

CITY OF ALBEMARLE, NORTH CAROLINA

FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2014

CITY OF ALBEMARLE, NORTH CAROLINA

CITY OFFICIALS

JUNE 30, 2014

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

RAYMOND I. ALLEN

CITY MANAGER

MICHAEL J. FERRIS

ASSISTANT CITY MANAGER

COLLEEN CONROY

FINANCE OFFICER

DAVID A. BEAVER

CITY ATTORNEY

PAULETTE BOWERS

CITY CLERK

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Financial Section

INDEPENDENT AUDITOR'S REPORT

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Rockingham, North Carolina 28380
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Other Office Locations:
Seven Lakes, North Carolina
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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 2014, and the respective

changes in financial position, and, where applicable, cash flows, 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, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, on pages 3 through 12 and 49 through 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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

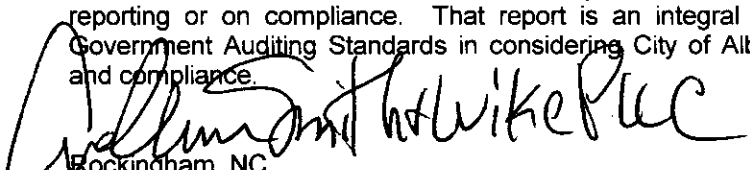
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Albemarle, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures 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, 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 December 22, 2014 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.


Rockingham, NC
December 22, 2014

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, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

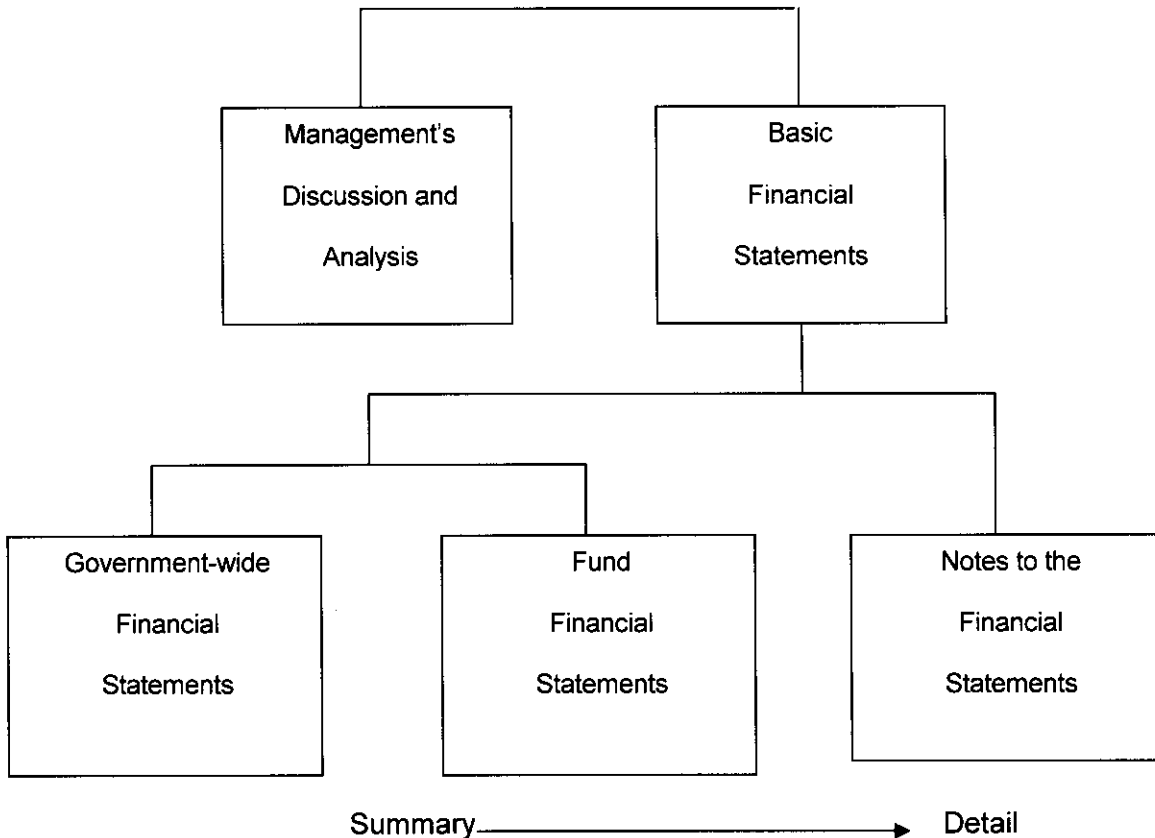
Financial Highlights

- The assets and deferred outflows of resources of the City of Albemarle exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$68,090,724.
- The government's total net position decreased by \$1,176,787, primarily due to expenditures exceeding revenues by \$1,104,269 and an Extraordinary Event of \$242,152 (Note 9).
- As of the close of the current fiscal year, the City of Albemarle's governmental funds reported combined ending fund balances of \$6,645,688 an increase of \$656,165 in comparison with the prior year. Approximately 82.0 percent of this total amount, or \$5,451,386, 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 \$5,295,985, or 40.8 percent of total general fund expenditures for the fiscal year.
- The City of Albemarle's total debt increased by \$9,538,140 during the current fiscal year. The key factor in this increase is new debt of \$10,889,041.

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 23 through 48 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 49 through 52 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 8,913,672	\$ 8,461,820	\$ 22,118,454	\$ 18,542,873	\$ 31,032,126	\$ 27,004,693
Capital assets	16,362,371	16,573,556	55,538,651	49,553,402	71,901,022	66,126,958
Total assets	<u>25,276,043</u>	<u>25,035,376</u>	<u>77,657,105</u>	<u>68,096,275</u>	<u>102,933,148</u>	<u>93,131,651</u>
Long-term liabilities	4,145,833	3,960,802	21,363,229	11,883,007	25,509,062	15,843,809
Other liabilities	1,130,024	1,309,693	7,125,698	5,622,320	8,255,722	6,932,013
Deferred inflows of resources	1,077,640	1,088,318	-	-	1,077,640	1,088,318
Total liabilities and deferred inflows of resources	<u>6,353,497</u>	<u>6,358,813</u>	<u>28,488,927</u>	<u>17,505,327</u>	<u>34,842,424</u>	<u>23,864,140</u>
Net position						
Net investment in capital assets	14,179,497	14,403,544	39,408,597	42,948,565	53,588,094	57,352,109
Restricted	1,103,666	940,571	-	-	1,103,666	940,571
Unrestricted	3,639,383	3,332,448	9,759,581	7,642,383	13,398,964	10,974,831
Total net position	<u>\$ 18,922,546</u>	<u>18,676,563</u>	<u>\$ 49,168,178</u>	<u>\$ 50,590,948</u>	<u>\$ 68,090,724</u>	<u>\$ 69,267,511</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 \$68,090,724 as of June 30, 2014. The City's net position decreased by \$1,176,787 for the fiscal year ended June 30, 2014. 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.

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

- An Extraordinary Event that cost the city 242,152.

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	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,233,228	\$ 1,247,236	\$ 45,115,371	\$ 42,021,064	\$ 46,348,599	\$ 43,268,300
Contributions	49,700	26,561	2,070,074	2,014,307	2,119,774	2,040,868
Contributions	985,715	925,668	192,779	396,040	1,178,494	884,708
General revenues:						
Property taxes	5,794,633	5,660,953	-	-	5,794,633	5,660,953
Other taxes	4,285,480	4,386,653	-	-	4,285,480	4,386,653
Interest earned	2,528	10,038	79,476	18,091	82,004	28,129
Other	134,347	215,981	121,834	1,065,333	256,181	1,281,314
Total revenues	<u>12,485,631</u>	<u>12,473,090</u>	<u>47,579,534</u>	<u>45,514,835</u>	<u>60,065,165</u>	<u>57,987,925</u>
Expenses:						
General government	1,856,381	1,788,218	-	-	1,856,381	1,788,218
Public safety	7,033,184	6,675,379	-	-	7,033,184	6,675,379
Public works	2,032,970	2,183,786	-	-	2,032,970	2,183,786
Environmental protection	930,426	934,069	-	-	930,426	934,069
Economic development	112,038	2,229	-	-	112,038	2,229
Culture and recreation	1,302,081	1,272,719	-	-	1,302,081	1,272,719
Interest on long-term debt	104,234	103,205	-	-	104,234	103,205
Water and sewer	-	-	7,158,112	7,003,619	7,158,112	7,003,619
Electric	-	-	34,128,798	32,496,423	34,128,798	32,496,423
Landfill	-	-	3,300,050	2,988,247	3,300,050	2,988,247
Public housing	-	-	3,041,526	3,029,943	3,041,526	3,029,943
Total expenses	<u>13,371,314</u>	<u>12,959,605</u>	<u>47,628,486</u>	<u>45,518,232</u>	<u>60,999,800</u>	<u>58,477,837</u>
Increase in net position before transfers	(885,683)	(486,515)	(48,952)	(3,397)	(934,635)	(489,912)
Transfers	1,373,818	1,166,959	(1,373,818)	(1,166,959)	-	-
Increase in net position	488,135	680,444	(1,422,770)	(1,170,356)	(934,635)	(489,912)
Extraordinary Event (Note 9)	(242,152)	-	-	(925,385)	(242,152)	(925,385)
Net position, July 1	18,676,563	17,996,119	50,590,948	52,686,689	69,267,511	70,682,808
Net position, June 30	<u>\$ 18,922,546</u>	<u>\$ 18,676,563</u>	<u>\$ 49,168,178</u>	<u>\$ 50,590,948</u>	<u>\$ 68,090,724</u>	<u>\$ 69,267,511</u>

Governmental activities: Governmental activities increased the City's net position by \$245,983. Key elements of this increase are as follows:

- Transfers to other funds of \$1,373,818

Business-type activities: Business-type activities decreased the City of Albemarle's net position by \$1,422,770. Key elements of this decrease are as follows:

- Transfers from other funds of \$1,373,818

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 \$6,555,797, while total fund balance reached \$6,645,688. 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 82.8 percent of total General Fund expenditures, while total fund balance represents 82.0 percent of that same amount.

At June 30, 2014, the governmental funds of City of Albemarle reported a combined fund balance of \$6,645,688 a 11.0 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 Drug Substance Tax for purchase of police mobile camera system for Police and appropriated loan proceeds for purchase of Landfill Excavator
- Appropriated prior year encumbrance for purchase of equipment
- Amended Project Budget for Concord/Kannapolis/Albemarle Waterline Project to reflect costs per contracts.
- The City received a Traffic Grant from Governor's Highway Safety Program
- Appropriated revenue from Insurance claim for compactor damaged by fire and damaged truck for repairs of these pieces of equipment.
- The City appropriated unexpended funds from prior year for a service truck in Maintenance shop and appropriated loan proceeds to replace Information Systems Network Storage System.
- The City appropriated year two of the Governor's Crime Commission Grant for Gang eradication.
- The City appropriated HUD funds for the 2013 Capital Fund Program

- The City appropriated funds from proceeds of debt for purchase of new radio system for Police and appropriated funds from Sale of Assets for vehicle purchase for Police.
- The City appropriated White Goods Grant for purchase of a Truck
- The City appropriated Fund Balance to cover remaining cost of Microburst Storm Cleanup.
- Appropriated proceeds from installment debt for purchase of Sewer Vac Truck.
- Appropriated Fund balance for purchase of Central School
- Appropriated Reserved Fund Balance for payment of Refund of Privilege License fees for gaming and CDBG funds for demolition of property on Alfred Street

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 \$5,835,118, those for the Electric Fund amounted to \$4,979,954, Public Housing \$1,191,313, and for the Landfill Fund \$(2,246,804). The total change in net position for all funds was \$52,723, \$(481,893), \$(273,014), and \$(720,586), 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, 2014, totals \$71,901,022 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Opening of the renovated Jesse Niven Parks & Recreation Center which serves as the new headquarters for the department and expands available recreation program space.
- Dedicated Phase III of the Roger F. Snyder Greenway
- Hired the City's first Economic Development Director which will enhance the City's opportunities for creating jobs and attracting business investment to the City;
- Launched a joint branding campaign for economic development with Stanly County
- Acquired the former Central Elementary School for redevelopment as affordable senior housing
- Appointed a Business Development Task Force made up of local citizens to make recommendations to the City Council regarding regulations and permitting processes
- Completed a salary and personnel policy study
- Paved all or a portion of several local streets
- Purchased a service truck for the vehicle maintenance facility
- Continued repair and replacement of deteriorated sidewalks throughout the City
- Replacement of network storage servers for IT
- Completed construction of an equalization basin at the US 52 Water Treatment Plant
- Relocation of a portion of the 30 inch water line on NC Highway 49 at Curl Tail Creek to accommodate bridge replacement by NCDOT
- Start of construction for major renovations at the Old Whitney Raw Water Pump Station
- Start of construction for the Concord Kannapolis Albemarle water line
- Completion of design for major renovations to the US 52 Water Treatment Plant
- Completion of design for replacement of the headworks at the Long Creek Wastewater Treatment Plant
- Start of construction to replace the main sewer trunk line in the center of town to address inflow and infiltration
- Start of construction for a third electric delivery point for the City

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 2,640,255	\$ 2,640,255	\$ 1,031,182	\$ 1,031,182	\$ 3,671,437	\$ 3,671,437
Infrastructure	3,603,166	3,743,288	11,688,504	13,258,786	15,291,670	17,002,074
Other improvements	249,594	277,440	617,091	670,383	866,685	947,823
Buildings	7,509,331	6,960,509	29,184,519	24,380,960	36,693,850	31,341,469
Machinery and equipment	999,371	766,460	195,688	211,724	1,195,059	978,184
Mobile equipment	1,344,019	1,407,228	3,664,263	2,614,252	5,008,282	4,021,480
Construction in progress	<u>16,635</u>	<u>778,376</u>	<u>9,157,404</u>	<u>7,386,115</u>	<u>9,174,039</u>	<u>8,164,491</u>
Total	<u>\$ 16,362,371</u>	<u>\$16,573,556</u>	<u>\$55,538,651</u>	<u>\$49,553,402</u>	<u>\$ 71,901,022</u>	<u>\$ 66,126,958</u>

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

Long-term Debt: As of June 30, 2014, the City of Albemarle had total paid back all their bonded debt.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

City of Albemarle's Outstanding Debt

The City of Albemarle's total debt increased \$9,538,140 during the past fiscal year, primarily due to additional debt. The City of Albemarle does however owe \$1,990,808 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 it's 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 \$80,863,389.

Additional information regarding the City of Albemarle's long-term debt can be found in note 2 .B. beginning on page 44 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 at June 30, 2014 was 5.8% which is slightly less than the state average of 6.4% and below the national average is 6.1%.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities: Property taxes will increase by .03 per \$100 valuation to 0.59 for the fiscal year ending June 30, 2015. This budget represents an overall increase of 3.6%% with 57% of the total General Fund budget being allocated to the Police and Fire Departments. As in past years, considerable more than 100% of all the property tax revenue to be collected by the City will be required to fund the Police and Fire Departments. These two departments are projected to cost \$7.4 million while property tax collections are projected to be only \$5.8 million. The budget proposes no increases in the household solid waste collection fee, household solid waste disposal fee, planning and zoning fees, fire inspection and plans review fees, or business license fees.

The Powell Bill Fund is proposed at \$662,200 which is a slight decrease from the current Powell Bill Budget. It includes \$150,000 for asphalt resurfacing and street repairs, a decrease of \$50,000 from the FY 2013-2014 budget. This \$50,000 cost has been budgeted in the General Fund.

Business-Type Activities: The Water and Sewer Budget is proposed at \$7,935,200, which is a decrease of approximately 1.6% from the current year. The proposed budget has a recommended increase of 8% in water and sewer rates. Even if this increase is implemented, the City's water and sewer rates will still be considerably below the average for water and sewer rates across the state. The need to maintain the City's aging utility infrastructure, increased chemical and treatment costs, an increasingly stringent regulatory environment, and debt service for the capital improvement projects we have undertaken are the primary reasons for these recommended increases. For a typical customer who uses 748 cubic feet of water per month, the increased cost for water and sewer will only be \$3.06 per month. The budget includes debt service payments for the State loan for major improvements at the Long Creek Wastewater Treatment Plant, and for the sewer line replacement project to reduce inflow and infiltration; as well as debt service payments for the CKA water line project, the US 52 WTP equalization basin construction, and improvements to the Old Whitney raw water pump station. The Water and Sewer Budget also includes funds for replacement of flocculators at the Tuckertown Water Treatment Plant; fiber communications for the CKA water line; replacement of a damaged sewer line over a creek; funding for the backflow prevention/cross control and fats, oils and grease program; and replacement of the System Division Superintendent's vehicle.

The Electric Fund has a proposed budget of \$36,122,850. This represents a slight increase of 1% over the current year. The City will receive from the North Carolina Municipal Power Agency One an estimated wholesale rate increase of 2.4% effective July 1, 2014. The budget proposes a retail rate adjustment of 2.5% effective July 1, 2014 to offset this increase. For a typical residential customer using 1956 kWh per month this adjustment would increase their monthly bill by approximately \$5.68. The recommended budget includes funding to continue improvements to the electric system; to replace a pickup truck; and to replace a bucket truck.

The Solid Waste Disposal Fund is proposed at \$2,477,100 for FY 2014-2015, which constitutes an increase of approximately 16 per cent from the current year. I am recommending a \$1 per ton increase in the municipal solid waste disposal fee, from \$39 to \$40; and in the construction and demolition fee of \$1 from \$33 to \$34. Even with this increase the City's landfill will continue to remain competitive with other landfills in our region. The budget includes one time revenues of an estimated \$154,000 for sale of timber. The proposed budget includes funds to replace the leachate force main for the C&D landfill to the leachate basin; and for debt service for part of the year to construct a force main to connect to the City's wastewater treatment system in lieu of the pump and haul system currently in place if this project is approved by City Council, and if the City receives a low interest loan from the state for this project.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Albemarle, P O Box 190, Albemarle, North Carolina 28002.

Basic Financial Statements

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2014

Exhibit 1

	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	\$ 7,115,285	\$11,743,460	\$ 18,858,745	\$ 103,909	\$ 187,594
Restricted cash	290,910	-	290,910	-	-
Receivables:					
Taxes receivable - net	639,334	-	639,334	2,933	-
Accounts receivable	173,422	5,114,358	5,287,780	-	-
Due from other governments	1,399,657	829,069	2,228,726	57,350	-
Internal balances	(1,540,807)	1,540,807	-	-	-
Inventories	16,285	2,872,622	2,888,907	-	255,323
Prepaid expenses	19,586	18,138	37,724	-	6,177
Total current assets	<u>8,113,672</u>	<u>22,118,454</u>	<u>30,232,126</u>	<u>164,192</u>	<u>449,094</u>
Non-current assets					
Note receivable	800,000	-	800,000	-	-
Capital assets					
Land, and construction in progress	2,656,890	10,188,586	12,845,476	116,423	261,417
Other capital assets, net of depreciation	13,705,481	45,350,065	59,055,546	566,532	824,403
Total capital assets	<u>16,362,371</u>	<u>55,538,651</u>	<u>71,901,022</u>	<u>682,955</u>	<u>1,085,820</u>
Total non-current assets	<u>17,162,371</u>	<u>55,538,651</u>	<u>72,701,022</u>	<u>682,955</u>	<u>1,085,820</u>
Total assets	<u>25,276,043</u>	<u>77,657,105</u>	<u>102,933,148</u>	<u>847,147</u>	<u>1,534,914</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	551,010	4,977,676	5,528,686	2,085	150,009
Deposits	-	953,395	953,395	-	-
Current portion of long-term liabilities	579,014	1,194,627	1,773,641	8,502	-
Accrued interest payable	-	-	-	776	-
Total current liabilities	<u>1,130,024</u>	<u>7,125,698</u>	<u>8,255,722</u>	<u>11,363</u>	<u>150,009</u>
Long-term liabilities					
Accrued landfill closure and postclosure costs	-	5,035,088	5,035,088	-	-
Long-term liabilities:					
Due in more than one year	4,145,833	16,328,141	20,473,974	29,770	-
Total long-term liabilities	<u>4,145,833</u>	<u>21,363,229</u>	<u>25,509,062</u>	<u>29,770</u>	<u>-</u>
Total liabilities	<u>5,275,857</u>	<u>28,488,927</u>	<u>33,764,784</u>	<u>41,133</u>	<u>150,009</u>
DEFERRED INFLOWS OF RESOURCES					
Prepaid license fees	277,640	-	277,640	-	-
Prepaid taxes	-	-	-	-	-
Note Receivable	800,000	-	800,000	-	-
Total deferred inflows of resources	<u>1,077,640</u>	<u>-</u>	<u>1,077,640</u>	<u>-</u>	<u>-</u>
Net Position					
Net investment in capital assets	14,179,497	39,408,597	53,588,094	644,683	1,085,820
Restricted for:					
Stabilization by State Statute	812,756	-	812,756	-	-
Other functions	290,910	-	290,910	161,331	74,199
Unrestricted	3,639,383	9,759,581	13,398,964	-	224,886
Total net position	<u>\$ 18,922,546</u>	<u>\$49,168,178</u>	<u>\$ 68,090,724</u>	<u>\$ 806,014</u>	<u>\$ 1,384,905</u>

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Exhibit 2

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	Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 1,856,381	\$ 19,197	\$ -	\$ 446,224	\$ (1,390,960)	\$ -	\$ (1,390,960)
Public safety	7,033,184	24,169	49,700	10,364	(6,948,951)	-	(6,948,951)
Public works	2,032,970	1,076,096	-	529,127	(427,747)	-	(427,747)
Environmental protection	930,426	-	-	-	(930,426)	-	(930,426)
Economic and physical development	112,038	-	-	-	(112,038)	-	(112,038)
Cultural and recreational	1,302,081	113,766	-	-	(1,188,315)	-	(1,188,315)
Interest on long-term debt	104,234	-	-	-	(104,234)	-	(104,234)
Total governmental activities	13,371,314	1,233,228	49,700	985,715	(11,102,671)	-	(11,102,671)
Business-type activities							
Water and sewer	7,158,112	7,421,015	-	-	-	262,903	262,903
Electric	34,128,798	34,615,161	-	-	-	486,363	486,363
Landfill	3,300,050	2,628,348	-	-	-	(671,702)	(671,702)
Department of public housing	3,041,526	450,847	2,070,074	192,779	-	(327,826)	(327,826)
Total business-type activities	47,628,486	45,115,371	2,070,074	192,779	-	(250,262)	(250,262)
Total primary government	\$ 60,999,800	\$ 46,348,599	\$ 2,119,774	\$ 1,178,494	\$ (11,102,671)	\$ (250,262)	\$ (11,352,933)
Component units							
Albemarle Downtown Development Corporation	\$ 486,602	\$ 384,570	\$ 57,000	\$ -	\$ -	\$ -	\$ (45,032)
Albemarle ABC Board	2,483,166	2,509,388	-	-	-	-	26,222
Total component units	\$ 2,969,768	\$ 2,893,958	\$ 57,000	\$ -	\$ -	\$ -	(18,810)
General revenues							
Taxes							
Property taxes, levied for general purposes					5,794,633	-	5,794,633
Other taxes and licenses					4,285,480	-	4,285,480
Unrestricted investment earnings					2,528	79,476	82,004
Miscellaneous revenues					134,347	121,834	256,181
Transfers					1,373,818	(1,373,818)	-
Total general revenues and transfers					11,590,806	(1,172,508)	10,418,298
Change in net position					488,135	(1,422,770)	(934,635)
Extraordinary Event (Note 9)					(242,152)	-	(242,152)
Net position, beginning, as previously stated					18,676,563	50,590,948	69,267,511
Prior period adjustment					-	-	1,849
Net position, beginning, as restated					18,676,563	50,590,948	69,267,511
Net position, end of year					\$ 18,922,546	\$ 49,168,178	\$ 68,090,724

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

CITY OF ALBEMARLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

Exhibit 3

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Niven Center Renovation Fund		
Assets				
Cash and cash equivalents	\$ 7,046,183	\$ 69,102	\$ -	\$ 7,115,285
Restricted cash	290,910	-	-	290,910
Receivables, net				
Taxes	639,334	-	-	639,334
Accounts	173,422	-	-	173,422
Due from other governments	1,377,231	-	22,426	1,399,657
Due from other funds	-	-	-	-
Inventories	16,285	-	-	16,285
Prepaid expenses	19,586	-	-	19,586
Note receivable	800,000	-	-	800,000
Total assets	\$ 10,362,951	\$ 69,102	\$ 22,426	\$ 10,454,479
Liabilities and fund balances				
Liabilities				
Accounts payable and accrued liabilities	\$ 549,373	\$ 1,612	\$ 25	\$ 551,010
Due to other funds	1,540,807	-	-	1,540,807
Total liabilities	2,090,180	1,612	25	2,091,817
DEFERRED INFLOWS OF RESOURCES				
Taxes	639,334	-	-	639,334
Prepaid license fees	277,640	-	-	277,640
Note Receivable	800,000	-	-	800,000
Total deferred inflows of resources	1,716,974	-	-	1,716,974
Fund balances				
Nonspendable				
Inventories	16,285	-	-	16,285
Restricted				
Stabilization by State Statute	812,756	-	-	812,756
Streets - Powell Bill	290,910	-	-	290,910
Committed				
Parks and recreation	6,861	67,490	-	-
Assigned				
Subsequent year's expenditures	133,000	-	-	133,000
Unassigned	5,295,985	-	22,401	5,318,386
Total fund balances	6,555,797	67,490	22,401	6,645,688
Total liabilities and fund balances	\$ 10,362,951	\$ 69,102	\$ 22,426	\$ 8,737,505
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				\$ 6,645,688
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				16,362,371
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds				639,334
Compensated absences not expected to be materially liquidated with expendable available resources				(577,392)
Net pension obligations				(437,201)
Other postemployment benefits				(1,527,380)
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				(2,182,874)
Net position of governmental activities				\$ 18,922,546

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

Exhibit 4

	Major Fund		Total Non-Major Funds	Total Governmental Funds
	General	Niven Center Renovation Fund		
Revenues				
Ad valorem taxes	\$ 5,844,284	\$ -	\$ -	\$ 5,844,284
Other taxes and licenses	289,743	-	-	289,743
Unrestricted intergovernmental	3,995,737	-	-	3,995,737
Restricted intergovernmental	834,177	-	201,238	1,035,415
Permits and fees	43,145	-	-	43,145
Sales and services	1,190,083	-	-	1,190,083
Investment earnings	6,851	-	-	6,851
Miscellaneous	130,024	-	-	130,024
Total revenues	12,334,044	-	201,238	12,535,282
Expenditures				
Current				
General government	1,599,637	-	-	1,599,637
Public safety	6,927,399	-	90,853	7,018,252
Public works	1,905,120	-	-	1,905,120
Environmental protection	930,426	-	-	930,426
Economic and physical development	-	-	112,038	112,038
Cultural and recreation	1,192,452	-	-	1,192,452
Debt service:				
Principal	318,728	-	-	318,728
Interest	104,234	-	-	104,234
Capital outlay	-	127,283	34,203	161,486
Total expenditures	12,977,996	127,283	237,094	13,342,373
Excess (deficiency) of revenues over expenditures	(643,952)	(127,283)	(35,856)	(807,091)
Other financing sources (uses)				
Transfers from other funds	1,476,533	-	(77,715)	1,398,818
Transfers to other funds	(52,097)	-	27,097	(25,000)
Proceeds from debt	331,590	-	-	331,590
Total other financing sources (uses)	1,756,026	-	(50,618)	1,705,408
Extraordinary Event (Note 9)	(242,152)	-	-	(242,152)
Net change in fund balances	869,922	(127,283)	(86,474)	656,165
Fund balances - beginning	5,685,875	194,773	108,875	5,989,523
Fund balances - end of year	\$ 6,555,797	\$ 67,490	\$ 22,401	\$ 6,645,688

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

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

Net changes in fund balances - total governmental funds \$ 656,165

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	754,297
Depreciation	(949,138)
Asset transfers	(16,344)

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	(49,651)
--	----------

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	23,953
Current pension cost	2,321
Other postemployment benefits	(162,758)

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.

(12,862)

Extraordinary Event (Note 9)

242,152

Total changes in net position of governmental activities

\$ 488,135

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

GENERAL FUND

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues				
Ad valorem taxes	\$ 5,480,650	\$ 5,480,650	\$ 5,844,284	\$ 363,634
Other taxes and licenses	271,800	271,800	289,743	17,943
Unrestricted intergovernmental	4,040,450	4,040,450	3,995,737	(44,713)
Restricted intergovernmental	738,900	738,900	834,177	95,277
Permits and fees	41,300	41,300	43,145	1,845
Sales and services	1,218,050	1,230,250	1,190,083	(40,167)
Investment earnings	13,500	13,500	2,528	(10,972)
Miscellaneous	46,850	46,850	134,347	87,497
Total revenues	<u>11,851,500</u>	<u>11,863,700</u>	<u>12,334,044</u>	<u>470,344</u>
Expenditures				
Current				
General government	1,627,750	1,900,500	1,599,637	300,863
Public safety	6,680,000	6,992,110	6,927,399	64,711
Public works	2,136,700	2,224,700	1,905,120	319,580
Environmental protection	1,000,000	954,000	930,426	23,574
Cultural and recreational	1,300,300	1,227,500	1,192,452	35,048
Debt service				
Principal	375,000	564,150	318,728	245,422
Interest	105,000	106,250	104,234	2,016
Total expenditures	<u>13,224,750</u>	<u>13,969,210</u>	<u>12,977,996</u>	<u>991,214</u>
Revenues over (under) expenditures	<u>(1,373,250)</u>	<u>(2,105,510)</u>	<u>(643,952)</u>	<u>1,461,558</u>
Other financing sources (uses)				
Transfers from other funds	2,731,811	1,409,035	1,476,533	67,498
Transfers to other funds	(1,574,111)	(288,070)	(52,097)	235,973
Debt proceeds	-	331,590	331,590	-
Total other financing sources (uses)	<u>1,157,700</u>	<u>(652,955)</u>	<u>1,756,026</u>	<u>303,471</u>
Extraordinary Event (Note 9)	<u>-</u>	<u>-</u>	<u>(242,152)</u>	<u>(242,152)</u>
Appropriated fund balance	<u>215,550</u>	<u>652,955</u>	<u>-</u>	<u>(652,955)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>869,922</u>	<u>869,922</u>
Fund balance - beginning			<u>5,685,875</u>	
Fund balance - end of year			<u>\$ 6,555,797</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

Exhibit 7

	Major Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
Assets					
Current assets					
Cash and cash equivalents	\$ 5,855,870	\$ 1,212,626	\$ 3,267,642	\$ 1,407,322	\$ 11,743,460
Accounts receivable - net	1,160,685	3,752,308	162,373	38,992	5,114,358
Due from other governments	829,069	-	-	-	829,069
Due from other funds	247,782	1,743,025	-	-	1,990,807
Inventories	394,638	2,477,984	-	-	2,872,622
Prepaid expenses	4,951	11,446	696	1,045	18,138
Total current assets	8,492,995	9,197,389	3,430,711	1,447,359	22,568,454
Noncurrent assets					
Capital assets					
Land, improvements and construction in progress	7,098,700	2,159,801	597,714	332,371	10,188,586
Other capital assets, net of depreciation	30,970,980	5,061,978	3,597,177	5,719,930	45,350,065
Total capital assets, net	38,069,680	7,221,779	4,194,891	6,052,301	55,538,651
Total assets	\$46,562,675	\$16,419,168	\$7,625,602	\$7,499,660	\$78,107,105
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	\$ 1,771,707	\$ 3,062,624	\$ 43,861	\$ 99,484	\$ 4,977,676
Customer deposits	202,719	669,151	39,000	42,525	953,395
Due to other funds	-	-	450,000	-	450,000
Compensated absences - current	85,582	81,460	20,336	9,630	197,008
Installment purchase agreements payable - current	778,055	163,912	50,800	4,852	997,619
Total current liabilities	2,838,063	3,977,147	603,997	156,491	7,575,698
Noncurrent liabilities					
Accrued landfill closure and postclosure costs	-	-	5,035,088	-	5,035,088
Compensated absences	85,583	81,460	20,337	9,631	197,011
Other postemployment benefits	512,286	322,740	104,250	94,776	1,034,052
Installment purchase agreements payable - noncurrent	13,714,004	1,133,640	246,105	3,329	15,097,078
Total noncurrent liabilities	14,311,873	1,537,840	5,405,780	107,736	21,363,229
Total liabilities	17,149,936	5,514,987	6,009,777	264,227	28,938,927
Net position					
Net investment in capital assets	23,577,621	5,924,227	3,862,629	6,044,120	39,408,597
Unrestricted	5,835,118	4,979,954	(2,246,804)	1,191,313	9,759,581
Total net position	\$29,412,739	\$10,904,181	\$1,615,825	\$7,235,433	\$49,168,178

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

Exhibit 8

	Major Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
Operating Revenues					
Charges for sales and services	\$ 7,368,174	\$ 33,119,920	\$ 2,376,193	\$ -	\$ 42,864,287
Rental income	-	-	-	427,925	427,925
Other operating revenues	52,841	1,495,241	252,155	22,922	1,823,159
Total operating revenues	7,421,015	34,615,161	2,628,348	450,847	45,115,371
Operating Expenses					
Administrative	927,209	1,336,319	-	562,257	2,825,785
Customer service	-	173,577	-	-	173,577
Electrical operations	-	3,294,951	-	-	3,294,951
Electric power purchases	-	28,724,124	-	-	28,724,124
Water operations	1,702,360	-	-	-	1,702,360
Sewer operations	1,665,183	-	-	-	1,665,183
Systems division	1,385,056	-	-	-	1,385,056
Tenant services	-	-	-	12,370	12,370
Utilities	-	-	-	343,677	343,677
Ordinary Maintenance and operation	-	-	-	279,281	279,281
General expenses	-	-	-	81,324	81,324
Housing assistance payments	-	-	-	1,268,564	1,268,564
Nonroutine maintenance	-	-	-	96,171	96,171
Landfill operations	-	-	2,139,456	-	2,139,456
Depreciation	1,139,291	550,860	1,135,562	397,345	3,223,058
Total operating expense	6,819,099	34,079,831	3,275,018	3,040,989	47,214,937
Operating income (loss)	601,916	535,330	(646,670)	(2,590,142)	(2,099,566)
Nonoperating revenues (expenses)					
Operating grants	-	-	-	2,070,074	2,070,074
Capital grants	8,911	-	-	183,868	192,779
Gain on disposal of assets	2,765	76,588	-	-	79,353
Investment earnings	3,144	53,974	1,116	21,242	79,476
Interest and other charges	(339,013)	(48,967)	(25,032)	(537)	(413,549)
Other nonoperating (expenses) income	-	-	-	42,481	42,481
Total nonoperating revenues (expenses)	(324,193)	81,595	(23,916)	2,317,128	2,050,614
Income (loss) before contributions and transfers	277,723	616,925	(670,586)	(273,014)	(48,952)
Transfers to other funds	(225,000)	(1,123,818)	(50,000)	-	(1,398,818)
Transfers from other funds	-	25,000	-	-	25,000
Change in net position	52,723	(481,893)	(720,586)	(273,014)	(1,422,770)
Total net position, beginning	29,360,016	11,386,074	2,336,411	7,508,447	50,590,948
Total net position, ending	\$ 29,412,739	\$ 10,904,181	\$ 1,615,825	\$ 7,235,433	\$ 49,168,178

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

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	\$ 6,270,779	\$30,199,598	\$2,700,588	\$ 391,351	\$39,562,316
Cash paid for goods and services	(1,094,080)	(28,887,294)	(1,329,946)	(1,957,399)	(33,268,719)
Cash paid to employees for services	(3,143,224)	(2,501,290)	(662,694)	(562,257)	(6,869,465)
Other operating revenues	52,841	1,495,241	252,155	22,922	1,823,159
Net cash provided (used) by operating activities	<u>2,086,316</u>	<u>306,255</u>	<u>960,103</u>	<u>(2,105,383)</u>	<u>1,247,291</u>
Cash flows from noncapital financing activities:					
Operating grants and subsidies	-	-	-	2,070,074	2,070,074
Due from (to) other funds	45,266	331,675	(150,000)	-	226,941
Transfers to other funds	(225,000)	(1,123,818)	-	-	(1,348,818)
Transfers from other funds	-	25,000	(50,000)	-	(25,000)
Total cash flows from noncapital financing activities	<u>(179,734)</u>	<u>(767,143)</u>	<u>(200,000)</u>	<u>2,070,074</u>	<u>923,197</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(7,207,267)	(1,370,652)	(431,079)	(199,310)	(9,208,308)
Principal paid on bonds and installment purchase agreements	(778,055)	(156,227)	(92,341)	(5,569)	(1,032,192)
Interest paid on bonds and installment purchase agreements	(339,013)	(48,967)	(25,032)	(537)	(413,549)
Proceeds from installment financing	10,253,305	33,259	265,343	5,543	10,557,450
Proceeds from sale of assets	2,765	76,588	-	-	79,353
Capital grants	8,911	-	-	183,868	192,779
Net cash provided (used) by capital and related financing activities	<u>1,940,646</u>	<u>(1,465,999)</u>	<u>(283,109)</u>	<u>(16,005)</u>	<u>175,533</u>
Cash flows from investing activities:					
Interest earned on investments	3,144	53,974	1,116	21,242	79,476
Net increase (decrease) in cash and cash equivalents	3,850,372	(1,872,913)	478,110	(30,072)	2,425,497
Cash and cash equivalents at beginning of year	2,005,498	3,085,539	2,789,532	1,437,394	9,317,963
Cash and cash equivalents at end of year	<u>\$ 5,855,870</u>	<u>\$ 1,212,626</u>	<u>\$3,267,642</u>	<u>\$ 1,407,322</u>	<u>\$11,743,460</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 601,916	\$ 535,330	\$ (646,670)	\$ (2,590,142)	\$ (2,099,566)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,139,291	550,860	1,135,562	397,345	3,223,058
Other nonoperating income (expense)	-	-	-	42,481	42,481
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(1,097,395)	(311,661)	57,823	(36,574)	(1,387,807)
(Increase) decrease in prepaid expenses	25,047	43,278	1,264	3,281	72,870
(Increase) decrease in inventory	14,947	(77,032)	-	-	(62,085)
Increase (decrease) in accounts payable and accrued liabilities	1,292,039	(583,652)	(7,286)	72,648	773,749
Increase (decrease) in customer deposits	14,605	84,352	33,000	(1,164)	130,793
Decrease (increase) in accrued compensated absences	38,298	30,825	11,847	(479)	80,491
Increase in postemployment benefits	57,568	33,955	7,988	7,221	106,732
Increase in accrued landfill closure and postclosure costs	-	-	366,575	-	366,575
Total adjustments	<u>1,484,400</u>	<u>(229,075)</u>	<u>1,606,773</u>	<u>484,759</u>	<u>3,346,857</u>
Net cash provided (used) by operating activities	<u>\$ 2,086,316</u>	<u>\$ 306,255</u>	<u>\$ 960,103</u>	<u>\$ (2,105,383)</u>	<u>\$ 1,247,291</u>

**CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2014**

Exhibit 10

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ <u>3,047</u>
Liabilities and Net Position	
Liabilities:	
Miscellaneous liabilities	<u>3,047</u>
Total liabilities	\$ <u>3,047</u>

Notes to the Financial Statements

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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 at 157 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 1446 U.S. Highway 52 North, 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, 2014

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.

Carolina Thread Trail Grant Fund. This fund is used to account for grant and other monies for the Carolina Thread Trail.

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, 2014**

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, 2014

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, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there 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, 2014**

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

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.

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, 2013. 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.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. Note Receivable

At June 30, 2008 the City attained a note receivable from Lillian Mill Group, LLC in regards to the City's renovations to the Historic Lillian Mills Building (Five Points Redevelopment Project). This note will be activated (earned) upon completion of all improvements as contemplated in the legally binding commitment by the city. This note will be paid to the city with accrued interest in March 2015. This transaction is currently recorded at the city as a note receivable and unearned revenue for \$800,000.

7. 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, 2014**

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

8. 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 no item that meets this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has only four items that meet the criterion for this category - prepaid taxes, prepaid license fees, property taxes receivable and a note receivable.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. 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.

10. 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, 2014.

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.

11. 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.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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)

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.

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). Any changes or removal of specific purpose requires majority action by the governing body.

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.

**CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

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, 2014, the City's deposits had a carrying amount of \$17,427,771 and a bank balance of \$17,349,740. Of the bank balance, \$1,500,000 was covered by federal depository insurance and \$15,849,740 was covered by collateral held under the pooling method. At June 30, 2014, the City's petty cash fund totaled \$3,308. The carrying amount of the deposits for the ADDC was \$103,909 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 \$185,161 and a bank balance of \$243,135. Of the bank balance, the entire balance was covered by federal depository insurance. At June 30, 2014, the ABC Board's petty cash fund totaled \$2,433.

2. Investments

At June 30, 2014, the City of Albemarle had \$1,718,576 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>\$180,000</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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, 2014, 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>778,376</u>	<u>146,853</u>	<u>908,594</u>	<u>16,635</u>
Total capital assets not being depreciated	<u>3,418,631</u>	<u>146,853</u>	<u>908,594</u>	<u>2,656,890</u>
Capital assets being depreciated				
Buildings	10,039,012	892,093	-	10,931,105
Other improvements	655,482	-	-	655,482
Infrastructure	5,839,372	40,550	-	5,879,922
Equipment and furnishings	2,063,509	447,697	104,903	2,406,303
Mobile Equipment	<u>4,881,628</u>	<u>171,745</u>	<u>104,767</u>	<u>4,948,606</u>
Total capital assets being depreciated	<u>23,479,003</u>	<u>1,552,085</u>	<u>209,670</u>	<u>24,821,418</u>
Less accumulated depreciation				
Buildings	3,078,503	343,271	-	3,421,774
Other improvements	378,042	27,846	-	405,888
Infrastructure	2,096,084	180,672	-	2,276,756
Equipment and furnishings	1,297,049	167,715	92,987	1,406,932
Mobile equipment	<u>3,474,400</u>	<u>229,634</u>	<u>99,447</u>	<u>3,604,587</u>
Total accumulated depreciation	<u>10,324,078</u>	<u>\$ 949,138</u>	<u>\$ 192,434</u>	<u>11,115,937</u>
Total capital assets being depreciated – net	<u>13,154,925</u>			<u>13,705,481</u>
Total Governmental Activities				
Capital assets – net	<u>\$ 16,573,556</u>			<u>\$ 16,362,371</u>

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

General government	\$ 290,980
Public safety	256,324
Public works	248,736
Recreation	<u>153,098</u>
Total depreciation expense	<u>\$ 949,138</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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>6,593,006</u>	<u>6,501,465</u>	<u>6,135,704</u>	<u>6,958,767</u>
Total capital assets not being depreciated	<u>6,732,939</u>	<u>6,501,465</u>	<u>6,135,704</u>	<u>7,098,700</u>
Capital assets being depreciated				
Buildings	34,886,022	5,860,907	-	40,746,929
Water and sewer lines	29,565,421	372,115	-	29,937,536
Equipment and vehicles	<u>3,794,104</u>	<u>608,484</u>	<u>35,536</u>	<u>4,367,052</u>
Total capital assets being depreciated	<u>68,245,547</u>	<u>6,841,506</u>	<u>35,536</u>	<u>75,051,517</u>
Less accumulated depreciation				
Buildings	19,723,349	582,488	-	20,305,837
Water and sewer lines	20,643,040	385,748	-	21,028,788
Equipment and vehicles	<u>2,610,393</u>	<u>171,055</u>	<u>35,536</u>	<u>2,745,912</u>
Total accumulated depreciation	<u>42,976,782</u>	<u>\$ 1,139,291</u>	<u>\$ 35,536</u>	<u>44,080,537</u>
Total capital assets being depreciated – net	<u>25,268,765</u>			<u>30,970,980</u>
Water and Sewer Fund Capital Assets – net	<u>32,001,704</u>			<u>38,069,680</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>793,109</u>	<u>1,220,729</u>	-	<u>2,013,838</u>
Total capital assets not being depreciated	<u>939,072</u>	<u>1,220,729</u>	-	<u>2,159,801</u>
Capital assets being depreciated				
Buildings	5,014,584	-	-	5,014,584
Distribution lines	17,998,779	-	-	17,998,779
Equipment and vehicles	<u>2,731,831</u>	<u>149,923</u>	<u>14,421</u>	<u>2,867,333</u>
Total capital assets being depreciated	<u>25,745,194</u>	<u>149,923</u>	<u>14,421</u>	<u>25,880,696</u>
Less accumulated depreciation				
Buildings	1,646,224	203,362	-	1,849,586
Distribution lines	16,878,494	167,885	-	17,046,379
Equipment and vehicles	<u>1,757,561</u>	<u>179,613</u>	<u>14,421</u>	<u>1,922,753</u>
Total accumulated depreciation	<u>20,282,279</u>	<u>\$ 550,860</u>	<u>\$ 14,421</u>	<u>20,818,718</u>
Total capital assets being depreciated – net	<u>5,462,915</u>			<u>5,061,978</u>
Electric Fund Capital Assets – net	<u>6,401,987</u>			<u>7,221,779</u>

**CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

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	-	15,933
Total capital assets not being depreciated	<u>581,781</u>	<u>15,933</u>	<u>-</u>	<u>597,714</u>
Capital assets being depreciated				
Buildings	758,732	-	-	758,732
Landfill cell construction	6,814,278	-	-	6,814,278
Equipment and vehicles	2,812,406	425,476	-	3,237,882
Total capital assets being depreciated	<u>10,385,416</u>	<u>425,476</u>	<u>-</u>	<u>10,810,892</u>
Less accumulated depreciation				
Buildings	80,676	6,778	-	87,454
Landfill cell construction	4,046,447	940,475	-	4,986,922
Equipment and vehicles	1,940,700	198,639	-	2,139,339
Total accumulated depreciation	<u>6,067,823</u>	<u>\$ 1,145,892</u>	<u>\$ -</u>	<u>7,213,715</u>
Total capital assets being depreciated – net	<u>4,317,594</u>			<u>3,597,177</u>
Landfill Fund Capital Assets – net	<u>4,899,375</u>			<u>4,194,891</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	-	168,866
Total capital assets not being depreciated	<u>163,505</u>	<u>168,866</u>	<u>-</u>	<u>332,371</u>
Capital assets being depreciated				
Buildings	10,244,231	-	-	10,244,231
Improvements	1,025,374	-	-	1,025,374
Equipment	522,425	30,443	-	552,868
Total capital assets being depreciated	<u>11,792,029</u>	<u>30,443</u>	<u>-</u>	<u>11,822,473</u>
Less accumulated depreciation				
Buildings	5,039,506	297,574	-	5,337,080
Improvements	354,991	53,292	-	408,283
Equipment	310,701	46,479	-	357,180
Total accumulated depreciation	<u>5,705,198</u>	<u>\$ 397,345</u>	<u>\$ -</u>	<u>6,102,543</u>
Total capital assets being depreciated – net	<u>6,086,831</u>			<u>5,719,930</u>
Department of Public Housing Capital Assets – net	<u>6,250,336</u>			<u>6,052,301</u>
Business-type Activities Capital Assets, net	<u>\$ 49,553,402</u>			<u>\$ 55,538,651</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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, 2014, was as 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	-	-	908,778
Equipment	<u>1,576</u>	<u>1,245</u>	-	<u>2,821</u>
Total capital assets being depreciated	<u>910,354</u>	<u>1,245</u>	-	<u>911,599</u>
Less accumulated depreciation				
Buildings	317,540	25,951	-	343,491
Equipment and vehicles	<u>1,576</u>	-	-	<u>1,576</u>
Total accumulated depreciation	<u>319,116</u>	<u>\$ 25,951</u>	<u>\$ -</u>	<u>345,067</u>
Depreciable assets, net	<u>591,238</u>			<u>566,532</u>
Total ADDC Board capital assets, net	<u>\$ 707,661</u>			<u>\$ 682,955</u>

Activity for the ABC Board for the year ended June 30, 2014, was as 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	<u>183,464</u>	<u>8,380</u>	-	<u>191,844</u>
Total capital assets being depreciated	<u>1,219,004</u>	<u>8,380</u>	-	<u>1,227,384</u>
Less accumulated depreciation				
Buildings	215,767	27,005	-	242,772
Equipment and furniture	<u>144,205</u>	<u>16,005</u>	-	<u>160,210</u>
Total accumulated depreciation	<u>359,972</u>	<u>\$ 43,010</u>	<u>\$ -</u>	<u>402,982</u>
Depreciable assets, net	<u>859,972</u>			<u>824,403</u>
Total ABC Board capital assets, net	<u>\$ 1,120,449</u>			<u>\$ 1,085,820</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Payables

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

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General	\$ 366,636	\$ 182,737	\$ 549,373
Other governmental	<u>1,637</u>	<u>-</u>	<u>1,637</u>
Total - governmental activities	<u>\$ 368,273</u>	<u>\$ 182,737</u>	<u>\$ 551,010</u>
Business-type activities:			
Water and sewer fund	\$ 1,711,119	\$ 60,588	\$ 1,771,707
Electric fund	3,013,286	49,338	3,062,624
Landfill fund	30,730	13,131	43,861
Department of public housing	<u>89,641</u>	<u>9,843</u>	<u>99,484</u>
Total - Business-type activities	<u>\$ 4,844,776</u>	<u>\$ 132,900</u>	<u>\$ 4,977,676</u>

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. The ABC Board is currently required to contribute 8.36% of annual covered payroll. The contribution requirements of members and of the City of Albemarle are established and may be amended by the North Carolina General Assembly.

The City's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$769,059, \$725,614, and \$751,070, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2014, 2013 and 2012 were \$12,259, \$11,969, and \$12,931, respectively. The contributions made by the City and the ABC Board equaled the required contributions for each year.

The ADDC does not participate in LGERS.

**CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

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, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	10
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>49</u>
Total	<u>59</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.

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, 2013 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.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

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

Annual required contribution	\$ 132,020
Interest on net pension obligation	21,976
Adjustment to annual required contribution	<u>(35,809)</u>
Annual pension cost	\$ 118,187
Contributions made	<u>120,508</u>
Increase (decrease) in net pension obligation	(2,321)
Net pension obligation beginning of fiscal year	<u>439,522</u>
Net pension obligation end of fiscal year	<u>\$ 437,201</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>
6/30/2012	\$ 124,319	97.77%	\$ 441,976
6/30/2013	\$ 129,291	101.90%	\$ 439,522
6/30/2014	\$ 118,187	101.96%	\$ 437,201

Funded Status and Funding Progress

As of December 31 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,395,437. The covered payroll (annual payroll of active employees covered by the plan) was \$2,075,326, and the ratio of the UAAL to the covered payroll was 67.24 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, 2014 were \$178,275, which consisted of \$100,495 from the City and \$77,780 from the law enforcement officers.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

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. 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, or by calling (919) 981-5454.

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

Also, the City has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$36,105 for the salary supplement and stipend benefits paid to eligible Firefighter by the local board of trustees of the Firefighter's Relief Fund during the fiscal year ended June 30, 2014. Under State law the local board of trustees for the Fund receives an amount each year which the Board may use at its own discretion for eligible Firefighter or their departments.

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, 2013, the date of the latest actuarial valuation:

	General	Law
	Employees:	Enforcement
		Officers:
Retirees and dependents receiving benefits	35	14
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	212	49
Total	<u>247</u>	<u>63</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan 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. 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	\$ 707,386
Interest on net OPEB obligation	91,678
Adjustment to annual required contribution	<u>(87,581)</u>
Annual OPEB cost (expense)	711,483
Contributions made	<u>441,996</u>
Increase (decrease) in net OPEB obligation	269,487
Net OPEB obligation, beginning of year	<u>2,291,942</u>
Net OPEB obligation, end of year	<u>\$ 2,561,429</u>

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

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	717,301	47.70%	2,017,422
2013	673,690	59.30%	2,291,942
2014	711,483	62.10%	2,561,429

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

e. Other Postemployment Benefit (Continued)

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$8,714,541. The covered payroll (annual payroll of active employees covered by the plan) was \$10,826,345, 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, 2013 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, 2013, 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 months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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, 2014

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

3. Deferred Outflows and Inflows of Resources

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

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Prepaid privilege licenses (General)	\$ -	\$ 277,640
Note receivable (General)	-	800,000
Taxes receivable, net (General)	<u>639,334</u>	<u>-</u>
	<u>\$ 639,334</u>	<u>\$ 1,077,640</u>

4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, 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, 2014

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

5. Claims, Judgments and Contingent Liabilities

At June 30, 2014, 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>Activities</u>	<u>Business-type</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.	\$ 549,354	\$ -
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.	34,979	-
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.	1,260,000	1,890,000
In September 2013, 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 March 2010, the City entered into an installment contract to finance the purchase of a telephone system & core switch. The obligation is to be repaid in sixty monthly payments of \$4,206, including interest at 2.815%, secured by the equipment.	11,653	21,640
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.	-	2,729,398
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.	-	104,291
In December 2012, 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.	-	1,224,983

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
In November 2013, the City entered into an installment with Info Systems to purchase equipment. The obligation is to be repaid in twenty quarterly payments of \$7,063.59, including interest at 9.714%, secured by the equipment.	34,100	63,329
In September 2013, 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 the .	-	6,160,000
In September 2013, 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.	-	1,076,339
In April 2013, 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.	-	2,235,429
In September 2013, 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.	-	217,205
In April 2013, 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.	-	372,103
Total Capital leases	<u>\$ 2,182,874</u>	<u>\$16,094,717</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations

The future minimum payments of the installment purchase contracts as of June 30, 2014, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 290,318	\$ 54,694	\$ 997,619	\$ 378,090
2016	344,981	63,031	1,175,873	344,477
2017	352,201	42,752	1,152,628	310,237
2018	350,622	31,196	1,173,005	273,792
2019	342,354	19,320	1,093,960	238,833
Thereafter	<u>502,399</u>	<u>53,892</u>	<u>10,501,612</u>	<u>1,266,177</u>
Totals	<u>\$ 2,182,874</u>	<u>\$ 264,885</u>	<u>\$16,094,697</u>	<u>\$ 2,811,606</u>

At June 30, 2014 the City's legal debt margin is \$ 80,863,389.

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, 2014:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
Governmental activities:					
Capital leases	\$ 2,170,012	\$ 331,590	\$ 318,728	\$ 2,182,874	\$ 290,318
Compensated absences	601,345	281,501	305,454	577,392	288,696
Net pension obligation	439,522	129,291	131,612	437,201	-
Other postemployment benefits	<u>1,364,622</u>	<u>234,720</u>	<u>71,962</u>	<u>1,527,380</u>	-
Governmental activity					
Long-term liabilities	<u>\$ 4,575,501</u>	<u>\$ 977,102</u>	<u>\$ 827,756</u>	<u>\$ 4,724,847</u>	<u>\$ 579,014</u>
Business-type activities:					
Capital leases	6,569,439	10,557,451	1,032,173	16,094,697	997,619
Compensated absences	313,527	192,063	111,571	394,019	197,008
Other postemployment benefits	<u>927,320</u>	<u>438,973</u>	<u>332,241</u>	<u>1,034,052</u>	-
Business-type activity					
Long-term liabilities	<u>\$ 7,810,286</u>	<u>\$11,188,487</u>	<u>\$ 1,475,985</u>	<u>\$17,522,768</u>	<u>\$ 1,194,627</u>

Compensated absences for governmental activities have typically been liquidated in the general fund.

**CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

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>
2015	8,502	2,416
2016	9,363	1,992
2017	9,815	1,439
Thereafter	<u>10,592</u>	<u>1,778</u>
	<u>\$ 38,272</u>	<u>\$ 7,625</u>

C. Interfund Balances and Activity

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

From the General Fund to the Electric Fund for financing	25,000
From the General Fund to the Governor's Highway Safety Grant Fund	11,552
From the General Fund to the Governor's Crime Commission Fund	15,545
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 Electric Fund to the General Fund for microburst	133,818
From the Fire Department FEMA Grant Fund to the General Fund	1,268
From the Governor's Crime Commission Grant Fund to the General Fund	2,617
From the Clean Water Management Trust Grant Project fund to the General Fund	50,728
From the Governor's Crime Commission Grant Fund to the General Fund	23,102
From the Landfill Fund to the General Fund for financing	50,000
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.

**CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Activity (Continued)

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	247,782
Electric Fund	General Fund to fund operations	495,638
Electric Fund	Landfill Fund to fund operations	450,000
Electric Fund	General Fund to fund operations	797,388

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2014, the City of Albemarle has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$ 14,391 for the 39 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.

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, 2014 were \$28,724,124.

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, 2014.

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, 2014

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 \$5,035,088 reported as landfill closure and postclosure care liability at June 30, 2014 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, 2014:

Old Landfill	\$2,882,385
New Landfill	<u>2,152,703</u>
	<u>\$5,035,088</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>\$6,555,797</u>
Inventories	16,285
Stabilization by State Statute	812,756
Streets – Powell Bill	290,910
Committed – Parks and Recreation	6,861
Appropriated fund balance in 2015 budget	133,000
Working Capital/Fund balance policy	-
Remaining fund balance	5,295,985

NOTE 8 – RELATED PARTY TRANSACTIONS

The City paid \$58,124 for cleaning and renovation services to a current board member during the June 30, 2014 fiscal year end.

NOTE 9 – EXTRAORDINARY EVENT

On June 13, 2013, a microburst storm struck the City of Albemarle with severe winds and rain. Hundreds, if not thousands, of trees were blown over causing extensive damage to the City of Albemarle’s electric system, blocking streets and roads as well as many homes. Our Delivery I, all circuits were damaged and all five circuits opened and locked out. At Delivery II, all circuits were damaged, but Duke Energy opened and locked out before our breakers did. All (5) breakers were manually opened so Duke Energy could re-energize the primary to the Delivery. The storm destroyed approximately 104 transformers and 214 utility poles plus thousands of feet of wire and fuses, insulators, and street light fixtures. The City of Albemarle recruited extra crews from Asplundh Tree Company. We also had assistance from City of High Point, City of Wilson, Town of Wake Forest and a team from the Forestry Service. Power restoration efforts by the electrical division lasted through Friday, June 21, 2013 and Water & Sewer System crews continued to remove debris from sewer ROW through June 22, 2013. The cost of \$925,385 was charged to the Electric Fund during the June 30, 2013. The current year expense of \$242,152 was charged to the General Fund.

Required Supplemental Financial Data

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits.

**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
12/31/2008	-	1,036,076	1,036,076	0%	1,900,489	54.52%
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%

**CITY OF ALBEMARLE, NORTH CAROLINA
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended <u>June 30</u>	Annual Required <u>Contributions</u>	Percentage <u>Contributed</u>
2012	\$ 124,319	97.77%
2013	\$ 129,291	101.90%
2014	\$ 118,187	101.96%

Notes to the Required Schedules:

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

Valuation date	December 31, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	17 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases*	4.25% - 7.85%
*Includes inflation at	3.00%
Cost of living adjustments	N/A

**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)
12/31/2008	0	9,018,139	9,008,139	0%	10,354,140	87.1%
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%

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

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2012	717,301	47.70%
2013	673,690	59.30%
2014	711,483	62.10%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation follows:

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	Market vlaue
Actuarial assumptions:	
Investment rate of return*	4.0%
Medical cost trend	7.75% - 5.00%
*Includes inflation at	3.00%
Cost of living adjustments	None

**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, 2014

Exhibit A-1
Page 1 of 5

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Ad valorem taxes			
Current year	\$ -	\$ 5,517,260	\$ -
Prior years	-	268,394	-
Penalties and interest	-	58,630	-
Total	<u>5,480,650</u>	<u>5,844,284</u>	<u>363,634</u>
Other taxes and licenses			
Gross receipts tax on short-term rental property	-	20,911	-
Local occupancy tax	-	108,677	-
Privilege licenses	-	160,155	-
Total	<u>271,800</u>	<u>289,743</u>	<u>17,943</u>
Unrestricted intergovernmental revenues			
Local option sales tax	-	2,738,632	-
Franchise tax	-	833,980	-
Telecommunications tax	-	170,260	-
Video programming fees	-	121,929	-
Piped natural gas tax	-	61,520	-
Beer and wine tax	-	69,416	-
Total	<u>4,040,450</u>	<u>3,995,737</u>	<u>(44,713)</u>
Restricted intergovernmental revenue			
ABC - law enforcement	-	7,625	-
Powell Bill allocation	-	525,069	-
Street sweeper contract	-	4,058	-
Federal grants	-	3,851	-
State grants	-	6,513	-
Drug tax distribution	-	5,970	-
ABC Senate Bill Distribution	-	180,000	-
Schools	-	64,986	-
On-behalf payments - fire	-	36,105	-
Total	<u>738,900</u>	<u>834,177</u>	<u>95,277</u>
Permits and fees			
Fire Department fees	-	23,948	-
Housing fees	-	10,717	-
Inspection and rezoning fees	-	7,950	-
Nuisance abatements	-	530	-
Total	<u>41,300</u>	<u>43,145</u>	<u>1,845</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, 2014

Exhibit A-1
Page 2 of 5

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues (continued)			
Sales and service			
Court costs and fees	-	221	-
Refuse collection fees	-	1,076,096	-
Cultural and recreational fees	-	113,766	-
Total	<u>1,230,250</u>	<u>1,190,083</u>	<u>(40,167)</u>
Investment earnings	<u>13,500</u>	<u>2,528</u>	<u>(10,972)</u>
Miscellaneous			
Miscellaneous	-	67,572	-
Sale of surplus property	-	4,344	-
Sale of fixed assets	-	12,530	-
Rental revenue	-	18,923	-
Contributions	-	12,270	-
Insurance reimbursement	-	18,708	-
Total	<u>46,850</u>	<u>134,347</u>	<u>87,497</u>
Total revenues	<u>11,863,700</u>	<u>12,334,044</u>	<u>470,344</u>
Expenditures			
General government			
Administration			
Salaries and employee benefits	-	214,836	-
Other operating expenditures	-	305,127	-
Capital outlay	-	6,715	-
Total	<u>735,800</u>	<u>526,678</u>	<u>209,122</u>
Information systems			
Salaries and employees benefits	-	67,588	-
Other operating expenditures	-	120,558	-
Capital outlay	-	27,521	-
Total	<u>236,100</u>	<u>215,667</u>	<u>20,433</u>
Engineering			
Salaries and employees benefits	-	18,521	-
Other operating expenditures	-	4,875	-
Total	<u>26,900</u>	<u>23,396</u>	<u>3,504</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, 2014

Exhibit A-1
Page 3 of 5

	2014		Variance Positive (Negative)
	Budget	Actual	
Expenditures (Continued)			
General government (continued)			
Human resources			
Salaries and employee benefits	-	66,536	-
Other operating expenditures	-	22,252	-
Total	95,100	88,788	6,312
Finance			
Salaries and employee benefits	-	120,080	-
Other operating expenditures	-	161,972	-
Total	318,650	282,052	36,598
Community Development			
Salaries and employee benefits	-	244,394	-
Other operating expenditures	-	218,662	-
Total	487,950	463,056	24,894
Total general government	1,900,500	1,599,637	300,863
Public Safety			
Police			
Salaries and employee benefits	-	3,254,605	-
School resource officers	-	10,066	-
Other operating expenditures	-	569,258	-
Capital outlay	-	365,748	-
Total	4,279,610	4,199,677	79,933
Fire department			
Salaries and employee benefits	-	2,294,576	-
Other operating expenditures	-	395,206	-
Fire Marshall	-	9,469	-
Capital outlay	-	28,471	-
Total	2,712,500	2,727,722	(15,222)
Total public safety	6,992,110	6,927,399	64,711
Public works			
Administration			
Salaries and employees benefits	-	191,973	-
Solid waste disposal fee	-	320,900	-
Downtown Services	-	17,524	-
Other operating expenditures	-	43,293	-
Capital outlay	-	16,696	-
Total	659,000	590,386	68,614

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, 2014

Exhibit A-1
Page 4 of 5

	2014		Variance Positive (Negative)
	Budget	Actual	
Expenditures (Continued)			
Streets and Highways			
Salaries and employee benefits	-	667,643	-
Other operating expenditures	-	395,220	-
Capital outlay	-	66,390	-
Total	<u>1,340,400</u>	<u>1,129,253</u>	<u>211,147</u>
Shop and Warehouse			
Salaries and employee benefits	-	95,061	-
Other operating expenditures	-	52,620	-
Capital outlay	-	37,800	-
Total	<u>225,300</u>	<u>185,481</u>	<u>39,819</u>
Total public works	<u>2,224,700</u>	<u>1,905,120</u>	<u>319,580</u>
Environmental protection			
Solid waste			
Solid waste	-	923,078	-
Bad debt expense	-	7,348	-
Total environmental protection	<u>954,000</u>	<u>930,426</u>	<u>23,574</u>
Cultural and recreation			
Parks and recreation			
Salaries and employee benefits	-	795,436	-
Other operating expenditures	-	353,547	-
Capital outlay	-	43,469	-
Total cultural and recreation	<u>1,227,500</u>	<u>1,192,452</u>	<u>35,048</u>
Debt service			
Principal retirement	564,150	318,728	245,422
Interest and fees	106,250	104,234	2,016
Total debt service	<u>670,400</u>	<u>422,962</u>	<u>247,438</u>
Total expenditures	<u>13,969,210</u>	<u>12,977,996</u>	<u>991,214</u>
Revenues over (under) expenditures	<u>(2,105,510)</u>	<u>(643,952)</u>	<u>1,461,558</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, 2014

Exhibit A-1
Page 5 of 5

	2014		Variance Positive (Negative)
	Budget	Actual	
Other financing sources (uses)			
Operating transfers (to) from other funds			
Water and Sewer Fund	225,000	225,000	-
Electric Fund	990,000	990,000	-
Electric Fund - Microburst	144,035	133,818	(10,217)
Landfill Fund	50,000	50,000	-
Fire Department FEMA Grant Fund	-	1,268	1,268
Governor's Crime Commission Grant Fund	-	2,617	2,617
Clean Water Management Trust Grant Project Fund	-	50,728	50,728
Governor's Crime Commission Fund	-	23,102	23,102
Governor's Highway Safety Grant Fund	(25,000)	(15,545)	9,455
Governor's Crime Commission Grant Fund	(15,000)	(11,552)	3,448
Electric Fund	(104,035)	(25,000)	79,035
Interfund transfers	(144,035)	-	144,035
Debt proceeds	331,590	331,590	-
Total other financing sources (uses)	<u>1,452,555</u>	<u>1,756,026</u>	<u>303,471</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>(652,955)</u>	<u>1,112,074</u>	<u>1,765,029</u>
Extraordinary Event, net (Note 9)	<u>-</u>	<u>(242,152)</u>	<u>(242,152)</u>
Fund balance appropriated	<u>652,955</u>	<u>-</u>	<u>(652,955)</u>
Net change in fund balance	<u>\$ -</u>	<u>869,922</u>	<u>\$ 869,922</u>
Fund balance, beginning		<u>5,685,875</u>	
Fund balance, ending		<u>\$ 6,555,797</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, 2014

Exhibit A-2

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Interest	\$ -	-	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-	-
EXPENDITURES:					
Capital outlay:					
Legal	2,250	3,800	103	3,903	(1,653)
Engineering	22,000	16,069	8,008	24,077	(2,077)
Administrative	87,950	11,245	74,589	85,834	2,116
Other equipment	5,000	3,644	453	4,097	903
Construction in progress	696,700	681,769	33,241	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	716,527	127,283	843,810	67,490
REVENUES OVER (UNDER) EXPENDITURES	(911,300)	(716,527)	(127,283)	(843,810)	67,490
OTHER FINANCING SOURCES:					
Operating transfers from (to):					
Transfer from General fund	911,300	911,300	-	911,300	-
Total other financing sources:	911,300	911,300	-	911,300	-
Net change in fund balance	\$ -	\$ 194,773	(127,283)	\$ 67,490	\$ 67,490
Fund balance, beginning			194,773		
Fund balance, ending			\$ 67,490		

Non-major Governmental Funds

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

Governor's Crime Commission Grant Fund – This fund is used to account for grant monies restricted for police technology 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 is used to account for grant monies restricted for fire department staffing for fire & emergency responder.

Carolina Thread Trail – This fund is used to account for grant and other monies for the Carolina Thread Trail.

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, 2014**

Exhibit B-1

	Special Revenue Funds						Total Nonmajor Special Revenue Funds
	Governor's Crime Commission Fund	Governor's Crime Commission Grant Fund	Clean Water Management Trust Grant Project Fund	Fire Department FEMA Grant Fund	Carolina Thread Trail Grant Fund	Governor's Highway Safety Grant Fund	
ASSETS							
Current Assets							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	9,225	-	9,728	-	3,473	22,426
Total assets	\$ -	\$ 9,225	\$ -	\$ 9,728	\$ -	\$ 3,473	\$ 22,426
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25	\$ 25
Due to other funds	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	25	25
Fund balances							
Unassigned	-	9,225	-	9,728	-	3,448	22,401
Total fund balances	-	9,225	-	9,728	-	3,448	22,401
Total liabilities and fund balances	\$ -	\$ 9,225	\$ -	\$ 9,728	\$ -	\$ 3,473	\$ 22,426

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, 2014

Exhibit B-2

	Special Revenue Funds						Total Nonmajor Special Revenue Funds
	Governor's Crime Commission Fund	Governor's Crime Commission Grant Fund	Clean Water Management Trust Grant Project Fund	Fire Department FEMA Grant Fund	Carolina Thread Trail Grant Fund	Governor's Highway Safety Grant Fund	
Revenues							
Restricted intergovernmental	\$ -	\$ 31,249	\$ -	\$ 114,065	\$ (12,624)	\$ 68,548	\$ 201,238
Investment earnings	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>31,249</u>	<u>-</u>	<u>114,065</u>	<u>(12,624)</u>	<u>68,548</u>	<u>201,238</u>
Expenditures							
Public safety	-	41,476	-	-	2,935	46,442	90,853
Economic and physical development	-	-	-	112,038	-	-	112,038
Capital outlay	-	-	-	-	-	34,203	34,203
Total expenditures	<u>-</u>	<u>41,476</u>	<u>-</u>	<u>112,038</u>	<u>2,935</u>	<u>80,645</u>	<u>237,094</u>
Revenues over (under) expenditures	<u>-</u>	<u>(10,227)</u>	<u>-</u>	<u>2,027</u>	<u>(15,559)</u>	<u>(12,097)</u>	<u>(35,856)</u>
Other financing sources (uses)							
Transfers from other funds							
Transfer to General Fund	(23,102)	(2,617)	(50,728)	(1,268)	-	-	(77,715)
Transfer from General Fund	-	11,552	-	-	-	15,545	27,097
Total other financing sources (uses)	<u>(23,102)</u>	<u>8,935</u>	<u>(50,728)</u>	<u>(1,268)</u>	<u>-</u>	<u>15,545</u>	<u>(50,618)</u>
Net change in fund balances	<u>(23,102)</u>	<u>(1,292)</u>	<u>(50,728)</u>	<u>759</u>	<u>(15,559)</u>	<u>3,448</u>	<u>(86,474)</u>
Fund Balances							
Beginning of year, July 1	23,102	10,517	50,728	8,969	15,559	-	108,875
End of year, June 30	<u>\$ -</u>	<u>\$ 9,225</u>	<u>\$ -</u>	<u>\$ 9,728</u>	<u>\$ -</u>	<u>\$ 3,448</u>	<u>\$ 22,401</u>

CITY OF ALBEMARLE, NORTH CAROLINA
GOVERNOR'S CRIME COMMISSION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2013

Exhibit B-3

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental revenues					
Governor's crime commission	\$ 43,558	\$ 38,937	\$ -	\$ 38,937	\$ (4,621)
Reciprocal revenues	6,485	6,485	-	6,485	-
Total revenues	50,043	45,422	-	45,422	(4,621)
Expenditures					
Software	16,928	14,046	-	14,046	2,882
Small Tools	20,000	19,820	-	19,820	180
Other equipment	16,200	16,200	-	16,200	-
Miscellaneous	3,400	1,850	-	1,850	1,550
Total expenditures	56,528	51,916	-	51,916	4,612
Revenues over (under) expenditures	(6,485)	(6,494)	-	(6,494)	(9)
Other financing sources					
Transfers from other funds					
General Fund	6,485	29,596	(23,102)	6,494	9
Total other financing sources	6,485	29,596	(23,102)	6,494	9
Net change in fund balance	\$ -	\$ 23,102	\$ (23,102)	\$ -	\$ -
Fund balance					
Beginning of year, July 1			23,102		
End of year, June 30			\$ -		

CITY OF ALBEMARLE, NORTH CAROLINA
GOVERNOR'S CRIME COMMISSION GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Exhibit B-4

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental revenues					
Gang initiative grant	\$ 86,430	\$ 34,756	\$ 31,249	\$ 66,005	\$ (20,425)
Expenditures					
Salary and benefits	97,777	45,560	39,499	85,059	12,718
Travel	6,606	919	-	919	5,687
Training	1,389	45	-	45	1,344
Supplies	850	-	1,977	1,977	(1,127)
Contract labor	3,000	2,200	-	2,200	800
Total expenditures	109,622	48,724	41,476	90,200	19,422
Revenues over (under) expenditures	(23,192)	(13,968)	(10,227)	(24,195)	(1,003)
Other financing sources					
Transfers from other funds					
From General Fund	-	-	11,552	11,552	11,552
To General Fund	23,192	24,485	(2,617)	21,868	(1,324)
Total other financing sources	23,192	24,485	8,935	33,420	10,228
Net change in fund balance	\$ -	\$ 10,517	\$ (1,292)	\$ 9,225	\$ 9,225
Fund balance					
Beginning of year, July 1			10,517		
End of year, June 30			\$ 9,225		

CITY OF ALBEMARLE, NORTH CAROLINA
CLEAN WATER MANAGEMENT TRUST GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - from inception

Exhibit B-5

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental revenues	\$ 174,000	\$ 150,979	\$ -	\$ 150,979	\$ (23,021)
Total revenues	<u>174,000</u>	<u>150,979</u>	<u>-</u>	<u>150,979</u>	<u>(23,021)</u>
Expenditures					
Capital outlay	40,000	31,599	-	31,599	8,401
Other operating expenditures	<u>224,500</u>	<u>159,152</u>	<u>-</u>	<u>159,152</u>	<u>65,348</u>
Total expenditures	<u>264,500</u>	<u>190,751</u>	<u>-</u>	<u>190,751</u>	<u>73,749</u>
Revenues over (under) expenditures	(90,500)	(39,772)	-	(39,772)	50,728
Other financing sources (uses)					
From General Fund	<u>90,500</u>	<u>90,500</u>	<u>(50,728)</u>	<u>39,772</u>	<u>50,728</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 50,728</u>	<u>\$ (50,728)</u>	<u>-</u>	<u>\$ -</u>
Fund balance					
Beginning of year, July 1			<u>50,728</u>		
End of year, June 30			<u>\$ -</u>		

**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, 2014**

Exhibit B-6

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
FEMA Grant	\$ 245,247	\$ 62,823	\$ 114,065	\$ 176,888	\$ (68,359)
Total revenues	245,247	62,823	114,065	176,888	(68,359)
Expenditures					
Salaries & benefits	245,247	64,925	112,038	176,963	68,284
Total expenditures	245,247	64,925	112,038	176,963	68,284
Revenues (under) expenditures	-	(2,102)	2,027	(75)	75
Other financing sources					
Transfers from General Fund	-	11,071	(1,268)	9,803	9,803
Total other financing sources	-	11,071	(1,268)	9,803	9,803
Net change in fund balance	\$ -	\$ 8,969	759	\$ 9,728	\$ 9,728
Fund balance, beginning of year			8,969		
Fund balance, end of year			\$ 9,728		

**CITY OF ALBEMARLE, NORTH CAROLINA
 CAROLINA THREAD TRAIL GRANT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 From Inception and for the Fiscal Year Ended June 30, 2014**

Exhibit B-7

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
CDBG grant	\$ -	\$ 40,575	\$ (12,624)	\$ 27,951	\$ 27,951
Total revenues	-	40,575	(12,624)	27,951	27,951
Expenditures					
Construction in progress	18,075	15,915	159	16,074	2,001
Bridges	15,000	8,501	2,686	11,187	3,813
Rent of equipment	4,400	600	90	690	3,710
Total expenditures	37,475	25,016	2,935	27,951	9,524
Net change in fund balance	(37,475)	15,559	(15,559)	\$ -	\$ 37,475
Fund balance, beginning of year			15,559		
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, 2014**

Exhibit B-8

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Police grant	\$ 92,264	\$ -	\$ 68,548	\$ 68,548	\$ (23,716)
Total revenues	<u>92,264</u>	<u>-</u>	<u>68,548</u>	<u>68,548</u>	<u>(23,716)</u>
Expenditures					
Salaries & benefits	47,546		32,695	32,695	14,851
Other operating expenses	26,000		13,747	13,747	12,253
Capital outlay	35,000	-	34,203	34,203	797
Total expenditures	<u>108,546</u>	<u>-</u>	<u>80,645</u>	<u>80,645</u>	<u>27,901</u>
Revenues (under) expenditures	<u>(16,282)</u>	<u>-</u>	<u>(12,097)</u>	<u>(12,097)</u>	<u>(4,185)</u>
Other financing sources					
Transfers from General Fund	16,282	-	15,545	15,545	(737)
Total other financing sources	<u>16,282</u>	<u>-</u>	<u>15,545</u>	<u>15,545</u>	<u>(737)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,448</u>	<u>\$ 3,448</u>	<u>\$ 3,448</u>
Fund balance, beginning of year			<u>-</u>		
Fund balance, end of year			<u>\$ 3,448</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, 2014

Exhibit C-1
Page 1 of 3

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Water sales	\$ -	\$ 4,265,498	\$ -
Sewer charges	-	3,102,676	-
Water and sewer taps	-	13,458	-
Miscellaneous	-	39,383	-
Total operating revenues	<u>7,324,500</u>	<u>7,421,015</u>	<u>96,515</u>
Nonoperating revenues			
Interest earned on investments	-	8,981	-
Grant revenues	-	625	-
Sale of assets	-	2,765	-
Total nonoperating revenues	<u>101,200</u>	<u>12,371</u>	<u>(88,829)</u>
Total revenues	<u>7,425,700</u>	<u>7,433,386</u>	<u>7,686</u>
Expenditures			
Water and Sewer Administration			
Salaries and employees benefits	-	478,946	-
Postage	-	40,339	-
Contracted services	-	39,275	-
Insurance	-	77,009	-
Uniforms	-	12,619	-
Other operating expenditures	-	184,012	-
Total	<u>995,020</u>	<u>832,200</u>	<u>162,820</u>
Water Treatment Plant			
Salaries and employees benefits	-	820,711	-
Supplies	-	350,868	-
Repairs	-	80,208	-
Contracted services	-	77,079	-
Utilities	-	318,803	-
Other operating expenditures	-	59,099	-
Total	<u>2,081,600</u>	<u>1,706,768</u>	<u>374,832</u>
Expenditures (continued)			
Sewer Treatment Plant			
Salaries and employees benefits	-	722,486	-
Supplies	-	100,991	-
Repairs	-	52,653	-
Contracted service	-	173,060	-
Utilities	-	402,114	-
Fuel	-	702	-
Other operating expenditures	-	212,321	-
Total	<u>1,685,000</u>	<u>1,664,327</u>	<u>20,673</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, 2014

Exhibit C-1
Page 2 of 3

	Budget	Actual	Variance Positive (Negative)
System Division			
Salaries and employee benefits	-	1,026,064	-
Supplies	-	138,680	-
Repairs	-	26,466	-
Utilities	-	19,229	-
Other operating expenditures	-	170,208	-
Total	<u>1,431,000</u>	<u>1,380,647</u>	<u>50,353</u>
Debt Service			
Principal on Capital leases	-	778,055	-
Interest and fees	-	339,013	-
Total	<u>1,223,750</u>	<u>1,117,068</u>	<u>106,682</u>
Capital Outlay			
Utility administration	-	24,383	-
Water treatment plant	-	36,309	-
Sewer treatment plant	-	53,677	-
Systems division	-	615,542	-
Total	<u>909,690</u>	<u>729,911</u>	<u>179,779</u>
Total expenditures	<u>8,326,060</u>	<u>7,430,921</u>	<u>895,139</u>
Revenues over (under) expenditures	<u>(900,360)</u>	<u>2,465</u>	<u>902,825</u>
Other financing sources (uses)			
Transfers (to) from other funds			
General fund	(225,000)	(225,000)	-
Proceeds from Debt	412,360	412,376	16
Total financing sources (uses) - net	<u>187,360</u>	<u>187,376</u>	<u>16</u>
Appropriated fund balance	<u>713,000</u>	<u>-</u>	<u>(713,000)</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, 2014**

*Exhibit C-1
Page 3 of 3*

	Budget	Actual	Variance Positive (Negative)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ 189,841	\$ 189,841
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		\$ 189,841	
Payment on Capital leases		778,055	
Capital outlay		729,911	
Depreciation		(1,139,291)	
Increase in accrued compensated absences		(38,298)	
Increase in postemployment benefits		(57,568)	
Interest income Sewer Capital Project		2,153	
Other investment Sewer Capital Project		296	
Proceeds from debt		(412,376)	
Total reconciling items		(137,118)	
Change in net position		\$ 52,723	

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, 2014

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	19,925	296	20,221	(4,279)
Interest earnings	-	1,824	64	1,888	1,888
Total revenues	124,500	121,749	360	122,109	(2,391)
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	345,897	345,458	-	345,458	439
Revenues (under) expenditures	(221,397)	(223,709)	360	(223,349)	(1,952)
Other financing sources (uses)					
Transfers from other funds					
From water and sewer fund	221,397	233,643	-	233,643	12,246
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ 9,934	\$ 360	\$ 10,294	\$ 10,294

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, 2014

Exhibit C-3

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Interest earnings	41,728	-	1,028	1,028	(40,700)
Total revenues	41,728	-	1,028	1,028	(40,700)
Expenditures					
Administration	234,752	-	57,429	57,429	177,323
Legal	11,000	-	7,962	-	-
Engineering	314,435	298,165	-	298,165	16,270
Land	20,216	19,784	-	19,784	432
Advertising	-	33	-	33	(33)
Contingency	66,725	-	-	-	66,725
Construction in process	5,794,600	-	2,303,770	2,303,770	3,490,830
Total expenditures	6,441,728	317,982	2,369,161	2,687,143	3,754,585
Revenues (under) expenditures	(6,400,000)	(317,982)	(2,368,133)	(2,686,115)	3,713,885
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	\$ -	\$ 41,728	\$ 4,031,867	\$ 4,073,595	\$ 4,073,595

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, 2014

Exhibit C-4

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Restricted intergovernmental revenues					
Rural Economic Development Grant	1,000,000	1,000,000	-	1,000,000	-
Total revenues	1,000,000	1,000,000	-	1,000,000	-
Expenditures					
Legal	50,000	-	-	-	50,000
Engineering	467,745	454,416	244	454,660	13,085
Administration	135,000	134,474	-	134,474	526
Other professional services	75,000	70,665	-	70,665	4,335
Building	4,329,500	4,324,843	(1,962)	4,322,881	6,619
Contingency	15,000	-	-	-	15,000
Total expenditures	5,072,245	4,984,398	(1,718)	4,982,680	89,565
Revenues (under) expenditures	(4,072,245)	(3,984,398)	1,718	(3,982,680)	89,565
Other financing sources (uses)					
Transfers from other funds					
From water and sewer fund	1,072,245	1,105,000	-	1,105,000	32,755
Debt proceeds	3,000,000	2,879,398	-	2,879,398	(120,602)
Other financing sources (uses) Total	4,072,245	3,984,398	-	3,984,398	(87,847)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ -	\$ 1,718	\$ 1,718	\$ 1,718

CITY OF ALBEMARLE, NORTH CAROLINA
52 EQUALIZATION BASIN PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2014

Exhibit C-5

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Restricted intergovernmental revenues					
Investment earnings	<u>-</u>	<u>915</u>	<u>627</u>	<u>1,542</u>	<u>1,542</u>
Total revenues	<u>-</u>	<u>915</u>	<u>627</u>	<u>1,542</u>	<u>1,542</u>
Expenditures					
Engineering	180,000	100	40,382	40,482	139,518
Administration	200,000	134,802	-	134,802	65,198
Construction	<u>1,000,000</u>	<u>472,756</u>	<u>195,046</u>	<u>667,802</u>	<u>332,198</u>
Total expenditures	<u>1,380,000</u>	<u>607,658</u>	<u>235,428</u>	<u>843,086</u>	<u>536,914</u>
Revenues (under) expenditures	<u>(1,380,000)</u>	<u>(606,743)</u>	<u>(234,801)</u>	<u>(841,544)</u>	<u>538,456</u>
Other financing sources (uses)					
Transfers from other funds					
To Water Treatment Plant Rehab Project	-	-	(558,456)	(558,456)	(558,456)
Debt proceeds	<u>1,380,000</u>	<u>1,400,000</u>	<u>-</u>	<u>1,400,000</u>	<u>20,000</u>
Other financing sources (uses) Total	<u>1,380,000</u>	<u>1,400,000</u>	<u>(558,456)</u>	<u>841,544</u>	<u>(538,456)</u>
Revenues and other sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 793,257</u>	<u>\$ (793,257)</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2014

Exhibit C-6

	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	480	1,259	1,739	28,261
Engineering	359,000	200,620	128,460	329,080	29,920
Administration	97,000	-	70,505	70,505	26,495
Other professional services	212,000	7,969	13,400	21,369	190,631
Construction	3,270,000	-	2,035,990	2,035,990	1,234,010
Contingency	227,000	-	-	-	227,000
Total expenditures	4,195,000	209,069	2,249,614	2,458,683	1,736,317
Revenues (under) expenditures	(4,195,000)	(209,069)	(2,249,614)	(2,458,683)	1,736,317
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	2,235,429	(1,959,571)
Other financing sources (uses) Total	4,195,000	132,640	2,235,429	2,368,069	(1,826,931)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ (76,429)	\$ (14,185)	\$ (90,614)	\$ (90,614)

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, 2014

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	-	-	209	209	209
Total revenues	-	-	209	209	209
Expenditures					
Engineering	139,000	138,000	1,000	139,000	-
Other professional services	113,000	1,482	89,002	90,484	22,516
Construction	1,383,000	-	1,018,319	1,018,319	364,681
Contingency	138,000	-	75,086	75,086	62,914
Total expenditures	1,773,000	139,482	1,183,407	1,322,889	450,111
Revenues (under) expenditures	(1,773,000)	(139,482)	(1,183,198)	(1,322,680)	450,320
Other financing sources (uses)					
Transfers from other funds					
From water and sewer fund	-	139,482	-	139,482	139,482
Debt proceeds	1,773,000	-	1,205,500	1,205,500	(567,500)
Other financing sources (uses) Total	1,773,000	139,482	1,205,500	1,344,982	(428,018)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ -	\$ 22,302	\$ 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, 2014

Exhibit C-8

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Restricted intergovernmental revenues					
Rural Economic Development Grant	-	-	-	-	-
Investment earnings	-	-	225	225	225
Total revenues	-	-	225	225	225
Expenditures					
Legal	20,000	-	-	-	20,000
Engineering	383,500	153,900	131,250	285,150	98,350
Other professional services	491,000	-	85,875	85,875	405,125
Building	5,072,000	-	-	-	5,072,000
Contingency	507,000	-	-	-	507,000
Total expenditures	6,473,500	153,900	217,125	371,025	6,102,475
Revenues (under) expenditures	(6,473,500)	(153,900)	(216,900)	(370,800)	6,102,700
Other financing sources (uses)					
Transfers from other funds					
From 52 Equalization Basin Project	-	86,200	558,456	644,656	644,656
Debt proceeds	6,473,500	-	-	-	(6,473,500)
Other financing sources (uses) Total	6,473,500	86,200	558,456	644,656	(5,828,844)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ (67,700)	\$ 341,556	\$ 273,856	\$ 273,856

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, 2014

Exhibit C-9

	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	17,375	18,078	35,453	(803)
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	17,375	224,339	241,714	61,871
Revenues (under) expenditures	(303,585)	(17,375)	(224,339)	(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	\$ -	\$ 286,210	\$ (224,339)	\$ 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, 2014

Exhibit C-10
Page 1 of 2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenues			
Residential sales	\$ -	\$ 16,237,644	\$ -
Commercial and industrial sales	-	15,850,158	-
Sales to City Departments	-	1,032,118	-
Total charges for services	<u>33,662,800</u>	<u>33,119,920</u>	<u>(542,880)</u>
Other operating revenues	<u>1,247,600</u>	<u>1,495,241</u>	<u>247,641</u>
Total operating revenues	<u>34,910,400</u>	<u>34,615,161</u>	<u>(295,239)</u>
Nonoperating revenues			
Interest earned on investments	-	53,974	-
Sale of assets	-	76,588	-
Total nonoperating revenues	<u>163,400</u>	<u>130,562</u>	<u>(32,838)</u>
Total revenues	<u>35,073,800</u>	<u>34,745,723</u>	<u>(328,077)</u>
Expenditures			
Administrative and Finance			
Salaries and employees benefits	-	807,397	-
Other operating expenditures	-	464,140	-
Total	<u>1,468,060</u>	<u>1,271,537</u>	<u>196,523</u>
Customer Service			
Salaries and employees benefits	-	158,914	-
Other operating expenditures	-	14,663	-
Total	<u>182,050</u>	<u>173,577</u>	<u>8,473</u>
Electric Operations			
Salaries and employees benefits	-	1,405,417	-
Electric power purchases	-	28,724,124	-
Other operating expenditures	-	1,889,536	-
Total	<u>32,834,300</u>	<u>32,019,077</u>	<u>815,223</u>
Expenditures (continued)			
Debt Service			
Principal retirement	-	156,227	-
Interest and other charges	-	48,967	-
Total debt service	<u>198,900</u>	<u>205,194</u>	<u>(6,294)</u>

CITY OF ALBEMARLE, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2014

Exhibit C-10
Page 2 of 2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Capital Outlay			
Administrative and finance	-	29,732	-
Electric operations	-	120,191	-
Total	<u>156,390</u>	<u>149,923</u>	<u>6,467</u>
Total expenditures	<u>34,839,700</u>	<u>33,819,308</u>	<u>1,020,392</u>
Revenues over (under) expenditures	<u>234,100</u>	<u>926,415</u>	<u>692,315</u>
Other financing sources (uses)			
Transfer from (to) funds			
General fund	(990,000)	(990,000)	-
General fund	(61,300)	(133,818)	(72,518)
Landfill fund	25,000	25,000	-
Interfund transfers	332,500	-	(332,500)
Proceeds from debt	<u>33,300</u>	<u>33,259</u>	<u>(41)</u>
Total other financing sources (uses)	<u>(660,500)</u>	<u>(1,065,559)</u>	<u>(405,059)</u>
Appropriated fund balance	<u>426,400</u>	<u>-</u>	<u>(426,400)</u>
Revenues and other sources over (under) expenditures, other (uses) and appropriated fund balances	<u>\$ -</u>	<u>\$ (139,144)</u>	<u>\$ (139,144)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ (139,144)</u>	
Principal retirement		156,227	
Capital outlay		149,923	
Depreciation		(550,860)	
Increase in accrued compensated absences		(30,825)	
Increase in postemployment benefits		(33,955)	
Proceeds from debt		<u>(33,259)</u>	
Total reconciling items		(342,749)	
Change in net position		<u>\$ (481,893)</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, 2014

Exhibit C-11

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Interest earnings	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures					
Engineering	116,800	63,206	52,810	116,016	784
Legal	-	250	102	352	(352)
Other equipment	1,475,000	729,653	631,847	1,361,500	113,500
Construction	556,200	-	535,970	535,970	20,230
Contingency	100,000	-	-	-	100,000
Total expenditures	2,248,000	793,109	1,220,729	2,013,838	234,162
Revenues (under) expenditures	(2,248,000)	(793,109)	(1,220,729)	(2,013,838)	234,162
Other financing sources (uses)					
Transfers from other funds					
From electric fund	2,248,000	2,248,000	-	2,248,000	-
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ 1,454,891	\$(1,220,729)	\$ 234,162	\$ 234,162

**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, 2014**

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenues			
Disposal fees	\$ -	\$ 2,096,825	\$ -
Solid waste fees	-	113,349	-
Sales of mulch and scrap	-	9,009	-
Scrap tire and white goods fees	-	157,010	-
Total charges for services	<u>2,178,800</u>	<u>2,376,193</u>	<u>197,393</u>
Other operating revenues	<u>250,700</u>	<u>252,155</u>	<u>1,455</u>
Total operating revenues	<u>2,429,500</u>	<u>2,628,348</u>	<u>198,848</u>
Nonoperating revenues			
Interest earned on investments	<u>-</u>	<u>1,116</u>	<u>-</u>
Total nonoperating revenues	<u>2,000</u>	<u>1,116</u>	<u>(884)</u>
Total revenues	<u>2,431,500</u>	<u>2,629,464</u>	<u>197,964</u>
Expenditures			
Landfill Operations			
Salaries and employees benefits	-	669,350	-
Other operating expenditures	-	1,083,696	-
Total	<u>1,935,525</u>	<u>1,753,046</u>	<u>182,479</u>
Debt Service			
Principal on Capital leases	-	92,341	-
Interest and fees	-	25,032	-
Total	<u>270,500</u>	<u>117,373</u>	<u>153,127</u>
Capital Outlay	<u>440,825</u>	<u>431,079</u>	<u>9,746</u>
Total expenditures	<u>2,646,850</u>	<u>2,301,498</u>	<u>345,352</u>
Revenues over expenditures	<u>(215,350)</u>	<u>327,966</u>	<u>543,316</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, 2014**

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing (uses) sources			
Transfers to other funds			
To General Fund	(50,000)	(50,000)	-
Proceeds from debt	<u>265,350</u>	<u>265,343</u>	<u>(7)</u>
Total other financing (uses)	<u>215,350</u>	<u>215,343</u>	<u>(7)</u>
Revenues and other sources over (under) expenditures, other (uses)	<u>\$ -</u>	<u>\$ 543,309</u>	<u>\$ 543,309</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ 543,309</u>	
Payment on Capital leases		92,341	
Capital outlay		431,079	
Depreciation		(1,135,562)	
Increase in accrued compensated absences		(11,847)	
Increase in postemployment benefits		(7,988)	
Adjustment to accrued landfill closure and post closure costs		(366,575)	
Proceeds from debt		<u>(265,343)</u>	
Total reconciling items		<u>(1,263,895)</u>	
Change in net position		<u>\$ (720,586)</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
COMBINING BALANCE SHEET
DEPARTMENT OF PUBLIC HOUSING
June 30, 2014

Exhibit C-13

	Department of Public Housing			Totals
	Conventional	Section 8	Capital Fund	
ASSETS				
Current Assets				
Cash and investments	\$ 1,160,884	\$246,438	\$ -	\$ 1,407,322
Accounts receivable - net	1,498	-	37,494	38,992
Prepaid expenses	1,045	-	-	1,045
Total current assets	1,163,427	246,438	37,494	1,447,359
Noncurrent Assets				
Capital Assets				
Land	332,371	-	-	332,371
Other capital assets, net of accumulated depreciation	5,639,791	80,139	-	5,719,930
Total noncurrent assets	5,972,162	80,139	-	6,052,301
Total Assets	\$ 7,135,589	\$ 326,577	\$ 37,494	\$ 7,499,660
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 57,322	\$ 4,668	\$ 37,494	\$ 99,484
Customer deposits	42,525	-	-	42,525
Current portion of compensated absences	8,647	983	-	9,630
Current portion of long term debt	4,852	-	-	4,852
Total current liabilities	113,346	5,651	37,494	156,491
Other liabilities				
Lease payable	3,329	-	-	3,329
Other post employment benefits	75,818	18,958	-	94,776
Accrued compensated absences	8,648	983	-	9,631
Total other liabilities	87,795	19,941	-	107,736
Total liabilities	201,141	25,592	37,494	264,227
Net Position				
Net investment in capital assets	5,963,981	80,139	-	6,044,120
Unrestricted	970,467	220,846	-	1,191,313
Total net position	6,934,448	300,985	-	7,235,433
Total Liabilities and Net Position	\$ 7,135,589	\$ 326,577	\$ 37,494	\$ 7,499,660

CITY OF ALBEMARLE, NORTH CAROLINA
COMBINING SCHEDULE OF REVENUES AND EXPENSES
DEPARTMENT OF PUBLIC HOUSING
For the Fiscal Year Ended June 30, 2014

Exhibit C-14

	Department of Public Housing			Totals
	Conventional	Section 8	Capital Fund	
Operating Revenues				
Rental income	\$ 427,925	\$ -	\$ -	\$ 427,925
Other	22,922	-	-	22,922
Total operating revenues	450,847	-	-	450,847
Operating expenses				
Administrative	345,524	201,730	15,003	562,257
Tenant services	12,370	-	-	12,370
Utilities	343,677	-	-	343,677
Ordinary maintenance and operation	276,882	2,399	-	279,281
General expenses	78,448	2,876	-	81,324
Housing assistance payments	-	1,268,564	-	1,268,564
Nonroutine maintenance	96,171	-	-	96,171
Depreciation	393,350	3,995	-	397,345
Total operating expenses	1,546,422	1,479,564	15,003	3,040,989
Operating (loss)	(1,095,575)	(1,479,564)	(15,003)	(2,590,142)
Nonoperating revenues (expenses)				
Operating subsidies	650,940	1,419,134	-	2,070,074
Interest earned on investments	20,921	321	-	21,242
Interest and other charges	(537)	-	-	(537)
Nonoperating revenue	42,481	-	-	42,481
Total nonoperating revenues	713,805	1,419,455	-	2,133,260
Net income (loss) before contributions and transfers	(381,770)	(60,109)	(15,003)	(456,882)
Capital grants	-	-	183,868	183,868
Transfers	168,865	-	(168,865)	-
	168,865	-	15,003	183,868
Change in net position	(212,905)	(60,109)	-	(273,014)
Net position, July 1	7,147,353	361,094	-	7,508,447
Net position, June 30	\$ 6,934,448	\$ 300,985	\$ -	\$ 7,235,433

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, 2014

Exhibit C-15

	Conventional		Variance Favorable (Unfavorable)
	Original and Final Budget	Actual	
Operating Revenues			
Rental income	\$ 434,100	\$ 427,925	\$ (6,175)
Other	34,000	22,922	(11,078)
Total operating revenues	468,100	450,847	(17,253)
Operating expenditures			
Administrative	363,140	343,218	19,922
Tenant services	15,000	12,370	2,630
Utilities	400,600	343,677	56,923
Ordinary maintenance and operation	294,275	276,882	17,393
General expenses	106,190	78,448	27,742
Nonroutine maintenance	138,250	96,171	42,079
Total operating expenditures	1,317,455	1,150,766	166,689
Operating revenues (under) operating expenditures	(849,355)	(699,919)	149,436
Nonoperating revenues			
Operating subsidies	562,800	650,940	88,140
Other income	10,200	57,315	47,115
Interest income	9,000	6,087	(2,913)
Proceeds from debt	5,550	5,543	(7)
Total nonoperating revenues	587,550	719,885	132,335
Nonoperating expenditures			
Lease payments	4,900	5,569	(669)
Interet expense	200	537	
Capital outlay	25,475	12,632	12,843
Total nonoperating expenditures	30,575	18,738	12,174
Nonoperating revenues over nonoperating expenditures	556,975	701,147	144,509
Revenues over expenditures	(292,380)	1,228	293,608
Appropriated fund balance	292,380	-	(292,380)
Excess of revenues and appropriated fund balance (under) expenditures - modified accrual	\$ -	1,228	\$ 1,228
Reconciliation to the accrual basis:			
Depreciation		(393,350)	
Capital outlay		12,632	
Lease principal payments		5,569	
Accrual of OPEB		(1,985)	
Accrual of compensated absences		(321)	
Proceeds from debt		(5,543)	
Change in net income before capital contributions and transfers - Exhibit C-14		\$ (381,770)	

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, 2014

Exhibit C-16

	Section 8		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Operating subsidiaries	\$ 1,427,700	\$ 1,419,134	\$ 8,566
Total operating revenues	<u>1,427,700</u>	<u>1,419,134</u>	<u>8,566</u>
Operating expenditures			
Administrative	221,950	197,958	23,992
Housing assistance payments	<u>1,294,000</u>	<u>1,268,564</u>	<u>25,436</u>
Total operating expenditures	<u>1,515,950</u>	<u>1,466,522</u>	<u>49,428</u>
Capital outlay	<u>20,000</u>	<u>17,812</u>	<u>2,188</u>
Total Expenditures	<u>1,535,950</u>	<u>1,484,334</u>	<u>51,616</u>
Operating revenues (under) operating expenditures	(108,250)	(65,200)	43,050
Nonoperating revenues			
Interest income	<u>150</u>	<u>321</u>	<u>171</u>
Excess (deficiency) of revenues under expenditures modified accrual	<u>\$ (108,100)</u>	<u>(64,879)</u>	<u>\$ 43,221</u>
Appropriated fund balance	<u>108,100</u>	<u>-</u>	<u>(108,100)</u>
Excess of revenues and appropriated fund balance (under) expenditures - modified accrual	<u>\$ -</u>	<u>(64,879)</u>	<u>\$ (64,879)</u>
Reconciliation to the accrual basis:			
Depreciation		(3,995)	
Capital outlay		17,812	
Other Post Employment Benefits		(9,206)	
Accrual of compensated absences		<u>159</u>	
Change in net position Exhibit C-14		<u>\$ (60,109)</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, 2014

Exhibit C-17

	Capital Funds		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating			
Operating subsidies	\$ -	\$ -	\$ -
Operating expenditures			
Administrative	14,905	15,003	(98)
Capital Outlay	<u>226,111</u>	<u>168,865</u>	<u>57,246</u>
Total operating expenditures	<u>241,016</u>	<u>183,868</u>	<u>57,148</u>
Operating revenues under operating expenditures	(241,016)	(183,868)	57,148
Nonoperating revenues			
Capital grants	<u>241,016</u>	<u>183,868</u>	<u>(57,148)</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, 2014

Exhibit C-18

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

	<u>Total</u>
Funds approved	\$ 264,556
Funds expended	<u>167,289</u>
Excess of funds approved	<u>\$ 97,267</u>
Funds advanced - HUD Grants	\$ 179,424
Funds expended	<u>179,424</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$ 179,424.

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, 2014

Exhibit C-19

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

	<u>Total</u>
Funds approved	\$ 285,155
Funds expended	<u>2,625</u>
Excess of funds approved	<u>\$ 282,530</u>
Funds advanced - HUD Grants	\$ 4,444
Funds expended	<u>4,444</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$ 4,444.

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, 2014

Exhibit C-20

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

	<u>Total</u>
Funds approved	\$ 287,284
Funds expended	<u>-</u>
Excess of funds approved	<u>\$ 287,284</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, 2014

Exhibit D-1

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Cash and cash equivalents	\$ 863	\$ 55,275	\$ 53,091	\$ 3,047
	<u>\$ 863</u>	<u>\$ 55,275</u>	<u>\$ 53,091</u>	<u>\$ 3,047</u>
LIABILITIES				
Due to agencies	863	55,275	53,091	3,047
	<u>\$ 863</u>	<u>\$ 55,275</u>	<u>\$ 53,091</u>	<u>\$ 3,047</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, 2014

Exhibit E-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2012-2013	\$ -	\$ 5,816,176	\$ 5,574,468	\$ 241,708
2011-2012	377,162	-	235,245	141,917
2010-2011	138,982	-	52,556	86,426
2009-2010	100,201	-	25,262	74,939
2008-2009	129,135	-	6,771	122,364
2007-2008	48,348	-	8,576	39,772
2006-2007	32,348	-	1,959	30,389
2005-2006	29,343	-	1,268	28,075
2004-2005	26,922	-	810	26,112
2003-2004	28,274	-	642	27,632
2002-2003	18,270	-	18,270	-
	<u>\$ 928,985</u>	<u>\$ 5,816,176</u>	<u>\$ 5,925,827</u>	819,334
Less: Allowance for uncollectible accounts Ad valorem taxes receivable				<u>(180,000)</u>
Ad valorem taxes receivable - net				<u>\$ 639,334</u>
Reconciliation with revenues				
Ad valorem taxes collected - General Fund				<u>\$ 5,844,293</u>
Discounts allowed				30,708
Releases and adjustments				95,151
Taxes written off				17,972
Interest collected				<u>(62,297)</u>
Total collections and credits				<u>\$ 5,925,827</u>

CITY OF ALBEMARLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
For the Fiscal Year Ended June 30, 2014

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	\$ 1,036,183,750	0.56	\$ 5,802,629	\$ 5,422,377	\$ 380,252
Penalties	-		2,747	2,747	-
Total	<u>1,036,183,750</u>		<u>5,805,376</u>	<u>5,425,124</u>	<u>380,252</u>
Discoveries:					
Current year taxes	6,659,107	0.56	37,291	32,811	4,480
Penalties	-		-	-	-
Total	<u>6,659,107</u>		<u>37,291</u>	<u>32,811</u>	<u>4,480</u>
Abatements:	(4,764,568)	0.56	(26,491)	(16,896)	(9,595)
Total valuation	<u>\$ 1,038,078,289</u>				
Net levy			5,816,176	5,441,039	375,137
Uncollected taxes at June 30, 2014			<u>(241,708)</u>	<u>(239,019)</u>	<u>(2,689)</u>
Current year's taxes collected			<u>\$ 5,574,468</u>	<u>\$ 5,202,020</u>	<u>\$ 372,448</u>
Current levy collection percentage			<u>95.84%</u>	<u>95.61%</u>	<u>99.28%</u>

Compliance Section

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Other Office Locations:
Seven Lakes, North Carolina
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, 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, 2014, 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 December 22, 2014. 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 over financial reporting. 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.

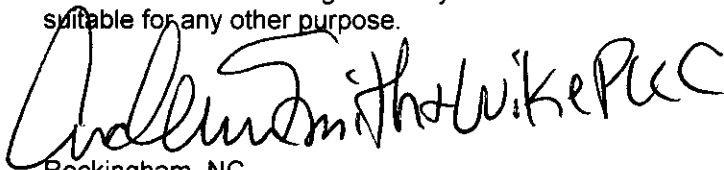
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink that reads "Andrew Smith" followed by "Rockingham, NC" and "December 22, 2014". The signature is written in a cursive, somewhat stylized font.

Rockingham, NC
December 22, 2014

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Other Office Locations:
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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, 2014. 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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-1. Our opinion on each major federal program is not modified with respect to these matters.

City of Albemarle's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Albemarle's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

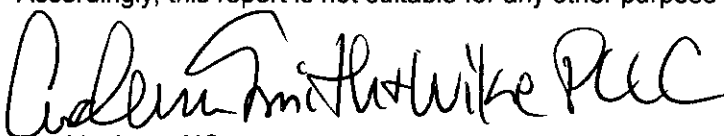
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-1.

City of Albemarle's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Albemarle's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Rockingham, NC
December 22, 2014

220 East Washington Street
Post Office Box 697
Rockingham, North Carolina 28380
(910) 895-2899

Other Office Locations:
Seven Lakes, North Carolina
Gastonia, North Carolina
Statesville, North Carolina

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, 2014. 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, 2014.

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.

A handwritten signature in black ink that reads "William Smith" followed by "RUC" in a larger, bold font.

Rockingham, NC
December 22, 2014

CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *No*

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 *Yes*

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 *Yes*

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? *Yes*

**CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2014**

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 Reported

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

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

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

2014-1:

PHA Depository Agreements not current.

NON-COMPLIANCE – SIGNIFICANT DEFICIENCY – (24 CFR section 982.156)

Criteria: Controls should be in place to ascertain that Depository Agreements are maintained with Financial Institutions current and in a timely manner.

Condition: Depository Agreements not maintained at current Financial Institutions.

Effect: Non-compliance with HUD requirements.

Cause: Oversight of accounting personnel.

Recommendation: Accounting personnel should maintain Depository Agreements with current Financial Institutions in a timely manner.

Views of responsible officials and planned corrective actions: The City agrees with this finding and will take action to resolve this issue immediately.

Section IV – State Award Findings and Questioned Costs

None reported

**CITY OF ALBEMARLE, NORTH CAROLINA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2014**

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: Immediately

**CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<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		649,712	-	-
Section 8:					
Housing Choice Vouchers	14.871		1,484,013	-	-
Public Housing Capital Fund:					
NC19PO7550112	14.872		179,424	-	-
NC19PO7550113	14.872		4,444	-	-
<u>U.S. Department of Justice</u>					
Pass through NC Department of Justice					
Bullet Proof Vest Grant	16.607		8,246	-	-
Edward Byrne Memorial Justice Assistance Grant-OCF112 Grant	16.738		68,548	-	-
Edward Byrne Memorial Justice Assistance Grant-Gang 1 Grant	16.738		31,249	-	-
<u>Federal Emergency Management Administration</u>					
<u>Safer Grant:</u>					
Staffing for Adequate Fire & Emergency Response Grant	97.083		112,038	-	-
Total assistance federal programs			<u>2,537,674</u>	<u>-</u>	<u>-</u>
STATE GRANTS					
Cash Assistance					
<u>N.C. Department of Environment and Natural Resources</u>					
Capital Improvement Grant	N/A		-	79,500	-
NC Clean Water Revolving Loan Program	N/A		-	2,235,429	-
<u>N.C. Department of Transportation</u>					
Powell Bill	N/A	9.9000	-	558,395	-
Total assistance state programs			<u>-</u>	<u>2,873,324</u>	<u>-</u>
Total assistance			<u>\$ 2,537,674</u>	<u>\$ 2,873,324</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.