decrease in inventory	(62,318)	(81,064)	-	-	(143,382)
Increase (decrease) in accounts payable and accrued liabilities	557,359	280,304	149,145	(29,531)	957,277
Increase (decrease) in customer deposits	14,515	141,112	(37,000)	261	118,888
Decrease (increase) in accrued compensated absences	4,059	2,071	979	1,812	8,921
Increase in postemployment benefits	32,522	26,759	19,103	8,018	86,402
Increase in accrued landfill closure and postclosure costs	-	-	354,072	-	354,072
(Increase) in deferred outflows of resources for pensions	(83,299)	(69,352)	(16,584)	-	(169,235)
Total adjustments	<u>2,148,374</u>	<u>683,028</u>	<u>1,597,813</u>	<u>390,266</u>	<u>4,819,481</u>
Net cash provided (used) by operating activities	<u>\$ 2,750,670</u>	<u>\$ 1,010,141</u>	<u>\$ 1,009,461</u>	<u>\$ (2,066,721)</u>	<u>\$ 2,703,551</u>

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2015

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ <u>953</u>
Liabilities and Net Position	
Liabilities:	
Miscellaneous liabilities	<u>953</u>
Total liabilities	<u>\$ 953</u>

Notes to the Financial Statements

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Albemarle, North Carolina and its discretely presented component unit 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 seven-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, N.C. 28001.

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.

The following organization is included in the City of Albemarle's financial statements:

Albemarle Department of Public Housing

The Albemarle Department of Public Housing is a department of the City of Albemarle effective February 9, 1991, and is considered a proprietary fund and reported as an enterprise fund in these financial statements.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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

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

The City reports the following major governmental funds:

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

Niven Center Renovation Capital Project Fund. The fund accounts for City transfers and other revenues used to renovate Niven center for new Parks and Recreation facility.

The City reports the following non-major governmental funds:

Governor's Crime Commission. This fund is used to account for grant monies restricted for police technology program expenses.

Governor's Crime Commission Grant Fund. This fund accounts for grant monies restricted for public safety program expenses.

Clean Water Management Trust Grant Fund. This fund accounts for grant monies for flood mitigation at long creek.

Fire Department FEMA Grant Fund. This fund accounts for grant monies restricted for fire department staffing for fire & emergency response.

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 expenditures.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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 types:

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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, 2014, 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, 2014 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. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there 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, Capital Project Funds, and the Enterprise Capital Project and Capital Reserve Funds which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. 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.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The 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 it 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	\$ 236,918
	Parks & Recreation	51,526
		<u>\$ 288,444</u>
Total governmental activities		

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 6. These taxes are based on the assessed values as of January 1, 2014. 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.

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, the ADDC, 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 and the ADDC 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.

The City's purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the time of donation. 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, including roads, bridges, streets and sidewalks, and curbs and gutters are capitalized as "Infrastructure". General infrastructure capital assets acquired prior to July 1, 2004, 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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (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	25-31 years
Electric Distribution System	25 years
Water Distribution Lines	30-50 years
Sewer Distribution Lines	30 years
Infrastructure	30-50 years
Equipment	5-15 years
Vehicles	4-6 years

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>
Equipment	5-10 years
Leasehold Improvements	7 years

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 2015 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 taxes, prepaid license fees, property taxes receivable, note 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

**CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Compensated Absences

The vacation policies of the City provide 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 days 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, 2015.

ABC Board employees may accumulate up to 20 days of earned vacation leave. Accumulated earned vacation leave is included in accrued expenses.

The City's, the ADDC'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, ADDC, 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 asset; 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.

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 and available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

**CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position/Fund Balances (Continued)

Fund Balance (Continued)

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.

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 Economic Development - portion of fund balance as signed by the Board of Economic Development.

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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 asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local 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.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the City's, the ADDC's and the ABC Board's deposits 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, 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 undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S.159-31 when designating official depositories and verifying that deposits are properly secured. The ADDC and the ABC Board have no formal policies regarding custodial credit risk for deposits.

At June 30, 2015, the City's deposits had a carrying amount of \$13,729,218 and a bank balance of \$13,986,285. Of the bank balance, \$1,500,000 was covered by federal depository insurance and \$12,486,285 was covered by collateral held under the pooling method. At June 30, 2015, the City's petty cash fund totaled \$3,348. The carrying amount of the deposits for the ADDC was \$123,283 and a bank balance of \$103,909. Of the bank balance \$103,909 was covered by federal depository insurance. The carrying amount of deposits for the ABC Board was \$191,010 and a bank balance of \$304,521. Of the bank balance, the entire balance was covered by federal depository insurance. At June 30, 2015, the ABC Board's petty cash fund totaled \$2,433.

2. Investments

At June 30, 2015, the City of Albemarle had \$3,748,176 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAA by Standard and Poor's. The City has no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

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

General Fund:	
Taxes receivable	<u>\$170,000</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets

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

Primary Government

	<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	\$ -	\$ -	\$ 2,640,255
Construction in progress	<u>16,635</u>	<u>150,472</u>	<u>-</u>	<u>167,107</u>
Total capital assets not being depreciated	<u>2,656,890</u>	<u>150,472</u>	<u>-</u>	<u>2,807,362</u>
Capital assets being depreciated				
Buildings	10,931,105	-	-	10,931,105
Other improvements	655,482	-	-	655,482
Infrastructure	5,879,922	-	-	5,879,922
Equipment and furnishings	2,406,303	143,690	92,621	2,457,372
Mobile Equipment	<u>4,948,606</u>	<u>226,772</u>	<u>108,046</u>	<u>5,067,332</u>
Total capital assets being depreciated	<u>24,821,418</u>	<u>370,462</u>	<u>200,667</u>	<u>24,991,213</u>
Less accumulated depreciation				
Buildings	3,421,774	386,338	-	3,808,112
Other improvements	405,888	27,846	-	433,734
Infrastructure	2,276,756	184,622	-	2,461,378
Equipment and furnishings	1,406,932	162,420	61,009	1,508,343
Mobile equipment	<u>3,604,587</u>	<u>187,375</u>	<u>98,723</u>	<u>3,693,239</u>
Total accumulated depreciation	<u>11,115,937</u>	<u>\$ 948,601</u>	<u>\$ 159,732</u>	<u>11,904,806</u>
Total capital assets being depreciated – net	<u>13,705,481</u>			<u>13,086,407</u>
Total Governmental Activities				
Capital assets – net	<u>\$ 16,362,371</u>			<u>\$ 15,893,769</u>

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

General government	\$ 306,563
Public safety	242,523
Public works	202,093
Recreation	<u>197,422</u>
Total depreciation expense	<u>\$ 948,601</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Water and Sewer Fund				
Capital assets not being depreciated				
Land	\$ 139,933	\$ -	\$ -	\$ 139,933
Construction in progress	<u>6,958,767</u>	<u>7,141,653</u>	<u>5,146,915</u>	<u>8,953,505</u>
Total capital assets not being depreciated	<u>7,098,700</u>	<u>7,141,653</u>	<u>5,146,915</u>	<u>9,093,438</u>
Capital assets being depreciated				
Buildings	40,746,929	684,612	-	41,431,541
Water and sewer lines	29,937,537	3,588,076	-	33,525,613
Equipment and vehicles	<u>4,367,051</u>	<u>961,905</u>	<u>160,625</u>	<u>5,168,331</u>
Total capital assets being depreciated	<u>75,051,517</u>	<u>5,234,593</u>	<u>160,625</u>	<u>80,125,485</u>
Less accumulated depreciation				
Buildings	20,305,837	884,427	-	21,190,264
Water and sewer lines	21,028,788	401,923	-	21,430,711
Equipment and vehicles	<u>2,745,912</u>	<u>241,458</u>	<u>159,192</u>	<u>2,828,178</u>
Total accumulated depreciation	<u>44,080,537</u>	<u>\$ 1,527,808</u>	<u>\$ 159,192</u>	<u>45,449,153</u>
Total capital assets being depreciated – net	<u>30,970,980</u>			<u>34,676,332</u>
Water and Sewer Fund Capital Assets – net	<u>38,069,680</u>			<u>43,769,770</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Electric Fund				
Capital assets not being depreciated				
Land	\$ 145,963	\$ -	\$ -	\$ 145,963
Construction in progress	<u>2,013,838</u>	<u>243,786</u>	<u>2,154,783</u>	<u>102,841</u>
Total capital assets not being depreciated	<u>2,159,801</u>	<u>243,786</u>	<u>2,154,783</u>	<u>248,804</u>
Capital assets being depreciated				
Buildings	5,014,584	2,154,783	-	7,169,367
Distribution lines	17,998,779	-	-	17,998,779
Equipment and vehicles	<u>2,867,332</u>	<u>300,477</u>	<u>201,206</u>	<u>2,966,604</u>
Total capital assets being depreciated	<u>25,880,695</u>	<u>2,455,260</u>	<u>201,206</u>	<u>28,134,750</u>
Less accumulated depreciation				
Buildings	1,849,586	212,341	-	2,061,927
Distribution lines	17,046,379	130,308	-	17,176,687
Equipment and vehicles	<u>1,922,753</u>	<u>189,216</u>	<u>201,206</u>	<u>1,910,763</u>
Total accumulated depreciation	<u>20,818,718</u>	<u>\$ 531,865</u>	<u>\$ 201,206</u>	<u>21,149,377</u>
Total capital assets being depreciated – net	<u>5,061,978</u>			<u>6,985,373</u>
Electric Fund Capital Assets – net	<u>7,221,779</u>			<u>7,234,177</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities				
Landfill Fund				
Capital assets not being depreciated				
Land	\$ 581,781	\$ -	\$ -	\$ 581,781
Construction in progress	15,933	37,300	-	53,233
Total capital assets not being depreciated	<u>597,714</u>	<u>37,300</u>	<u>-</u>	<u>635,014</u>
Capital assets being depreciated				
Buildings	758,732	-	-	758,732
Landfill cell construction	6,814,278	-	-	6,814,278
Equipment and vehicles	3,237,892	138,830	34,692	3,342,020
Total capital assets being depreciated	<u>10,810,892</u>	<u>138,830</u>	<u>34,692</u>	<u>10,915,030</u>
Less accumulated depreciation				
Buildings	87,454	28,681	-	116,135
Landfill cell construction	4,986,922	918,572	-	5,905,494
Equipment and vehicles	2,139,339	209,375	6,217	2,342,497
Total accumulated depreciation	<u>7,213,715</u>	<u>\$ 1,156,628</u>	<u>\$ 6,217</u>	<u>8,364,126</u>
Total capital assets being depreciated – net	<u>3,597,177</u>			<u>2,550,904</u>
Landfill Fund Capital Assets – net	<u>4,194,891</u>			<u>3,185,918</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities				
Department of Public Housing				
Capital assets not being depreciated				
Land	\$ 163,505	\$ -	\$ -	\$ 163,505
Construction in progress	168,866	131,487	291,863	8,490
Total capital assets not being depreciated	<u>332,371</u>	<u>131,487</u>	<u>291,863</u>	<u>171,995</u>
Capital assets being depreciated				
Buildings	10,244,231	291,863	-	10,536,094
Improvements	1,025,374	-	-	1,025,374
Equipment	552,868	103,227	-	656,095
Total capital assets being depreciated	<u>11,822,473</u>	<u>395,090</u>	<u>-</u>	<u>12,217,563</u>
Less accumulated depreciation				
Buildings	5,337,080	310,951	-	5,648,031
Improvements	408,283	36,951	-	445,234
Equipment	357,180	69,062	-	426,242
Total accumulated depreciation	<u>6,102,543</u>	<u>\$ 416,964</u>	<u>\$ -</u>	<u>6,519,507</u>
Total capital assets being depreciated – net	<u>5,719,930</u>			<u>5,698,056</u>
Department of Public Housing Capital Assets – net	<u>6,052,301</u>			<u>5,870,051</u>
Business-type Activities Capital Assets, net	<u>\$ 55,538,651</u>			<u>\$ 60,059,916</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Discretely presented component units:

Activity for the ADDC Board for the year ended June 30, 2015, was a follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land	\$ 116,423	\$ -	\$ -	\$ 116,423
Capital assets being depreciated				
Buildings	908,778	6,496	-	915,274
Equipment	2,821	1,176	-	3,997
Total capital assets being depreciated	<u>911,599</u>	<u>8,122</u>	<u>-</u>	<u>919,271</u>
Less accumulated depreciation				
Buildings	343,491	25,888	-	369,379
Equipment and vehicles	1,576	606	-	2,182
Total accumulated depreciation	<u>345,067</u>	<u>\$ 26,494</u>	<u>\$ -</u>	<u>371,561</u>
Depreciable assets, net	<u>566,532</u>			<u>547,710</u>
Total ADDC Board capital assets, net	<u>\$ 682,955</u>			<u>\$ 664,133</u>

Activity for the ABC Board for the year ended June 30, 2015, was a follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land	\$ 261,417	\$ -	\$ -	\$ 261,417
Capital assets being depreciated				
Buildings	1,035,540	-	-	1,035,540
Equipment and furniture	191,844	-	-	191,846
Total capital assets being depreciated	<u>1,227,384</u>	<u>-</u>	<u>-</u>	<u>1,227,386</u>
Less accumulated depreciation				
Buildings	242,772	(27,005)	-	(269,777)
Equipment and furniture	160,210	(17,041)	-	(177,252)
Total accumulated depreciation	<u>402,982</u>	<u>\$ (44,046)</u>	<u>\$ -</u>	<u>(447,029)</u>
Depreciable assets, net	<u>824,403</u>			<u>780,357</u>
Total ABC Board capital assets, net	<u>\$ 1,085,820</u>			<u>\$ 1,041,774</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Payables

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

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General	\$ 543,173	\$ 202,686	\$ 745,859
Other governmental	<u>71,627</u>	<u>-</u>	<u>71,627</u>
Total - governmental activities	<u>\$ 614,800</u>	<u>\$ 202,686</u>	<u>\$ 817,486</u>
Business-type activities:			
Water and sewer fund	\$ 2,257,239	\$ 71,827	\$ 2,329,066
Electric fund	3,284,663	58,265	3,342,928
Landfill fund	177,618	15,388	193,006
Department of public housing	<u>55,578</u>	<u>14,375</u>	<u>69,953</u>
Total – Business-type activities	<u>\$ 5,775,098</u>	<u>\$ 159,855</u>	<u>\$ 5,934,953</u>

2. Pension Plan and Post employment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Albemarle 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.

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.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Post employment Obligations (Continued)

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Albemarle employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Albemarle's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Albemarle were \$376,916 for the year ended June 30, 2015.

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

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

At June 30, 2015, the City reported an asset of \$1,181,792 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset 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, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term 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 0.20039%, which was a decrease of 0.0035% from its proportion measured as of June 30, 2014.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Post employment Obligations (Continued)

For the year ended June 30, 2015, the City recognized pension expense of \$78,118. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between expected and actual experience	\$ -	\$ 129,131
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,751,186
Changes in proportion and differences between City contributions and proportionate share of contributions	16,604	-
City contributions subsequent to the measurement date	<u>376,916</u>	<u>-</u>
Total	\$ 392,980	\$ 2,880,318

\$392,980 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 716,134
2017	716,134
2018	716,134
2019	715,851
2020	<u>-</u>
Total	\$ 2,864,253

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.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Post employment Obligations (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100%</u>	

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

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

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

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Post employment Obligations (Continued)

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

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
City's proportionate share of the net pension liability (asset)	\$ 4,011,515	\$ (1,181,792)	\$ (5,554,389)

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.

The ADDC does not participate in LGERS

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.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2014, 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>49</u>
Total	<u>61</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.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Post employment Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

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, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases.

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	\$ 163,189
Interest on net pension obligation	21,860
Adjustment to annual required contribution	<u>(36,933)</u>
Annual pension cost	\$ 148,116
Contributions made	<u>136,700</u>
Increase (decrease) in net pension obligation	(11,416)
Net pension obligation beginning of fiscal year	<u>437,201</u>
Net pension obligation end of fiscal year	<u>\$ 448,617</u>

Three year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation End of Year</u>
6/30/2013	\$ 129,291	101.90%	\$ 439,522
6/30/2014	\$ 118,187	101.96%	\$ 437,201
6/30/2015	\$ 148,116	92.29%	\$ 448,617

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Post employment Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

Funded Status and Funding Progress

As of December 31 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,451,269. The covered payroll (annual payroll of active employees covered by the plan) was \$2,003,893, and the ratio of the UAAL to the covered payroll was 72.24 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 Regular and 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 employees 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 States CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for law enforcement officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of law enforcement officers' 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, 2015 were \$187,937, which consisted of \$101,493 from the City and \$86,444 from the law enforcement officers.

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

Plan Description. The State of North Carolina contributes, on behalf of the City of Albemarle, NC to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or www.osc.nc.gov.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Post employment Obligations (Continued)

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

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2014, the State contributed \$14,627,000 to the plan. The City of Albemarle's proportionate share of the State's contribution is \$2,769.

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2015, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$26,609. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2015 and at June 30, 2014 was 0%.

For the year ended June 30, 2015, the City recognized pension expense of \$10,004 and revenue of \$10,004 for support provided by the State. At June 30, 2015, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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

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

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Post employment Obligations (Continued)

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

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

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

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

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 ten years (other service requirements also exist) of creditable service with the City. The City pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the City's group rates. Employees hired on or after July 1, 2007 who retire with a minimum of 20 years of creditable service also have the option of purchasing coverage for themselves and dependents at the City's group rate. Employees hired on or after July 1, 2007 who retire with less than 20 years of service are not eligible for postemployment coverage. 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.

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

	General	Law
	Employees:	Enforcement
		Officers:
Retirees and dependents receiving benefits	36	15
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	218	49
Total	<u>254</u>	<u>64</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Post employment Obligations (Continued)

e. Other Postemployment Benefit (Continued)

Funding Policy. The City pays a percentage of healthcare coverage, starting with ten years of creditable service and at twenty-five years of creditable service, the full cost of coverage under a City resolution that can be amended by City Council. 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 ARC rate is 62.1% of annual covered payroll. For the current year, the City contributed \$441,996 or 4.1% of annual covered payroll. The City obtains healthcare coverage through private insurers. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 62.1% and 62.1% of covered payroll, respectively. The City's contributions total \$493,104 in fiscal year 2015. There were no contributions made by employees. 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.

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

Annual required contribution	\$ 733,371
Interest on net OPEB obligation	102,457
Adjustment to annual required contribution	<u>(97,878)</u>
Annual OPEB cost (expense)	737,950
Contributions made	<u>493,104</u>
Increase (decrease) in net OPEB obligation	244,846
Net OPEB obligation, beginning of year	<u>2,561,429</u>
Net OPEB obligation, end of year	<u>\$ 2,806,275</u>

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

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	673,690	59.30%	2,291,942
2014	711,483	62.10%	2,561,429
2015	737,950	66.80%	2,806,275

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Post employment Obligations (Continued)

e. Other Postemployment Benefit (Continued)

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$8,254,239. The covered payroll (annual payroll of active employees covered by the plan) was \$10,855,191, and the ratio of the UAAL to the covered payroll was 80.5 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 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, 2014, 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. All death benefit payments are made from the Death Benefit Plan. 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. The City considers these contributions to be immaterial.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (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	\$ <u>392,980</u>

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

	Unavailable Revenue
Prepaid taxes (General)	\$ 2,434
Note receivable (General)	800,000
Taxes receivable, net (General)	591,677
Pension deferrals	2,880,318

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, workers' compensation coverage up to statutory limits, and employee health coverage. 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. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop 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.

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, and employee health coverage. The ABC Board also has liquor legal liability coverage.

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.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

5. Claims, Judgments and Contingent Liabilities

At June 30, 2015, 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. Capital leases

	<u> Serviced by </u>	
	<u>Governmental</u>	<u>Business-type</u>
	<u>Activities</u>	<u>Activities</u>
In October 2011, the City entered into an installment purchase contract to finance fire trucks & equipment. The obligation is to be repaid in twenty eight quarterly payments of \$31,908, including interest at 1.89 percent, secured by the trucks and equipment.	\$ 431,272	\$ -
In December 2011, the City entered into an installment purchase contract to finance mobile computer equipment. The obligation is to be repaid in twenty quarterly payments of \$3,604, including interest at 2.19%, secured by the equipment.	21,216	-
In April 2008, the City entered into an installment contract to finance the expansion of the New City Hall Building. The obligation is to be repaid in sixty quarterly payments of principal at \$87,500, and interest at 3.43%, secured by land and building.	1,120,000	1,680,000
In September 2014, the City entered into a lease-purchase agreement with Motorola Solutions, Inc. The obligation is to be repaid in annual payments of \$80,831, including interest at 2.91%, secured by the equipment.	292,788	-
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.	-	2,579,398
In September 2010, the City entered into an installment contract to finance the purchase of various equipment. The obligation is to be repaid in ten semi-annual payments of \$35,723, including interest at 2.61%, secured by the equipment.	-	35,119
In December 2013, the City entered into an installment contract to finance the EQ Basin Highway 52. The obligation is to be repaid in forty quarterly payments of \$38,876, including interest at 1.97%, secured by land and building.	-	1,084,969
In November 2014, the City entered into an installment with Info Systems to purchase equipment. The obligation is to be repaid in twenty quarterly payments of \$7,064, including interest at 1.943%, secured by the equipment.	27,280	50,645

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

a. Capital leases (Continued)

	<u>Serviced by</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
In September 2014, the City entered into an installment contract to finance the CKA Water Line Extension Project. The obligation is to be repaid in quarterly principal payments of \$80,000, interest of 3.59%, secured by land and building.	-	5,840,000
In September 2014, the City entered into an installment contract to finance the Rehabilitation of Old Whitney Raw Water Pump Station. The obligation is to be repaid in quarterly principal payments of \$43,054, interest of 1.63%, secured by the equipment.	-	904,125
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.	-	3,388,601
In September 2014, the City entered into an installment contract to finance the purchase of equipment. The obligation is to be repaid in monthly payments of \$4,584, including interest at 1.616%, secured by the equipment.	-	165,329
In April 2014, the City entered into an installment contract to finance the purchase of equipment. The obligation is to be repaid in monthly payments of \$6,779, including interest at 1.55%, secured by the equipment.	-	302,418
In April 2015, the City entered into a revolving loan. The obligation is to be repaid in forty semi-annual payments of interest at 2% and twenty annual payments of principal at \$158,282 starting November 2016. The loan is still in the drawdown period, secured by land and building.	-	1,606,351
Total Capital leases	<u>\$ 1,892,556</u>	<u>\$17,636,955</u>

The future minimum payments of the installment purchase contracts as of June 30, 2015, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 346,147	\$ 17,415	\$ 997,619	\$ 378,090
2017	344,981	63,031	1,175,873	344,477
2018	352,201	42,752	1,152,628	310,237
2019	350,622	31,196	1,173,005	273,792
2020	342,354	19,320	1,093,960	238,833
Thereafter	<u>156,252</u>	<u>37,077</u>	<u>13,261,135</u>	<u>1,566,177</u>
Totals	<u>\$ 1,892,557</u>	<u>\$ 210,791</u>	<u>\$17,636,955</u>	<u>\$ 3,111,606</u>

**CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations

At June 30, 2015 the City's legal debt margin is \$ 78,740,217.

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, 2015:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion of Balance
Governmental activities:					
Capital leases	\$ 2,182,874	\$ -	\$ 290,318	\$ 1,892,556	\$ 344,981
Compensated absences	577,392	272,912	298,687	551,617	275,809
Net pension obligation	437,201	11,416	-	448,617	-
Net pension liability (LGERS)	1,307,744	-	1,307,744	-	-
Other postemployment benefits	<u>1,527,380</u>	<u>158,441</u>	<u>-</u>	<u>1,685,821</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$ 6,032,591</u>	<u>\$ 442,769</u>	<u>\$ 1,896,749</u>	<u>\$ 4,578,611</u>	<u>\$ 620,790</u>
Business-type activities:					
Capital leases	16,094,697	2,759,523	1,217,265	17,636,955	997,619
Compensated absences	394,019	32,114	123,193	402,940	210,470
Net pension liability (LGERS)	1,065,657	-	1,065,657	-	-
Other postemployment benefits	<u>1,034,052</u>	<u>86,402</u>	<u>-</u>	<u>1,120,454</u>	<u>-</u>
Business-type activity					
Long-term liabilities	<u>\$18,588,425</u>	<u>\$ 2,978,039</u>	<u>\$ 2,406,115</u>	<u>\$19,160,349</u>	<u>\$ 1,194,627</u>

Compensated absences for governmental activities have typically been liquidated in the general fund. The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	9,375	2,416
2017	9,815	1,992
2018	<u>10,187</u>	<u>1,439</u>
	<u>\$ 29,377</u>	<u>\$ 5,847</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Activity

1. Transfers to/from other funds: Transfers to/from other funds at June 30, 2015, consist of the following:

From the General Fund to the Landfill Fund for financing	25,000
From the General Fund to the Governor's Highway Safety Grant Fund	6,731
From the General Fund to the Governor's Crime Commission Fund	21,935
From the Water and Sewer Fund to the General Fund for financing	225,000
From the Electric Fund to the General Fund for financing	300,000
From the Electric Fund to the General Fund for payment in lieu of taxes	690,000
From the General Fund to the Governor's Highway Safety Grant Fund	20,848
From the Fire Department FEMA Grant Fund to the General Fund	9,803
From the Governor's Crime Commission Grant Fund to the General Fund	9,225
From the Niven Center to the General Fund	67,490
From the Governor's Safety Grant Fund to the General Fund	3,448
From the General Fund to the NCDOT HWY 52 Project Fund for financing	69,850
From the General Fund to the NCDOT Leonard Avenue Project fund for financing	76,900
From the Landfill Fund to the Electric Fund for financing	25,000

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.

2. Interfund Receivables and Payables

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer Fund	General Fund to fund operations	201,142
Electric Fund	General Fund to fund operations	402,345
Electric Fund	Landfill Fund to fund operations	300,000
Electric Fund	General Fund to fund operations	706,258

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2015, the City of Albemarle has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$ 14,186 for the 41 employed fireman who perform firefighting duties for the City's fire department. The volunteers and employees elected to be members of the Firefighter and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

Also, The City has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$32,855 for a salary supplement and stipend benefits paid to eligible Firefighter by the local board of trustees of the Firefighter's Relief Fund during the fiscal year ended June 30, 2015. Under state law the local board of trustees for the Fund receives an amount each year which the board may use at its own discretion for eligible Firefighter or their departments.

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, 2015 were \$29,451,866.

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 the federal and state agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$ 3,737 to the Council during the year ended June 30, 2015.

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 moneys 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.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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 postclosure 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 postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$5,389,160 reported as landfill closure and postclosure care liability at June 30, 2015 represents a cumulative amount reported to date, based on the use of 100% of the total estimated capacity of the old landfill and 100% use of the new landfill. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The following is an analysis of landfill closure and postclosure liability at June 30, 2015:

Old Landfill	\$3,061,600
New Landfill	<u>2,327,560</u>
	<u>\$5,389,160</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 postclosure 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>\$7,840,863</u>
Inventories	17,787
Prepaid	61,083
Stabilization by State Statute	1,340,283
Streets – Powell Bill	236,918
Committed – Parks and Recreation	1,051,526
Appropriated fund balance in 2016 budget	37,300
Working Capital/Fund balance policy	-
Remaining fund balance	5,095,966

NOTE 7 – PENSION

The City implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$883,992 and \$720,350, respectively.

Required Supplemental Financial Data

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
12/31/2009	-	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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
2013	\$ 129,291	101.90%
2014	\$ 118,187	101.96%
2015	\$ 148,116	92.29%

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

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2013	717,301	47.70%
2014	673,690	59.30%
2015	711,483	62.10%

**CITY OF ALBEMARLE, NORTH CAROLINA
 LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM (LGERS)
 REQUIRED SUPPLEMENTARY INFORMATION
 PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**

	<u>2015</u>	<u>2014</u>
Albemarle's proportion of net pension liability (asset) %	0.20039%	0.19690%
Albemarle's proportion of net pension liability (asset) \$	\$ (1,181,792)	\$ 2,373,401
Albemarle's covered-employee payroll	\$ 14,327,922	\$ 14,120,534
Albemarle's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	(8.25%)	16.81%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

**CITY OF ALBEMARLE, NORTH CAROLINA
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM (LGERS)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 392,980	\$ 384,530
Contributions in relation to the contractually required contribution	<u>392,980</u>	<u>384,530</u>
Contribution deficiency (excess)	\$ -	\$ -
Albemarle's covered-employee payroll	7,163,961	7,060,267
Contributions as a percentage of covered-employee payroll	5.49%	5.45%

**CITY OF ALBEMARLE, NORTH CAROLINA
 FIREFIGHTERS' AND RESCUE SQUAD WORKERS' PENSION
 REQUIRED SUPPLEMENTARY INFORMATION
 PROPORTIONATE SHARE OF NET PENSION LIABILITY**

	<u>2015</u>
Albemarle's porportionate share of the net pension liability %	0.00000%
Albemarle's porportionate share of the net pension liability \$	\$ -
State's proportionate share of the net pension liability associated with the City of Albemarle	<u>26,609</u>
Total	<u>\$ 26,609</u>
Albemarle's covered-employee payroll	\$ 2,331,746
Albemarle's porportionate share of the net pension liability as a percentage of its covered-employee payroll	1.14%
Plan fiduciary net position as a percentage of the total pension liability	93.42%

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

Niven Center Renovation Fund – This fund accounts for City transfers and other revenues to renovate the Niven Center for the new Parks & Recreation Facility.

CITY OF ALBEMARLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

Exhibit A-1
Page 1 of 5

	2015		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Ad valorem taxes			
Current year	\$ -	\$ 5,721,480	\$ -
Prior years	-	207,237	-
Penalties and interest	-	61,567	-
Total	<u>5,793,650</u>	<u>5,990,284</u>	<u>196,634</u>
Other taxes and licenses			
Gross receipts tax on short-term rental property	-	20,117	-
Local occupancy tax	-	124,223	-
Privilege license fee	-	154,250	-
Total	<u>276,700</u>	<u>298,590</u>	<u>21,890</u>
Unrestricted intergovernmental revenues			
Local option sales tax	-	3,026,163	-
Utility sales tax	-	1,047,827	-
Telecommunications tax	-	163,891	-
Cable TV franchise	-	123,851	-
Piped natural gas sales tax	-	40,387	-
Beer and wine tax	-	75,852	-
Total	<u>4,149,400</u>	<u>4,477,971</u>	<u>328,571</u>
Restricted intergovernmental revenue			
ABC - law enforcement	-	9,274	-
Powell Bill allocation	-	525,928	-
Street sweeper contract	-	4,058	-
Federal grants	-	7,667	-
State grants	-	10,290	-
Drug tax distribution	-	10,087	-
ABC Senate Bill Distribution	-	190,000	-
Schools	-	69,750	-
On-behalf payments - fire	-	47,041	-
Total	<u>781,750</u>	<u>874,095</u>	<u>92,345</u>
Permits and fees			
Fire Department fees	-	28,304	-
Housing fees	-	12,203	-
Inspection and rezoning fees	-	7,255	-
Nuisance abatements	-	1,515	-
Total	<u>40,400</u>	<u>49,277</u>	<u>8,877</u>

CITY OF ALBEMARLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Revenues (continued)			
Sales and service			
Court costs and fees	-	450	-
Refuse collection fees	-	1,087,367	-
Cultural and recreational fees	-	111,001	-
Total	<u>1,236,605</u>	<u>1,198,818</u>	<u>(37,787)</u>
Investment earnings	<u>5,200</u>	<u>2,185</u>	<u>(3,015)</u>
Miscellaneous			
Miscellaneous	-	61,556	-
Sale of surplus property	-	2,155	-
Sale of fixed assets	-	18,374	-
Rental revenue	-	19,331	-
Contributions	-	16,349	-
Insurance reimbursement	-	17,286	-
Total	<u>69,525</u>	<u>135,051</u>	<u>65,526</u>
Total revenues	<u>12,353,230</u>	<u>13,026,271</u>	<u>673,041</u>
Expenditures			
General government			
Administration			
Salaries and employee benefits	-	163,337	-
Other operating expenditures	-	242,915	-
Total	<u>444,260</u>	<u>406,252</u>	<u>38,008</u>
Information systems			
Salaries and employees benefits	-	81,292	-
Other operating expenditures	-	114,334	-
Capital outlay	-	16,601	-
Total	<u>236,650</u>	<u>212,227</u>	<u>24,423</u>
Engineering			
Salaries and employees benefits	-	19,012	-
Other operating expenditures	-	3,925	-
Total	<u>26,950</u>	<u>22,937</u>	<u>4,013</u>

CITY OF ALBEMARLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Expenditures (Continued)			
General government (continued)			
Human resources			
Salaries and employee benefits	-	68,182	-
Other operating expenditures	-	22,377	-
Total	<u>94,000</u>	<u>90,559</u>	<u>3,441</u>
Finance			
Salaries and employee benefits	-	119,673	-
Other operating expenditures	-	177,636	-
Total	<u>317,550</u>	<u>297,309</u>	<u>20,241</u>
Community Development			
Salaries and employee benefits	-	288,031	-
Other operating expenditures	-	171,798	-
Total	<u>510,300</u>	<u>459,829</u>	<u>50,471</u>
Total general government	<u>1,629,710</u>	<u>1,489,113</u>	<u>140,597</u>
Public Safety			
Police			
Salaries and employee benefits	-	3,197,187	-
School resource officers	-	124,658	-
Other operating expenditures	-	512,617	-
Capital outlay	-	149,337	-
Total	<u>4,228,330</u>	<u>3,983,799</u>	<u>244,531</u>
Fire department			
Salaries and employee benefits	-	2,331,746	-
Other operating expenditures	-	397,097	-
Fire Marshall	-	81,079	-
Capital outlay	-	164,104	-
Total	<u>3,068,100</u>	<u>2,974,026</u>	<u>94,074</u>
Total public safety	<u>7,296,430</u>	<u>6,957,825</u>	<u>338,605</u>
Public works			
Administration			
Salaries and employees benefits	-	158,838	-
Solid waste disposal fee	-	322,951	-
Downtown Services	-	101,537	-
Other operating expenditures	-	31,815	-
Total	<u>643,300</u>	<u>615,141</u>	<u>28,159</u>

CITY OF ALBEMARLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Expenditures (Continued)			
Streets and Highways			
Salaries and employee benefits	-	651,566	-
Other operating expenditures	-	398,174	-
Capital outlay	-	8,725	-
Total	<u>1,290,850</u>	<u>1,058,465</u>	<u>232,385</u>
Shop and Warehouse			
Salaries and employee benefits	-	104,412	-
Other operating expenditures	-	64,729	-
Total	<u>173,200</u>	<u>169,141</u>	<u>4,059</u>
Total public works	<u>2,107,350</u>	<u>1,842,747</u>	<u>264,603</u>
Environmental protection			
Solid waste			
Solid waste	-	931,917	-
Bad debt expense	-	8,149	-
Total environmental protection	<u>951,000</u>	<u>940,066</u>	<u>10,934</u>
Cultural and recreation			
Parks and recreation			
Salaries and employee benefits	-	858,270	-
Other operating expenditures	-	354,530	-
Capital outlay	-	55,544	-
Total cultural and recreation	<u>1,295,655</u>	<u>1,268,344</u>	<u>27,311</u>
Debt service			
Principal retirement	-	290,318	-
Interest and fees	-	86,493	-
Total debt service	<u>475,690</u>	<u>376,811</u>	<u>98,879</u>
Total expenditures	<u>13,755,835</u>	<u>12,874,906</u>	<u>880,929</u>
Revenues over (under) expenditures	<u>(1,402,605)</u>	<u>151,365</u>	<u>1,553,970</u>

CITY OF ALBEMARLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

Exhibit A-1
Page 5 of 5

	2015		Variance Positive (Negative)
	Budget	Actual	
Other financing sources (uses)			
Operating transfers (to) from other funds			
Water and Sewer Fund	225,000	225,000	-
Governors Crime Commission Grant Fund	9,225	9,225	-
Electric Fund	990,000	990,000	-
Landfill Fund	50,000	50,000	-
Niven Center Capital Project	67,490	67,490	-
NCDOT US HWY 52 Project	(69,850)	(69,850)	-
NCDOT Leonard Avenue Project	(76,900)	(76,900)	-
Governor's Crime Commission Grant Fund	(21,935)	(21,935)	-
Governor's Highway Safety Grant Fund	(71,133)	(6,731)	64,402
Fire Department FEMA Grant Fund	9,803	9,803	-
Governor's Highway Safety Grant Fund	(20,848)	(20,848)	-
Landfill Fund	(25,000)	(25,000)	-
Governors Highway Safety Grant Fund	3,448	3,448	-
Total other financing sources (uses)	<u>1,069,300</u>	<u>1,133,702</u>	<u>64,402</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>(333,305)</u>	<u>1,285,066</u>	<u>1,618,371</u>
Fund balance appropriated	<u>333,305</u>	<u>-</u>	<u>(333,305)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,285,066</u>	<u>\$ 1,285,066</u>
Fund balance, beginning		<u>6,555,797</u>	
Fund balance, ending		<u>\$ 7,840,863</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
NIVEN CENTER RENOVATION CAPITAL PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2015

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Interest	\$ -	-	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-	-
EXPENDITURES:					
Capital outlay:					
Legal	2,250	3,903	-	3,903	(1,653)
Engineering	22,000	24,077	-	24,077	(2,077)
Administrative	87,950	85,834	-	85,834	2,116
Other equipment	5,000	4,097	-	4,097	903
Construction in progress	696,700	715,010	-	715,010	(18,310)
Environmental remediation	13,500	8,438	-	8,438	5,062
Contingency	83,900	2,451	-	2,451	81,449
Total expenditures	911,300	843,810	-	843,810	67,490
REVENUES OVER (UNDER) EXPENDITURES	(911,300)	(843,810)	-	(843,810)	67,490
OTHER FINANCING SOURCES:					
Operating transfers from (to):					
Transfer from General fund	911,300	911,300	(67,490)	843,810	(67,490)
Total other financing sources:	911,300	911,300	(67,490)	843,810	(67,490)
Net change in fund balance	\$ -	\$ 67,490	(67,490)	\$ -	\$ -
Fund balance, beginning			67,490		
Fund balance, ending			\$ -		

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.

Governor's Crime Commission Fund – This fund is used to account for grant monies restricted for police technology program expenses.

Fire Department FEMA Grant Fund – This fund is used to account for grant monies restricted for fire department staffing for fire & emergency responder.

Governor's Highway Safety Grand 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, 2015**

Exhibit B-1

	Special Revenue Funds					Total Nonmajor Special Revenue Funds
	NCDOT Leonard Avenue Project	NCDOT US Hwy 52 Project	Governor's Crime Commission Grant Fund	Fire Department FEMA Grant Fund	Governor's Highway Safety Grant Fund	
ASSETS						
Current Assets						
Cash and investments	\$ 48,496	\$ 43,233	\$ (33,687)		\$ (5,048)	\$ 52,994
Due from other governments	-	-	33,687	-	9,131	42,818
Total assets	<u>\$ 48,496</u>	<u>\$ 43,233</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,083</u>	<u>\$ 95,812</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	\$ 40,629	\$ 30,973	\$ -	\$ -	\$ 25	\$ 71,627
Total liabilities	<u>40,629</u>	<u>30,973</u>	<u>-</u>	<u>-</u>	<u>25</u>	<u>71,627</u>
Fund balances						
Restricted					4,058	4,058
Public safety	-	-	-	-	-	20,127
Economic development	7,867	12,260	-	-	-	
Total fund balances	<u>7,867</u>	<u>12,260</u>	<u>-</u>	<u>-</u>	<u>4,058</u>	<u>24,185</u>
Total liabilities and fund balances	<u>\$ 48,496</u>	<u>\$ 43,233</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,083</u>	<u>\$ 95,812</u>

CITY OF ALBEMARLE, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

Exhibit B-2

	Special Revenue Funds					Total Nonmajor Special Revenue Funds
	NCDOT Leonard Avenue Project	NCDOT US Hwy 52 Project	Governor's Crime Commission Grant Fund	Fire Department FEMA Grant Fund	Governor's Highway Safety Grant Fund	
Revenues						
Restricted intergovernmental	\$ -	\$ -	\$ 40,777	\$ 68,358	\$ 33,598	\$ 142,733
Total revenues	-	-	40,777	68,358	33,598	142,733
Expenditures						
Public safety	-	-	62,712	-	57,118	119,830
Economic and physical development	-	-	-	68,283	-	68,283
Capital outlay	69,033	57,590	-	-	-	126,623
Total expenditures	69,033	57,590	62,712	68,283	57,118	314,736
Revenues over (under) expenditures	(69,033)	(57,590)	(21,935)	75	(23,520)	(172,003)
Other financing sources (uses)						
Transfers from other funds						
Transfer from the General Fund	76,900	69,850	21,935	-	27,578	196,263
Transfer to the General Fund	-	-	(9,225)	(9,803)	(3,448)	(22,476)
Total other financing sources (uses)	76,900	69,850	12,710	(9,803)	24,130	173,787
Net change in fund balances	7,867	12,260	(9,225)	(9,728)	610	1,784
Fund Balances						
Beginning of year, July 1	-	-	9,225	9,728	3,448	22,401
End of year, June 30	\$ 7,867	\$ 12,260	\$ -	\$ -	\$ 4,058	\$ 24,185

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, 2015

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental revenues					
NCDOT Grant	\$ 493,000	\$ -	\$ -	\$ -	\$ (493,000)
Total revenues	<u>493,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(493,000)</u>
Expenditures					
Legal	5,000	-	20,676	20,676	(15,676)
Engineering	42,250	-	34,373	34,373	7,877
Right of Way Acquisition	5,000	-	13,984	13,984	(8,984)
Construction in Progress	493,000	-	-	-	493,000
Contingency	24,650	-	-	-	24,650
Total expenditures	<u>569,900</u>	<u>-</u>	<u>69,033</u>	<u>69,033</u>	<u>500,867</u>
Revenues over (under) expenditures	<u>(76,900)</u>	<u>-</u>	<u>(69,033)</u>	<u>(69,033)</u>	<u>7,867</u>
Other financing sources					
Transfers from other funds					
General Fund	76,900	-	76,900	76,900	-
Total other financing sources	<u>76,900</u>	<u>-</u>	<u>76,900</u>	<u>76,900</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,867</u>	<u>\$ 7,867</u>	<u>\$ 7,867</u>
Fund balance					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ 7,867</u>		

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, 2015

Exhibit B-4

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
NCDOT Grant	\$ 230,000	\$ -	\$ -	\$ -	\$ (230,000)
Total revenues	<u>230,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(230,000)</u>
Expenditures					
Legal	5,000	-	16,401	16,401	(11,401)
Engineering	33,350	-	26,550	26,550	6,800
Right of Way Acquisition	20,000	-	14,639	14,639	5,361
Construction in Progress	230,000	-	-	-	230,000
Contingency	11,500	-	-	-	11,500
Total expenditures	<u>299,850</u>	<u>-</u>	<u>57,590</u>	<u>57,590</u>	<u>242,260</u>
Revenues (under) expenditures	<u>(69,850)</u>	<u>-</u>	<u>(57,590)</u>	<u>(57,590)</u>	<u>(12,260)</u>
Other financing sources					
Transfer from General Fund	69,850	-	69,850	69,850	-
Total other financing sources	<u>69,850</u>	<u>-</u>	<u>69,850</u>	<u>69,850</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 12,260</u>	<u>\$ 12,260</u>
Fund balance, beginning of year			<u>12,260</u>		
Fund balance, end of year			<u>\$ 12,260</u>		

GOVERNOR'S CRIME COMMISSION GRANT FUND

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

	Project Authorization	Actual		Total To Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental revenues					
Gang initiative grant	\$ 86,430	\$ 66,005	\$ 40,777	\$ 106,782	\$ 20,352
Expenditures					
Salary and benefits	97,777	85,059	62,554	147,613	(49,836)
Travel	6,606	919	128	1,047	5,559
Training	1,389	45	30	75	1,314
Supplies	850	1,977	-	1,977	(1,127)
Contract labor	3,000	2,200	-	2,200	800
Total expenditures	109,622	90,200	62,712	152,912	(43,290)
Revenues over (under) expenditures	(23,192)	(24,195)	(21,935)	(46,130)	(22,938)
Other financing sources					
Transfers from other funds					
From General Fund	-	11,552	21,935	33,487	33,487
To General Fund	23,192	21,868	(9,225)	12,643	(10,549)
Total other financing sources	23,192	33,420	12,710	46,130	22,938
Net change in fund balance	\$ -	\$ 9,225	\$ (9,225)	\$ -	\$ -
Fund balance					
Beginning of year, July 1			9,225		
End of year, June 30			\$ -		

CITY OF ALBEMARLE, NORTH CAROLINA
FIRE DEPARTMENT FEMA GRANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2015

Exhibit B-6

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
FEMA Grant	\$ 245,247	\$ 176,888	\$ 68,358	\$ 245,246	\$ (1)
Total revenues	245,247	176,888	68,358	245,246	(1)
Expenditures					
Salaries & benefits	245,247	176,963	68,283	245,246	1
Total expenditures	245,247	176,963	68,283	245,246	1
Revenues (under) expenditures	-	(75)	75	-	-
Other financing sources					
Transfers from General Fund	-	9,803	(9,803)	-	-
Total other financing sources	-	9,803	(9,803)	-	-
Net change in fund balance	\$ -	\$ 9,728	(9,728)	\$ -	\$ -
Fund balance, beginning of year			9,728		
Fund balance, end of year			\$ -		

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, 2015

Exhibit B-7

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Police grant	\$ 133,480	\$ 68,548	\$ 33,598	\$ 102,146	\$ (31,334)
Total revenues	<u>133,480</u>	<u>68,548</u>	<u>33,598</u>	<u>102,146</u>	<u>(31,334)</u>
Expenditures					
Salaries & benefits	101,046	32,695	52,352	85,047	15,999
Other operating expenses	31,380	13,747	4,766	18,513	12,867
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>80,645</u>	<u>57,118</u>	<u>137,763</u>	<u>29,663</u>
Revenues (under) expenditures	<u>(33,946)</u>	<u>(12,097)</u>	<u>(23,520)</u>	<u>(35,617)</u>	<u>1,671</u>
Other financing sources					
Transfer	22,000	15,545	6,731	22,276	276
Transfer	11,946	-	20,847	20,847	8,901
Transfer	<u>-</u>	<u>-</u>	<u>(3,448)</u>	<u>(3,448)</u>	<u>(3,448)</u>
Total other financing sources	<u>33,946</u>	<u>15,545</u>	<u>24,130</u>	<u>39,675</u>	<u>5,729</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>3,448</u>	<u>610</u>	\$ <u>4,058</u>	\$ <u>4,058</u>
Fund balance, beginning of year			<u>3,448</u>		
Fund balance, end of year			\$ <u>4,058</u>		

Enterprise Funds

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.

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, 2015**

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Water sales	\$ 44,943,300	\$ 4,456,743	\$ -
Sewer charges	3,327,600	3,146,362	-
Water and sewer taps	15,000	24,626	-
Miscellaneous	87,900	70,467	-
Total operating revenues	<u>7,925,400</u>	<u>7,698,198</u>	<u>(227,202)</u>
Nonoperating revenues			
Interest earned on investments	7,800	7,420	-
Grant revenues	34,000	24,000	-
Sale of assets	29,000	37,816	-
Total nonoperating revenues	<u>70,800</u>	<u>69,236</u>	<u>(1,564)</u>
Total revenues	<u>7,996,200</u>	<u>7,767,434</u>	<u>(228,766)</u>
Expenditures			
Water and Sewer Administration			
Salaries and employees benefits	-	546,607	-
Postage	-	43,826	-
Contracted services	-	56,331	-
Insurance	-	84,580	-
Uniforms	-	17,173	-
Other operating expenditures	-	142,977	-
Total	<u>934,460</u>	<u>891,494</u>	<u>42,966</u>
Water Treatment Plant			
Salaries and employees benefits	-	635,803	-
Supplies	-	52,654	-
Repairs	-	49,667	-
Contracted services	-	126,789	-
Utilities	-	473,452	-
Other operating expenditures	-	430,733	-
Total	<u>2,061,770</u>	<u>1,769,098</u>	<u>292,672</u>
Expenditures (continued)			
Sewer Treatment Plant			
Salaries and employees benefits	-	741,507	-
Supplies	-	46,396	-
Repairs	-	82,460	-
Contracted service	-	193,260	-
Utilities	-	450,757	-
Other operating expenditures	-	118,240	-
Total	<u>1,735,750</u>	<u>1,632,620</u>	<u>103,130</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, 2015

Exhibit C-1
Page 2 of 3

	Budget	Actual	Variance Positive (Negative)
System Division			
Salaries and employee benefits	-	1,049,821	-
Supplies	-	76,908	-
Repairs	-	26,858	-
Utilities	-	18,920	-
Other operating expenditures	-	131,829	-
Total	<u>1,420,490</u>	<u>1,304,336</u>	<u>116,154</u>
Debt Service			
Principal on Capital leases	-	954,142	-
Interest and fees	-	330,604	-
Total	<u>1,378,090</u>	<u>1,284,746</u>	<u>93,344</u>
Capital Outlay			
Utility administration	-	6,628	-
Water treatment plant	-	112,932	-
Sewer treatment plant	-	24,788	-
Systems division	-	117,107	-
Total	<u>357,050</u>	<u>261,455</u>	<u>95,595</u>
Total expenditures	<u>7,887,610</u>	<u>7,143,749</u>	<u>743,861</u>
Revenues over (under) expenditures	<u>108,590</u>	<u>623,685</u>	<u>515,095</u>
Other financing sources (uses)			
Transfers (to) from other funds			
General fund	(225,000)	(225,000)	-
Waste water treatment plant rehabilitation project	67,000	67,000	-
Waste water treatment improvements capital project	(60,300)	(60,300)	-
Sewer capital project	-	10,835	10,835
Total financing sources (uses) - net	<u>(218,300)</u>	<u>(207,465)</u>	<u>10,835</u>
Appropriated fund balance	<u>109,710</u>	<u>-</u>	<u>(109,710)</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues and other sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 416,220</u>	<u>\$ 416,220</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ 416,220</u>	
Payment on Capital leases		954,142	
Capital outlay		261,455	
Depreciation		(1,527,808)	
Deferred outflows of resources for contributions made to pension plan in current year		83,299	
Pension expense		(17,264)	
Increase in accrued compensated absences		(4,059)	
Increase in postemployment benefits		(32,522)	
Interest income from Capital Project Funds		788	
Waste Water Treatment Plant Rehabilitation Project		(67,000)	
Waste Water Treatment Improvements Capital Project		60,300	
Water and Sewer Assessment- Sewer Capital Project		499	
Sewer Capital Project		<u>(10,835)</u>	
Total reconciling items		<u>(299,005)</u>	
Change in net position		<u>\$ 117,215</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
SEWER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2015

Exhibit C-2

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Restricted intergovernmental revenues					
Rural Economic Development Grant	\$ 100,000	\$ 100,000	\$ -	\$ 100,000	\$ -
Water and sewer assessments	24,500	20,221	499	20,720	(3,780)
Interest earnings	-	1,888	42	1,930	1,930
Total revenues	<u>124,500</u>	<u>122,109</u>	<u>541</u>	<u>122,650</u>	<u>(1,850)</u>
Expenditures					
Engineering	22,800	22,594	-	22,594	206
Construction costs	311,300	311,181	-	311,181	119
Other professional services	11,797	11,683	-	11,683	114
Total expenditures	<u>345,897</u>	<u>345,458</u>	<u>-</u>	<u>345,458</u>	<u>439</u>
Revenues (under) expenditures	<u>(221,397)</u>	<u>(223,349)</u>	<u>541</u>	<u>(222,808)</u>	<u>(1,411)</u>
Other financing sources (uses)					
Transfers from other funds					
From water and sewer fund	221,397	233,643	(10,835)	222,808	1,411
Revenues and other sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 10,294</u>	<u>\$ (10,294)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ALBEMARLE, NORTH CAROLINA
WATER & SEWER CAPITAL (CKA) PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2015

Exhibit C-3

	Project Authorization	Actual		Total to Date	Variance Positive Negative
		Prior Years	Current Year		
Revenues					
Interest earnings	-	1,028	318	1,346	1,346
Total revenues	-	1,028	318	1,346	1,346
Expenditures					
Administration	234,785	57,402	131,951	189,353	45,432
Legal	11,000	7,962	-	7,962	-
Engineering	412,600	298,165	-	298,165	114,435
Land	20,000	19,784	-	19,784	216
Advertising	-	33	-	33	(33)
Contingency	266,725	27	8,731	8,758	257,967
Construction in process	5,814,600	2,303,770	3,481,631	5,785,401	29,199
Total expenditures	6,759,710	2,687,143	3,622,313	6,309,456	450,254
Revenues (under) expenditures	(6,759,710)	(2,686,115)	(3,621,995)	(6,308,110)	451,600
Other financing sources (uses)					
Transfers from other funds					
From water and sewer fund	359,710	359,710	-	359,710	-
Proceeds from debt	6,400,000	6,400,000	-	6,400,000	-
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ 4,073,595	\$ (3,621,995)	\$ 451,600	\$ 451,600

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, 2015

Exhibit C-4

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Restricted intergovernmental revenues					
Rural Economic Development Grant	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures					
Legal	50,000	-	3,654	3,654	46,346
Engineering	203,895	-	212,973	212,973	(9,078)
Administration	160,000	-	86,130	86,130	73,870
Demolition	180,000	-	-	-	180,000
Building	2,775,000	-	1,924,090	1,924,090	850,910
Contingency	295,500	-	-	-	295,500
Total expenditures	3,664,395	-	2,226,847	2,226,847	1,437,548
Revenues (under) expenditures	(3,664,395)	-	(2,226,847)	(2,226,847)	1,437,548
Other financing sources (uses)					
Transfers from other funds					
From water and sewer fund	60,300	-	60,300	60,300	-
Debt proceeds	3,604,095	-	1,606,351	1,606,351	(1,997,744)
Other financing sources (uses) Total	3,664,395	-	1,666,651	1,666,651	(1,997,744)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ -	\$ (560,196)	\$ (560,196)	\$ (560,196)

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, 2015

Exhibit C-5

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Restricted intergovernmental revenues					
Rural Economic Development Grant	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures					
Legal	30,000	1,739	-	1,739	28,261
Engineering	359,000	137,020	91,980	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	2,035,990	870,783	2,906,773	363,227
Contingency	227,000	-	-	-	227,000
Total expenditures	4,195,000	2,458,683	962,763	3,421,446	773,554
Revenues (under) expenditures	(4,195,000)	(2,458,683)	(962,763)	(3,421,446)	773,554
Other financing sources (uses)					
Transfers from other funds					
From water and sewer fund	-	132,640	-	132,640	132,640
Debt proceeds	4,195,000	2,235,429	1,153,172	3,388,601	(806,399)
Other financing sources (uses) Total	4,195,000	2,368,069	1,153,172	3,521,241	(673,759)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ (90,614)	\$ 190,409	\$ 99,795	\$ 99,795

CITY OF ALBEMARLE, NORTH CAROLINA
OLD WHITNEY CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2015

Exhibit C-6

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Restricted intergovernmental revenues					
Rural Economic Development Grant	-	-	-	-	-
Investment earnings	-	209	8	217	217
Total revenues	-	209	8	217	217
Expenditures					
Engineering	139,000	139,000	-	139,000	-
Other professional services	113,000	90,484	15,051	105,535	7,465
Construction	1,383,000	1,018,319	125,146	1,143,465	239,535
Contingency	138,000	75,086	2,581	77,667	60,333
Total expenditures	1,773,000	1,322,889	142,778	1,465,667	307,333
Revenues (under) expenditures	(1,773,000)	(1,322,680)	(142,770)	(1,465,450)	307,550
Other financing sources (uses)					
Transfers from other funds					
From water treatment plant rehabilitation project	-	139,482	120,468	259,950	259,950
Debt proceeds	1,773,000	1,205,500	-	1,205,500	(567,500)
Other financing sources (uses) Total	1,773,000	1,344,982	120,468	1,465,450	(307,550)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ 22,302	\$ (22,302)	\$ -	\$ -

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, 2015

Exhibit C-7

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Restricted intergovernmental revenues					
Rural Economic Development Grant	-	-	-	-	-
Investment earnings	-	225	420	645	645
Total revenues	-	225	420	645	645
Expenditures					
Legal	20,000	-	376	376	19,624
Engineering	331,452	285,150	12,800	297,950	33,502
Other professional services	98,350	85,875	-	85,875	12,475
Building	5,072,000	-	-	-	5,072,000
Contingency	307,000	-	-	-	307,000
Total expenditures	5,828,802	371,025	13,176	384,201	5,444,601
Revenues (under) expenditures	(5,828,802)	(370,800)	(12,756)	(383,556)	5,445,246
Other financing sources (uses)					
Transfers from other funds					
From OLD Whitney Capital Project	(120,468)	-	(120,468)	(120,468)	-
From water and sewer funds	(67,000)	-	(67,000)	(67,000)	-
Debt proceeds	6,016,270	644,656	-	644,656	(5,371,614)
Other financing sources (uses) Total	5,828,802	644,656	(187,468)	577,656	(5,371,614)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ 273,856	\$ (200,224)	\$ 73,632	\$ 73,632

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, 2015

Exhibit C-8

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Restricted intergovernmental revenues					
Rural Economic Development Grant	-	-	-	-	-
Total revenues	-	-	-	-	-
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	303,585	241,714	-	241,714	61,871
Revenues (under) expenditures	(303,585)	(241,714)	-	(241,714)	61,871
Other financing sources (uses)					
Transfers from other funds					
From water and sewer fund	303,585	303,585	-	303,585	-
Other financing sources (uses) Total	303,585	303,585	-	303,585	-
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ 61,871	\$ -	\$ 61,871	\$ 61,871

CITY OF ALBEMARLE, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenues			
Residential sales	\$ -	\$ 16,645,248	\$ -
Commercial and industrial sales	-	16,090,755	-
Sales to City Departments	-	1,094,971	-
Total charges for services	<u>34,073,150</u>	<u>33,830,974</u>	<u>(242,176)</u>
Other operating revenues	<u>1,505,900</u>	<u>1,073,875</u>	<u>(432,025)</u>
Total operating revenues	<u>35,579,050</u>	<u>34,904,849</u>	<u>(674,201)</u>
Nonoperating revenues			
Interest earned on investments	-	44,392	-
Sale of assets	-	91,097	-
Total nonoperating revenues	<u>93,300</u>	<u>135,489</u>	<u>42,189</u>
Total revenues	<u>35,672,350</u>	<u>35,040,338</u>	<u>(632,012)</u>
Expenditures			
Administrative and Finance			
Salaries and employees benefits	-	1,056,239	-
Other operating expenditures	-	342,517	-
Total	<u>1,578,210</u>	<u>1,398,756</u>	<u>179,454</u>
Customer Service			
Salaries and employees benefits	-	165,057	-
Other operating expenditures	-	17,611	-
Total	<u>183,400</u>	<u>182,668</u>	<u>732</u>
Electric Operations			
Salaries and employees benefits	-	1,425,407	-
Electric power purchases	-	29,451,866	-
Other operating expenditures	-	1,613,323	-
Total	<u>32,887,800</u>	<u>32,490,596</u>	<u>397,204</u>
Expenditures (continued)			
Debt Service			
Principal retirement	-	154,169	-
Interest and other charges	-	40,024	-
Total debt service	<u>198,490</u>	<u>194,193</u>	<u>4,297</u>

CITY OF ALBEMARLE, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Capital Outlay			
Administrative and finance	-	21,656	-
Electric operations	-	278,821	-
Total	<u>297,150</u>	<u>300,477</u>	<u>(3,327)</u>
Total expenditures	<u>35,145,050</u>	<u>34,566,690</u>	<u>578,360</u>
Revenues over (under) expenditures	<u>527,300</u>	<u>473,648</u>	<u>(53,652)</u>
Other financing sources (uses)			
Transfer from (to) funds			
General fund	(990,000)	(990,000)	-
Olive Place capital project	(135,000)	(135,000)	-
Cenav electric project	-	93,217	93,217
Greneral fund	-	25,000	25,000
Total other financing sources (uses)	<u>(1,125,000)</u>	<u>(1,006,783)</u>	<u>118,217</u>
Appropriated fund balance	<u>597,700</u>	-	<u>(597,700)</u>
Revenues and other sources over (under) expenditures, other (uses) and appropriated fund balances	<u>\$ -</u>	<u>\$ (533,135)</u>	<u>\$ (533,135)</u>
Reconciliation from budgetary basis (modified accrual)			
Net change in fund balance		<u>\$ (533,135)</u>	
Principal retirement		154,169	
Capital outlay		300,477	
Depreciation		(531,864)	
Deferred outflows of resources for contributions made to pension plan in current year		69,352	
Pension expense		(14,374)	
Increase in accrued compensated absences		(2,071)	
Increase in postemployment benefits		(26,759)	
Transfer Cenav electric project		(93,217)	
Transfer OLIVE electric project		<u>135,000</u>	
Total reconciling items		(9,287)	
Change in net position		<u>\$ (542,422)</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
CENAV ELECTRIC PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2015

Exhibit C-10

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Interest earnings	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures					
Engineering	116,800	116,016	15,840	131,856	(15,056)
Legal	-	352	200	552	(552)
Other equipment	1,475,000	1,361,500	4,000	1,365,500	109,500
Construction	556,200	535,970	120,905	656,875	(100,675)
Contingency	100,000	-	-	-	100,000
Total expenditures	2,248,000	2,013,838	140,945	2,154,783	93,217
Revenues (under) expenditures	(2,248,000)	(2,013,838)	(140,945)	(2,154,783)	(93,217)
Other financing sources (uses)					
Transfers from other funds					
From electric fund	2,248,000	2,248,000	(93,217)	2,154,783	93,217
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ 234,162	\$ (234,162)	\$ -	\$ -

CITY OF ALBEMARLE, NORTH CAROLINA
OLIVE PLACE
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2015

Exhibit C-11

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Interest earnings	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures					
Engineering	25,000	-	4,864	4,864	20,136
Construction	230,000	-	97,977	97,977	132,023
Contingency	25,000	-	-	-	25,000
Total expenditures	280,000	-	102,841	102,841	177,159
Revenues (under) expenditures	(280,000)	-	(102,841)	(102,841)	177,159
Other financing sources (uses)					
Transfers from other funds					
From electric fund	280,000	-	135,000	135,000	(145,000)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ -	\$ 32,159	\$ 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, 2015**

**Exhibit C-12
Page 1 of 2**

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Disposal fees	\$ -	\$ 2,125,325	\$ -
Solid waste fees	-	111,991	-
Sales of mulch and scrap	-	2,723	-
Scrap tire and white goods fees	-	164,094	-
Total charges for services	<u>2,351,430</u>	<u>2,404,133</u>	<u>52,703</u>
Other operating revenues	<u>52,770</u>	<u>57,968</u>	<u>5,198</u>
Total operating revenues	<u>2,404,200</u>	<u>2,462,101</u>	<u>57,901</u>
Nonoperating revenues			
Interest earned on investments	-	1,040	-
Sales of assets	-	118,113	-
Total nonoperating revenues	<u>155,000</u>	<u>119,153</u>	<u>(35,847)</u>
Total revenues	<u>2,559,200</u>	<u>2,581,254</u>	<u>22,054</u>
Expenditures			
Landfill Operations			
Salaries and employees benefits	-	665,935	-
Other operating expenditures	-	866,883	-
Total	<u>2,106,450</u>	<u>1,532,818</u>	<u>573,632</u>
Debt Service			
Principal on Capital leases	-	104,651	-
Interest and fees	-	19,092	-
Total	<u>205,050</u>	<u>123,743</u>	<u>81,307</u>
Capital Outlay	<u>148,700</u>	<u>138,830</u>	<u>9,870</u>
Total expenditures	<u>2,460,200</u>	<u>1,795,391</u>	<u>664,809</u>
Revenues over expenditures	<u>99,000</u>	<u>785,863</u>	<u>686,863</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing (uses) sources			
Transfers to other funds			
To Landfill Capital Project	(49,000)	(49,000)	-
General Fund	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total other financing (uses)	<u>(99,000)</u>	<u>(99,000)</u>	<u>-</u>
Revenues and other sources over (under) expenditures, other (uses)	<u>\$ -</u>	<u>\$ 686,863</u>	<u>\$ 686,863</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ 686,863</u>	
Payment on Capital leases		104,651	
Capital outlay		138,830	
Depreciation		(1,156,628)	
Deferred outflows of resources for contributions made to pension plan in current year		16,584	
Pension expense		(3,437)	
Increase in accrued compensated absences		(979)	
Increase in postemployment benefits		(19,103)	
Adjustment to accrued landfill closure and post closure costs		(354,072)	
Transfer - Landfill Capital Project		<u>49,000</u>	
Total reconciling items		<u>(1,225,154)</u>	
Change in net position		<u>\$ (538,291)</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
LANDFILL CAPITAL PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2015

Exhibit C-13

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Interest earnings	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures					
Engineering	75,000	-	37,300	37,300	37,700
Legal	56,000	-	-	-	56,000
Other equipment	149,000	-	-	-	149,000
Other services	50,000	-	-	-	50,000
Construction	1,959,500	-	-	-	1,959,500
Contingency	195,950	-	-	-	195,950
Total expenditures	2,485,450	-	37,300	37,300	2,448,150
Revenues (under) expenditures	(2,485,450)	-	(37,300)	(37,300)	2,448,150
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	\$ 11,700	\$ 11,700

CITY OF ALBEMARLE, NORTH CAROLINA
COMBINING BALANCE SHEET
DEPARTMENT OF PUBLIC HOUSING
June 30, 2015

Exhibit C-14

	Department of Public Housing			Totals
	Conventional	Section 8	Capital Fund	
ASSETS				
Current Assets				
Cash and investments	\$ 1,115,087	\$ 134,275	\$ -	\$ 1,249,362
Accounts receivable - net	40,392	1,308	38,521	80,221
Prepaid expenses	330	-	-	330
Total current assets	1,155,809	135,583	38,521	1,329,913
Noncurrent Assets				
Capital Assets				
Land	171,995	-	-	171,995
Other capital assets, net of accumulated depreciation	5,622,461	75,595	-	5,698,056
Total noncurrent assets	5,794,456	75,595	-	5,870,051
Total Assets	\$ 6,950,265	\$ 211,178	\$ 38,521	\$ 7,199,964
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 26,338	\$ 5,094	\$ 38,521	\$ 69,953
Customer deposits	42,786	-	-	42,786
Current portion of compensated absences	8,503	2,034	-	10,537
Current portion of long term debt	3,878	-	-	3,878
Total current liabilities	81,505	7,128	38,521	127,154
Other liabilities				
Lease payable	-	-	-	-
Other post employment benefits	82,235	20,559	-	102,794
Accrued compensated absences	8,502	2,034	-	10,536
Total other liabilities	90,737	22,593	-	113,330
Total liabilities	172,242	29,721	38,521	240,484
Net Position				
Net investment in capital assets	5,790,578	75,595	-	5,866,173
Unrestricted	987,445	105,862	-	1,093,307
Total net position	6,778,023	181,457	-	6,959,480
Total Liabilities and Net Position	\$ 6,950,265	\$ 211,178	\$ 38,521	\$ 7,199,964

CITY OF ALBEMARLE, NORTH CAROLINA
COMBINING SCHEDULE OF REVENUES AND EXPENSES
DEPARTMENT OF PUBLIC HOUSING
For the Fiscal Year Ended June 30, 2015

Exhibit C-15

	Department of Public Housing			Totals
	Conventional	Section 8	Capital Fund	
Operating Revenues				
Rental income	\$ 473,217	\$ -	\$ -	\$ 473,217
Other	51,969	-	-	51,969
Total operating revenues	525,186	-	-	525,186
Operating expenses				
Administrative	448,382	202,386	13,176	663,944
Tenant services		-	-	-
Utilities	379,279	-	-	379,279
Ordinary maintenance and operation	257,203	2,874	-	260,077
General expenses	59,608	2,658	-	62,266
Housing assistance payments	-	1,156,781	-	1,156,781
Nonroutine maintenance	42,862	-	-	42,862
Depreciation	412,421	4,543	-	416,964
Total operating expenses	1,599,755	1,369,242	13,176	2,982,173
Operating (loss)	(1,074,569)	(1,369,242)	(13,176)	(2,456,987)
Nonoperating revenues (expenses)				
Operating subsidies	682,208	1,249,457	-	1,931,665
Interest earned on investments	3,866	257	-	4,123
Interest and other charges	(474)	-	-	(474)
Nonoperating revenue	33,256	-	-	33,256
Total nonoperating revenues	718,856	1,249,714	-	1,968,570
Net income (loss) before contributions and transfers	(355,713)	(119,528)	(13,176)	(488,417)
Capital grants		-	212,464	212,464
Transfers	199,288	-	(199,288)	-
	199,288	-	13,176	212,464
Change in net position	(156,425)	(119,528)	-	(275,953)
Net position, July 1	6,934,448	300,985	-	7,235,433
Net position, June 30	\$ 6,778,023	\$ 181,457	\$ -	\$ 6,959,480

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, 2015

Exhibit C-16

	Conventional		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Rental income	\$ -	\$ 473,217	\$ 2,417
Other	-	51,969	51,969
Total operating revenues	<u>470,800</u>	<u>525,186</u>	<u>54,386</u>
Operating expenditures			
Administrative	-	442,255	-
Utilities	-	379,279	-
Ordinary maintenance and operation	-	257,203	133,733
General expenses	-	59,608	-
Nonroutine maintenance	-	42,862	-
Total operating expenditures	<u>1,314,940</u>	<u>1,181,207</u>	<u>133,733</u>
Operating revenues (under) operating expenditures	<u>(844,140)</u>	<u>(656,021)</u>	<u>188,119</u>
Nonoperating revenues			
Operating subsidies	-	682,208	-
Other income	-	33,256	59,330
Interest income	-	3,866	-
Total nonoperating revenues	<u>660,000</u>	<u>719,330</u>	<u>59,330</u>
Nonoperating expenditures			
Lease payments	6,600	4,303	2,297
Interet expense	800	474	326
Capital outlay	<u>44,800</u>	<u>35,426</u>	<u>9,374</u>
Total nonoperating expenditures	<u>52,200</u>	<u>40,203</u>	<u>11,997</u>
Nonoperating revenues over nonoperating expenditures	<u>607,800</u>	<u>679,127</u>	<u>71,327</u>
Revenues over expenditures	<u>(236,340)</u>	<u>23,106</u>	<u>259,446</u>
Appropriated fund balance	<u>236,340</u>	<u>-</u>	<u>(236,340)</u>
Excess of revenues and appropriated fund balance (under) expenditures - modified accrual	<u>\$ -</u>	<u>23,106</u>	<u>\$ 23,106</u>
Reconciliation to the accrual basis:			
Depreciation		(412,421)	
Capital outlay		35,426	
Lease principal payments		4,303	
Accrual of OPEB		(6,417)	
Accrual of compensated absences		290	
Change in net income before capital contributions and transfers - Exhibit C-15		<u>\$ (355,713)</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (NON-GAAP)
DEPARTMENT OF PUBLIC HOUSING - SECTION 8
For the Fiscal Year Ended June 30, 2015

Exhibit C-17

	Section 8		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Operating subsidiaries	\$ 1,417,800	\$ 1,249,457	\$ 168,343
Total operating revenues	<u>1,417,800</u>	<u>1,249,457</u>	<u>168,343</u>
Operating expenditures			
Administrative	226,150	204,215	21,935
Housing assistance payments	1,309,800	1,156,781	153,019
Total operating expenditures	<u>1,535,950</u>	<u>1,360,996</u>	<u>174,954</u>
Capital outlay	-	-	-
Total Expenditures	<u>1,535,950</u>	<u>1,360,996</u>	<u>174,954</u>
Operating revenues (under) operating expenditures	(118,150)	(111,539)	6,611
Nonoperating revenues			
Interest income	<u>250</u>	<u>257</u>	<u>7</u>
Excess (deficiency) of revenues under expenditures modified accrual	<u>\$ (117,900)</u>	<u>(111,282)</u>	<u>\$ 6,618</u>
Appropriated fund balance	<u>117,900</u>	<u>-</u>	<u>(117,900)</u>
Excess of revenues and appropriated fund balance (under) expenditures - modified accrual	<u>\$ -</u>	<u>(111,282)</u>	<u>\$ (111,282)</u>
Reconciliation to the accrual basis:			
Depreciation		(4,543)	
Other Post Employment Benefits		(1,601)	
Accrual of compensated absences		<u>(2,102)</u>	
Change in net position Exhibit C-15		<u>\$ (119,528)</u>	

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, 2015

Exhibit C-18

	Capital Funds		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating			
Operating subsidies	\$ -	\$ -	\$ -
Operating expenditures			
Administrative	-	13,176	-
Capital Outlay	-	199,288	-
Total operating expenditures	<u>629,587</u>	<u>212,464</u>	<u>417,123</u>
Operating revenues under operating expenditures	(629,587)	(212,464)	417,123
Nonoperating revenues			
Capital grants	<u>629,587</u>	<u>212,464</u>	<u>(417,123)</u>
Revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND COSTS - UNCOMPLETED
DEPARTMENT OF PUBLIC HOUSING - CONVENTIONAL
ANNUAL CONTRIBUTIONS CONTRACT A-1974
For the Fiscal Year Ended June 30, 2015

Exhibit C-19

1. The actual modernization costs of NC 19P07550112 are as follows:

	<u>Total</u>
Funds approved	\$ 264,556
Funds expended	<u>264,556</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced - HUD Grants	\$ 264,556
Funds expended	<u>264,556</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$ 85,132.

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND COSTS - UNCOMPLETED
DEPARTMENT OF PUBLIC HOUSING - CONVENTIONAL
ANNUAL CONTRIBUTIONS CONTRACT A-1974
For the Fiscal Year Ended June 30, 2015

Exhibit C-20

1. The actual modernization costs of NC 19P07550113 are as follows:

	<u>Total</u>
Funds approved	\$ 285,155
Funds expended	<u>112,946</u>
Excess of funds approved	<u>\$ 172,209</u>
Funds advanced - HUD Grants	\$ 108,502
Funds expended	<u>108,502</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$ 108,502.

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND COSTS - UNCOMPLETED
DEPARTMENT OF PUBLIC HOUSING - CONVENTIONAL
ANNUAL CONTRIBUTIONS CONTRACT A-1974
For the Fiscal Year Ended June 30, 2015

Exhibit C-21

1. The actual modernization costs of NC 19P07550114 are as follows:

	<u>Total</u>
Funds approved	\$ 287,284
Funds expended	<u>3,849</u>
Excess of funds approved	<u>\$ 283,435</u>
Funds advanced - HUD Grants	\$ 3,849
Funds expended	<u>3,849</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$ 3,849.

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND COSTS - UNCOMPLETED
DEPARTMENT OF PUBLIC HOUSING - CONVENTIONAL
ANNUAL CONTRIBUTIONS CONTRACT A-1974
For the Fiscal Year Ended June 30, 2015

Exhibit C-22

1. The actual modernization costs of NC 19P07550115 are as follows:

	<u>Total</u>
Funds approved	\$ 292,217
Funds expended	<u>-</u>
Excess of funds approved	<u>\$ 292,217</u>
Funds advanced - HUD Grants	\$ -
Funds expended	<u>-</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$ 0.

Agency Fund

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

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, 2015

Exhibit D-1

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash and cash equivalents	\$ 3,047	\$ 50,398	\$ 52,492	\$ 953
	<u>\$ 3,047</u>	<u>\$ 50,398</u>	<u>\$ 52,492</u>	<u>\$ 953</u>
LIABILITIES				
Due to agencies	3,047	50,398	52,492	953
	<u>\$ 3,047</u>	<u>\$ 50,398</u>	<u>\$ 52,492</u>	<u>\$ 953</u>

Other Schedules

This section includes additional information on property taxes.

- ***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, 2015

Exhibit E-1

<u>Fiscal Year</u>	Uncollected Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	Uncollected Balance <u>June 30, 2015</u>
2014-2015	\$ -	\$ 5,953,379	\$ 5,768,421	\$ 184,958
2013-2014	241,708	1,545	117,005	126,248
2012-2013	141,917	1,533	51,035	92,415
2011-2012	86,426	536	20,460	66,502
2010-2011	74,939	536	14,313	61,162
2009-2010	122,364	-	7,321	115,043
2008-2009	39,772	-	4,538	35,234
2007-2008	30,389	-	1,931	28,458
2006-2007	28,075	-	1,178	26,897
2005-2006	26,112	-	1,353	24,759
2004-2005	27,632	-	27,632	-
	<u>\$ 819,334</u>	<u>\$ 5,957,529</u>	<u>\$ 6,015,187</u>	761,676
Less: Allowance for uncollectible accounts Ad valorem taxes receivable				<u>(170,000)</u>
Ad valorem taxes receivable - net				<u>\$ 591,676</u>
Reconciliation with revenues				
Ad valorem taxes collected - General Fund				<u>\$ 5,990,284</u>
Discounts allowed				32,574
Releases and adjustments				26,264
Taxes written off				27,632
Interest collected				<u>(61,567)</u>
Total collections and credits				<u>\$ 6,015,187</u>

CITY OF ALBEMARLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
For the Fiscal Year Ended June 30, 2015

Exhibit E-2

	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	\$ 1,008,208,136	0.59	\$ 5,948,428	\$ 5,240,299	\$ 708,129
Penalties	-		6,712	6,712	-
Total	<u>1,008,208,136</u>		<u>5,955,140</u>	<u>5,247,011</u>	<u>708,129</u>
Discoveries:					
Current year taxes	2,701,525	0.59	15,939	15,939	-
Penalties	-		-	-	-
Total	<u>2,701,525</u>		<u>15,939</u>	<u>15,939</u>	<u>-</u>
Abatements:	(3,000,000)	0.59	(17,700)	(17,699)	(1)
Total valuation	<u>\$ 1,007,909,661</u>				
Net levy			5,953,379	5,245,251	708,128
Uncollected taxes at June 30, 2015			<u>(184,958)</u>	<u>(176,122)</u>	<u>(8,836)</u>
Current year's taxes collected			<u>\$ 5,768,421</u>	<u>\$ 5,069,129</u>	<u>\$ 699,292</u>
Current levy collection percentage			<u>96.89%</u>	<u>96.64%</u>	<u>98.75%</u>

Compliance Section

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Gastonia, North Carolina
Statesville, North Carolina

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of the City of Albemarle, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the City of Albemarle, North Carolina's basic financial statements, and have issued our report thereon dated October 2, 2015. Our report includes a reference to the other auditors who 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's financial statements. These reports do not include the results of the other auditor's testing of internal control over financial reporting or compliance and the other matters that are reported separately by those auditors. The financial statements of the City of 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, we considered the City of Albemarle's internal control over financial reporting 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.

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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Albemarle's financial statements are free of 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.

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.

Anderson Smith + Wike PLLC

Rockingham, NC
October 2, 2015

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Gastonia, North Carolina
Statesville, North Carolina

Report on Compliance with Requirements Applicable to Each Major Federal Program
and Internal Control Over Compliance in Accordance with OMB Circular A-133
and the State Single Audit Implementation Act

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
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 Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct material effect on each of the City's major federal programs for the year ended June 30, 2015. The City of Albemarle's major federal programs are identified in the summary of auditor's 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 major federal programs.

Auditor's 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 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether 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 on the City of Albemarle's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2015.

Report on Internal Control Over Compliance

Management of 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 City of Albemarle's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Albemarle'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 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Anderson Smith + Wike PLLC

Rockingham, NC
October 2, 2015



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Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the compliance of City of Albemarle, North Carolina 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, 2015. 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 each of its state programs.

Auditor's 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 OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program. 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 on City of Albemarle's compliance.

Opinion on Each Major State Program

In our opinion, 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, 2015.

Report on Internal Control Over Compliance

Management of 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 City of Albemarle's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Albemarle'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 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 a 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Anderson Smith + Wike PLLC

Rockingham, NC
October 2, 2015

CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Noted*

Noncompliance material to financial statements noted *No*

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Noted*

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 *No*

Identification of major federal program:

<u>CFDA Numbers</u>	<u>Names of Federal Program</u>
14.871	HUD – Low Housing Income Section 8 – HUD Vouchers

Dollar threshold used to distinguish between Type A and Type B Programs \$ 300,000

Auditee qualified as low-risk auditee? *No*

**CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2015**

State Awards

Internal control over major State programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses None Noted

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

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

Identification of major State program:

NC Clean Water Revolving Loan Program
Powell Bill

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – State Award Findings and Questioned Costs

None reported.

CITY OF ALBEMARLE, NORTH CAROLINA
PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2015

Significant Deficiencies

Finding 2014-1

Name of contact person: Coleen Conroy – Finance Officer

Corrective Action: The City has updated the Depository Agreements with Depository Institutions.

Proposed Completion Date: Corrected

**CITY OF ALBEMARLE, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Grantor/Pass-through Grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Direct & - Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>U.S. Department of Housing & Urban Development</u>					
<u>Direct Grant:</u>					
Low Income Housing:					
Public and Indian Housing Operating Subsidies	14.850		682,208	-	-
Section 8:					
Housing Choice Vouchers	14.871		1,364,698	-	-
Public Housing Capital Fund:					
NC19PO7550112	14.872		61,592	-	-
NC19PO7550113	14.872		109,365	-	-
NC19PO7550114	14.872		41,570	-	-
<u>U.S. Department of Justice</u>					
Pass through NC Department of Justice					
Bullet Proof Vest Grant	16.607		7,667	-	-
Edward Byrne Memorial Justice Assistance Grant-OCF12 Grant	16.738		40,777	-	-
Edward Byrne Memorial Justice Assistance Grant-Gang 1 Grant	20.600		33,597	-	-
<u>Federal Emergency Management Administration</u>					
<u>Safer Grant:</u>					
Staffing for Adequate Fire & Emergency Response Grant	97.083		68,283	-	-
Total assistance federal programs			<u>2,409,757</u>	<u>-</u>	<u>-</u>
STATE GRANTS					
Cash Assistance					
<u>N.C. Department of Environment and Natural Resources</u>					
Capital Improvement Grant		N/A	-	19,768	-
NC Clean Water Revolving Loan Program		ESRF-T-2013-522-04	-	962,763	-
NC Clean Water Revolving Loan Program		ESRF-T-2013-522-03		<u>1,606,351</u>	
				2,569,114	
<u>N.C. Department of Transportation</u>					
Powell Bill		N/A	9,900	-	543,934
Total assistance state programs			<u>-</u>	<u>3,132,816</u>	<u>-</u>
Total assistance			<u>\$ 2,409,757</u>	<u>\$ 3,132,816</u>	<u>\$ -</u>

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

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