

CITY OF ALBEMARLE, NORTH CAROLINA

FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2013

CITY OF ALBEMARLE, NORTH CAROLINA

CITY OFFICIALS

JUNE 30, 2013

MAYOR

ELBERT L. WHITLEY, JR.

CITY COUNCIL

TROY E. ALEXANDER - MAYOR PRO-TEM

MARTHA SUE HALL

JACK F. NEEL

JUDY U. HOLCOMB

T. ED UNDERWOOD

DEXTER G. TOWNSEND

G. R. MICHAEL

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:

Gastonia, North Carolina
Statesville, North Carolina

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, 2013, 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, 2013, 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

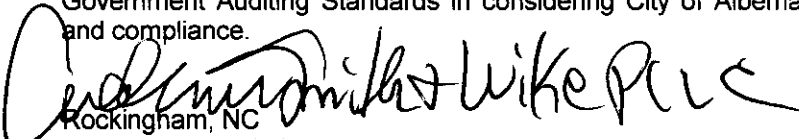
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Albemarle, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures 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 12, 2013 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 12, 2013

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, 2013. 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.

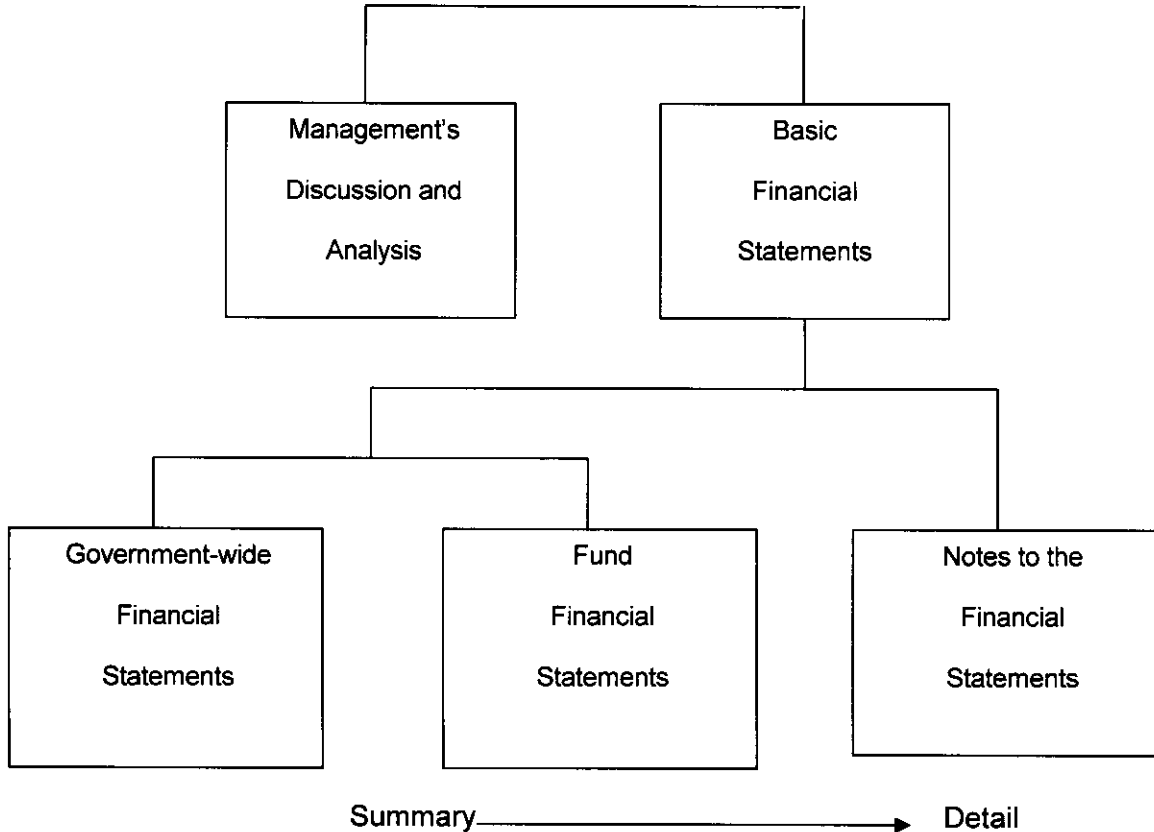
Financial Highlights

- 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 \$69,267,511.
- The government's total net position decreased by \$1,415,297, primarily due to expenditures exceeding revenues by \$489,912 and an Extraordinary Event of \$925,385 (Note 9).
- As of the close of the current fiscal year, the City of Albemarle's governmental funds reported combined ending fund balances of \$5,989,523 a decrease of \$273,094 in comparison with the prior year. Approximately 62.9 percent of this total amount, or \$3,769,645, is available for spending at the government's discretion. At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,973,485, or 31.1 percent of total general fund expenditures for the fiscal year.
- The City of Albemarle's total debt increased by \$2,975,803 during the current fiscal year. The key factor in this increase is new debt of \$3,714,785.
- The City of Albemarle maintained its A bond rating for the fourteenth consecutive year.

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 Crime Commission, Governor’s Crime Commission Grant, and the Carolina Thread Trail 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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 8,461,820	\$ 8,859,047	\$ 18,542,873	\$ 19,836,003	\$ 27,004,693	\$ 28,695,050
Capital assets	16,573,556	15,779,333	49,553,402	45,841,800	66,126,958	61,621,133
Total assets	<u>25,035,376</u>	<u>24,638,380</u>	<u>68,096,275</u>	<u>65,677,803</u>	<u>93,131,651</u>	<u>90,316,183</u>
Long-term liabilities	3,960,802	4,078,224	11,883,007	8,179,658	15,843,809	12,257,882
Other liabilities	1,309,693	2,564,037	5,622,320	4,811,456	6,932,013	7,375,493
Deferred inflows of resources	1,088,318	-	-	-	1,088,318	-
Total liabilities and deferred inflows of resources	<u>6,358,813</u>	<u>6,642,261</u>	<u>17,505,327</u>	<u>12,991,114</u>	<u>23,864,140</u>	<u>19,633,375</u>
Net position						
Net investment in capital assets	14,403,544	13,262,477	42,948,565	42,415,279	57,352,109	55,677,756
Restricted	940,571	1,819,613	-	-	940,571	1,819,613
Unrestricted	3,332,448	2,914,029	7,642,383	10,271,410	10,974,831	13,185,439
Total net position	<u>\$ 18,676,563</u>	<u>17,996,119</u>	<u>\$ 50,590,948</u>	<u>\$ 52,686,989</u>	<u>\$ 69,267,511</u>	<u>\$ 70,682,808</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 \$69,267,511 as of June 30, 2013. The City's net position decreased by \$1,415,297 for the fiscal year ended June 30, 2013. 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:

- Continued low cost of debt due to the City's favorable bond rating.
- An Extraordinary Event that cost the city \$925,385.

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	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 1,247,236	\$ 1,226,161	\$ 42,021,064	\$ 39,345,605	\$ 43,268,300	\$ 40,571,766
Contributions	26,561	28,966	2,014,307	2,131,220	2,040,868	2,160,186
Contributions	925,668	719,906	396,040	164,802	1,321,708	884,708
General revenues:						
Property taxes	5,660,953	5,540,371	-	-	5,660,953	5,540,371
Other taxes	4,386,653	4,254,430	-	-	4,386,653	4,254,430
Interest earned	10,038	18,135	18,091	25,971	28,129	44,106
Other	215,981	190,296	1,065,333	1,226,215	1,281,314	1,416,511
Total revenues	<u>12,473,090</u>	<u>11,978,265</u>	<u>45,514,835</u>	<u>42,893,813</u>	<u>57,987,925</u>	<u>54,872,078</u>
Expenses:						
General government	1,788,218	1,809,417	-	-	1,788,218	1,809,417
Public safety	6,675,379	6,403,391	-	-	6,675,379	6,403,391
Public works	2,183,786	2,061,552	-	-	2,183,786	2,061,552
Environmental protection	934,069	1,176,673	-	-	934,069	1,176,673
Economic development	2,229	2,740	-	-	2,229	2,740
Culture and recreation	1,272,719	1,258,938	-	-	1,272,719	1,258,938
Interest on long-term debt	103,205	102,899	-	-	103,205	102,899
Water and sewer	-	-	7,003,619	6,626,752	7,003,619	6,626,752
Electric	-	-	32,496,423	30,947,485	32,496,423	30,947,485
Landfill	-	-	2,988,247	2,043,328	2,988,247	2,043,328
Public housing	-	-	3,029,943	2,930,052	3,029,943	2,930,052
Total expenses	<u>12,959,605</u>	<u>12,815,610</u>	<u>45,518,232</u>	<u>42,547,617</u>	<u>58,477,837</u>	<u>55,363,227</u>
Increase in net position before transfers	(486,515)	(837,345)	(3,397)	346,196	(489,912)	(491,149)
Transfers	<u>1,166,959</u>	<u>1,190,000</u>	<u>(1,166,959)</u>	<u>(1,190,000)</u>	-	-
Increase in net position	680,444	352,655	(1,170,356)	(843,804)	(489,912)	(491,149)
Extraordinary Event (Note 9)	-	-	(925,385)	-	(925,385)	-
Net position, July 1	<u>17,996,119</u>	<u>17,643,464</u>	<u>52,686,689</u>	<u>53,530,493</u>	<u>70,682,808</u>	<u>71,173,957</u>
Net position, June 30	<u>\$ 18,676,563</u>	<u>\$ 17,996,119</u>	<u>\$ 50,590,948</u>	<u>\$ 52,686,689</u>	<u>\$ 69,267,511</u>	<u>\$ 70,682,808</u>

Governmental activities: Governmental activities increased the City's net position by \$680,444. Key elements of this increase are as follows:

- Transfers to other funds of \$1,166,959

Business-type activities: Business-type activities decreased the City of Albemarle's net position by \$2,095,741. Key elements of this decrease are as follows:

- Transfers from other funds of \$1,166,959
- Extraordinary Event of \$925,385

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 \$4,460,770, while total fund balance reached \$5,685,875. 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 34.4 percent of total General Fund expenditures, while total fund balance represents 43.9 percent of that same amount.

At June 30, 2013, the governmental funds of City of Albemarle reported a combined fund balance of \$5,989,523 a 4.4 percent decrease over last year. Included in this change in fund balance are increases in fund balance in the General and Capital Projects Funds.

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

- Appropriated proceeds from DNC for Police Protection for the convention held in Charlotte
- Received Grant from the Governor's Crime Commission for Technology Grant there was a matching component from the General fund.
- Received funds from FEMA to add additional Firefighters to the Fire Department
- The General fund borrowed money from Electric Fund to pay for renovations to the Jesse F. Niven Center
- To appropriated Prior year loan proceeds for Fire trucks no received in prior fiscal year
- Appropriated inter-fund sale of Land from General fund to Electric fund for Central Avenue Delivery Point
- Appropriated funds from Operating funds to a Special Revenue fund to cover costs associated with the Microburst Storm

Proprietary Funds: The City of Albemarle's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,375,162, those for the Electric Fund amounted to \$6,404,606, Public Housing \$1,266,319, and for the Landfill Fund \$(2,403,704). The total change in net position for all funds was \$673,958, \$(1,939,006), \$(158,497), and \$(672,196), 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, 2013, totals \$66,126,958 (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:

- Replacement of three Police Departments vehicles
- Renovation of the former Niven Army Reserve Center to a new operations center for the Parks & Recreation Department
- Paving all or a portion of several local streets
- Completed major improvements to the Long Creek Wastewater Treatment Plant
- Began construction of an equalization basin at the US 52 Water Treatment Plant
- Awarded a contract for the construction of a third electric delivery point for the City

City of Albemarle's Capital Assets Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,640,255	\$ 2,741,014	\$ 1,031,182	\$ 495,092	\$ 3,671,437	\$ 3,236,106
Infrastructure	3,743,288	3,871,238	13,258,786	14,216,360	17,002,074	18,087,598
Other improvements	277,440	300,476	670,383	693,625	947,823	994,101
Buildings	6,960,509	7,305,544	24,380,960	24,999,297	31,341,469	32,304,841
Machinery and equipment	766,460	700,242	211,724	287,106	978,184	1,056,023
Mobile equipment	1,407,228	768,917	2,614,252	2,969,305	4,021,480	3,669,547
Construction in progress	778,376	91,901	7,386,115	2,170,969	8,164,491	2,262,870
Total	\$ 16,573,556	\$ 15,779,333	\$ 49,553,402	\$ 45,831,754	\$ 66,126,958	\$ 61,611,087

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, 2013, the City of Albemarle had total paid back all their bonded debt.

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

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

City of Albemarle's Outstanding Debt

The City of Albemarle's total debt increased \$3,494,031 during the past fiscal year, primarily due to additional debt. The City of Albemarle does however owe \$2,367,747 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 \$82,631,513.

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 is right in line with the state average of 8.8%; the civilian labor force estimates for North Carolina reports the Stanly County unemployment rate at 9.0%; the national average is 7.6%. However, the unemployment rate in Stanly County is down .9% from prior year.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities: Property taxes will remain at 0.56 per \$100 valuation for the tenth consecutive year for the fiscal year ending June 30, 2014. This budget represents a slight increase from the current fiscal year General Fund Budget with 56% of the total General Fund Budget being allocated to the Police and Fire Departments. As in past years, more than 100% of all the property tax revenue to be collected by the City will be required to fund the Police & Fire Departments. These two departments are projected to cost approximately \$7 million while property tax collections are projected to be only \$5.5 million. The budget proposes no increases in the household solid waste collection fee, household solid waste disposal fee, planning & zoning fees, fire inspection and plans review fees, or business license fees. Major projects in the General Fund include the replacement of two police vehicles; matching funds to continue the SAGE safe neighborhoods initiative grant from the State of

North Carolina; investment in replacement of computer system hardware and software in the Information systems Department which will be shared across all City Funds; discontinued repair and replacement of sidewalks; funds to complete a salary study of City employees compensation; funds for a streetscape plan for downtown; funding to develop a development plan for a ball facility at the former Wiscassett Mills property; replacement of the roof at the City vehicle maintenance facility; replacement of a dump truck in the Street Division; funding to continue addressing nuisance concerns and abandoned and dilapidated dwellings in the City, and \$100,000 in funding for economic development efforts as recommended by the Economic Development Task Force with the cost to be shared among the four major funds.

The Powell Bill Fund is proposed at \$740,050 which is a slight decrease from the current Powell Bill Budget. It includes \$200,000 for asphalt resurfacing and street repairs, an increase of \$25,000 from the fiscal year 2012-2013 budget.

Business-Type Activities: The Water and Sewer Budget is proposed at \$8,068,700, which is an increase of approximately 13% from the current fiscal year. The proposed budget has an increase of 5% in water and sewer rates and the City's water and sewer rates will still be well below the average across the state. The need to maintain the City's aging utility infrastructure, increased chemical and treatment costs, and the increasingly stringent regulatory environment are the primary reasons for these recommended increases. The budget includes a larger than normal appropriation of \$643,000 in retained earnings to cover the gap between the beginning of debt service and the beginning of revenues from the CKA water line. The budget includes debt service payments for the State loan for major improvements at the Long Creek Wastewater Treatment Plant, 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. It also includes engineering design costs for renovations to the US 52 WTP. The water and Sewer Budget also includes funds for continuation of sewer system improvements to address inflow and infiltration, replacement of inadequate water lines, and replacement of the Water Sewer Vac Truck.

The Electric Fund has a proposed budget of \$35,796,400. This represents a slight decrease from the current year. The City will receive from the North Carolina Municipal Power Agency One a wholesale rate adjustment of 5% effective July 1, 2013. The budget proposes a retail rate adjustment of 4.5% effective July 1, 2013 to offset that rate increase. The proposed increase is in the energy component of the City's electric rates and would not affect the City's minimum service charges or demand charges. The recommended budget includes funding to complete construction of the new electric delivery point on NC 24-27; to continue conversion of 4KV voltage to 25KV; to replace 14.4KV regulator controls; to install a back feed line on Old Parker Road and Mann Road; to reconductor the area behind Albemarle Crossing Mall; to replace the City's meter test unit and computer; and to replace a trencher with a mini excavator.

The Solid Waste Disposal Fund is proposed at \$2,130,800 for FY 2013-2014, which constitutes a slight decrease from the current year. There is a recommended \$2 per ton increase in the municipal solid waste disposal fee from \$37 to \$39; and a decrease in the construction and demolition fee of \$1 from \$34 to \$33. The fee increase for MSW is needed to pay the debt service for the Phase II cell and to address increased costs due to more stringent state regulatory requirements. Both of these rates will remain competitive with rates of other facilities in North Carolina. The budget includes funding to purchase a used water truck and a tractor to be used in composting.

The budget also includes funding to cover a new state legislative mandate to provide an escrow fund for unemployment insurance; an increase in the City's contribution for the Local Government Employees Retirement System; and an estimated 10% increase in employee health insurance premiums. The budget contains funds for an approximate 2.5% pay increase across the board for City employees effective for the first pay period in October 2013.

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, 2013

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	\$ 6,771,742	\$ 9,317,963	\$ 16,089,705	\$ 68,708	\$ 130,071
Restricted cash	277,697	-	277,697	-	-
Receivables:					
Taxes receivable - net	688,985	-	688,985	-	-
Accounts receivable	172,511	4,465,149	4,637,660	-	-
Due from other governments	1,369,291	90,468	1,459,759	55,500	-
Internal balances	(1,767,748)	1,767,748	-	-	-
Inventories	17,834	2,810,537	2,828,371	550	178,995
Prepaid expenses	131,508	91,008	222,516	-	6,979
Total current assets	<u>7,661,820</u>	<u>18,542,873</u>	<u>26,204,693</u>	<u>124,758</u>	<u>316,045</u>
Non-current assets					
Note receivable	800,000	-	800,000	-	-
Capital assets					
Land, and construction in progress	3,418,631	8,417,297	11,835,928	116,423	261,417
Other capital assets, net of depreciation	13,154,925	41,136,105	54,291,030	591,238	859,032
Total capital assets	<u>16,573,556</u>	<u>49,553,402</u>	<u>66,126,958</u>	<u>707,661</u>	<u>1,120,449</u>
Total non-current assets	<u>17,373,556</u>	<u>49,553,402</u>	<u>66,926,958</u>	<u>707,661</u>	<u>1,120,449</u>
Total assets	<u>25,035,376</u>	<u>68,096,275</u>	<u>93,131,651</u>	<u>832,419</u>	<u>1,436,494</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	694,994	4,203,926	4,898,920	3,246	77,887
Deposits	-	822,602	822,602	-	-
Current portion of long-term liabilities	614,699	595,792	1,210,491	8,407	-
Accrued interest payable	-	-	-	948	-
Total current liabilities	<u>1,309,693</u>	<u>5,622,320</u>	<u>6,932,013</u>	<u>12,601</u>	<u>77,887</u>
Long-term liabilities					
Accrued landfill closure and postclosure costs	-	4,668,513	4,668,513	-	-
Long-term liabilities:					
Due in more than one year	3,960,802	7,214,494	11,175,296	38,316	-
Total long-term liabilities	<u>3,960,802</u>	<u>11,883,007</u>	<u>15,843,809</u>	<u>38,316</u>	<u>-</u>
Total liabilities	<u>5,270,495</u>	<u>17,505,327</u>	<u>22,775,822</u>	<u>50,917</u>	<u>77,887</u>
DEFERRED INFLOWS OF RESOURCES					
Prepaid license fees	269,766	-	269,766	-	-
Prepaid taxes	18,552	-	18,552	-	-
Note Receivable	800,000	-	800,000	-	-
Total deferred inflows of resources	<u>1,088,318</u>	<u>-</u>	<u>1,088,318</u>	<u>-</u>	<u>-</u>
Net Position					
Net investment in capital assets	14,403,544	42,948,565	57,352,109	691,188	1,120,449
Restricted for:					70,117
Stabilization by State Statute	662,874	-	662,874	-	-
Other functions	277,697	-	277,697	90,314	-
Unrestricted	3,332,448	7,642,383	10,974,831	-	168,041
Total net position	<u>\$ 18,676,563</u>	<u>\$ 50,590,948</u>	<u>\$ 69,267,511</u>	<u>\$ 781,502</u>	<u>\$ 1,358,607</u>

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities	Total	
Primary government							
Governmental activities							
General government	\$ 1,788,218	\$ 25,079	\$ -	\$ (1,372,298)	\$ -	\$ (1,372,298)	\$ -
Public safety	6,675,379	26,358	26,561	(6,614,214)	-	(6,614,214)	-
Public works	2,183,786	1,078,301	-	(578,904)	-	(578,904)	-
Environmental protection	934,069	-	-	(934,069)	-	(934,069)	-
Economic and physical development	2,229	-	-	(2,229)	-	(2,229)	-
Cultural and recreational	1,272,719	117,498	-	(1,155,221)	-	(1,155,221)	-
Interest on long-term debt	103,205	-	-	(103,205)	-	(103,205)	-
Total governmental activities	12,959,605	1,247,236	26,561	(10,760,140)	-	(10,760,140)	-
Business-type activities							
Water and sewer	7,003,619	6,824,060	-	-	(179,559)	(179,559)	-
Electric	32,496,423	32,366,262	-	-	(130,161)	(130,161)	-
Landfill	2,988,247	2,366,306	-	-	(621,941)	(621,941)	-
Department of public housing	3,029,943	464,436	2,014,307	-	(155,160)	(155,160)	-
Total business-type activities	45,518,232	42,021,064	2,014,307	-	(1,086,821)	(1,086,821)	-
Total primary government	\$ 58,477,837	\$ 43,268,300	\$ 2,040,868	\$ (10,760,140)	\$ (1,086,821)	\$ (11,846,961)	\$ -
Component units							
Albemarle Downtown Development Corporation	\$ 500,472	\$ 365,650	\$ 61,963	\$ -	\$ -	\$ -	\$ (72,859)
Albemarle ABC Board	2,373,456	2,377,490	-	-	-	-	4,034
Total component units	\$ 2,873,928	\$ 2,743,140	\$ 61,963	\$ -	\$ -	\$ -	(68,825)
General revenues							
Taxes							
Property taxes, levied for general purposes				5,660,953	-	5,660,953	45,337
Other taxes and licenses				4,386,653	-	4,386,653	-
Unrestricted investment earnings				10,038	18,091	28,129	247
Miscellaneous revenues				215,981	1,065,333	1,281,314	14,765
Transfers				<u>1,166,959</u>	<u>(1,166,959)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers				11,440,584	(83,535)	11,357,049	60,349
Change in net position				680,444	(1,170,356)	(489,912)	(8,476)
Extraordinary Event (Note 9)				-	(925,385)	(925,385)	-
Net position, beginning, as previously stated				17,996,119	52,686,689	70,682,808	2,140,109
Prior period adjustment				-	-	-	(1,192)
Net position, beginning, as restated				<u>17,996,119</u>	<u>52,686,689</u>	<u>70,682,808</u>	<u>2,138,917</u>
Net position, end of year				<u>\$ 18,676,563</u>	<u>\$ 50,500,948</u>	<u>\$ 69,267,511</u>	<u>\$ 2,130,441</u>

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

CITY OF ALBEMARLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

Exhibit 3

	Major Fund			Total Non-Major Funds	Total Governmental Funds
	General	City Hall Capital Project Fund	Niven Center Renovation Fund		
Assets					
Cash and cash equivalents	\$ 6,314,078	\$ 1,518	\$ 389,859	\$ 66,287	\$ 6,771,742
Restricted cash	277,697	-	-	-	277,697
Receivables, net					
Taxes	688,985	-	-	-	688,985
Accounts	172,511	-	-	-	172,511
Due from other governments	1,326,603	-	-	42,688	1,369,291
Due from other funds	-	-	-	-	-
Inventories	17,834	-	-	-	17,834
Prepaid expenses	131,508	-	-	-	131,508
Note receivable	800,000	-	-	-	800,000
Total assets	\$ 9,729,216	\$ 1,518	\$ 389,859	\$ 108,975	\$ 10,229,568
Liabilities and fund balances					
Liabilities					
Accounts payable and accrued liabilities	\$ 498,290	\$ 1,518	\$ 195,086	\$ 100	\$ 694,994
Due to other funds	1,767,748	-	-	-	1,767,748
Total liabilities	2,266,038	1,518	195,086	100	2,462,742
DEFERRED INFLOWS OF RESOURCES					
Taxes	688,985	-	-	-	688,985
Prepaid license fees	269,766	-	-	-	269,766
Prepaid taxes	18,552	-	-	-	18,552
Note Receivable	800,000	-	-	-	800,000
Total deferred inflows of resources	1,777,303	-	-	-	1,777,303
Fund balances					
Nonspendable					
Inventories	17,834	-	-	-	17,834
Restricted					
Stabilization by State Statute	662,874	-	-	-	662,874
Streets - Powell Bill	277,697	-	-	-	277,697
Committed					
Parks and recreation	-	-	194,773	-	-
Assigned					
Subsequent year's expenditures	266,700	-	-	-	266,700
Unassigned	4,460,770	-	-	108,875	4,569,645
Total fund balances	5,685,875	-	194,773	108,875	5,989,523
Total liabilities and fund balances	\$ 9,729,216	\$ 1,518	\$ 389,859	\$ 108,975	\$ 8,452,265
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					\$ 5,989,523
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					16,573,556
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds					688,985
Compensated absences not expected to be materially liquidated with expendable available resources					(601,345)
Net pension obligations					(439,522)
Other postemployment benefits					(1,364,622)
Long-term liabilities, principally installment purchases and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds					(2,170,012)
Net position of governmental activities					\$ 18,676,563

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

Exhibit 4

	Major Fund			Total Non-Major Funds	Total Governmental Funds
	General	City Hall Capital Project Fund	Niven Center Renovation Fund		
Revenues					
Ad valorem taxes	\$ 5,638,150	\$ -	\$ -	\$ -	\$ 5,638,150
Other taxes and licenses	420,930	-	-	-	420,930
Unrestricted intergovernmental	3,965,723	-	-	-	3,965,723
Restricted intergovernmental	815,713	-	-	136,516	952,229
Permits and fees	50,106	-	-	-	50,106
Sales and services	1,197,130	-	-	-	1,197,130
Investment earnings	10,038	-	-	-	10,038
Miscellaneous	209,496	-	-	6,485	215,981
Total revenues	12,307,286	-	-	143,001	12,450,287
Expenditures					
Current					
General government	1,444,768	1,010	-	-	1,445,778
Public safety	7,086,549	-	-	165,565	7,252,114
Public works	1,939,171	-	-	-	1,939,171
Environmental protection	918,277	-	-	-	918,277
Economic and physical development	-	-	-	2,229	2,229
Cultural and recreation	1,122,948	-	-	-	1,122,948
Debt service:					
Principal	346,844	-	-	-	346,844
Interest	102,620	-	-	-	102,620
Capital outlay	-	21,916	716,527	21,916	760,359
Total expenditures	12,961,177	22,926	716,527	189,710	13,890,340
Excess (deficiency) of revenues over expenditures	(653,891)	(22,926)	(716,527)	(46,709)	(1,440,053)
Other financing sources (uses)					
Transfers from other funds	1,215,000	-	911,300	65,152	2,191,452
Transfers to other funds	(1,024,493)	-	-	-	(1,024,493)
Total other financing sources (uses)	190,507	-	911,300	65,152	1,166,959
Net change in fund balances	(463,384)	(22,926)	194,773	18,443	(273,094)
Fund balances - beginning	6,149,259	22,926	-	90,432	6,262,617
Fund balances - end of year	\$ 5,685,875	\$ -	\$ 194,773	\$108,875	\$ 5,989,523

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

**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, 2013**

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

Net changes in fund balances - total governmental funds \$ (273,094)

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	1,837,874
Depreciation	(940,619)
Asset transfers	(103,031)

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	22,803
--	--------

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	(28,158)
Current pension cost	2,454
Other postemployment benefits	(184,629)

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.

346,844

Total changes in net position of governmental activities

\$ 680,444

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2013

Exhibit 6

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues				
Ad valorem taxes	\$ 5,476,500	\$ 5,474,900	\$ 5,638,150	\$ 163,250
Other taxes and licenses	250,000	255,500	420,930	165,430
Unrestricted intergovernmental	3,800,000	3,833,050	3,965,723	132,673
Restricted intergovernmental	650,000	674,665	815,713	141,048
Permits and fees	40,000	42,400	50,106	7,706
Sales and services	1,142,500	1,230,675	1,197,130	(33,545)
Investment earnings	20,000	20,000	10,038	(9,962)
Miscellaneous	180,000	188,348	209,496	21,148
Total revenues	11,559,000	11,719,538	12,307,286	587,748
Expenditures				
Current				
General government	1,560,400	1,563,750	1,444,768	118,982
Public safety	6,800,000	7,294,999	7,086,549	208,450
Public works	1,900,000	2,297,920	1,939,171	358,749
Environmental protection	1,000,000	957,500	918,277	39,223
Cultural and recreational	1,300,300	1,161,025	1,122,948	38,077
Debt service				
Principal	375,000	535,985	346,259	189,726
Interest	105,000	103,865	103,205	660
Total expenditures	13,040,700	13,915,044	12,961,177	953,867
Revenues over (under) expenditures	(1,481,700)	(2,195,506)	(653,891)	1,541,615
Other financing sources (uses)				
Transfers from other funds	1,215,000	3,772,900	1,215,000	(2,557,900)
Transfers to other funds	-	(1,046,000)	(1,024,493)	21,507
Debt proceeds	-	920,000	-	(920,000)
Total other financing sources (uses)	1,215,000	1,451,394	190,507	(3,456,393)
Appropriated fund balance	266,700	(1,451,394)	-	1,451,394
Net change in fund balance	\$ -	\$ -	(463,384)	(463,384)
Fund balance - beginning			6,149,259	
Fund balance - end of year			\$ 5,685,875	

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

Exhibit 7

	Major Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
Assets					
Current assets					
Cash and cash equivalents	\$ 2,005,498	\$ 3,085,539	\$ 2,789,532	\$ 1,437,394	\$ 9,317,963
Accounts receivable - net	801,891	3,440,645	220,195	2,418	4,465,149
Due from other governments	90,468	-	-	-	90,468
Due from other funds	293,048	2,074,700	-	-	2,367,748
Inventories	409,585	2,400,952	-	-	2,810,537
Prepaid expenses	29,998	54,724	1,960	4,326	91,008
Total current assets	3,630,488	11,056,560	3,011,687	1,444,138	19,142,873
Noncurrent assets					
Capital assets					
Land, improvements and construction in progress	6,732,939	939,072	581,781	163,505	8,417,297
Other capital assets, net of depreciation	25,268,765	5,462,915	4,317,594	6,086,831	41,136,105
Total capital assets, net	32,001,704	6,401,987	4,899,375	6,250,336	49,553,402
Total assets	\$ 35,632,192	\$ 17,458,547	\$ 7,911,062	\$ 7,694,474	\$ 68,696,275
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	\$ 479,668	\$ 3,646,276	\$ 51,147	\$ 26,835	\$ 4,203,926
Customer deposits	188,114	584,799	6,000	43,689	822,602
Due to other funds	-	-	600,000	-	600,000
Compensated absences - current	66,434	66,047	14,413	9,870	156,764
Installment purchase agreements payable - current	219,573	163,912	50,800	4,743	439,028
Total current liabilities	953,789	4,461,034	722,360	85,137	6,222,320
Noncurrent liabilities					
Accrued landfill closure and postclosure costs	-	-	4,668,513	-	4,668,513
Compensated absences	66,433	66,047	14,413	9,870	156,763
Other postemployment benefits	454,718	288,785	96,262	87,555	927,320
Installment purchase agreements payable - noncurrent	4,797,236	1,256,607	73,103	3,465	6,130,411
Total noncurrent liabilities	5,318,387	1,611,439	4,852,291	100,890	11,883,007
Total liabilities	6,272,176	6,072,473	5,574,651	186,027	18,105,327
Net position					
Net investment in capital assets	26,984,854	4,981,468	4,740,115	6,242,128	42,948,565
Unrestricted	2,375,162	6,404,606	(2,403,704)	1,266,319	7,642,383
Total net position	\$ 29,360,016	\$ 11,386,074	\$ 2,336,411	\$ 7,508,447	\$ 50,590,948

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

Exhibit 8

	Major Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
Operating Revenues					
Charges for sales and services	\$ 6,763,953	\$ 31,107,643	\$ 2,364,612	\$ -	\$ 40,236,208
Rental income	-	-	-	432,835	432,835
Other operating revenues	<u>60,107</u>	<u>1,258,619</u>	<u>1,694</u>	<u>31,601</u>	<u>1,352,021</u>
Total operating revenues	<u>6,824,060</u>	<u>32,366,262</u>	<u>2,366,306</u>	<u>464,436</u>	<u>42,021,064</u>
Operating Expenses					
Administrative	926,192	1,290,187	-	526,338	2,742,717
Customer service	-	194,872	-	-	194,872
Electrical operations	-	3,147,441	-	-	3,147,441
Electric power purchases	-	27,239,326	-	-	27,239,326
Water operations	1,782,508	-	-	-	1,782,508
Sewer operations	1,671,011	-	-	-	1,671,011
Systems division	1,398,730	-	-	-	1,398,730
Tenant services	-	-	-	11,576	11,576
Utilities	-	-	-	352,292	352,292
Ordinary Maintenance and operation	-	-	-	246,573	246,573
General expenses	-	-	-	99,861	99,861
Housing assistance payments	-	-	-	1,381,720	1,381,720
Nonroutine maintenance	-	-	-	34,720	34,720
Landfill operations	-	-	1,818,963	-	1,818,963
Depreciation	<u>1,189,350</u>	<u>572,816</u>	<u>1,165,349</u>	<u>360,835</u>	<u>3,288,350</u>
Total operating expense	<u>6,967,791</u>	<u>32,444,642</u>	<u>2,984,312</u>	<u>3,013,915</u>	<u>45,410,660</u>
Operating income (loss)	<u>(143,731)</u>	<u>(78,380)</u>	<u>(618,006)</u>	<u>(2,549,479)</u>	<u>(3,389,596)</u>
Nonoperating revenues (expenses)					
Operating grants	-	-	-	2,014,307	2,014,307
Capital grants	27,375	-	-	368,665	396,040
Gain on disposal of assets	41,444	7,524	797	-	49,765
Investment earnings	2,645	7,069	1,711	6,666	18,091
Interest and other charges	(35,828)	(51,780)	(6,019)	(13,948)	(107,575)
Other nonoperating (expenses) income	<u>1,000,279</u>	<u>-</u>	<u>-</u>	<u>15,292</u>	<u>1,015,571</u>
Total nonoperating revenues (expenses)	<u>1,035,915</u>	<u>(37,187)</u>	<u>(3,511)</u>	<u>2,390,982</u>	<u>3,386,199</u>
Income (loss) before contributions and transfers	<u>892,184</u>	<u>(115,567)</u>	<u>(621,517)</u>	<u>(158,497)</u>	<u>(3,397)</u>
Transfers to other funds	(218,226)	(965,000)	(50,679)	-	(1,233,905)
Transfers from other funds	-	66,946	-	-	66,946
Extraordinary Event (Note 9)	<u>-</u>	<u>(925,385)</u>	<u>-</u>	<u>-</u>	<u>(925,385)</u>
Change in net position	673,958	(1,939,006)	(672,196)	(158,497)	(2,095,741)
Total net position, beginning	<u>28,686,058</u>	<u>13,325,080</u>	<u>3,008,607</u>	<u>7,666,944</u>	<u>52,686,689</u>
Total net position, ending	<u>\$ 29,360,016</u>	<u>\$ 11,386,074</u>	<u>\$ 2,336,411</u>	<u>\$ 7,508,447</u>	<u>\$ 50,590,948</u>

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

Exhibit 9

	Enterprise Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
Cash flows from operating activities:					
Cash received from customers	\$7,122,531	\$30,829,421	\$2,405,777	\$ 436,202	\$40,793,931
Cash paid for goods and services	(1,583,428)	(28,616,263)	(801,198)	(1,730,674)	(32,731,563)
Cash paid to employees for services	(3,138,279)	(2,399,745)	(625,097)	(893,789)	(7,056,910)
Other operating revenues	60,107	1,258,619	1,694	31,601	1,352,021
Net cash provided (used) by operating activities	<u>2,460,931</u>	<u>1,072,032</u>	<u>981,176</u>	<u>(2,156,660)</u>	<u>2,357,479</u>
Cash flows from noncapital financing activities:					
Operating grants and subsidies	-	-	-	2,014,307	2,014,307
Due from (to) other funds	43,932	(800,638)	-	-	(756,706)
Transfers from other funds	(18,226)	66,946	-	-	48,720
Transfers to other funds	(200,000)	(965,000)	(50,679)	-	(1,215,679)
Extraordinary Event (Note 9)	-	(925,385)	-	-	(925,385)
Total cash flows from noncapital financing activities	<u>(174,294)</u>	<u>(2,624,077)</u>	<u>(50,679)</u>	<u>2,014,307</u>	<u>(834,743)</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(4,777,142)	(1,160,280)	(678,970)	(383,558)	(6,999,950)
Principal paid on bonds and installment purchase agreements	(137,062)	(151,858)	(278,163)	(4,743)	(571,826)
Interest paid on bonds and installment purchase agreements	(35,828)	(51,780)	(6,019)	(13,948)	(107,575)
Proceeds from installment financing	3,714,785	-	-	-	3,714,785
Proceeds from sale of assets	41,444	-	797	-	42,241
Capital grants	27,375	-	-	368,665	396,040
Net cash provided (used) by capital and related financing activities	<u>(1,166,428)</u>	<u>(1,363,918)</u>	<u>(962,355)</u>	<u>(33,584)</u>	<u>(3,526,285)</u>
Cash flows from investing activities:					
Interest earned on investments	2,645	7,069	1,711	6,666	18,091
Net increase (decrease) in cash and cash equivalents	1,122,854	(2,908,894)	(30,147)	(169,271)	(1,985,458)
Cash and cash equivalents at beginning of year	882,644	5,994,433	2,819,679	1,606,665	11,303,421
Cash and cash equivalents at end of year	<u>\$2,005,498</u>	<u>\$ 3,085,539</u>	<u>\$2,789,532</u>	<u>\$ 1,437,394</u>	<u>\$ 9,317,963</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	<u>\$ (143,731)</u>	<u>\$ (78,380)</u>	<u>\$ (618,006)</u>	<u>\$ (2,549,479)</u>	<u>\$ (3,389,596)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,189,350	572,816	1,165,348	360,835	3,288,349
Other nonoperating income (expense)	1,000,279	7,524	-	15,292	1,023,095
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	358,578	(278,222)	41,165	3,367	124,888
(Increase) decrease in prepaid expenses	(1,766)	(1,939)	(1,328)	(3,379)	(8,412)
(Increase) decrease in inventory	(568)	(52,615)	-	-	(53,183)
Increase (decrease) in accounts payable and accrued liabilities	26,611	853,522	1,756	1,506	883,395
Increase (decrease) in customer deposits	(200)	25,775	-	1,007	26,582
Decrease (increase) in accrued compensated absences	(3,728)	1,268	7,737	(2,835)	2,442
Increase in postemployment benefits	36,106	22,283	12,539	18,963	89,891
Increase in accrued landfill closure and postclosure costs	-	-	371,965	-	371,965
Increase (decrease) in deferred revenues	-	-	-	(1,937)	(1,937)
Total adjustments	<u>2,604,662</u>	<u>1,150,412</u>	<u>1,599,182</u>	<u>392,819</u>	<u>5,747,075</u>
Net cash provided (used) by operating activities	<u>\$2,460,931</u>	<u>\$ 1,072,032</u>	<u>\$ 981,176</u>	<u>\$ (2,156,660)</u>	<u>\$ 2,357,479</u>

**CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2013**

Exhibit 10

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ <u>863</u>
Liabilities and Net Position	
Liabilities:	
Miscellaneous liabilities	<u>863</u>
Total liabilities	<u>\$ 863</u>

Notes to the Financial Statements

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013**

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.

City Hall Capital Project Fund. This fund accounts for City transfers and other revenues to construct the new City Hall Building and facilities.

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.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013

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 installment purchases 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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Stanly County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Albemarle. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Stanly County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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, 2013**

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, 2012. 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, 2013

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, 2013

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, 2013

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, 2013.

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, 2013**

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, 2013

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, 2013, the City's deposits had a carrying amount of \$14,699,037 and a bank balance of \$15,015,676. Of the bank balance, \$1,500,000 was covered by federal depository insurance and \$13,515,676 was covered by collateral held under the pooling method. At June 30, 2013, the City's petty cash fund totaled \$3,288. The carrying amount of the deposits for the ADDC was \$68,708 and a bank balance of \$68,708. Of the bank balance \$68,708 was covered by federal depository insurance. The carrying amount of deposits for the ABC Board was \$127,607 and a bank balance of \$171,875. Of the bank balance, the entire balance was covered by federal depository insurance. At June 30, 2013, the ABC Board's petty cash fund totaled \$2,464.

2. Investments

At June 30, 2013, the City of Albemarle had \$1,665,940 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>\$240,000</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013, 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	\$ 2,741,014	\$ 13,241	\$ 114,000	\$ 2,640,255
Construction in progress	<u>91,901</u>	<u>738,443</u>	<u>51,968</u>	<u>778,376</u>
Total capital assets not being depreciated	<u>2,832,915</u>	<u>751,684</u>	<u>165,968</u>	<u>3,418,631</u>
Capital assets being depreciated				
Buildings	10,039,012	-	-	10,039,012
Other improvements	655,482	-	-	655,482
Infrastructure	5,787,404	51,968	-	5,839,372
Equipment and furnishings	2,000,664	211,890	149,045	2,063,509
Mobile Equipment	<u>4,037,109</u>	<u>928,229</u>	<u>83,710</u>	<u>4,881,628</u>
Total capital assets being depreciated	<u>22,519,671</u>	<u>1,192,087</u>	<u>232,755</u>	<u>23,479,003</u>
Less accumulated depreciation				
Buildings	2,733,468	345,035	-	3,078,503
Other improvements	355,006	23,036	-	378,042
Infrastructure	1,916,166	179,918	-	2,096,084
Equipment and furnishings	1,300,422	145,672	149,045	1,297,049
Mobile equipment	<u>3,268,192</u>	<u>246,958</u>	<u>40,750</u>	<u>3,474,400</u>
Total accumulated depreciation	<u>9,573,254</u>	<u>\$ 940,619</u>	<u>\$ 189,795</u>	<u>10,324,078</u>
Total capital assets being depreciated – net	<u>12,946,418</u>			<u>13,154,925</u>
Total Governmental Activities				
Capital assets – net	<u>\$ 15,779,333</u>			<u>\$ 16,573,556</u>

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

General government	\$ 326,143
Public safety	247,723
Public works	213,707
Recreation	<u>153,046</u>
Total depreciation expense	<u>\$ 940,619</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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>2,179,015</u>	<u>4,483,792</u>	<u>69,801</u>	<u>6,593,006</u>
Total capital assets not being depreciated	<u>2,318,948</u>	<u>4,483,792</u>	<u>69,801</u>	<u>6,732,939</u>
Capital assets being depreciated				
Buildings	34,886,022	-	-	34,886,022
Water and sewer lines	29,360,754	204,667	-	29,565,421
Equipment and vehicles	<u>3,705,468</u>	<u>158,484</u>	<u>69,848</u>	<u>3,794,104</u>
Total capital assets being depreciated	<u>67,952,244</u>	<u>363,151</u>	<u>69,848</u>	<u>68,245,547</u>
Less accumulated depreciation				
Buildings	19,210,233	513,116	-	19,723,349
Water and sewer lines	20,111,709	531,331	-	20,643,040
Equipment and vehicles	<u>2,535,338</u>	<u>144,903</u>	<u>69,848</u>	<u>2,610,393</u>
Total accumulated depreciation	<u>41,857,280</u>	<u>\$ 1,189,350</u>	<u>\$ 69,848</u>	<u>42,976,782</u>
Total capital assets being depreciated – net	<u>26,094,964</u>			<u>25,268,765</u>
Water and Sewer Fund				
Capital Assets – net	<u>28,413,912</u>			<u>32,001,704</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	\$ 31,963	\$ 114,000	\$ -	\$ 145,963
Construction in progress	-	793,109	-	793,109
Total capital assets not being depreciated	<u>31,963</u>	<u>907,109</u>	<u>-</u>	<u>939,072</u>
Capital assets being depreciated				
Buildings	5,014,584	-	-	5,014,584
Distribution lines	17,998,779	-	-	17,998,779
Equipment and vehicles	<u>2,614,674</u>	<u>253,171</u>	<u>136,014</u>	<u>2,731,831</u>
Total capital assets being depreciated	<u>25,628,037</u>	<u>253,171</u>	<u>136,014</u>	<u>25,745,194</u>
Less accumulated depreciation				
Buildings	1,442,862	203,362	-	1,646,224
Distribution lines	16,632,303	246,191	-	16,878,494
Equipment and vehicles	<u>1,770,312</u>	<u>123,263</u>	<u>136,014</u>	<u>1,757,561</u>
Total accumulated depreciation	<u>19,845,477</u>	<u>\$ 572,816</u>	<u>\$ 136,014</u>	<u>20,282,279</u>
Total capital assets being depreciated – net	<u>5,782,560</u>			<u>5,462,915</u>
Electric Fund Capital				
Assets – net	<u>5,814,523</u>			<u>6,401,987</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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				
Landfill Fund				
Capital assets not being depreciated				
Land	\$ 159,691	\$ 422,090	\$ -	\$ 581,781
Construction in progress	2,000	420,090	422,090	-
Total capital assets not being depreciated	<u>161,691</u>	<u>842,180</u>	<u>422,090</u>	<u>581,781</u>
Capital assets being depreciated				
Buildings	758,732	-	-	758,732
Landfill cell construction	6,690,386	123,892	-	6,814,278
Equipment and vehicles	2,682,417	134,989	5,000	2,812,406
Total capital assets being depreciated	<u>10,131,536</u>	<u>258,881</u>	<u>5,000</u>	<u>10,385,416</u>
Less accumulated depreciation				
Buildings	90,324	23,206	-	113,530
Landfill cell construction	3,089,546	508,612	-	3,598,158
Equipment and vehicles	1,727,604	633,531	5,000	2,356,135
Total accumulated depreciation	<u>4,907,474</u>	<u>\$ 1,165,349</u>	<u>\$ 5,000</u>	<u>6,067,822</u>
Total capital assets being depreciated – net	<u>5,224,061</u>			<u>4,317,594</u>
Landfill Fund Capital Assets – net	<u>5,385,752</u>			<u>4,899,375</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Department of Public Housing				
Capital assets not being depreciated				
Land	\$ 163,505	\$ -	\$ -	\$ 163,505
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>163,505</u>	<u>-</u>	<u>-</u>	<u>163,505</u>
Capital assets being depreciated				
Buildings	9,863,393	380,838	-	10,244,231
Improvements	1,025,374	-	-	1,025,374
Equipment	519,705	2,720	-	522,425
Total capital assets being depreciated	<u>11,408,471</u>	<u>383,558</u>	<u>-</u>	<u>11,792,029</u>
Less accumulated depreciation				
Buildings	4,780,015	259,491	-	5,039,506
Improvements	331,749	23,242	-	354,991
Equipment	232,599	78,102	-	310,701
Total accumulated depreciation	<u>5,344,363</u>	<u>\$ 360,835</u>	<u>\$ -</u>	<u>5,705,198</u>
Total capital assets being depreciated – net	<u>6,064,108</u>			<u>6,086,831</u>
Department of Public Housing Capital Assets – net	<u>6,227,613</u>			<u>6,250,336</u>
Business-type Activities Capital Assets, net	<u>\$ 45,841,800</u>			<u>\$ 49,553,402</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013, 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	1,576	-	-	1,576
Total capital assets being depreciated	<u>910,354</u>	<u>-</u>	<u>-</u>	<u>910,354</u>
Less accumulated depreciation				
Buildings	291,700	25,840	-	317,540
Equipment and vehicles	1,576	-	-	1,576
Total accumulated depreciation	<u>293,276</u>	<u>\$ 25,840</u>	<u>\$ -</u>	<u>319,116</u>
Depreciable assets, net	<u>617,078</u>			<u>591,238</u>
Total ADDC Board capital assets, net	<u>\$ 733,501</u>			<u>\$ 707,661</u>

Activity for the ABC Board for the year ended June 30, 2013, 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	183,464	-	-	183,464
Total capital assets being depreciated	<u>1,219,004</u>	<u>-</u>	<u>-</u>	<u>1,219,004</u>
Less accumulated depreciation				
Buildings	188,762	27,005	-	215,767
Equipment and furniture	128,096	16,109	-	144,205
Total accumulated depreciation	<u>316,858</u>	<u>\$ 43,114</u>	<u>\$ -</u>	<u>359,972</u>
Depreciable assets, net	<u>902,146</u>			<u>859,032</u>
Total ABC Board capital assets, net	<u>\$ 1,163,563</u>			<u>\$ 1,120,449</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2013, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General	\$ 1,319,693	\$ 166,583	\$ 1,486,276
Other governmental	<u>-</u>	<u>-</u>	<u>-</u>
Total - governmental activities	<u>\$ 1,319,693</u>	<u>\$ 166,583</u>	<u>\$ 1,486,276</u>
Business-type activities:			
Water and sewer fund	\$ 424,788	\$ 54,880	\$ 479,668
Electric fund	2,808,715	46,220	2,854,995
Landfill fund	38,969	12,178	51,147
Department of public housing	<u>15,220</u>	<u>11,615</u>	<u>26,835</u>
Total - Business-type activities	<u>\$ 3,287,692</u>	<u>\$ 124,953</u>	<u>\$ 3,412,645</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 6.98% and 7.05%, respectively, of annual covered payroll. The ABC Board is currently required to contribute 8.03% 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, 2013, 2012, and 2011 were \$725,614, \$751,070, and \$688,077, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2013, 2012 and 2011 were \$11,969, \$12,931, and \$12,337, 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, 2013

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, 2012, 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>47</u>
Total	<u>57</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, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. 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, 2013

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	\$ 134,697
Interest on net pension obligation	22,099
Adjustment to annual required contribution	<u>(27,505)</u>
Annual pension cost	\$ 129,291
Contributions made	<u>131,745</u>
Increase (decrease) in net pension obligation	(2,454)
Net pension obligation beginning of fiscal year	<u>441,976</u>
Net pension obligation end of fiscal year	<u>\$ 439,522</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>
6/30/2011	\$ 131,649	78.05%	\$439,201
6/30/2012	\$ 124,319	97.77%	\$441,976
6/30/2013	\$ 129,291	101.90%	\$439,522

Funded Status and Funding Progress

As of December 31 2012, 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 \$1,365,807. The covered payroll (annual payroll of active employees covered by the plan) was \$1,869,417, and the ratio of the UAAL to the covered payroll was 73.06 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.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

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, 2013 were \$165,771, which consisted of \$93,523 from the City and \$72,248 from the law enforcement officers.

d. Firemen'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 Firemen'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 Firemen'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 \$14,391 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2013. 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 firemen 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. Prior to July 1, 1984, employees did not receive this benefit. 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. These benefits are paid through private insurers. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. 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, 2012, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	35	14
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	220	47
Total	<u>255</u>	<u>61</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 59.3% of annual covered payroll. For the current year, the City contributed \$399,170 or 3.8% 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 59.3% and 59.3% 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	\$ 670,084
Interest on net OPEB obligation	80,697
Adjustment to annual required contribution	<u>(77,091)</u>
Annual OPEB cost (expense)	673,690
Contributions made	<u>399,170</u>
Increase (decrease) in net OPEB obligation	274,520
Net OPEB obligation, beginning of year	<u>2,017,422</u>
Net OPEB obligation, end of year	<u>\$ 2,291,942</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 778,045	36.20%	\$ 1,642,286
2012	717,301	47.70%	2,017,422
2013	673,690	59.30%	2,291,942

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2012, 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 \$8,540,573. The covered payroll (annual payroll of active employees covered by the plan) was \$10,507,091, and the ratio of the UAAL to the covered payroll was 81.3 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, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 8.50 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, 2012, 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, 2013

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)	\$ -	\$ 269,766
Note receivable (General)	-	800,000
Taxes receivable, net (General)	688,985	-
Prepaid Taxes (General)	<u>-</u>	<u>18,552</u>
	<u>\$ 688,985</u>	<u>\$ 1,088,318</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 two 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 \$2 million per occurrence, workers' compensation coverage up to statutory limits and employee health coverage up to the statutory limits, and employee health coverage up to a \$1 million lifetime limit.

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.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2013, 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.

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations

a. Installment Purchases

	<u>Governmental Activities</u>	<u>Serviced by Business-type 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.	\$ 665,231	\$ -
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.	48,445	-
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.	1,400,000	2,100,000
In May 2009, the City entered into an installment contract to finance the purchase of a street superior public works. The obligation is to be repaid in sixty monthly payments of \$3,485, including interest at 2.83%, secured by the equipment.	27,609	-
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.	28,727	53,350
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.	-	2,879,398
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.	-	171,694
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.	-	1,364,997
Total Installment Purchases	<u>\$ 2,170,012</u>	<u>\$6,569,439</u>

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 314,026	\$ 59,808	\$ 439,028	\$ 98,287
2015	283,498	51,722	433,466	85,624
2016	273,913	43,590	362,965	74,262
2017	269,770	34,654	336,214	62,906
2018	265,203	25,911	348,300	51,102
2019-23	763,602	71,060	1,737,467	227,324
2024-28	-	-	2,911,999	-
Totals	\$2,170,012	\$ 286,745	\$6,569,439	\$ 599,505

At June 30, 2013 the City's legal debt margin is \$ 82,631,513.

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, 2013:

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>Current</u>
	<u>July 1, 2012</u>			<u>June 30, 2013</u>	<u>Portion of</u>
					<u>Balance</u>
Governmental activities:					
Installment purchases	\$ 2,516,856	\$ -	\$ 346,844	\$ 2,170,012	\$ 314,026
Compensated absences	573,187	333,612	305,454	601,345	300,673
Net pension obligation	441,976	129,291	131,745	439,522	-
Other postemployment benefits	1,179,993	234,717	50,088	1,364,622	-
Governmental activity					
Long-term liabilities	<u>\$ 4,712,012</u>	<u>\$ 697,620</u>	<u>\$ 834,131</u>	<u>\$ 4,575,501</u>	<u>\$ 614,699</u>
Business-type activities:					
Installment purchases	3,426,792	3,714,785	572,138	6,569,439	439,028
Compensated absences	311,084	192,063	189,620	313,527	156,764
Other postemployment benefits	837,429	438,973	349,082	927,320	-
Business-type activity					
Long-term liabilities	<u>\$ 4,575,305</u>	<u>\$ 4,345,821</u>	<u>\$ 1,110,840</u>	<u>\$ 7,810,286</u>	<u>\$ 595,792</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, 2013

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>
2014	8,456	2,840
2015	8,899	2,416
2016	9,363	1,992
2017	9,815	1,439
Thereafter	<u>10,190</u>	<u>1,778</u>
	<u>\$ 46,723</u>	<u>\$ 10,465</u>

C. Interfund Balances and Activity

1. Transfers to/from other funds: Transfers to/from other funds at June 30, 2013, consist of the following:

From the General Fund to the Electric Fund for operating expenditures	25,000
From the General Fund to the Electric Fund for operating expenditures	23,041
From the General Fund to the Niven Center Project Fund for capital expenditures	911,300
From the General Fund to the Governor's Crime Commission Fund for operating expenditures	24,485
From the General Fund to the Governor's Crime Commission Grant Fund for operating expenditures	29,596
From the General Fund to the Fire Department FEMA Grant Fund for operating expenditures	11,071
From the Water and Sewer Fund to the Electric Fund for operating expenditures	18,226
From the Water and Sewer Fund to the Waste Water Treatment Improvements Project Fund for capital expenditures	105,000
From the Water and Sewer Fund to the General Fund for operating expenditures	200,000
From the Electric Fund to the General Fund for operating expenditures	275,000
From the Electric Fund to the General Fund for operating expenditures	690,000
From the Water and Sewer Fund to the Old Whitney Capital Project Fund for capital expenditures	139,482
From the Water and Sewer Fund to the Waste Water Plant Rehabilitation Project Fund for capital expenditures	86,200
From the Water and Sewer Fund to the Inflow & Infiltration Sewer Project Fund for capital expenditures	132,640
From the Water and Sewer Fund to the Curl Tail Creek Waterline Project Fund for capital expenditures	303,585
From the Water and Sewer Fund to the Water & Sewer Capital (CKA) Project Fund for capital expenditures	137,160
From the Landfill Fund to the General Fund for operating expenditures	50,000
From the Landfill Fund to the Electric Fund for operating expenditures	679

CITY OF ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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	293,047
Electric Fund	General Fund to fund operations	586,183
Electric Fund	Landfill Fund to fund operations	600,000
Electric Fund	General Fund to fund operations	888,517

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2013, 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 Firemen 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, 2013 were \$27,239,326.

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, 2013.

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, 2013

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 \$4,668,513 reported as landfill closure and postclosure care liability at June 30, 2013 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, 2013:

Old Landfill	\$2,688,235
New Landfill	<u>1,980,278</u>
	<u>\$4,668,513</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>\$5,685,875</u>
Inventories	17,834
Stabilization by State Statute	662,874
Streets – Powell Bill	277,697
Appropriated fund balance in 2013 budget	266,700
Working Capital/Fund balance policy	-
Remaining fund balance	4,460,770

NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Position is now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

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.

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)
12/31/2007	-	918,171	918,171	0%	1,911,833	48.03%
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%

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

<u>Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
2011	\$ 131,649	78.05%
2012	\$ 124,319	97.77%
2013	\$ 129,291	101.90%

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, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 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 Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as of % of Covered Payroll ((b - a)/c)
12/31/2008	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%

**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>
2011	778,045	36.20%
2012	717,301	47.70%
2013	673,690	59.30%

Notes to the Required Schedules:

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

Valuation date	12/31/2012
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	8.50% - 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

City Hall Capital Project Fund – This fund accounts for City transfers and other revenues to construct the New City Hall Building and facilities.

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, 2013

Exhibit A-1
Page 1 of 5

	2013		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Ad valorem taxes			
Current year	\$ -	\$ 5,372,276	\$ -
Prior years	-	218,118	-
Penalties and interest	-	47,756	-
Total	<u>5,474,900</u>	<u>5,638,150</u>	<u>163,250</u>
Other taxes and licenses			
Gross receipts tax on short-term rental property	-	18,683	-
Local occupancy tax	-	111,000	-
Privilege licenses	-	291,247	-
Total	<u>255,500</u>	<u>420,930</u>	<u>165,430</u>
Unrestricted intergovernmental revenues			
Local option sales tax	-	2,740,964	-
Franchise tax	-	787,954	-
Telecommunications tax	-	190,103	-
Video programming fees	-	125,400	-
Piped natural gas tax	-	56,573	-
Beer and wine tax	-	64,729	-
Total	<u>3,833,050</u>	<u>3,965,723</u>	<u>132,673</u>
Restricted intergovernmental revenue			
ABC - law enforcement	-	6,576	-
Powell Bill allocation	-	526,581	-
Federal grants	-	8,246	-
Drug tax distribution	-	5,594	-
ABC Senate Bill Distribution	-	190,000	-
Schools	-	64,325	-
On-behalf payments - fire	-	14,391	-
Total	<u>674,665</u>	<u>815,713</u>	<u>141,048</u>
Permits and fees			
Fire Department fees	-	25,027	-
Housing fees	-	10,205	-
Inspection and rezoning fees	-	8,895	-
Nuisance abatements	-	5,979	-
Total	<u>42,400</u>	<u>50,106</u>	<u>7,706</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, 2013

Exhibit A-1
Page 2 of 5

	2013		Variance Positive (Negative)
	Budget	Actual	
Revenues (continued)			
Sales and service			
Court costs and fees	-	1,331	-
Refuse collection fees	-	1,078,301	-
Cultural and recreational fees	-	117,498	-
Total	<u>1,230,675</u>	<u>1,197,130</u>	<u>(33,545)</u>
Investment earnings	<u>20,000</u>	<u>10,038</u>	<u>(9,962)</u>
Miscellaneous			
Miscellaneous	-	46,355	-
Sale of surplus property	-	1,829	-
Sale of fixed assets	-	130,800	-
Rental revenue	-	14,160	-
Contributions	-	6,320	-
Insurance reimbursement	-	10,032	-
Total	<u>188,348</u>	<u>209,496</u>	<u>21,148</u>
Total revenues	<u>11,719,538</u>	<u>12,307,286</u>	<u>587,748</u>
Expenditures			
General government			
Administration			
Salaries and employee benefits	-	213,623	-
Other operating expenditures	-	232,470	-
Total	<u>472,150</u>	<u>446,093</u>	<u>26,057</u>
Information systems			
Salaries and employees benefits	-	64,736	-
Other operating expenditures	-	102,433	-
Capital outlay	-	3,183	-
Total	<u>177,200</u>	<u>170,352</u>	<u>6,848</u>
Engineering			
Salaries and employees benefits	-	17,500	-
Other operating expenditures	-	14,646	-
Total	<u>32,150</u>	<u>32,146</u>	<u>4</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, 2013

Exhibit A-1
Page 3 of 5

	2013		Variance Positive (Negative)
	Budget	Actual	
Expenditures (Continued)			
General government (continued)			
Human resources			
Salaries and employee benefits	-	64,644	-
Other operating expenditures	-	34,335	-
Total	<u>102,600</u>	<u>98,979</u>	<u>3,621</u>
Finance			
Salaries and employee benefits	-	126,876	-
Other operating expenditures	-	159,862	-
Total	<u>334,950</u>	<u>286,738</u>	<u>48,212</u>
Community Development			
Salaries and employee benefits	-	278,435	-
Other operating expenditures	-	132,025	-
Total	<u>444,700</u>	<u>410,460</u>	<u>34,240</u>
Total general government	<u>1,563,750</u>	<u>1,444,768</u>	<u>118,982</u>
Public Safety			
Police			
Salaries and employee benefits	-	3,004,243	-
School resource officers	-	112,328	-
Other operating expenditures	-	511,616	-
Capital outlay	-	94,971	-
Total	<u>3,900,343</u>	<u>3,723,158</u>	<u>177,185</u>
Fire department			
Salaries and employee benefits	-	2,118,481	-
Other operating expenditures	-	348,650	-
Fire Marshall	-	79,255	-
Capital outlay	-	817,005	-
Total	<u>3,394,656</u>	<u>3,363,391</u>	<u>31,265</u>
Total public safety	<u>7,294,999</u>	<u>7,086,549</u>	<u>208,450</u>
Public works			
Administration			
Salaries and employees benefits	-	151,024	-
Solid waste disposal fee	-	298,295	-
Downtown Services	-	92,962	-
Other operating expenditures	-	37,908	-
Total	<u>633,500</u>	<u>580,189</u>	<u>53,311</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, 2013

Exhibit A-1
Page 4 of 5

	2013		Variance Positive (Negative)
	Budget	Actual	
Expenditures (Continued)			
Streets and Highways			
Salaries and employee benefits	-	694,042	-
Other operating expenditures	-	353,333	-
Capital outlay	-	147,436	-
Total	<u>1,408,320</u>	<u>1,194,811</u>	<u>213,509</u>
Shop and Warehouse			
Salaries and employee benefits	-	96,159	-
Other operating expenditures	-	68,012	-
Total	<u>256,100</u>	<u>164,171</u>	<u>91,929</u>
Total public works	<u>2,297,920</u>	<u>1,939,171</u>	<u>358,749</u>
Environmental protection			
Solid waste			
Solid waste	-	911,667	-
Bad debt expense	-	6,610	-
Total environmental protection	<u>957,500</u>	<u>918,277</u>	<u>39,223</u>
Cultural and recreation			
Parks and recreation			
Salaries and employee benefits	-	792,688	-
Other operating expenditures	-	315,340	-
Capital outlay	-	14,920	-
Total cultural and recreation	<u>1,161,025</u>	<u>1,122,948</u>	<u>38,077</u>
Debt service			
Principal retirement	535,985	346,844	189,141
Interest and fees	103,865	102,620	1,245
Total debt service	<u>639,850</u>	<u>449,464</u>	<u>190,386</u>
Total expenditures	<u>13,915,044</u>	<u>12,961,177</u>	<u>953,867</u>
Revenues over (under) expenditures	<u>(2,195,506)</u>	<u>(653,891)</u>	<u>1,541,615</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, 2013

Exhibit A-1
Page 5 of 5

	2013		Variance Positive (Negative)
	Budget	Actual	
Other financing sources (uses)			
Operating transfers (to) from other funds			
Electric Fund	(25,000)	(23,041)	1,959
Water and Sewer Fund	200,000	200,000	-
Electric Fund	965,000	965,000	-
Electric Fund	(58,250)	(25,000)	33,250
Landfill Fund	50,000	50,000	-
Niven Center	(920,000)	(911,300)	8,700
Governor's Crime Commission Fund	(22,750)	(24,485)	(1,735)
Governor's Crime Commission Grant Fund	(20,000)	(29,596)	(9,596)
Fire Department FEMA Grant Fund	-	(11,071)	(11,071)
Debt proceeds	920,000	-	(920,000)
Total other financing sources (uses)	1,089,000	190,507	(898,493)
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(1,106,506)	(463,384)	643,122
Fund balance appropriated	1,106,506	-	(1,106,506)
Net change in fund balance	\$ -	(463,384)	\$ (463,384)
Fund balance, beginning		6,149,259	
Fund balance, ending		\$ 5,685,875	

CAPITAL PROJECTS FUND

CITY HALL

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

From Inception and for the Fiscal Year Ended June 30, 2013

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Investment earnings	\$ 25,000	79,657	\$ -	\$ 79,657	\$ 54,657
Sale of fixed assets	750,000	300,000	-	300,000	\$ (450,000)
Total Revenues	<u>775,000</u>	<u>379,657</u>	<u>-</u>	<u>379,657</u>	<u>(395,343)</u>
EXPENDITURES:					
Permit fees and testing	115,000	111,242	1,010	112,252	2,748
Capital outlay:					
Legal	15,000	17,665	-	17,665	(2,665)
Engineering	742,000	739,117	-	739,117	2,883
Other equipment	635,000	654,620	10,275	664,895	(29,895)
Construction in progress	9,142,000	8,140,663	11,641	8,152,304	989,696
Environmental remediation	250,000	151,137	-	151,137	98,863
Total expenditures	<u>10,899,000</u>	<u>9,814,444</u>	<u>22,926</u>	<u>9,837,370</u>	<u>1,061,630</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(10,124,000)</u>	<u>(9,434,787)</u>	<u>(22,926)</u>	<u>(9,457,713)</u>	<u>666,287</u>
OTHER FINANCING SOURCES:					
Operating transfers from (to):					
General fund	1,750,000	1,847,933	-	1,847,933	97,933
City Hall Capital Reserve Fund	920,000	922,712	-	922,712	2,712
Water and Sewer Fund	250,000	244,023	-	244,023	(5,977)
Electric Fund	1,000,000	1,068,045	-	1,068,045	68,045
Landfill Fund	250,000	125,000	-	125,000	(125,000)
Proceeds from debt	5,954,000	5,250,000	-	5,250,000	(704,000)
Total other financing sources:	<u>10,124,000</u>	<u>9,457,713</u>	<u>-</u>	<u>9,457,713</u>	<u>(666,287)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 22,926</u>	<u>(22,926)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>22,926</u>		
Fund balance, ending			<u>\$ -</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, 2013

Exhibit A-3

	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	3,800	(1,550)
Engineering	22,000	-	16,069	16,069	5,931
Administrative	87,950	-	11,245	11,245	76,705
Other equipment	5,000	-	3,644	3,644	1,356
Construction in progress	696,700	-	681,769	681,769	14,931
Environmental remediation	13,500	-	-	-	13,500
Contingency	83,900	-	-	-	83,900
Total expenditures	911,300	-	716,527	716,527	194,773
REVENUES OVER (UNDER) EXPENDITURES	(911,300)	-	(716,527)	(716,527)	194,773
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	\$ 194,773	\$ 194,773
Fund balance, beginning			-		
Fund balance, ending			\$ 194,773		

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.

**CITY OF ALBEMARLE, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2013**

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	
ASSETS						
Current Assets						
Cash and investments	\$ -	\$ -	\$ 50,728	\$ -	\$ 15,559	\$ 66,287
Due from other governments	<u>23,102</u>	<u>10,617</u>	<u>-</u>	<u>8,969</u>	<u>-</u>	<u>42,688</u>
Total assets	<u>\$ 23,102</u>	<u>\$ 10,617</u>	<u>\$ 50,728</u>	<u>\$ 8,969</u>	<u>\$ 15,559</u>	<u>\$108,975</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	\$ -	\$ 100	\$ -	\$ -	\$ -	\$ 100
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>
Fund balances						
Reserved by State statute	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-
Designated for capital projects	-	-	-	-	-	-
Undesignated	<u>23,102</u>	<u>10,517</u>	<u>50,728</u>	<u>8,969</u>	<u>15,559</u>	<u>108,875</u>
Total fund balances	<u>23,102</u>	<u>10,517</u>	<u>50,728</u>	<u>8,969</u>	<u>15,559</u>	<u>108,875</u>
Total liabilities and fund balances	<u>\$ 23,102</u>	<u>\$ 10,517</u>	<u>\$ 50,728</u>	<u>\$ 8,969</u>	<u>\$ 15,559</u>	<u>\$108,875</u>

CITY OF ALBEMARLE, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

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	
Revenues						
Restricted intergovernmental	\$ 38,937	\$ 34,756	\$ -	\$ 62,823	\$ -	\$ 136,516
Investment earnings	-	-	-	-	-	-
Miscellaneous	6,485	-	-	-	-	6,485
Total revenues	<u>45,422</u>	<u>34,756</u>	<u>-</u>	<u>62,823</u>	<u>-</u>	<u>143,001</u>
Expenditures						
Public safety	51,916	48,724	-	64,925	-	165,565
Economic and physical development	-	-	2,229	-	-	2,229
Capital outlay	-	-	-	-	21,916	21,916
Total expenditures	<u>51,916</u>	<u>48,724</u>	<u>2,229</u>	<u>64,925</u>	<u>21,916</u>	<u>189,710</u>
Revenues over (under) expenditures	<u>(6,494)</u>	<u>(13,968)</u>	<u>(2,229)</u>	<u>(2,102)</u>	<u>(21,916)</u>	<u>(46,709)</u>
Other financing sources (uses)						
Transfers from other funds						
From (to) General Fund	29,596	24,485	-	11,071	-	65,152
Total other financing sources (uses)	<u>29,596</u>	<u>24,485</u>	<u>-</u>	<u>11,071</u>	<u>-</u>	<u>65,152</u>
Net change in fund balances	<u>23,102</u>	<u>10,517</u>	<u>(2,229)</u>	<u>8,969</u>	<u>(21,916)</u>	<u>18,443</u>
Fund Balances						
Beginning of year, July 1	-	-	52,957	-	37,475	90,432
End of year, June 30	<u>\$ 23,102</u>	<u>\$ 10,517</u>	<u>\$ 50,728</u>	<u>\$ 8,969</u>	<u>\$ 15,559</u>	<u>\$ 108,875</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	29,596	23,111
Total other financing sources	6,485	-	29,596	29,596	23,111
Net change in fund balance	\$ -	\$ -	\$ 23,102	\$ 23,102	\$ 23,102
Fund balance					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ 23,102</u>		

CITY OF ALBEMARLE, NORTH CAROLINA
GOVERNOR'S CRIME COMMISSION GRANT 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-4

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental revenues					
Gang initiative grant	\$ 50,570	\$ -	\$ 34,756	\$ 34,756	\$ (15,814)
Expenditures					
Salary and benefits	57,820	-	45,560	45,560	12,260
Travel	6,032	-	919	919	5,113
Training	575	-	45	45	530
Contract labor	3,000	-	2,200	2,200	800
Total expenditures	67,427	-	48,724	48,724	18,703
Revenues over (under) expenditures	(16,857)	-	(13,968)	(13,968)	2,889
Other financing sources					
Transfers from other funds					
General Fund	16,857	-	24,485	24,485	7,628
Total other financing sources	16,857	-	24,485	24,485	7,628
Net change in fund balance	\$ -	\$ -	\$ 10,517	\$ 10,517	\$ 10,517
Fund balance					
Beginning of year, July 1			-		
End of year, June 30			\$ 10,517		

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
From Inception and for the Fiscal Year Ended June 30, 2013

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	174,000	150,979	-	150,979	(23,021)
Expenditures					
Capital outlay	40,000	31,599	-	31,599	8,401
Other operating expenditures	224,500	156,923	2,229	159,152	65,348
Total expenditures	264,500	188,522	2,229	190,751	73,749
Revenues over (under) expenditures	(90,500)	(37,543)	(2,229)	(39,772)	50,728
Other financing sources (uses)					
From General Fund	90,500	90,500	-	90,500	-
Net change in fund balance	\$ -	\$ 52,957	\$ (2,229)	50,728	\$ 50,728
Fund balance					
Beginning of year, July 1			52,957		
End of year, June 30			\$ 50,728		

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, 2013

Exhibit B-6

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
FEMA Grant	\$ 245,247	\$ -	\$ 62,823	\$ 62,823	\$ (182,424)
Total revenues	245,247	-	62,823	62,823	(182,424)
Expenditures					
Salaries & benefits	245,247	-	64,925	64,925	180,322
Total expenditures	245,247	-	64,925	64,925	180,322
Revenues (under) expenditures	-	-	(2,102)	(2,102)	2,102
Other financing sources					
Transfers from General Fund	-	-	11,071	11,071	11,071
Total other financing sources	-	-	11,071	11,071	11,071
Net change in fund balance	\$ -	\$ -	8,969	\$ 8,969	\$ 8,969
Fund balance, beginning of year			-		
Fund balance, end of year			\$ 8,969		

**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, 2013**

Exhibit B-7

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
CDBG grant	\$ -	\$ 40,575	\$ -	\$ 40,575	\$ 40,575
Total revenues	-	40,575	-	40,575	40,575
Expenditures					
Construction in progress	18,075	2,500	13,415	15,915	2,160
Bridges	15,000	-	8,501	-	15,000
Rent of equipment	4,400	600	-	600	3,800
Total expenditures	37,475	3,100	21,916	25,016	12,459
Net change in fund balance	(37,475)	37,475	(21,916)	\$ 15,559	\$ 53,034
Fund balance, beginning of year			37,475		
Fund balance, end of year			\$ 15,559		

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, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Water sales	\$ -	\$ 3,943,557	\$ -
Sewer charges	-	2,820,396	-
Water and sewer taps	-	14,982	-
Miscellaneous	-	45,128	-
Total operating revenues	<u>7,109,950</u>	<u>6,824,063</u>	<u>(285,887)</u>
Nonoperating revenues			
Interest earned on investments	-	1,644	-
Grant revenues	-	27,375	-
Sale of assets	-	41,444	-
Total nonoperating revenues	<u>64,250</u>	<u>70,463</u>	<u>6,213</u>
Total revenues	<u>7,174,200</u>	<u>6,894,526</u>	<u>(279,674)</u>
Expenditures			
Water and Sewer Administraton			
Salaries and employees benefits	-	494,744	-
Postage	-	38,721	-
Contracted services	-	29,520	-
Insurance	-	96,052	-
Uniforms	-	12,345	-
Other operating expenditures	-	143,683	-
Total	<u>835,880</u>	<u>815,065</u>	<u>20,815</u>
Water Treatment Plant			
Salaries and employees benefits	-	771,753	-
Supplies	-	365,302	-
Repairs	-	226,096	-
Contracted services	-	78,472	-
Utilities	-	297,129	-
Fuel	-	1,479	-
Other operating expenditures	-	121,023	-
Total	<u>2,011,743</u>	<u>1,861,254</u>	<u>150,489</u>
Expenditures (continued)			
Sewer Treatment Plant			
Salaries and employees benefits	-	778,905	-
Supplies	-	141,275	-
Repairs	-	123,064	-
Contracted service	-	190,829	-
Utilities	-	333,515	-
Fuel	-	-	-
Other operating expenditures	-	103,421	-
Total	<u>1,648,217</u>	<u>1,671,009</u>	<u>(22,792)</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, 2013

	Budget	Actual	Variance Positive (Negative)
System Division			
Salaries and employee benefits	-	1,092,875	-
Supplies	-	208,943	-
Repairs	-	39,601	-
Utilities	-	1,844	-
Other operating expenditures	-	55,469	-
Total	<u>1,448,110</u>	<u>1,398,732</u>	<u>49,378</u>
Debt Service			
Principal on installment purchases	139,165	137,062	-
Interest and fees	41,480	35,828	-
Total	<u>180,645</u>	<u>172,890</u>	<u>7,755</u>
Capital Outlay			
Water treatment plant	-	70,053	-
Sewer treatment plant	-	76,136	-
Systems division	-	209,886	-
Total	<u>400,140</u>	<u>356,075</u>	<u>44,065</u>
Total expenditures	<u>6,524,735</u>	<u>6,275,025</u>	<u>249,710</u>
Revenues over (under) expenditures	<u>649,465</u>	<u>619,501</u>	<u>(29,964)</u>
Other financing sources (uses)			
Transfers (to) from other funds			
General fund	(200,000)	(200,000)	-
Electric fund	(20,000)	(18,226)	1,774
Waste Water Treatment Improvements Capital project fund	(105,000)	(105,000)	-
Old Whitney Capital project fund	(139,482)	(139,482)	-
Water Treatment Plant Rehabilitation project fund	(86,200)	(86,200)	-
Inflow & Infiltration Sewer project fund	(132,640)	(132,640)	-
Curl Tail Creek Waterline project fund	(610,983)	(303,585)	307,398
Water and Sewer (CKA) project fund	(137,160)	(137,160)	-
Total financing sources (uses) - net	<u>(1,431,465)</u>	<u>(1,122,293)</u>	<u>309,172</u>
Appropriated fund balance	<u>782,000</u>	<u>-</u>	<u>(782,000)</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, 2013**

	Budget	Actual	Variance Positive (Negative)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ (502,792)	\$ (502,792)
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		\$ (502,792)	
Payment on installment purchases		137,062	
Capital outlay		356,075	
Depreciation		(1,189,350)	
Decrease in accrued compensated absences		3,728	
Increase in postemployment benefits		(36,109)	
Interest income Sewer Capital Project		1,001	
Other investment Sewer Capital Project		276	
Transfer from Water and Sewer (CKA) capital project		137,160	
Transfer from Waste Water Treatment Improvements project		105,000	
Transfer from Inflow Filtration sewer project		132,640	
Transfer from Old Whitney capital project		139,482	
Transfer from Water Treatment Rehabilitation project		86,200	
Transfer from Curl Tail Creek Waterline project		303,585	
Rual Center Grant - WWTP Improvements capital project		<u>1,000,000</u>	
Total reconciling items		<u>1,176,750</u>	
Change in net position		<u>\$ 673,958</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
SEWER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2013

Exhibit C-2

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive Negative</u>
Revenues					
Restricted intergovernmental revenues					
Rural Economic Development Grant	\$ 100,000	\$ 100,000	\$ -	\$ 100,000	\$ -
Water and sewer assessments	24,500	19,649	276	19,925	(4,575)
Interest earnings	-	1,738	86	1,824	1,824
Total revenues	<u>124,500</u>	<u>121,387</u>	<u>362</u>	<u>121,749</u>	<u>(2,751)</u>
Expenditures					
Engineering	22,800	22,594	-	22,594	206
Construction costs	311,300	311,181	-	311,181	119
Other professional services	11,797	11,683	-	11,683	114
Total expenditures	<u>345,897</u>	<u>345,458</u>	<u>-</u>	<u>345,458</u>	<u>439</u>
Revenues (under) expenditures	<u>(221,397)</u>	<u>(224,071)</u>	<u>362</u>	<u>(223,709)</u>	<u>(2,312)</u>
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	<u>\$ -</u>	<u>\$ 9,572</u>	<u>\$ 362</u>	<u>\$ 9,934</u>	<u>\$ 9,934</u>

**CITY OF ALBEMARLE, NORTH CAROLINA
WATER & SEWER CAPITAL (CKA) PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2013**

Exhibit C-3

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Interest earnings	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures					
Engineering	339,710	277,187	20,978	298,165	41,545
Land	20,000	10,046	9,738	19,784	216
Advertising	-	-	33	33	(33)
Total expenditures	359,710	287,233	30,749	317,982	41,728
Revenues (under) expenditures	(359,710)	(287,233)	(30,749)	(317,982)	41,728
Other financing sources (uses)					
Transfers from other funds					
From water and sewer fund	359,710	222,550	137,160	359,710	-
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ (64,683)	\$ 106,411	\$ 41,728	\$ 41,728

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, 2013

Exhibit C-4

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Restricted intergovernmental revenues					
Rural Economic Development Grant	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Total revenues	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Expenditures					
Legal	50,000	-	-	-	50,000
Engineering	467,745	375,037	79,379	454,416	13,329
Administration	125,000	58,274	76,200	134,474	(9,474)
Other professional services	75,000	67,293	3,372	70,665	4,335
Building	4,329,500	1,220,959	3,103,884	4,324,843	4,657
Contingency	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Total expenditures	<u>5,072,245</u>	<u>1,721,563</u>	<u>3,262,835</u>	<u>4,984,398</u>	<u>87,847</u>
Revenues (under) expenditures	<u>(4,072,245)</u>	<u>(1,721,563)</u>	<u>(2,262,835)</u>	<u>(3,984,398)</u>	<u>87,847</u>
Other financing sources (uses)					
Transfers from other funds					
From water and sewer fund	1,072,245	1,000,000	105,000	1,105,000	32,755
Debt proceeds	<u>3,000,000</u>	<u>564,613</u>	<u>2,314,785</u>	<u>2,879,398</u>	<u>(120,602)</u>
Other financing sources (uses) Total	<u>4,072,245</u>	<u>1,564,613</u>	<u>2,419,785</u>	<u>3,984,398</u>	<u>(87,847)</u>
Revenues and other sources (uses)					
over (under) expenditures	<u>\$ -</u>	<u>\$ (156,950)</u>	<u>\$ 156,950</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2013

Exhibit C-5

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Restricted intergovernmental revenues					
Investment earnings	-	-	915	915	915
Total revenues	-	-	915	915	915
Expenditures					
Legal	-	-	-	-	-
Engineering	180,000	-	100	100	179,900
Administration	200,000	-	134,802	134,802	65,198
Construction	1,000,000	-	472,756	472,756	527,244
Total expenditures	1,380,000	-	607,658	607,658	772,342
Revenues (under) expenditures	(1,380,000)	-	(606,743)	(606,743)	773,257
Other financing sources (uses)					
Transfers from other funds					
From water and sewer fund	-	-	-	-	-
Debt proceeds	1,380,000	-	1,400,000	1,400,000	20,000
Other financing sources (uses) Total	1,380,000	-	1,400,000	1,400,000	20,000
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ -	\$ 793,257	\$ 793,257	\$ 793,257

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, 2013

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	480	29,520
Engineering	259,000	-	200,620	200,620	58,380
Administration	97,000	-	-	-	97,000
Other professional services	212,000	-	7,969	7,969	204,031
Construction	3,270,000	-	-	-	327,000
Contingency	327,000	-	-	-	327,000
Total expenditures	4,195,000	-	209,069	209,069	3,985,931
Revenues (under) expenditures	(4,195,000)	-	(209,069)	(209,069)	3,985,931
Other financing sources (uses)					
Transfers from other funds					
From water and sewer fund	-	-	132,640	132,640	132,640
Debt proceeds	4,195,000	-	-	-	(4,195,000)
Other financing sources (uses) Total	4,195,000	-	132,640	132,640	(4,062,360)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ -	\$ (76,429)	\$ (76,429)	\$ (76,429)

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, 2013

Exhibit C-7

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Restricted intergovernmental revenues					
Rural Economic Development Grant	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures					
Engineering	139,000	-	138,000	138,000	1,000
Other professional services	113,000	-	1,482	1,482	111,518
Construction	1,383,000	-	-	-	1,383,000
Contingency	138,000	-	-	-	138,000
Total expenditures	1,773,000	-	139,482	139,482	1,633,518
Revenues (under) expenditures	(1,773,000)	-	(139,482)	(139,482)	1,633,518
Other financing sources (uses)					
Transfers from other funds					
From water and sewer fund	-	-	139,482	139,482	139,482
Debt proceeds	1,773,000	-	-	-	(1,773,000)
Other financing sources (uses) Total	1,773,000	-	139,482	139,482	(1,633,518)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2013

Exhibit C-8

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Restricted intergovernmental revenues					
Rural Economic Development Grant	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures					
Legal	20,000	-	-	-	20,000
Engineering	383,500	-	153,900	153,900	229,600
Other professional services	491,000	-	-	-	491,000
Building	5,072,000	-	-	-	5,072,000
Contingency	507,000	-	-	-	507,000
Total expenditures	6,473,500	-	153,900	153,900	6,319,600
Revenues (under) expenditures	(6,473,500)	-	(153,900)	(153,900)	6,319,600
Other financing sources (uses)					
Transfers from other funds					
From water and sewer fund	-	-	86,200	86,200	86,200
Debt proceeds	6,473,500	-	-	-	(6,473,500)
Other financing sources (uses) Total	6,473,500	-	86,200	86,200	(6,387,300)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ -	\$ (67,700)	\$ (67,700)	\$ (67,700)

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, 2013

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	29,650	-	17,375	17,375	12,275
Administration	3,285	-	-	-	3,285
Land acquisition	15,000	-	-	-	15,000
Building	243,150	-	-	-	243,150
Contingency	10,000	-	-	-	10,000
Total expenditures	303,585	-	17,375	17,375	286,210
Revenues (under) expenditures	(303,585)	-	(17,375)	(17,375)	286,210
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	\$ 286,210	\$ 286,210

CITY OF ALBEMARLE, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Residential sales	\$ -	\$ 15,135,181	\$ -
Commercial and industrial sales	-	15,037,148	-
Sales to City Departments	-	935,314	-
Total charges for services	<u>32,347,600</u>	<u>31,107,643</u>	<u>(1,239,957)</u>
Other operating revenues	<u>1,259,350</u>	<u>1,258,619</u>	<u>(731)</u>
Total operating revenues	<u>33,606,950</u>	<u>32,366,262</u>	<u>(1,240,688)</u>
Nonoperating revenues			
Interest earned on investments	-	7,069	-
Sale of assets	-	7,524	-
Total nonoperating revenues	<u>13,000</u>	<u>14,593</u>	<u>1,593</u>
Total revenues	<u>33,619,950</u>	<u>32,380,855</u>	<u>(1,239,095)</u>
Expenditures			
Administrative and Finance			
Salaries and employees benefits	-	904,745	-
Other operating expenditures	-	312,318	-
Total	<u>1,328,100</u>	<u>1,217,063</u>	<u>111,037</u>
Customer Service			
Salaries and employees benefits	-	179,834	-
Other operating expenditures	-	15,038	-
Total	<u>191,200</u>	<u>194,872</u>	<u>(3,672)</u>
Electric Operations			
Salaries and employees benefits	-	1,395,659	-
Electric power purchases	-	27,239,326	-
Other operating expenditures	-	1,801,355	-
Total	<u>30,696,600</u>	<u>30,436,340</u>	<u>260,260</u>
Expenditures (continued)			
Debt Service			
Interest and other charges	-	51,780	-
Principal retirement	-	151,858	-
Total debt service	<u>243,900</u>	<u>203,638</u>	<u>40,262</u>

CITY OF ALBEMARLE, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2013

Exhibit C-10
Page 2 of 2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Capital Outlay			
Administrative and finance	-	5,291	-
Electric operations	-	361,880	-
Total	<u>2,619,050</u>	<u>367,171</u>	<u>2,251,879</u>
Total expenditures	<u>35,078,850</u>	<u>32,419,084</u>	<u>2,659,766</u>
Revenues over (under) expenditures	<u>(1,458,900)</u>	<u>(38,229)</u>	<u>1,420,671</u>
Other financing sources (uses)			
Transfer from (to) funds			
General fund	25,000	25,000	-
General fund	30,000	23,041	(6,959)
Water and Sewer fund	20,000	18,226	(1,774)
General fund	(275,000)	(275,000)	-
General fund	(690,000)	(690,000)	-
CENAV Electric project fund	(2,248,000)	(2,248,000)	-
Landfill fund	3,000	679	(2,321)
Total other financing sources (uses)	<u>(3,135,000)</u>	<u>(3,146,054)</u>	<u>(11,054)</u>
Extraordinary Event (Note 9)	<u>(925,000)</u>	<u>(925,385)</u>	<u>(15,149)</u>
Appropriated fund balance	<u>5,518,900</u>	<u>-</u>	<u>(5,518,900)</u>
Revenues and other sources over (under) expenditures, other (uses) and appropriated fund balances	<u>\$ -</u>	<u>\$ (4,109,668)</u>	<u>\$ (4,109,668)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ (4,109,668)</u>	
Principal retirement		151,858	
Capital outlay		367,171	
Depreciation		(572,816)	
Increase in accrued compensated absences		(1,268)	
Increase in postemployment benefits		(22,283)	
Transfer CENAV Electric Project Fund		<u>2,248,000</u>	
Total reconciling items		2,170,662	
Change in net position		<u>\$ (1,939,006)</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, 2013

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	63,206	53,594
Legal	-	-	250	250	(250)
Other equipment	1,475,000	-	729,653	729,653	745,347
Construction	556,200	-	-	-	556,200
Contingency	100,000	-	-	-	100,000
Total expenditures	2,248,000	-	793,109	793,109	1,454,891
Revenues (under) expenditures	(2,248,000)	-	(793,109)	(793,109)	1,454,891
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	\$ 1,454,891	\$ 1,454,891

**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, 2013**

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

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Disposal fees	\$ -	\$ 2,086,229	\$ -
Solid waste fees	-	105,259	-
Sales of mulch and scrap	-	45,811	-
Scrap tire and white goods fees	-	127,313	-
Total charges for services	<u>2,506,700</u>	<u>2,364,612</u>	<u>(142,088)</u>
Other operating revenues	-	1,694	1,694
Total operating revenues	<u>2,506,700</u>	<u>2,366,306</u>	<u>(140,394)</u>
Nonoperating revenues			
Interest earned on investments	-	1,711	-
Sale of assets	-	797	-
Total nonoperating revenues	<u>2,300</u>	<u>2,508</u>	<u>208</u>
Total revenues	<u>2,509,000</u>	<u>2,368,814</u>	<u>(140,186)</u>
Expenditures			
Landfill Operations			
Salaries and employees benefits	-	663,873	-
Other operating expenditures	-	832,504	-
Total	<u>1,557,980</u>	<u>1,496,377</u>	<u>61,603</u>
Debt Service			
Principal on installment purchases	-	278,164	-
Interest and fees	-	6,019	-
Total	<u>284,200</u>	<u>284,183</u>	<u>17</u>
Capital Outlay	615,820	609,316	6,504
Total expenditures	<u>2,458,000</u>	<u>2,389,876</u>	<u>68,124</u>
Revenues over expenditures	<u>51,000</u>	<u>(21,062)</u>	<u>(72,062)</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, 2013**

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

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Other financing (uses) sources			
Transfers to other funds			
To General Fund	(50,000)	(50,000)	-
From Electric fund	<u>(1,000)</u>	<u>(679)</u>	<u>321</u>
Total other financing (uses)	<u>(51,000)</u>	<u>(50,679)</u>	<u>321</u>
Revenues and other sources over (under) expenditures, other (uses)	<u>\$ -</u>	<u>\$ (71,741)</u>	<u>\$ (71,741)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ (71,741)</u>	
Payment on installment purchases		278,164	
Capital outlay		609,316	
Transfer fixed assets other funds		69,655	
Depreciation		(1,165,349)	
Increase in accrued compensated absences		(7,737)	
Increase in postemployment benefits		(12,539)	
Adjustment to accrued landfill closure and post closure costs		<u>(371,965)</u>	
Total reconciling items		<u>(600,455)</u>	
Change in net position		<u>\$ (672,196)</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
COMBINING BALANCE SHEET
DEPARTMENT OF PUBLIC HOUSING
June 30, 2013

Exhibit C-13

	Department of Public Housing			Totals
	Conventional	Section 8	Capital Fund	
ASSETS				
Current Assets				
Cash and investments	\$ 1,131,857	\$ 305,537	\$ -	\$ 1,437,394
Accounts receivable - net	2,418	-	-	2,418
Prepaid expenses	3,216	1,110	-	4,326
Total current assets	1,137,491	306,647	-	1,444,138
Noncurrent Assets				
Capital Assets				
Land	163,505	-	-	163,505
Other capital assets, net of accumulated depreciation	6,020,511	66,320	-	6,086,831
Total noncurrent assets	6,184,016	66,320	-	6,250,336
Total Assets	\$ 7,321,507	\$ 372,967	\$ -	\$ 7,694,474
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 26,839	\$ (4)	\$ -	\$ 26,835
Customer deposits	43,689	-	-	43,689
Current portion of compensated absences	8,807	1,063	-	9,870
Current portion of long term debt	4,743	-	-	4,743
Total current liabilities	84,078	1,059	-	85,137
Other liabilities				
Lease payable	3,465	-	-	3,465
Other post employment benefits	77,803	9,752	-	87,555
Accrued compensated absences	8,808	1,062	-	9,870
Total other liabilities	90,076	10,814	-	100,890
Total liabilities	174,154	11,873	-	186,027
Net Position				
Net investment in capital assets	6,175,808	66,320	-	6,242,128
Unrestricted	971,545	294,774	-	1,266,319
Total net position	7,147,353	361,094	-	7,508,447
Total Liabilities and Net Position	\$ 7,321,507	\$ 372,967	\$ -	\$ 7,694,474

CITY OF ALBEMARLE, NORTH CAROLINA
COMBINING SCHEDULE OF REVENUES AND EXPENSES
DEPARTMENT OF PUBLIC HOUSING
For the Fiscal Year Ended June 30, 2013

Exhibit C-14

	Department of Public Housing			Totals
	Conventional	Section 8	Capital Fund	
Operating Revenues				
Rental income	\$ 432,835	\$ -	\$ -	\$ 432,835
Other	31,601	-	-	31,601
Total operating revenues	464,436	-	-	464,436
Operating expenses				
Administrative	334,368	183,243	8,727	526,338
Tenant services	11,576	-	-	11,576
Utilities	348,544	3,748	-	352,292
Ordinary maintenance and operation	245,391	1,182	-	246,573
General expenses	99,861	-	-	99,861
Housing assistance payments	-	1,381,720	-	1,381,720
Nonroutine maintenance	34,720	-	-	34,720
Depreciation	357,867	2,968	-	360,835
Total operating expenses	1,432,327	1,572,861	8,727	3,013,915
Operating (loss)	(967,891)	(1,572,861)	(8,727)	(2,549,479)
Nonoperating revenues (expenses)				
Operating subsidies	573,811	1,440,496	-	2,014,307
Interest earned on investments	6,321	345	-	6,666
Interest and other charges	(13,948)	-	-	(13,948)
Nonoperating revenue	15,292	-	-	15,292
Total nonoperating revenues	581,476	1,440,841	-	2,022,317
Net income (loss) before contributions and transfers	(386,415)	(132,020)	(8,727)	(527,162)
Capital grants	-	-	368,665	368,665
Transfers	359,938	-	(359,938)	-
	359,938	-	8,727	368,665
Change in net position	(26,477)	(132,020)	-	(158,497)
Net position, July 1	7,173,830	493,114	-	7,666,944
Net position, June 30	\$ 7,147,353	\$ 361,094	\$ -	\$ 7,508,447

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, 2013

Exhibit C-15

	Conventional		Variance Favorable (Unfavorable)
	Original and Final Budget	Actual	
Operating Revenues			
Rental income	\$ 402,000	\$ 432,835	\$ 30,835
Other	<u>34,000</u>	<u>31,601</u>	<u>(2,399)</u>
Total operating revenues	<u>436,000</u>	<u>464,436</u>	<u>28,436</u>
Operating expenditures			
Administrative	362,800	334,368	28,432
Tenant services	9,294	11,576	(2,282)
Utilities	430,150	348,544	81,606
Ordinary maintenance and operation	230,000	245,391	(15,391)
General expenses	107,656	99,861	7,795
Nonroutine maintenance	<u>63,575</u>	<u>34,720</u>	<u>28,855</u>
Total operating expenditures	<u>1,203,475</u>	<u>1,074,460</u>	<u>129,015</u>
Operating revenues (under) operating expenditures	<u>(767,475)</u>	<u>(610,024)</u>	<u>157,451</u>
Nonoperating revenues			
Operating subsidies	535,500	573,811	38,311
Other income	12,000	15,292	3,292
Interest income	<u>6,000</u>	<u>6,321</u>	<u>321</u>
Total nonoperating revenues	553,500	595,424	41,924
Nonoperating expenditures			
Lease payments	4,800	4,743	57
Interet expense	300	304	
Capital outlay	<u>9,425</u>	<u>2,333</u>	<u>7,092</u>
Total nonoperating expenditures	<u>14,525</u>	<u>7,380</u>	<u>7,149</u>
Nonoperating revenues over nonoperating expenditures	<u>538,975</u>	<u>588,044</u>	<u>49,073</u>
Revenues over expenditures	<u>(228,500)</u>	<u>(21,980)</u>	<u>206,520</u>
Appropriated fund balance	<u>228,500</u>	<u>-</u>	<u>(228,500)</u>
Excess of revenues and appropriated fund balance (under) expenditures - modified accrual	<u>\$ -</u>	<u>(21,980)</u>	<u>\$ (21,980)</u>
Reconciliation to the accrual basis:			
Depreciation		(357,867)	
Capital outlay		2,333	
Lease principal payments		4,743	
Accrual of OPEB		(16,877)	
Accrual of compensated absences		<u>3,233</u>	
Change in net income before capital contributions and transfers - Exhibit C-13		<u>\$ (386,415)</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (NON-GAAP)
DEPARTMENT OF PUBLIC HOUSING - SECTION 8
For the Fiscal Year Ended June 30, 2013

Exhibit C-16

	Section 8		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Operating subsidiaries	\$ 1,415,900	\$ 1,440,496	\$ (24,596)
Total operating revenues	<u>1,415,900</u>	<u>1,440,496</u>	<u>(24,596)</u>
Operating expenditures			
Administrative	190,200	186,073	4,127
Housing assistance payments	<u>1,378,000</u>	<u>1,381,720</u>	<u>(3,720)</u>
Total operating expenditures	<u>1,568,200</u>	<u>1,567,793</u>	<u>407</u>
Operating revenues (under) operating expenditures	(152,300)	(127,297)	25,003
Nonoperating revenues			
Interest income	<u>350</u>	<u>345</u>	<u>(5)</u>
Excess (deficiency) of revenues under expenditures modified accrual	<u>\$ (151,950)</u>	<u>(126,952)</u>	<u>\$ 24,998</u>
Appropriated fund balance	<u>151,950</u>	<u>-</u>	<u>(151,950)</u>
Excess of revenues and appropriated fund balance (under) expenditures - modified accrual	<u>\$ -</u>	<u>(126,952)</u>	<u>\$ (126,952)</u>
Reconciliation to the accrual basis:			
Depreciation		(2,968)	
Capital outlay		386	
Other Post Employment Benefits		(2,086)	
Accrual of compensated absences		<u>(400)</u>	
Change in net position Exhibit C-7		<u>\$ (132,020)</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, 2013

Exhibit C-17

	Capital Funds		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating			
Operating subsidies	\$ -	\$ -	\$ -
Operating expenditures			
Administrative	43,789	8,727	35,062
Capital Outlay	<u>496,819</u>	<u>359,938</u>	<u>136,881</u>
Total operating expenditures	<u>540,608</u>	<u>368,665</u>	<u>171,943</u>
Operating revenues under operating expenditures	(540,608)	(368,665)	171,943
Nonoperating revenues			
Capital grants	<u>540,608</u>	<u>368,665</u>	<u>(171,943)</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, 2013**

Exhibit C-18

1. The actual modernization costs of NC 19P07550110 are as follows:

	<u>Total</u>
Funds approved	\$ 352,334
Funds expended	<u>352,334</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced - HUD Grants	\$ 352,334
Funds expended	<u>352,334</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$ 940.

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, 2013

Exhibit C-19

1. The actual modernization costs of NC 19P07550111 are as follows:

	<u>Total</u>
Funds approved	\$ 299,489
Funds expended	<u>299,489</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced - HUD Grants	\$ 299,489
Funds expended	<u>299,489</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$ 254,148.

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, 2013

Exhibit C-20

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

	<u>Total</u>
Funds approved	\$ 264,556
Funds expended	<u>23,540</u>
Excess of funds approved	<u>\$ 241,016</u>
Funds advanced - HUD Grants	\$ 23,540
Funds expended	<u>23,540</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$ 23,540.

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, 2013

Exhibit D-1

	<u>Balance</u> July 1, 2012	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> June 30, 2013
ASSETS				
Cash and cash equivalents	\$ 580	\$ 48,102	\$ 47,819	\$ 863
	<u>\$ 580</u>	<u>\$ 48,102</u>	<u>\$ 47,819</u>	<u>\$ 863</u>
LIABILITIES				
Due to agencies	580	48,102	47,819	863
	<u>\$ 580</u>	<u>\$ 48,102</u>	<u>\$ 47,819</u>	<u>\$ 863</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, 2013

Exhibit E-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2012</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 5,814,698	\$ 5,437,536	\$ 377,162
2011-2012	304,978	-	165,996	138,982
2010-2011	134,032	5	33,836	100,201
2009-2010	144,253	-	15,118	129,135
2008-2009	55,212	-	6,864	48,348
2007-2008	34,558	-	2,210	32,348
2006-2007	30,709	-	1,366	29,343
2005-2006	27,887	-	965	26,922
2004-2005	28,782	-	508	28,274
2003-2004	18,687	-	417	18,270
2002-2003	30,083	-	30,083	-
	<u>\$ 809,181</u>	<u>\$ 5,814,703</u>	<u>\$ 5,694,899</u>	928,985
Less: Allowance for uncollectible accounts Ad valorem taxes receivable				<u>(240,000)</u>
Ad valorem taxes receivable - net				<u>\$ 688,985</u>
Reconciliation with revenues				
Ad valorem taxes collected - General Fund				<u>\$ 5,638,150</u>
Discounts allowed				31,728
Releases and adjustments				42,180
Taxes written off				29,562
Interest collected				<u>(46,721)</u>
Total collections and credits				<u>\$ 5,694,899</u>

CITY OF ALBEMARLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
For the Fiscal Year Ended June 30, 2013

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	\$ 1,036,515,179	0.56	\$ 5,804,485	\$ 5,194,694	\$ 609,791
Penalties	-		6,213	6,213	-
Total	<u>1,036,515,179</u>		<u>5,810,698</u>	<u>5,200,907</u>	<u>609,791</u>
Discoveries:					
Current year taxes	6,618,036	0.56	37,061	29,367	7,694
Penalties	-		-	-	-
Total	<u>6,618,036</u>		<u>37,061</u>	<u>29,367</u>	<u>7,694</u>
Abatements:	(5,903,750)	0.56	(33,061)	(15,980)	(17,081)
Total valuation	<u>\$ 1,037,229,465</u>				
Net levy			5,814,698	5,214,294	600,404
Uncollected taxes at June 30, 2013			<u>(377,162)</u>	<u>(295,929)</u>	<u>(81,233)</u>
Current year's taxes collected			<u>\$ 5,437,536</u>	<u>\$ 4,918,365</u>	<u>\$ 519,171</u>
Current levy collection percentage			<u>93.51%</u>	<u>94.32%</u>	<u>86.47%</u>

Compliance Section

220 East Washington Street
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Rockingham, North Carolina 28380
(910) 895-2899

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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, 2013, 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 12, 2013.

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.

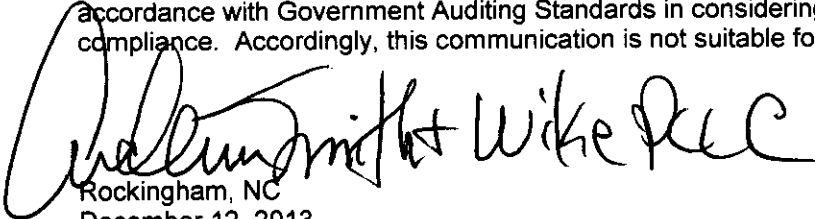
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



Rockingham, NC
December 12, 2013

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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, 2013. 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, the City of Albemarle complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2013.

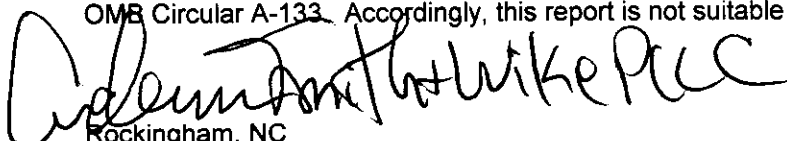
Report on Internal Control Over Compliance

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

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

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

This 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 12, 2013

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

Other Office Locations:
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, 2013. 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, the City of Albemarle complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each its major State programs for the year ended June 30, 2013.


Internal Control Over Compliance

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

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

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

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



Rockingham, NC
December 12, 2013

CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2013

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 *None Reported*

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

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

Identification of major federal program:

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

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, 2013**

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 Rural Economic Development Center Grant

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – State Award Findings and Questioned Costs

None reported

**CITY OF ALBEMARLE, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<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		1,133,580	-	-
Section 8:					
Housing Choice Vouchers	14.871		1,568,193	-	-
Public Housing Capital Fund:					
NC19PO7550109	14.872		69,073	-	-
NC19PO7550110	14.872		299,489	-	-
NC19PO7550111	14.872		23,450	-	-
<u>U.S. Department of Justice</u>					
Governor's Crime Commission OCF12 Grant	16.738		51,916		
Governor's Crime Commission Gang 1 Grant	16.738		48,724		
Bullet Proof Vest Grant	16.607		8,246	-	-
<u>Federal Emergency Management Administration</u>					
<u>Safer Grant:</u>					
Staffing for Adequate Fire & Emergency Response Grant	97.083		64,926	-	-
Total assistance federal programs			<u>3,267,597</u>	<u>-</u>	<u>-</u>
STATE GRANTS					
Cash Assistance					
<u>N.C. Rural Economic Development Center</u>					
Water Quality Grant	N/A		-	1,000,000	-
Water Quality Grant	N/A		-	465,368	-
Water Quality Grant	N/A		-	2,229	-
<u>N.C. Department of Transportation</u>					
Powell Bill	N/A	9.9000	-	625,901	-
Total assistance state programs			<u>-</u>	<u>2,093,498</u>	<u>-</u>
Total assistance			<u>\$ 3,267,597</u>	<u>\$ 2,093,498</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.