

**CITY OF ALBEMARLE, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

***For the fiscal year ended June 30, 2012***

CITY OF ALBEMARLE, NORTH CAROLINA

CITY OFFICIALS

JUNE 30, 2012

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/  
CITY CLERK

COLLEEN CONROY

FINANCE OFFICER

DAVID A. BEAVER

CITY ATTORNEY

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## Financial Section



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## **INDEPENDENT AUDITOR'S REPORT**

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

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 City of Albemarle, North Carolina, as of and for the year ended June 30, 2012 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Albemarle's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Albemarle ABC Board and the Albemarle Downtown Development Corporation. Those financial statements were audited by other auditors' whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Albemarle ABC Board and the Albemarle Downtown Development Corporation is based solely on the reports of the 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 General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Albemarle ABC Board and the Albemarle Downtown Development Corporation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our 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 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, 2012, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2012 on our consideration of City of Albemarle's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance'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 economic or historical context. We and the other auditor have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statement. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Albemarle's basic financial statements. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying schedules of expenditures of Federal and State awards is presented as for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, and is also not a required part of the basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of Federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules and the scheduled of expenditures of Federal and State awards are stated in all material respects in relation to the basic financial statements as a whole.

*Anderson Smith & Wicks, PLLC*

October 2, 2012



## **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, 2012. 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.

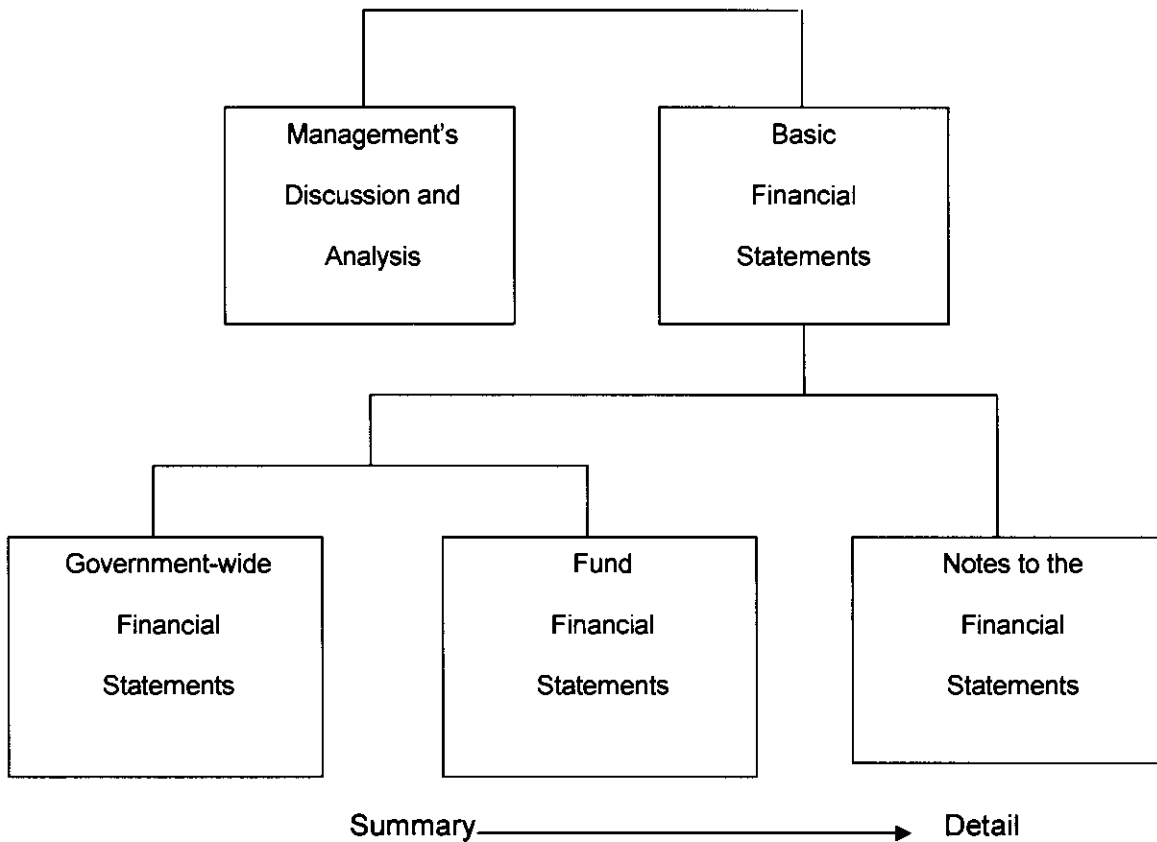
### **Financial Highlights**

- The assets of the City of Albemarle exceeded its liabilities at the close of the fiscal year by \$70,682,808.
- The government's total net assets decreased by \$491,149, primarily due to expenditures exceeding revenues.
- As of the close of the current fiscal year, the City of Albemarle's governmental funds reported combined ending fund balances of \$6,262,617 an increase of \$1,640,351 in comparison with the prior year. Approximately 66.3 percent of this total amount, or \$4,151,991, 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 \$4,061,559, or 30.4 percent of total general fund expenditures for the fiscal year.
- The City of Albemarle's total debt increased by \$779,334 during the current fiscal year. The key factor in this increase is new debt of \$1,467,713.
- 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 assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets 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 Assets 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 and capital project funds within the governmental fund types, those being the Recreation Grant Fund, Clean Water Management Trust Grant Fund, Morrow Chase CDBG Fund, Snyder Greenway Capital Project Fund 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 Assets 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 assets 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 assets:

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

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 8,859,047	\$ 7,329,788	\$ 19,836,003	\$ 20,534,347	\$ 28,695,050	\$ 27,864,135
Capital assets	<u>15,779,333</u>	<u>16,329,281</u>	<u>45,841,800</u>	<u>45,666,427</u>	<u>61,621,133</u>	<u>61,995,708</u>
Total assets	<u>24,638,380</u>	<u>23,659,069</u>	<u>65,677,803</u>	<u>66,200,774</u>	<u>90,316,183</u>	<u>89,859,843</u>
Long-term liabilities	4,078,224	3,379,557	8,179,658	7,603,522	12,257,882	10,983,079
Other liabilities	<u>2,564,037</u>	<u>2,636,048</u>	<u>4,811,456</u>	<u>5,066,759</u>	<u>7,375,493</u>	<u>7,702,807</u>
Total liabilities	<u>6,642,261</u>	<u>6,015,605</u>	<u>12,991,114</u>	<u>12,670,281</u>	<u>19,633,375</u>	<u>18,685,886</u>
<b>Net assets</b>						
Invested in capital assets, net of related debt	13,262,477	14,370,860	42,415,279	42,084,089	55,677,756	56,454,949
Restricted	1,819,613	1,967,251	-	-	1,819,613	1,967,251
Unrestricted	<u>2,914,029</u>	<u>1,305,353</u>	<u>10,271,410</u>	<u>11,446,404</u>	<u>13,185,439</u>	<u>12,751,757</u>
Total net assets	<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>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Albemarle exceeded liabilities by \$70,682,808 as of June 30, 2012. The City's net assets decreased by \$491,149 for the fiscal year ended June 30, 2012. 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 investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

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

- Continued diligence in the collection of ad valorem property taxes by maintaining a percentage of 95.62%, which is comparable to the statewide average.
- Continued low cost of debt due to the City's favorable bond rating.
- Continued recovery of bad debt due to the State's Debt Set-off Program.

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

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

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,226,161	\$ 1,153,997	\$ 39,345,605	\$ 39,271,416	\$ 40,571,766	\$ 40,425,413
Contributions	28,966	31,795	2,131,220	2,212,993	2,160,186	2,244,788
Contributions	719,906	1,208,590	164,802	658,096	884,708	1,866,686
General revenues:						
Property taxes	5,540,371	5,642,857	-	-	5,540,371	5,642,857
Other taxes	4,254,430	4,018,883	-	-	4,254,430	4,018,883
Interest earned	18,135	33,304	25,971	49,211	44,106	82,515
Other	190,296	202,507	1,226,215	1,214,005	1,416,511	1,416,512
Total revenues	<u>11,978,265</u>	<u>12,291,933</u>	<u>42,893,813</u>	<u>43,405,721</u>	<u>54,872,078</u>	<u>55,697,654</u>
<b>Expenses:</b>						
General government	1,809,417	1,690,535	-	-	1,809,417	1,690,535
Public safety	6,403,391	6,469,334	-	-	6,403,391	6,469,334
Public works	2,061,552	2,277,094	-	-	2,061,552	2,277,094
Environmental protection	1,176,673	1,136,579	-	-	1,176,673	1,136,579
Economical development	2,740	97,547	-	-	2,740	97,547
Culture and recreation	1,258,938	1,213,362	-	-	1,258,938	1,213,362
Interest on long-term debt	102,899	113,574	-	-	102,899	113,574
Water and sewer	-	-	6,626,752	6,373,060	6,626,752	6,373,060
Electric	-	-	30,947,485	29,827,906	30,947,485	29,827,906
Landfill	-	-	2,043,328	2,053,366	2,043,328	2,053,366
Public housing	-	-	2,930,052	2,916,958	2,930,052	2,916,958
Total expenses	<u>12,815,610</u>	<u>12,998,025</u>	<u>42,547,617</u>	<u>41,171,290</u>	<u>55,363,227</u>	<u>54,169,315</u>
Increase in net assets before transfers	(837,345)	(706,092)	346,196	2,234,431	(491,149)	1,528,339
Transfers	<u>1,190,000</u>	<u>1,322,068</u>	<u>(1,190,000)</u>	<u>(1,322,068)</u>	-	-
Increase in net assets	352,655	615,976	(843,804)	912,363	(491,149)	1,528,339
Net assets, July 1	<u>17,643,464</u>	<u>17,027,488</u>	<u>53,530,493</u>	<u>52,618,130</u>	<u>71,173,957</u>	<u>69,645,618</u>
Net assets, June 30	<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>

**Governmental activities:** Governmental activities increased the City's net assets by \$352,655. Key elements of this increase are as follows:

- Transfers to other funds of \$1,190,000

**Business-type activities:** Business-type activities decreased the City of Albemarle's net assets by \$843,804. Key elements of this decrease are as follows:

- Transfers from other funds of \$1,190,000

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

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

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

The general fund is the chief operating fund of the City of Albemarle. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,061,559, while total fund balance reached \$6,262,617. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30.4 percent of total General Fund expenditures, while total fund balance represents 49.8 percent of that same amount.

At June 30, 2012, the governmental funds of City of Albemarle reported a combined fund balance of \$6,262,617, a 35.5 percent increase 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 loan for the purchase of Mobile Computers for Police vehicles
- Appropriated proceeds from loan for the purchase of 2 Fire Truck Pumpers & Equipment
- Appropriated additional funds from General Fund to complete Snyder Greenway Project
- Appropriated additional funds from General Fund to Morrow Chase Project to complete
- To appropriate revenue from Volunteer Fire Department for assistance in covering a fire event and expenditures for Fire Department overtime.
- Appropriate Drug Substance Tax proceeds for purchase of Police dog.

**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 assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,711,273, those for the Electric Fund amounted to \$9,082,934, Public Housing \$1,452,282, and for the Landfill Fund \$(1,975,079). The total change in net assets for all funds was \$(23,251), \$(1,027,452), \$(211,376), and \$418,275, 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, 2012, totals \$61,621,133 (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 all Police Departments mobile data terminals
- Replacement of three Police Departments vehicles
- Replacement of two fire apparatus through installment purchase financing
- Architectural and Engineering plans for the renovation of the former Niven Center
- Economic Development Incentive Grants for creation of jobs and expansion of the tax base a CCI and IAC
- \$100,000 in Information Systems hardware and software with costs shared across all funds
- The condemnation and demolition of four abandoned and derelict structures
- Renovations to the tennis courts at Rock Creek Park
- Purchase of lifts at the two swimming pools for ADA compliance
- Paving of all or a portion of ten local streets
- Construction of new sidewalks in the vicinity of East Albemarle Elementary School and Albemarle Middle School through a Safe Routes to School grant
- Continued replacement of deteriorated sidewalks throughout the City

#### **Enterprise Fund Accomplishments**

- Award of a construction contract and beginning of work for major improvements to the Long Creek Wastewater Treatment Plant
- Completion of replacement of flocculators at the US 2 Water Treatment Plant
- Replacement of a portion of the roof at the Tuckertown Water Treatment Plant
- Appropriation of \$500,000 as a second and final installment for the City's match for the improvement to the wastewater treatment plant
- Replacement of two pickup trucks in Water and Sewer
- Replacement of an electric line truck
- Continued sewer system improvements

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

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,741,014	\$ 2,656,145	\$ 495,092	\$ 495,092	\$ 3,236,106	\$ 3,151,237
Infrastructure	3,871,238	3,647,216	14,216,360	11,474,144	18,087,598	15,121,360
Other improvements	300,476	333,367	693,625	284,900	994,101	618,267
Buildings	7,305,544	6,656,351	24,999,297	25,274,029	32,304,841	31,930,380
Machinery and equipment	700,242	744,784	2,969,305	2,811,065	3,669,547	3,555,849
Mobile equipment	768,917	907,783	287,106	128,828	1,056,023	1,036,611
Construction in progress	91,901	1,383,635	2,170,969	5,198,369	2,262,870	6,582,004
<b>Total</b>	<b>\$ 15,779,333</b>	<b>\$ 16,329,281</b>	<b>\$ 45,831,754</b>	<b>\$ 45,666,427</b>	<b>\$ 61,611,087</b>	<b>\$ 61,995,708</b>

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, 2012, 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	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

**City of Albemarle's Outstanding Debt**

The City of Albemarle's total debt increased \$779,334 (9.2%) during the past fiscal year, primarily due to additional debt. The City of Albemarle does however owe \$1,011,042 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 \$78,821,773.

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 11.5%; the civilian labor force estimates for North Carolina reports the Stanly County unemployment rate at 10.0%; the national average is 9.5%.



## ***Budget Highlights for the Fiscal Year Ending June 30, 2013***

**Governmental Activities:** The proposed budget includes no new positions and no expansion of programs or services. However, it does propose that two currently frozen positions in the Police Department be unfrozen, and that the school resource officer in the elementary schools be reassigned to the Patrol Division. This transfer has been discussed with Stanly County Schools, who are in full agreement with this proposal. The budget also proposes that the current half time Housing Assistance Technician position be made a full time position. No essential services are impacted by the proposed budget, although capital expenditures continue to be curtailed, particularly in the General Fund.

For the ninth consecutive year I am proposing that there be no property tax increase. The proposed General Fund budget is \$12,257,700 with the ad valorem tax rate remaining at \$.56 per \$100 of valuation. Since Stanly County does not value property at 100%, this is an effective tax rate of \$.49.

This budget represents an overall increase of ½ of 1% from the current year General Fund Budget, with 55% 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 and Fire Departments. These two departments are projected to cost \$6.8 million while property tax collections are projected to be only \$5.5 million.

The budget proposes no increase in the household solid waste collection fee, household solid waste disposal fees, planning and zoning fees, fire inspection and plans review fees, or business license fees.

Major projects in the General Fund include the replacement of three police vehicles, replacement of one third of the mobile data terminals in the Police Department; funding to contract with the Butterfly House to assist in the investigation of child abuse cases; matching funds for a safe neighborhoods initiative grant from the State of North Carolina; funds to fill two positions in the Police Department which are currently frozen; funding to change the Fire Department shifts from 24.25 hours to 24 hours in keeping with most other agencies; financing costs for renovation of the former Niven Center for Parks and Recreation Department offices, programs, and parks maintenance staff; \$116,000 investment in replacement computer system hardware and software in the Information Systems Department with this cost to be shared across all City funds; continued repair and replacement of sidewalks, replacement of a front end loader in the Street Division; funding to continue to address nuisance concerns and abandoned and dilapidated dwellings in the City; and \$50,000 in funding for economic development efforts including an economic development task force as proposed by City Council with the cost to be shared amount the three major funds.

The **Powell Bill Fund** is proposed at \$771,600 which is a 2% increase from the current Powell Bill Budget. It includes funding to replace a backhoe in the Street Division, and includes \$175,000 for asphalt resurfacing and street repairs, an increase of \$25,000 from the FY 2011-2012 budget. An increase of \$25,000 was also budgeted in the General Fund which totals an increase of \$50,000 for street resurfacing to \$200,000.

**Business-Type Activities:** The Water and Sewer Budget is proposed at \$7,119,450, which is an increase of approximately 7.5% from FY 2011-2012. The proposed budget has an increase of 5% in water sewer rates. The City's water and sewer rates will still be well below the average for water and sewer rates across the state. The need to maintain the City's aging utility infrastructure, increased chemical and treatment costs, and an increasingly stringent regulatory environment are the primary reasons for these increases. The budget includes debt service payment 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, purchase of a coring machine, and the replacement of chlorinators and metering pumps at the Tuckertown WTP.

The Electric Fund has a proposed budget of \$35,927,850. This represents an increase of 13% over the current year. Part of the increase in the budget is for a one time larger than normal appropriation of retained earnings for the purpose of constructing a third delivery point for the City at a cost of \$2,248,000. This delivery is needed due to growth on the City's electric system and to ensure reliability in the event we lose power at one of the two current delivery points. The City will receive from the North Carolina Municipal Power Agency One a wholesale rate increase of 5% effective July 1, 2012. The budget proposes a retail rate adjustment of 4% effective July 1, 2012 to partially offset the wholesale rate increase we are receiving. The proposed increase is the energy component of the City's electrical rates and would not affect the City's minimum service charge or demand charges. The recommended budget includes funding to continue replacement of the downtown street light circuit, and to continue conversion of 4KV voltage to 25KV. It also includes funding to replace an electric service truck and a bucket truck.

The Solid Waste Disposal Fund is proposed at \$2,058,900 for FY 2012-2013, which constitutes a decrease of approximately 5% from the current year. I am recommending a \$1 per ton increase in the municipal solid waste disposal fee, from \$36 to \$37; and an increase in the construction and demolition fee of \$1 from \$33 to \$34. These fee increases are needed to pay the debt service on the Phase II cell and to address increased costs due to more stringent state regulatory requirements. Both of these disposal rates will remain competitive with rates of other facilities in North Carolina.

#### **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 ASSETS**  
**June 30, 2012**

**Exhibit 1**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Albemarle Downtown Development Corporation	City of Albemarle ABC Board
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 6,831,277	\$11,303,421	\$ 18,134,698	\$ 65,564	\$ 77,622
Receivables:					
Taxes receivable - net	666,181	-	666,181	-	-
Accounts receivable	297,207	4,318,820	4,616,027	-	-
Due from other governments	1,159,624	361,686	1,521,310	55,500	-
Internal balances	(1,011,042)	1,011,042	-	-	-
Inventories	24,313	2,757,353	2,781,666	550	183,325
Deferred charges	-	1,085	1,085	-	-
Prepaid expenses	91,487	82,596	174,083	-	7,235
Total current assets	<u>8,059,047</u>	<u>19,836,003</u>	<u>27,895,050</u>	<u>121,614</u>	<u>268,182</u>
Non-current assets					
Note receivable	800,000	-	800,000	-	-
Capital assets					
Land, and construction in progress	2,832,915	2,676,107	5,509,022	116,423	261,417
Other capital assets, net of depreciation	12,946,418	43,165,693	56,112,111	617,078	902,146
Total capital assets	<u>15,779,333</u>	<u>45,841,800</u>	<u>61,621,133</u>	<u>733,501</u>	<u>1,163,563</u>
Total non-current assets	<u>16,579,333</u>	<u>45,841,800</u>	<u>62,421,133</u>	<u>733,501</u>	<u>1,163,563</u>
Total assets	<u>24,638,380</u>	<u>65,677,803</u>	<u>90,316,183</u>	<u>855,115</u>	<u>1,431,745</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable and accrued liabilities	734,149	3,320,491	4,054,640	3,925	77,294
Deposits	1,400	796,020	797,420	-	-
Unearned earnings	1,194,700	3,022	1,197,722	-	-
Current portion of long-term liabilities	633,788	691,923	1,325,711	7,613	-
Accrued interest payable	-	-	-	1,134	-
Total current liabilities	<u>2,564,037</u>	<u>4,811,456</u>	<u>7,375,493</u>	<u>12,672</u>	<u>77,294</u>
Long-term liabilities					
Accrued landfill closure and postclosure costs	-	4,296,548	4,296,548	-	-
Long-term liabilities:					
Due in more than one year	4,078,224	3,883,110	7,961,334	47,117	-
Total long-term liabilities	<u>4,078,224</u>	<u>8,179,658</u>	<u>12,257,882</u>	<u>47,117</u>	<u>-</u>
Total liabilities	<u>6,642,261</u>	<u>12,991,114</u>	<u>19,633,375</u>	<u>59,789</u>	<u>77,294</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	13,262,477	42,415,279	55,677,756	678,771	1,163,563
Restricted for:					67,669
Stabilization by State Statute	1,421,009	-	1,421,009	-	-
Economic development	22,926	-	22,926	-	-
Other functions	375,678	-	375,678	93,024	-
Unrestricted	2,914,029	10,271,410	13,185,439	23,531	123,219
Total net assets	<u>\$ 17,996,119</u>	<u>\$52,686,689</u>	<u>\$ 70,682,808</u>	<u>\$ 795,326</u>	<u>\$ 1,354,451</u>

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2012**

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government						
				Governmental Activities	Business-type Activities	Total				
<b>Primary government</b>										
Governmental activities										
General government	\$ 1,809,417	\$ 13,842	\$ -	\$ 204,216	\$ (1,591,359)	\$ -	\$ (1,591,359)	\$ -	\$ -	\$ -
Public safety	6,403,391	29,006	28,966	2,500	(6,342,919)	-	(6,342,919)	-	-	-
Public works	2,061,552	1,099,162	-	513,190	(449,200)	-	(449,200)	-	-	-
Environmental protection	1,176,673	-	-	-	(1,176,673)	-	(1,176,673)	-	-	-
Economic and physical development	2,740	-	-	-	(2,740)	-	(2,740)	-	-	-
Cultural and recreational	1,258,938	84,151	-	-	(1,174,787)	-	(1,174,787)	-	-	-
Interest on long-term debt	102,899	-	-	-	(102,899)	-	(102,899)	-	-	-
<b>Total governmental activities</b>	<b>12,815,610</b>	<b>1,226,161</b>	<b>28,966</b>	<b>719,906</b>	<b>(10,840,577)</b>	<b>-</b>	<b>(10,840,577)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Business-type activities</b>										
Water and sewer	6,626,752	6,649,077	-	40,000	-	62,325	62,325	-	-	-
Electric	30,947,485	29,995,450	-	-	-	(952,035)	(952,035)	-	-	-
Landfill	2,043,328	2,292,726	-	-	-	249,398	249,398	-	-	-
Department of public housing	2,930,052	408,352	2,131,220	124,802	-	(265,678)	(265,678)	-	-	-
<b>Total business-type activities</b>	<b>42,547,617</b>	<b>39,345,605</b>	<b>2,131,220</b>	<b>164,802</b>	<b>-</b>	<b>(905,990)</b>	<b>(905,990)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 55,363,227</b>	<b>\$ 40,571,766</b>	<b>\$ 2,160,186</b>	<b>\$ 884,708</b>	<b>\$ (10,840,577)</b>	<b>\$ (905,990)</b>	<b>\$ (11,746,567)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Component units</b>										
Albemarle Downtown Development Corporation	\$ 541,798	\$ 355,936	\$ 70,712	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (115,150)
Albemarle ABC Board	2,248,556	2,299,033	-	-	-	-	-	-	-	50,477
<b>Total component units</b>	<b>\$ 2,790,354</b>	<b>\$ 2,654,969</b>	<b>\$ 70,712</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(64,673)</b>
<b>General revenues</b>										
<b>Taxes</b>										
Property taxes, levied for general purposes				5,540,371			5,540,371			45,199
Other taxes and licenses				4,254,430			4,254,430			-
Unrestricted investment earnings				18,135		25,971	44,106			237
Miscellaneous revenues				190,296		1,226,215	1,416,511			23,243
<b>Transfers</b>				<b>1,190,000</b>		<b>(1,190,000)</b>	<b>-</b>			<b>-</b>
<b>Total general revenues and transfers</b>				<b>11,193,232</b>		<b>62,186</b>	<b>11,255,418</b>			<b>68,679</b>
Change in net assets				352,655		(843,804)	(491,149)			4,006
<b>Net assets, beginning</b>				<b>17,643,464</b>		<b>53,530,493</b>	<b>71,173,957</b>			<b>2,145,771</b>
<b>Net assets, end of year</b>				<b>\$ 17,996,119</b>		<b>\$ 52,686,689</b>	<b>\$ 70,682,808</b>			<b>\$ 2,149,777</b>

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

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2012**

**Exhibit 3**

	Major Fund		Total Non-Major Funds	Total Governmental Funds
	General	City Hall Capital Project Fund		
<b>Assets</b>				
Cash and cash equivalents	\$ 6,717,919	\$ -	\$ 90,432	\$ 6,808,351
Receivables, net				
Taxes	666,181	-	-	666,181
Accounts	297,207	22,926	-	320,133
Due from other governments	1,123,802	-	35,822	1,159,624
Due from other funds	35,822	-	-	35,822
Inventories	24,313	-	-	24,313
Prepaid expenses	91,487	-	-	91,487
Note receivable	800,000	-	-	800,000
<b>Total assets</b>	<b>\$ 9,756,731</b>	<b>\$ 22,926</b>	<b>\$ 126,254</b>	<b>\$ 9,905,911</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 734,149	\$ -	\$ -	\$ 734,149
Deposits	1,400	-	-	1,400
Due to other funds	1,011,042	-	35,822	1,046,864
Deferred revenue	666,181	-	-	666,181
Unearned revenue	1,194,700	-	-	1,194,700
<b>Total liabilities</b>	<b>3,607,472</b>	<b>-</b>	<b>35,822</b>	<b>3,643,294</b>
<b>Fund balances</b>				
<b>Nonspendable</b>				
Inventories	24,313	-	-	24,313
<b>Restricted</b>				
Stabilization by State Statute	1,421,009	-	-	1,421,009
Streets - Powell Bill	375,678	-	-	375,678
<b>Committed</b>				
Economic development	-	22,926	-	22,926
<b>Assigned</b>				
Subsequent year's expenditures	266,700	-	-	266,700
Unassigned	4,061,559	-	90,432	4,151,991
<b>Total fund balances</b>	<b>6,149,259</b>	<b>22,926</b>	<b>90,432</b>	<b>6,262,617</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,756,731</b>	<b>\$ 22,926</b>	<b>\$ 126,254</b>	<b>\$ 9,905,911</b>

Reconciliation of fund balance as reported in the balance sheet - governmental funds with net assets - governmental activities		
Fund balance as reported in the balance sheet - governmental funds		\$ 6,262,617
Amounts reported for governmental activities in the statement of net assets are different because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		15,779,333
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		666,181
Compensated absences not expected to be materially liquidated with expendable available resources		(573,187)
Net pension obligations		(441,976)
Other postemployment benefits		(1,179,993)
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		(2,516,856)
<b>Net assets of governmental activities</b>		<b>\$ 17,996,119</b>

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

## GOVERNMENTAL FUNDS

For the Year Ended June 30, 2012

	Major Fund		Total Non-Major Funds	Total Governmental Funds
	General	City Hall Capital Project Fund		
<b>Revenues</b>				
Ad valorem taxes	\$ 5,512,617	\$ -	\$ -	\$ 5,512,617
Other taxes and licenses	422,060	-	-	422,060
Unrestricted intergovernmental	3,832,745	-	-	3,832,745
Restricted intergovernmental	737,001	-	11,871	748,872
Permits and fees	41,873	-	-	41,873
Sales and services	1,184,288	-	-	1,184,288
Investment earnings	15,259	2,876	-	18,135
Miscellaneous	144,783	-	45,513	190,296
<b>Total revenues</b>	<b>11,890,626</b>	<b>2,876</b>	<b>57,384</b>	<b>11,950,886</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,490,441	-	-	1,490,441
Public safety	6,208,346	-	-	6,208,346
Public works	1,829,798	-	-	1,829,798
Environmental protection	1,157,169	-	-	1,157,169
Economic and physical development	-	-	2,640	2,640
Cultural and recreation	1,226,130	-	-	1,226,130
<b>Debt service:</b>				
Principal	344,665	-	-	344,665
Interest	102,899	-	-	102,899
<b>Capital outlay</b>	<b>-</b>	<b>-</b>	<b>41,547</b>	<b>41,547</b>
<b>Total expenditures</b>	<b>12,359,448</b>	<b>-</b>	<b>44,187</b>	<b>12,403,635</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(468,822)</b>	<b>2,876</b>	<b>13,197</b>	<b>(452,749)</b>
<b>Other financing sources (uses)</b>				
Transfers from other funds	1,215,000	-	21,638	1,236,638
Transfers to other funds	(36,634)	-	(10,004)	(46,638)
Debt proceeds	903,100	-	-	903,100
<b>Total other financing sources (uses)</b>	<b>2,081,466</b>	<b>-</b>	<b>11,634</b>	<b>2,093,100</b>
<b>Net change in fund balances</b>	<b>1,612,644</b>	<b>2,876</b>	<b>24,831</b>	<b>1,640,351</b>
<b>Fund balances - beginning</b>	<b>4,536,615</b>	<b>20,050</b>	<b>65,601</b>	<b>4,622,266</b>
<b>Fund balances - end of year</b>	<b>\$ 6,149,259</b>	<b>\$ 22,926</b>	<b>\$ 90,432</b>	<b>\$ 6,262,617</b>

**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, 2012**

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

Net changes in fund balances - total governmental funds \$ 1,640,351

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	362,289
Depreciation	(908,993)
Asset transfers	(3,244)

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	27,754
Other deferred revenues	(375)

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	(3,055)
Current pension cost	(2,775)
Other postemployment benefits	(200,862)

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

(558,435)

Total changes in net assets of governmental activities

\$ 352,655



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

## GENERAL FUND

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 5,623,350	\$ 5,493,850	\$ 5,512,617	\$ 18,767
Other taxes and licenses	253,100	242,600	422,060	179,460
Unrestricted intergovernmental	3,621,150	3,684,300	3,832,745	148,445
Restricted intergovernmental	636,525	726,575	737,001	10,426
Permits and fees	58,400	54,900	41,873	(13,027)
Sales and services	1,052,434	1,223,550	1,184,288	(39,262)
Investment earnings	62,300	35,000	15,259	(19,741)
Miscellaneous	95,591	43,494	144,783	101,289
<b>Total revenues</b>	<b>11,402,850</b>	<b>11,504,269</b>	<b>11,890,626</b>	<b>386,357</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,479,549	1,561,609	1,490,441	71,168
Public safety	6,310,250	7,134,319	6,208,346	925,973
Public works	2,198,400	2,179,000	1,829,798	349,202
Cultural and recreational	1,178,150	1,215,200	1,226,130	(10,930)
Environmental protection	1,138,000	1,167,000	1,157,169	9,831
<b>Debt service</b>				
Principal	434,550	469,315	344,665	124,650
Interest	114,000	103,865	102,899	966
<b>Total expenditures</b>	<b>12,852,899</b>	<b>13,830,308</b>	<b>12,359,448</b>	<b>1,470,860</b>
<b>Revenues over (under) expenditures</b>	<b>(1,450,049)</b>	<b>(2,326,039)</b>	<b>(468,822)</b>	<b>1,857,217</b>
<b>Other financing sources (uses)</b>				
Transfers from other funds	1,215,000	1,215,000	1,215,000	-
Transfers to other funds	(68,051)	(36,636)	(36,634)	2
Debt proceeds	-	903,100	903,100	-
<b>Total other financing sources (uses)</b>	<b>1,146,949</b>	<b>2,081,464</b>	<b>2,081,466</b>	<b>2</b>
<b>Appropriated fund balance</b>	<b>234,300</b>	<b>244,575</b>	<b>-</b>	<b>(244,575)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,612,644</b>	<b>1,612,644</b>
<b>Fund balance - beginning as previously reported</b>			<b>4,536,615</b>	
<b>Fund balance - end of year</b>			<b>\$ 6,149,259</b>	

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2012**

Exhibit 7

	Major Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 882,644	\$ 5,994,433	\$ 2,819,679	\$ 1,606,665	\$ 11,303,421
Accounts receivable - net	889,251	3,162,423	261,361	5,785	4,318,820
Due from other governments	361,686	-	-	-	361,686
Due from other funds	336,980	1,274,062	-	-	1,611,042
Inventories	409,017	2,348,337	-	-	2,757,354
Deferred charges	1,085	-	-	-	1,085
Prepaid expenses	<u>28,232</u>	<u>52,785</u>	<u>632</u>	<u>947</u>	<u>82,596</u>
Total current assets	<u>2,908,895</u>	<u>12,832,040</u>	<u>3,081,672</u>	<u>1,613,397</u>	<u>20,436,004</u>
Noncurrent assets					
Capital assets					
Land, improvements and construction in progress	2,318,948	31,963	161,691	163,505	2,676,107
Other capital assets, net of depreciation	<u>26,094,964</u>	<u>5,782,560</u>	<u>5,224,061</u>	<u>6,064,108</u>	<u>43,165,693</u>
Total capital assets, net	<u>28,413,912</u>	<u>5,814,523</u>	<u>5,385,752</u>	<u>6,227,613</u>	<u>45,841,800</u>
Total assets	<u>\$ 31,322,807</u>	<u>\$ 18,646,563</u>	<u>\$ 8,467,424</u>	<u>\$ 7,841,010</u>	<u>\$ 66,277,804</u>
<b>Liabilities</b>					
Current liabilities					
Accounts payable and accrued liabilities	\$ 453,016	\$ 2,792,755	\$ 49,391	\$ 25,329	\$ 3,320,491
Customer deposits	188,314	559,024	6,000	42,682	796,020
Due to other funds	-	-	600,000	-	600,000
Compensated absences - current	68,297	65,413	10,544	11,288	155,542
General obligation bonds payable - current	-	-	-	-	-
Installment purchase agreements payable - current	102,054	151,856	277,728	4,743	536,381
Deferred revenue	<u>1,085</u>	<u>-</u>	<u>-</u>	<u>1,937</u>	<u>3,022</u>
Total current liabilities	<u>812,766</u>	<u>3,569,048</u>	<u>943,663</u>	<u>85,979</u>	<u>5,411,456</u>
Noncurrent liabilities					
Accrued landfill closure and postclosure costs	-	-	4,296,548	-	4,296,548
Compensated absences	68,297	65,413	10,545	11,287	155,542
Other postemployment benefits	418,612	266,501	83,723	68,592	837,428
General obligation bonds payable - noncurrent (net)	-	-	-	-	-
Installment purchase agreements payable - noncurrent	<u>1,337,073</u>	<u>1,420,521</u>	<u>124,338</u>	<u>8,208</u>	<u>2,890,140</u>
Total noncurrent liabilities	<u>1,823,982</u>	<u>1,752,435</u>	<u>4,515,154</u>	<u>88,087</u>	<u>8,179,658</u>
Total liabilities	<u>2,636,748</u>	<u>5,321,483</u>	<u>5,458,817</u>	<u>174,066</u>	<u>13,591,114</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	26,974,785	4,242,146	4,983,686	6,214,662	42,415,279
Unrestricted	<u>1,711,273</u>	<u>9,082,934</u>	<u>(1,975,079)</u>	<u>1,452,282</u>	<u>10,271,410</u>
Total net assets	<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>

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2012**

**Exhibit 8**

	Major Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
<b>Operating Revenues</b>					
Charges for sales and services	\$ 6,649,077	\$ 29,995,450	\$ 2,292,726	\$ -	\$ 38,937,253
Rental income	-	-	-	408,352	408,352
Other operating revenues	106,268	1,061,090	1,895	31,343	1,200,596
<b>Total operating revenues</b>	<b>6,755,345</b>	<b>31,056,540</b>	<b>2,294,621</b>	<b>439,695</b>	<b>40,546,201</b>
<b>Operating Expenses</b>					
Administrative	945,950	1,344,485	-	546,653	2,837,088
Customer service	-	174,478	-	-	174,478
Electrical operations	-	2,571,270	-	-	2,571,270
Electric power purchases	-	26,204,571	-	-	26,204,571
Water operations	1,644,165	-	-	-	1,644,165
Sewer operations	1,455,714	-	-	-	1,455,714
Systems division	1,202,514	-	-	-	1,202,514
Tenant services	-	-	-	11,576	11,576
Utilities	-	-	-	370,910	370,910
Ordinary Maintenance and operation	-	-	-	238,360	238,360
General expenses	-	-	-	118,859	118,859
Housing assistance payments	-	-	-	1,268,946	1,268,946
Nonroutine maintenance	-	-	-	31,315	31,315
Landfill operations	-	-	1,824,098	-	1,824,098
Depreciation	1,347,716	595,770	181,188	342,998	2,467,672
<b>Total operating expense</b>	<b>6,596,059</b>	<b>30,890,574</b>	<b>2,005,286</b>	<b>2,929,617</b>	<b>42,421,536</b>
<b>Operating income (loss)</b>	<b>159,286</b>	<b>165,966</b>	<b>289,335</b>	<b>(2,489,922)</b>	<b>(1,875,335)</b>
<b>Nonoperating revenues (expenses)</b>					
Operating grants	-	-	-	2,131,220	2,131,220
Capital grants	40,000	-	-	124,802	164,802
Gain on disposal of assets	4,774	2,825	3,068	-	10,667
Investment earnings	3,106	12,217	2,365	8,283	25,971
Interest and other charges	(30,693)	(56,911)	(38,042)	(435)	(126,081)
Other nonoperating (expenses) income	276	-	-	14,676	14,952
<b>Total nonoperating revenues (expenses)</b>	<b>17,463</b>	<b>(41,869)</b>	<b>(32,609)</b>	<b>2,278,546</b>	<b>2,221,531</b>
<b>Income (loss) before contributions and transfers</b>	<b>176,749</b>	<b>124,097</b>	<b>256,726</b>	<b>(211,376)</b>	<b>346,196</b>
Transfers to other funds	(200,000)	(1,176,549)	(75,000)	-	(1,451,549)
Transfers from other funds	-	25,000	236,549	-	261,549
<b>Change in net assets</b>	<b>(23,251)</b>	<b>(1,027,452)</b>	<b>418,275</b>	<b>(211,376)</b>	<b>(843,804)</b>
<b>Total net assets, beginning</b>	<b>28,709,309</b>	<b>14,352,532</b>	<b>2,590,332</b>	<b>7,878,320</b>	<b>53,530,493</b>
<b>Total net assets, ending</b>	<b>\$ 28,686,058</b>	<b>\$ 13,325,080</b>	<b>\$ 3,008,607</b>	<b>\$ 7,666,944</b>	<b>\$ 52,686,689</b>

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

**Exhibit 9**

	Enterprise Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public	
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 6,237,630	\$ 30,014,265	\$ 2,185,245	\$ 425,322	\$ 38,862,462
Cash paid for goods and services	(2,032,928)	(27,788,726)	(1,000,505)	(2,026,286)	(32,848,445)
Cash paid to employees for services	(3,083,159)	(2,451,410)	(618,363)	(581,756)	(6,734,688)
Customer deposits received	-	43,212	-	4,009	47,221
Customer deposits returned	-	(25,673)	-	(1,358)	(27,031)
Other operating revenues	106,268	1,061,090	1,895	31,343	1,200,596
Net cash provided (used) by operating activities	<u>1,227,811</u>	<u>852,758</u>	<u>568,272</u>	<u>(2,148,726)</u>	<u>500,115</u>
<b>Cash flows from noncapital financing activities:</b>					
Operating grants and subsidies	-	-	-	2,131,220	2,131,220
Due from (to) other funds	42,640	(151,258)	236,549	-	127,931
Transfers from other funds	-	25,000	236,549	-	261,549
Transfers to other funds	(200,000)	(1,176,549)	(75,000)	-	(1,451,549)
Total cash flows from noncapital financing activities	<u>(157,360)</u>	<u>(1,302,807)</u>	<u>398,098</u>	<u>2,131,220</u>	<u>1,069,151</u>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets	(2,038,735)	(283,855)	(249,867)	(70,588)	(2,643,045)
Principal paid on bonds and installment purchase agreements	(119,332)	(151,529)	(444,957)	(4,612)	(720,430)
Interest paid on bonds and installment purchase agreements	(30,693)	(56,911)	(38,042)	(435)	(126,081)
Proceeds from installment financing	564,613	-	-	-	564,613
Proceeds from sale of assets	4,774	-	3,068	-	7,842
Capital grants	40,000	-	-	124,802	164,802
Net cash provided (used) by capital and related financing activities	<u>(1,579,373)</u>	<u>(492,295)</u>	<u>(729,798)</u>	<u>49,167</u>	<u>(2,752,299)</u>
<b>Cash flows from investing activities:</b>					
Interest earned on investments	3,106	12,217	2,365	8,283	25,971
Net increase (decrease) in cash and cash equivalents	(505,816)	(930,127)	238,937	39,944	(1,157,062)
Cash and cash equivalents at beginning of year	1,388,460	6,924,560	2,580,742	1,566,721	12,460,483
Cash and cash equivalents at end of year	<u>\$ 882,644</u>	<u>\$ 5,994,433</u>	<u>\$ 2,819,679</u>	<u>\$ 1,606,665</u>	<u>\$ 11,303,421</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income (loss)	<u>\$ 159,286</u>	<u>\$ 165,966</u>	<u>\$ 289,335</u>	<u>\$ (2,489,922)</u>	<u>\$ (1,875,335)</u>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>					
Depreciation	1,347,716	595,770	181,188	342,998	2,467,672
Other nonoperating income (expense)	276	2,825	-	14,676	17,777
<b>Changes in assets and liabilities:</b>					
(Increase) decrease in accounts receivable	(411,447)	18,815	(107,481)	16,970	(483,143)
(Increase) decrease in prepaid expenses	1,699	2,849	1,099	3,259	8,906
(Increase) decrease in inventory	(8,343)	(104,958)	-	-	(113,301)
Increase (decrease) in accounts payable and accrued liabilities	59,827	89,233	(188,840)	(48,962)	(88,742)
Increase (decrease) in customer deposits	5,058	17,539	-	2,651	25,248
Decrease (increase) in accrued compensated absences	(4,099)	2,683	86	(3,192)	(4,522)
Increase in postemployment benefits	77,838	62,036	21,809	12,590	174,273
Increase in accrued landfill closure and postclosure costs	-	-	371,076	-	371,076
Increase (decrease) in deferred revenues	-	-	-	206	206
Total adjustments	<u>1,068,525</u>	<u>686,792</u>	<u>278,937</u>	<u>341,196</u>	<u>2,375,450</u>
Net cash provided (used) by operating activities	<u>\$ 1,227,811</u>	<u>\$ 852,758</u>	<u>\$ 568,272</u>	<u>\$ (2,148,726)</u>	<u>\$ 500,115</u>

**CITY OF ALBEMARLE, NORTH CAROLINA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
For the Year Ended June 30, 2012**

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*Exhibit 10*

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ <u>580</u>
Liabilities and Net Assets	
Liabilities:	
Miscellaneous liabilities	<u>580</u>
Total liabilities	\$ <u>580</u>

## Notes to the Financial Statements

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**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 assets 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, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**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.

The City reports the following non-major governmental funds:

**Recreation Grant Fund.** This fund is used to account for grant monies restricted for parks and recreation program expenses.

**Safe Routes to School 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.

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

**Morrow Chase CDBG Fund.** This fund accounts for grant monies restricted for water/sewer and street improvements.

**Snyder Greenway Capital Project Fund.** This fund accounts for grant monies to facilitate the Snyder Greenway redevelopment project.



**CITY OF ALBEMARLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**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, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. 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 are both restricted and unrestricted net assets 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.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

**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, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

**E. Assets, Liabilities 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.

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 1<sup>st</sup>, 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, 2011. 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, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012**

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

**E. Assets, Liabilities 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, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

**E. Assets, Liabilities 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. 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 assets. 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 are reported as deferred charges and amortized over the term of the related debt.

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

**CITY OF ALBEMARLE, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012**

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

**E. Assets, Liabilities and Fund Equity (Continued)**

9. Compensated Absences

The vacation policies of the City provide for the accumulation of up to two hundred (200) hours earned vacation leave with such leave being fully vested when earned. The number of maximum accumulated days depends on years of service. For the City's government-wide and proprietary funds an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Albemarle Downtown Development Corporation has no specific policy regarding accrual of earned vacation leave. The ADDC has no liability for unused vacation leave at June 30, 2012.

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

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

10. Net Assets/Fund Balances

*Net Assets*

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

**Non-spendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories – portion of fund balance that is not 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)].

**CITY OF ALBEMARLE, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012**

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

**E. Assets, Liabilities and Fund Equity (Continued)**

10. Net Assets/Fund Balances (Continued)

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.

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**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 ACDD, 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, 2012, the City's deposits had a carrying amount of \$17,529,101 and a bank balance of \$17,709,255. Of the bank balance, \$1,451,629 was covered by federal depository insurance and \$16,257,626 was covered by collateral held under the pooling method. At June 30, 2012, the City's petty cash fund totaled \$3,008. The carrying amount of the deposits for the ADDC was \$65,564 and a bank balance of \$65,564. Of the bank balance \$65,564 was covered by federal depository insurance. The carrying amount of deposits for the ABC Board was \$75,279 and a bank balance of \$130,554. Of the bank balance, the entire balance was covered by federal depository insurance. At June 30, 2012, the ABC Board's petty cash fund totaled \$2,343.

2. Investments

At June 30, 2012, the City of Albemarle had \$603,169 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 Assets are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	<u>\$143,000</u>



**CITY OF ALBEMARLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**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, 2012, 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	\$ 2,656,145	\$ 84,869	\$ -	\$ 2,741,014
Construction in progress	1,383,635	77,651	1,369,385	91,901
Total capital assets not being depreciated	<u>4,039,780</u>	<u>162,520</u>	<u>1,369,385</u>	<u>2,832,915</u>
Capital assets being depreciated				
Buildings	9,044,256	994,756	-	10,039,012
Other improvements	655,482	-	-	655,482
Infrastructure	5,400,846	386,558	-	5,787,404
Equipment and furnishings	1,879,580	129,083	8,000	2,000,664
Mobile Equipment	4,071,630	104,749	139,269	4,037,109
Total capital assets being depreciated	<u>21,051,794</u>	<u>1,615,146</u>	<u>147,269</u>	<u>22,519,671</u>
Less accumulated depreciation				
Buildings	2,387,905	345,563	-	2,733,468
Other improvements	322,115	32,891	-	355,006
Infrastructure	1,753,630	162,536	-	1,916,166
Equipment and furnishings	1,134,796	170,381	4,756	1,300,422
Mobile equipment	3,163,847	243,614	139,269	3,268,192
Total accumulated depreciation	<u>8,762,293</u>	<u>\$ 954,985</u>	<u>\$ 144,025</u>	<u>9,573,254</u>
Total capital assets being depreciated – net	<u>12,289,501</u>			<u>12,946,418</u>
Total Governmental Activities				
Capital assets – net	<u>\$ 16,329,281</u>			<u>\$ 15,779,333</u>

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

General government	\$ 320,090
Public safety	228,740
Public works	207,822
Recreation	<u>152,341</u>
Total depreciation expense	<u>\$ 908,993</u>

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**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>
<b>Business-type activities</b>				
<b>Water and Sewer Fund</b>				
Capital assets not being depreciated				
Land	\$ 139,933	\$ -	\$ -	\$ 139,933
Construction in progress	479,621	1,699,394	-	2,179,015
Total capital assets not being depreciated	<u>619,554</u>	<u>1,699,394</u>	<u>-</u>	<u>2,318,948</u>
Capital assets being depreciated				
Buildings	34,862,980	23,043	-	34,886,022
Water and sewer lines	29,315,809	44,945	-	29,360,754
Equipment and vehicles	3,485,276	271,354	51,162	3,705,468
Total capital assets being depreciated	<u>67,664,065</u>	<u>-</u>	<u>51,162</u>	<u>67,952,244</u>
Less accumulated depreciation				
Buildings	18,617,525	592,708	-	19,210,233
Water and sewer lines	19,515,343	596,366	-	20,111,709
Equipment and vehicles	2,427,858	158,642	51,162	2,535,338
Total accumulated depreciation	<u>40,560,726</u>	<u>\$ 1,347,717</u>	<u>\$ 51,162</u>	<u>41,857,280</u>
Total capital assets being depreciated – net	<u>27,103,339</u>			<u>26,094,964</u>
<b>Water and Sewer Fund</b>				
Capital Assets – net	<u>27,722,893</u>			<u>28,413,912</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type activities</b>				
<b>Electric Fund</b>				
Capital assets not being depreciated				
Land	\$ 31,963	\$ -	\$ -	\$ 31,963
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>31,963</u>	<u>-</u>	<u>-</u>	<u>31,963</u>
Capital assets being depreciated				
Buildings	5,152,584	-	138,000	5,014,584
Distribution lines	17,998,779	-	-	17,998,779
Equipment and vehicles	2,344,388	283,855	13,569	2,614,674
Total capital assets being depreciated	<u>25,495,751</u>	<u>283,855</u>	<u>151,569</u>	<u>25,628,037</u>
Less accumulated depreciation				
Buildings	1,377,500	203,362	138,000	1,442,862
Distribution lines	16,386,112	246,191	-	16,632,303
Equipment and vehicles	1,637,664	146,217	13,569	1,770,312
Total accumulated depreciation	<u>19,401,276</u>	<u>\$ 595,770</u>	<u>\$ 151,569</u>	<u>19,845,477</u>
Total capital assets being depreciated – net	<u>6,094,475</u>			<u>5,782,560</u>
<b>Electric Fund Capital</b>				
Assets – net	<u>6,126,438</u>			<u>5,814,523</u>

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**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>
<b>Business-type activities</b>				
<b>Landfill Fund</b>				
Capital assets not being depreciated				
Land	\$ 159,691	\$ -	\$ -	\$ 159,691
Construction in progress	<u>3,905,395</u>	<u>186,106</u>	<u>4,089,501</u>	<u>2,000</u>
Total capital assets not being depreciated	<u>4,065,086</u>	<u>186,106</u>	<u>4,089,501</u>	<u>161,691</u>
Capital assets being depreciated				
Buildings	211,174	547,557	-	758,732
Landfill cell construction	3,148,443	3,541,943	-	6,690,386
Equipment and vehicles	<u>2,625,551</u>	<u>63,761</u>	<u>6,894</u>	<u>2,682,417</u>
Total capital assets being depreciated	<u>5,985,168</u>	<u>4,153,261</u>	<u>6,894</u>	<u>10,131,536</u>
Less accumulated depreciation				
Buildings	67,119	23,206	-	90,324
Landfill cell construction	3,087,432	2,114	-	3,089,546
Equipment and vehicles	<u>1,578,630</u>	<u>155,868</u>	<u>6,894</u>	<u>1,727,604</u>
Total accumulated depreciation	<u>4,733,181</u>	<u>\$ 181,188</u>	<u>\$ 6,894</u>	<u>4,907,474</u>
Total capital assets being depreciated – net	<u>1,251,987</u>			<u>5,224,061</u>
<b>Landfill Fund Capital Assets – net</b>	<u>5,317,073</u>			<u>5,385,752</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type activities</b>				
<b>Department of Public Housing</b>				
Capital assets not being depreciated				
Land	\$ 163,505	\$ -	\$ -	\$ 163,505
Construction in progress	<u>813,353</u>	<u>62,433</u>	<u>875,788</u>	<u>-</u>
Total capital assets not being depreciated	<u>976,860</u>	<u>62,433</u>	<u>875,788</u>	<u>163,505</u>
Capital assets being depreciated				
Buildings	9,629,959	233,434	-	9,863,393
Improvements	593,407	431,966	-	1,025,374
Equipment	<u>315,482</u>	<u>218,543</u>	<u>14,320</u>	<u>519,705</u>
Total capital assets being depreciated	<u>10,538,848</u>	<u>883,943</u>	<u>14,320</u>	<u>11,408,471</u>
Less accumulated depreciation				
Buildings	4,520,524	259,491	-	4,780,015
Improvements	308,507	23,242	-	331,749
Equipment	<u>186,654</u>	<u>60,265</u>	<u>14,320</u>	<u>232,599</u>
Total accumulated depreciation	<u>5,015,685</u>	<u>\$ 342,998</u>	<u>\$ 14,320</u>	<u>5,344,363</u>
Total capital assets being depreciated – net	<u>5,523,163</u>			<u>6,064,108</u>
<b>Department of Public Housing Capital Assets – net</b>	<u>6,500,023</u>			<u>6,227,613</u>
<b>Business-type Activities Capital Assets, net</b>	<u>\$ 45,666,427</u>			<u>\$ 45,841,800</u>

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**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, 2012, 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	17,709	-	16,133	1,576
Total capital assets being depreciated	<u>926,487</u>	<u>-</u>	<u>16,133</u>	<u>910,354</u>
Less accumulated depreciation				
Buildings	265,728	25,972	-	291,700
Equipment and vehicles	17,709	-	16,133	1,576
Total accumulated depreciation	<u>283,437</u>	<u>\$ 25,972</u>	<u>\$ 16,133</u>	<u>293,276</u>
Depreciable assets, net	<u>643,050</u>			<u>617,078</u>
<b>Total ADDC Board capital assets, net</b>	<u>\$ 759,473</u>			<u>\$ 733,501</u>

Activity for the ABC Board for the year ended June 30, 2012, 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	182,514	950	-	183,464
Total capital assets being depreciated	<u>1,218,054</u>	<u>950</u>	<u>-</u>	<u>1,219,004</u>
Less accumulated depreciation				
Buildings	161,758	27,004	-	188,762
Equipment and furniture	111,967	16,129	-	128,096
Total accumulated depreciation	<u>273,725</u>	<u>\$ 43,133</u>	<u>\$ -</u>	<u>316,858</u>
Depreciable assets, net	<u>944,329</u>			<u>902,146</u>
<b>Total ABC Board capital assets, net</b>	<u>\$ 1,205,746</u>			<u>\$ 1,163,563</u>

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities**

1. Payables

Payables at the government-wide level at June 30, 2012, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General	\$ 591,385	\$ 142,764	\$ 734,149
Other governmental	<u>-</u>	<u>-</u>	<u>-</u>
Total - governmental activities	<u>\$ 591,385</u>	<u>\$ 142,764</u>	<u>\$ 734,149</u>
Business-type activities:			
Water and sewer fund	\$ 405,128	\$ 47,888	\$ 453,016
Electric fund	2,753,845	38,910	2,792,755
Landfill fund	39,198	10,193	49,391
Department of public housing	<u>15,394</u>	<u>9,935</u>	<u>25,329</u>
Total - Business-type activities	<u>\$ 3,213,565</u>	<u>\$ 106,926</u>	<u>\$ 3,320,491</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 8.17% 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, 2012, 2011, and 2010 were \$751,070, \$688,077, and \$534,471, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2012, 2011 and 2010 were \$12,931, \$12,337, and \$9,243, 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, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**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, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>47</u>
Total	<u>55</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, 2011 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, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**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	\$ 128,560
Interest on net pension obligation	21,960
Adjustment to annual required contribution	<u>(26,201)</u>
Annual pension cost	\$ 124,319
Contributions made	<u>121,544</u>
Increase (decrease) in net pension obligation	2,775
Net pension obligation beginning of fiscal year	<u>439,201</u>
Net pension obligation end of fiscal year	<u>\$ 441,976</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>
6/30/2010	\$ 106,672	77.51%	\$410,298
6/30/2011	\$ 131,649	78.05%	\$439,201
6/30/2012	\$ 124,319	97.77%	\$441,976

*Funded Status and Funding Progress*

As of December 31 2011, 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 \$1,382,946. The covered payroll (annual payroll of active employees covered by the plan) was \$1,986,058, and the ratio of the UAAL to the covered payroll was 69.63 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, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**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, 2012 were \$168,121, which consisted of \$90,257 from the City and \$77,864 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 \$14,904 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, 2012. 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, 2011, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	30	10
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	222	47
Total	252	57



**CITY OF ALBEMARLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**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 47.70% of annual covered payroll. For the current year, the City contributed \$342,165 or 3.22% 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 47.70% and 47.70% 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	\$ 714,366
Interest on net OPEB obligation	65,691
Adjustment to annual required contribution	<u>(62,756)</u>
Annual OPEB cost (expense)	717,301
Contributions made	<u>342,165</u>
Increase (decrease) in net OPEB obligation	375,136
Net OPEB obligation, beginning of year	<u>1,642,286</u>
Net OPEB obligation, end of year	<u>\$ 2,017,422</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

<u>For Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 773,721	6.94%	\$ 1,146,091
2011	778,045	36.2%	1,642,286
2012	717,301	47.70%	2,017,422

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**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, 2011, 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 \$7,895,663. The covered payroll (annual payroll of active employees covered by the plan) was \$10,607,572, and the ratio of the UAAL to the covered payroll was 74.4 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, 2011 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 9.50 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, 2011, 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, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

3. Deferred/Unearned Revenues

The balance in deferred or unearned revenues at year-end is composed of the following:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid privilege licenses (General)	\$ -	\$ 394,700
Note receivable (General)	-	800,000
Taxes receivable, net (General)	666,181	-
Prepaid rents (Business-type Funds)	-	3,022
	<u>\$ 666,181</u>	<u>\$ 1,197,722</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, 2012, 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, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**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.	\$ 778,943	\$ -
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.	61,620	-
In October of 2007, the City entered into an installment contract to finance a Trashmaster (equipment) at the landfill. The obligation is to be repaid in twenty quarterly payments of \$35,665, including interest at 3.49%, secured by the equipment.	-	35,356
In December 2007, the City entered into an installment contract to finance a Vacuum Truck in Public Works. The obligation is to be repaid in twenty quarterly payments of \$11,763, including interest at 3.08%, secured by the equipment.	22,906	-
In January 2008, the City entered into an installment contract to finance the expansion of the Landfill. The obligation is to be repaid in twenty quarterly payments of principal at \$65,000, and interest at 2.98%, secured by other Landfill equipment.	-	195,000
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.	1,540,000	2,310,000
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.	68,059	-
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.	45,328	84,451
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.	-	237,372

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

6. Long-Term Obligations

a. Installment Purchases continued

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.

	-	<u>564,613</u>
Total Installment Purchases	<u>\$ 2,516,856</u>	<u>\$ 3,426,792</u>

The future minimum payments of the installment purchase contracts as of June 30, 2012, 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>
2013	\$ 347,194	\$ 68,918	\$ 536,864	\$ 85,765
2014	314,026	59,808	309,112	72,700
2015	283,498	51,722	300,813	62,774
2016	273,913	43,590	227,518	54,206
2017	269,770	34,654	210,000	45,703
2018-22	888,455	92,944	1,050,000	137,788
2023-27	<u>140,000</u>	<u>3,127</u>	<u>792,485</u>	<u>-</u>
Totals	<u>\$2,516,856</u>	<u>\$ 354,763</u>	<u>\$3,426,792</u>	<u>\$ 458,936</u>

At June 30, 2012 the City's legal debt margin is \$ 78,821,773.

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, 2012:

	<u>Balance</u>				<u>Current</u>
	<u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2012</u>	<u>Portion of</u>
					<u>Balance</u>
Governmental activities:					
Installment purchases	\$ 1,958,421	\$ 903,100	\$ 344,665	\$ 2,516,856	\$ 347,194
Compensated absences	570,132	313,093	310,038	518,187	286,594
Net pension obligation	439,201	2,775	-	441,976	-
Other postemployment benefits	<u>979,131</u>	<u>200,862</u>	<u>-</u>	<u>1,179,993</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$ 3,946,885</u>	<u>\$ 1,419,830</u>	<u>\$ 654,703</u>	<u>\$ 4,712,012</u>	<u>\$ 633,788</u>
Business-type activities:					
Installment purchases	3,582,337	564,613	720,158	3,426,792	536,864
Compensated absences	315,606	180,915	185,437	311,084	155,542
Other postemployment benefits	<u>663,155</u>	<u>174,274</u>	<u>-</u>	<u>837,429</u>	<u>-</u>
Business-type activity					
Long-term liabilities	<u>\$ 4,561,098</u>	<u>\$ 919,802</u>	<u>\$ 905,595</u>	<u>\$ 4,575,305</u>	<u>\$ 692,406</u>

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

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**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>
2013	8,034	3,257
2014	8,456	2,840
2015	8,899	2,416
2016	9,363	1,992
Thereafter	<u>19,978</u>	<u>3,217</u>
	<u>\$ 54,730</u>	<u>\$ 13,722</u>

**C. Interfund Balances and Activity**

1. Transfers to/from other funds: Transfers to/from other funds at June 30, 2012, consist of the following:

From the General Fund to the Electric Fund for operating expenditures.	25,000
From the General Fund to the CDG Morrow Chase Project Fund for operating expenditures.	1,791
From the Water and Sewer Fund to the Waste Water Treatment Improvements Project Fund for operating expenditures.	500,000
From the Recreation Grant Fund to the General Fund for capital expenditures.	10,004
From the Water and Sewer Fund to the General Fund for operating expenditures.	200,000
From the Electric Fund to the Landfill Fund for operating expenditures.	236,549
From the General Fund to the Synder Greenway Project Fund for operating expenditures.	19,847
From the Water and Sewer Fund to the Water and Sewer (CKA) Project Fund for operating expenditures.	63,550
From the Electric Fund to the General Fund for operating expenditures.	250,000
From the Landfill Fund to the General Fund for operating expenditures.	75,000
From the Electric Fund to the General Fund for payment in lieu of taxes.	690,000

**CITY OF ALBEMARLE, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2012**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**C. Interfund Balances and Activity (Continued)**

1. Transfers to/from other funds (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	336,980
Electric Fund	General Fund to fund operations	674,062
Electric Fund	Landfill Fund to fund operations	600,000
General Fund	Safe Routes to School Grant Fund	35,822

**D. On-Behalf Payments for Fringe Benefits and Salaries**

For the fiscal year ended June 30, 2012, the City of Albemarle has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$ 14,904 for the 39 employed fireman who perform firefighting duties for the town'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, 2012 were \$26,204,571.

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**NOTE 3 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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, 2012.

**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.

**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 \$4,296,548 reported as landfill closure and postclosure care liability at June 30, 2012 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, 2012:

Old Landfill	\$2,489,410
New Landfill	<u>1,807,138</u>
	<u>\$4,296,548</u>

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

**NOTE 6 – FUND BALANCE**

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

Total fund balance – General fund	<u>\$6,149,259</u>
Inventories	24,313
Stabilization by State Statute	1,421,009
Streets – Powell Bill	375,678
Appropriated fund balance in 2013 budget	266,700
Working Capital/Fund balance policy	-
Remaining fund balance	4,061,559



## Required Supplemental Financial Data

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

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- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of 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**

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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
12/31/2006	-	762,195	762,195	0%	1,817,640	41.93%
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%

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

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Year Ended <u>June 30</u>	Annual Required <u>Contributions</u>	Percentage <u>Contributed</u>
2010	\$ 106,672	77.51%
2011	\$ 131,649	78.05%
2012	\$ 124,319	97.77%

**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, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 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%

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

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<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	773,721	6.94%
2011	778,045	36.20%
2012	717,301	47.70%

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**Notes to the Required Schedules:**

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

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.0%
Medical cost trend	9.50% - 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.

**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, 2012**

**Exhibit A-1**  
**Page 1 of 5**

	2012		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues</b>			
Ad valorem taxes			
Current year	\$ -	\$ 5,313,961	\$ -
Prior years	-	153,966	-
Penalties and interest	-	44,690	-
Total	<u>5,493,850</u>	<u>5,512,617</u>	<u>18,767</u>
Other taxes and licenses			
Gross receipts tax on short-term rental property	-	18,426	-
Local occupancy tax	-	97,767	-
Privilege licenses	-	305,867	-
Total	<u>242,600</u>	<u>422,060</u>	<u>179,460</u>
Unrestricted intergovernmental revenues			
Local option sales tax	-	2,642,711	-
Franchise tax	-	751,729	-
Telecommunications tax	-	193,233	-
Video programming fees	-	128,252	-
Piped natural gas tax	-	47,774	-
Beer and wine tax	-	69,046	-
Total	<u>3,684,300</u>	<u>3,832,745</u>	<u>148,445</u>
Restricted intergovernmental revenue			
ABC - law enforcement	-	5,701	-
Powell Bill allocation	-	513,190	-
Federal grants	-	2,500	-
Drug tax distribution	-	8,361	-
ABC Senate Bill Distribution	-	106,000	-
Schools	-	86,345	-
On-behalf payments - fire	-	14,904	-
Total	<u>726,575</u>	<u>737,001</u>	<u>10,426</u>
Permits and fees			
Fire Department fees	-	28,031	-
Housing fees	-	6,875	-
Inspection and rezoning fees	-	6,445	-
Nuisance abatements	-	522	-
Total	<u>54,900</u>	<u>41,873</u>	<u>(13,027)</u>



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

## BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2012

	2012		Variance Positive (Negative)
	Budget	Actual	
Revenues (continued)			
Sales and service			
Court costs and fees	-	975	-
Refuse collection fees	-	1,099,162	-
Cultural and recreational fees	-	84,151	-
Total	<u>1,223,550</u>	<u>1,184,288</u>	<u>(39,262)</u>
Investment earnings	<u>35,000</u>	<u>15,259</u>	<u>(19,741)</u>
Miscellaneous			
Miscellaneous	-	54,766	-
Sale of surplus property	-	2,070	-
Sale of fixed assets	-	8,017	-
Rental revenue	-	11,309	-
Contributions	-	59,422	-
Insurance reimbursement	-	9,199	-
Total	<u>43,494</u>	<u>144,783</u>	<u>101,289</u>
Total revenues	<u>11,504,269</u>	<u>11,890,626</u>	<u>386,357</u>
Expenditures			
General government			
Administration			
Salaries and employee benefits	-	205,177	-
Other operating expenditures	-	262,360	-
Total	<u>485,750</u>	<u>467,537</u>	<u>18,213</u>
Information systems			
Salaries and employees benefits	-	62,653	-
Other operating expenditures	-	81,890	-
Capital outlay	-	32,521	-
Total	<u>180,050</u>	<u>177,064</u>	<u>2,986</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, 2012**

**Exhibit A-1**  
**Page 3 of 5**

	2012		Variance Positive (Negative)
	Budget	Actual	
Expenditures (Continued)			
General government (continued)			
Engineering			
Salaries and employees benefits	-	17,457	-
Other operating expenditures	-	6,446	-
Total	<u>36,700</u>	<u>23,903</u>	<u>12,797</u>
Human resources			
Salaries and employee benefits	-	63,825	-
Other operating expenditures	-	35,234	-
Total	<u>100,150</u>	<u>99,059</u>	<u>1,091</u>
Finance			
Salaries and employee benefits	-	130,519	-
Other operating expenditures	-	184,707	-
Total	<u>331,350</u>	<u>315,226</u>	<u>16,124</u>
Community Development			
Salaries and employee benefits	-	273,853	-
Other operating expenditures	-	133,799	-
Total	<u>427,609</u>	<u>407,652</u>	<u>19,957</u>
Total general government	<u>1,561,609</u>	<u>1,490,441</u>	<u>71,168</u>
Public Safety			
Police			
Salaries and employee benefits	-	2,911,734	-
School resource officers	-	149,296	-
Other operating expenditures	-	490,680	-
Capital outlay	-	103,919	-
Total	<u>3,812,150</u>	<u>3,655,629</u>	<u>156,521</u>
Fire department			
Salaries and employee benefits	-	2,161,635	-
Other operating expenditures	-	277,647	-
Fire Marshall	-	76,235	-
Capital outlay	-	37,200	-
Total	<u>3,322,169</u>	<u>2,552,717</u>	<u>769,452</u>
Total public safety	<u>7,134,319</u>	<u>6,208,346</u>	<u>925,973</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, 2012

Exhibit A-1

Page 4 of 5

	2012		Variance Positive (Negative)
	Budget	Actual	
Expenditures (Continued)			
Public works			
Administration			
Salaries and employees benefits	-	156,842	-
Solid waste disposal fee	-	293,583	-
Downtown Services	-	96,976	-
Other operating expenditures	-	52,145	-
Total	<u>682,450</u>	<u>599,546</u>	<u>82,904</u>
Streets and Highways			
Salaries and employee benefits	-	723,706	-
Other operating expenditures	-	330,674	-
Capital outlay	-	6,900	-
Total	<u>1,308,900</u>	<u>1,061,280</u>	<u>247,620</u>
Shop and Warehouse			
Salaries and employee benefits	-	113,443	-
Other operating expenditures	-	55,529	-
Total	<u>187,650</u>	<u>168,972</u>	<u>18,678</u>
Total public works	<u>2,179,000</u>	<u>1,829,798</u>	<u>349,202</u>
Environmental protection			
Solid waste			
Solid waste	-	1,148,640	-
Bad debt expense	-	8,529	-
Total environmental protection	<u>1,167,000</u>	<u>1,157,169</u>	<u>9,831</u>
Cultural and recreation			
Parks and recreation			
Salaries and employee benefits	-	808,287	-
Other operating expenditures	-	277,641	-
Capital outlay	-	140,202	-
Total cultural and recreation	<u>1,215,200</u>	<u>1,226,130</u>	<u>(10,930)</u>
Debt service			
Principal retirement	469,315	344,665	124,650
Interest and fees	103,865	102,899	966
Total debt service	<u>573,180</u>	<u>447,564</u>	<u>125,616</u>
Total expenditures	<u>13,830,308</u>	<u>12,359,448</u>	<u>1,470,860</u>

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

**Exhibit A-1  
Page 5 of 5**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

	2012		Variance Positive (Negative)
	Budget	Actual	
Revenues over (under) expenditures	<u>(2,326,039)</u>	<u>(468,822)</u>	<u>1,857,217</u>
Other financing sources (uses)			
Operating transfers (to) from other funds			
Water and Sewer Fund	200,000	200,000	-
Electric Fund	940,000	940,000	-
Landfill Fund	75,000	75,000	-
CDBG - Morrow Chase	(1,791)	(1,791)	-
Synder Greenway Project Fund	(9,845)	(9,843)	2
Electric Fund	(25,000)	(25,000)	-
Debt proceeds	<u>903,100</u>	<u>903,100</u>	<u>-</u>
Total other financing sources (uses)	<u>2,081,464</u>	<u>2,081,466</u>	<u>2</u>
<b>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>(244,575)</u>	<u>1,612,644</u>	<u>1,857,219</u>
Fund balance appropriated	<u>244,575</u>	<u>-</u>	<u>(244,575)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,612,644</u>	<u>\$ 1,612,644</u>
Fund balance, beginning		<u>4,536,615</u>	
Fund balance, ending		<u>\$ 6,149,259</u>	

CITY OF ALBEMARLE, NORTH CAROLINA  
 CAPITAL PROJECTS FUND  
 CITY HALL

Exhibit A-2

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

From Inception and for the Fiscal Year Ended June 30, 2012

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>REVENUES:</b>					
Investment earnings	\$ 25,000	76,781	\$ 2,876	\$ 79,657	\$ 54,657
Sale of fixed assets	750,000	300,000	-	300,000	\$ (450,000)
Total Revenues	<u>775,000</u>	<u>376,781</u>	<u>2,876</u>	<u>379,657</u>	<u>(395,343)</u>
<b>EXPENDITURES:</b>					
Capital outlay:					
Legal	15,000	17,665	-	17,665	(2,665)
Engineering	742,000	739,117	-	739,117	2,883
Permit fees and testing	115,000	111,242	-	111,242	3,758
Other equipment	635,000	654,620	-	654,620	(19,620)
Construction in progress	9,142,000	8,110,775	-	8,110,775	1,031,225
Environmental remediation	250,000	151,137	-	151,137	98,863
Total expenditures	<u>10,899,000</u>	<u>9,784,556</u>	<u>-</u>	<u>9,784,556</u>	<u>1,114,444</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(10,124,000)</u>	<u>(9,407,775)</u>	<u>2,876</u>	<u>(9,404,899)</u>	<u>719,101</u>
<b>OTHER FINANCING SOURCES:</b>					
Operating transfers from (to):					
General fund	1,750,000	1,818,045	-	1,818,045	68,045
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>9,427,825</u>	<u>-</u>	<u>9,427,825</u>	<u>(696,175)</u>
Net change in fund balance	\$ -	\$ 20,050	2,876	\$ 22,926	\$ 22,926
Fund balance, beginning			20,050		
Fund balance, ending			\$ 22,926		

## Non-major Governmental Funds

***Recreation Grant Fund*** – This fund is used to account for grant monies restricted for parks and recreation program expenses.

***Safe Routes to School Grant Fund*** – This fund is used to account 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.

***Morrow Chase CDBG Fund*** – This fund is used to account for grant monies restricted for water/sewer and street improvements.

***Snyder Greenway Capital Project Fund*** – This fund accounts for grant monies to facilitate the Snyder Greenway Redevelopment Project.

***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, 2012**

**Exhibit B-1**

	Special Revenue Funds										Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds	
	Safe Routes to School Grant Fund	Clean Water Management Trust Grant Fund	Morrow Chase CDBG Fund	Carolina Thread Trail Grant Fund	Snyder Greenway Capital Project Fund	Recreation Grant Fund	Routes to School Grant Fund	Clean Water Management Trust Grant Fund	Morrow Chase CDBG Fund	Carolina Thread Trail Grant Fund				
<b>ASSETS</b>														
Current Assets														
Cash and investments	\$ -	\$ -	\$ 52,957	\$ -	\$ 37,475	\$ 90,432	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,432
Due from other governments	-	35,822	-	-	-	35,822	-	-	-	-	-	-	-	35,822
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 35,822</b>	<b>\$ 52,957</b>	<b>\$ -</b>	<b>\$ 37,475</b>	<b>\$ 126,254</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 126,254</b>
<b>LIABILITIES AND FUND BALANCES</b>														
Liabilities														
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	35,822	-	-	-	35,822	-	-	-	-	-	-	-	35,822
<b>Total liabilities</b>	<b>-</b>	<b>35,822</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,822</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,822</b>
Fund balances														
Reserved by State statute	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Designated for capital projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undesignated	-	-	52,957	-	37,475	90,432	-	-	-	-	-	-	-	90,432
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>52,957</b>	<b>-</b>	<b>37,475</b>	<b>90,432</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90,432</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 35,822</b>	<b>\$ 52,957</b>	<b>\$ -</b>	<b>\$ 37,475</b>	<b>\$ 126,254</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 126,254</b>

**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, 2012**

	Special Revenue Funds										Total Nonmajor Special Revenue Funds	Snyder Greenway Capital Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
	Recreation Grant Fund	Safe Routes to School Grant Fund	Clean Water Management Trust Grant Fund	Morrow Chase CDBG Fund	Carolina Thread Trail Grant Fund									
Revenues														
Restricted intergovernmental investment earnings	\$ -	\$ 37,718	\$ -	\$ (1,062)	\$ 40,575	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (24,785)	\$ (24,785)	\$ -	\$ 52,446
Miscellaneous	-	-	-	-	-	-	-	-	-	-	4,938	4,938	-	4,938
Total revenues	-	37,718	-	(1,062)	40,575	-	-	-	-	-	(19,847)	(19,847)	-	57,384
Expenditures														
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic and physical development	-	-	2,640	-	-	-	-	-	-	-	-	-	-	2,640
Capital outlay	-	37,718	-	729	3,100	-	-	-	-	-	-	-	-	41,547
Total expenditures	-	37,718	2,640	729	3,100	-	-	-	-	-	-	-	-	44,187
Revenues over (under) expenditures	-	-	(2,640)	(1,791)	37,475	-	-	-	-	-	(19,847)	(19,847)	-	13,197
Other financing sources (uses)														
Transfers from other funds														
From (to) General Fund	(10,004)	-	-	1,791	-	-	-	-	-	-	19,847	19,847	-	11,634
(To) from CDBG Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(10,004)	-	-	1,791	-	-	-	-	-	-	19,847	19,847	-	11,634
Net change in fund balances	(10,004)	-	(2,640)	-	37,475	-	-	-	-	-	-	-	-	(12,644)
Fund Balances														
Beginning of year, July 1	10,004	-	55,597	-	-	-	-	-	-	-	-	-	-	65,601
End of year, June 30	\$ -	\$ -	\$ 52,957	\$ -	\$ 37,475	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,432



**CITY OF ALBEMARLE, NORTH CAROLINA**  
**RECREATION GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**From Inception and for the Fiscal Year Ended June 30, 2012**

**Exhibit B-3**

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>Revenues</b>					
Restricted intergovernmental revenues					
N.C. Parks and Recreation Trust Fund - Phase I	\$ 250,000	\$ 250,000	\$ -	\$ 250,000	\$ -
N.C. Parks and Recreation Trust Fund - Phase II	248,918	238,705	-	238,705	(10,213)
N.C. Parks and Recreation Trust Fund	-	29,900	-	29,900	29,900
DOT - Enhancement Grant - Phase I	192,000	200,692	-	200,692	8,692
DOT - Enhancement Grant - Phase II	176,000	17,600	-	17,600	(158,400)
Investment earnings	12,462	25,505	-	25,505	13,043
Miscellaneous	66,705	67,600	-	67,600	895
<b>Total revenues</b>	<b>946,085</b>	<b>830,002</b>	<b>-</b>	<b>830,002</b>	<b>(116,083)</b>
<b>Expenditures</b>					
Economic and physical development					
Leasehold improvements	77,262	75,984	-	75,984	1,278
Capital outlay	1,468,636	1,416,523	-	1,416,523	52,113
<b>Total expenditures</b>	<b>1,545,898</b>	<b>1,492,507</b>	<b>-</b>	<b>1,492,507</b>	<b>53,391</b>
<b>Revenues over (under) expenditures</b>	<b>(599,813)</b>	<b>(662,505)</b>	<b>-</b>	<b>(662,505)</b>	<b>(62,692)</b>
<b>Other financing sources</b>					
Transfers from other funds					
Snyder Greenway Fund	609,818	672,509	-	672,509	62,691
General Fund	(10,005)	-	(10,004)	(10,004)	1
<b>Total other financing sources</b>	<b>599,813</b>	<b>672,509</b>	<b>(10,004)</b>	<b>662,505</b>	<b>62,692</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 10,004</b>	<b>\$ (10,004)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balance</b>					
Beginning of year, July 1			10,004		
End of year, June 30			\$ -		

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**SAFE ROUTES TO SCHOOL GRANT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**From Inception and for the Fiscal Year Ended June 30, 2012**

*Exhibit B-4*

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>Revenues</b>					
Restricted intergovernmental revenues					
State Grant - N.C. Dept. of Transportation	\$ 51,968	\$ 14,250	\$ 37,718	\$ 51,968	\$ -
<b>Expenditures</b>					
Capital outlay					
Legal	502	-	502	502	-
Engineering	15,000	14,250	750	15,000	-
Materials	36,466	-	36,466	36,466	-
Total expenditures	51,968	14,250	37,718	51,968	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fund balance</b>					
Beginning of year, July 1				-	
End of year, June 30			\$ -		

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

*Exhibit B-5*

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>Revenues</b>					
Restricted intergovernmental revenues	\$ 174,000	\$ 150,979	\$ -	\$ 150,979	\$ (23,021)
Total revenues	174,000	150,979	-	150,979	(23,021)
<b>Expenditures</b>					
Capital outlay	40,000	31,599	-	31,599	8,401
Other operating expenditures	224,500	154,283	2,640	156,923	67,577
Total expenditures	264,500	185,882	2,640	188,522	75,978
Revenues over (under) expenditures	(90,500)	(34,903)	(2,640)	(37,543)	52,957
<b>Other financing sources (uses)</b>					
From General Fund	90,500	90,500	-	90,500	-
Net change in fund balance	\$ -	\$ 55,597	\$ (2,640)	52,957	\$ 52,957
<b>Fund balance</b>					
Beginning of year, July 1			55,597		
End of year, June 30			\$ 52,957		

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**MORROW CHASE CDBG FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2012**

**Exhibit B-6**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
CDBG grant	\$ 237,336	\$ 238,397	\$ (1,062)	\$ 237,335	\$ (1)
Total revenues	<u>237,336</u>	<u>238,397</u>	<u>(1,062)</u>	<u>237,335</u>	<u>(1)</u>
Expenditures					
Salaries & benefits	11,502	11,501	-	11,501	1
Administration	6,996	6,996	-	6,996	-
Water & Sewer Improvements	10,299	10,299	-	10,299	-
Street Improvements	<u>248,331</u>	<u>247,602</u>	<u>729</u>	<u>248,331</u>	<u>-</u>
Total expenditures	<u>277,128</u>	<u>276,398</u>	<u>729</u>	<u>277,127</u>	<u>1</u>
Revenues (under) expenditures	<u>(39,792)</u>	<u>(38,001)</u>	<u>(1,791)</u>	<u>(39,792)</u>	<u>-</u>
Other financing sources (uses)					
Transfers from other funds					
From General fund	<u>39,792</u>	<u>38,001</u>	<u>1,791</u>	<u>39,792</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>		
Fund balance, end of year			<u>\$ -</u>		

**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, 2012**

**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	<u>40,575</u>	<u>-</u>	<u>40,575</u>	<u>40,575</u>	<u>-</u>
Expenditures					
Construction in progress	5,575	-	2,500	2,500	3,075
Bridges	15,000	-	-	-	15,000
Rent of equipment	<u>20,000</u>	<u>-</u>	<u>600</u>	<u>600</u>	<u>19,400</u>
Total expenditures	<u>40,575</u>	<u>-</u>	<u>3,100</u>	<u>3,100</u>	<u>37,475</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>37,475</u>	<u>\$ 37,475</u>	<u>\$ 37,475</u>
Fund balance, beginning of year			<u>-</u>		
Fund balance, end of year			<u>\$ 37,475</u>		

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**SNYDER GREENWAY PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2012**

**Exhibit B-8**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
<b>Revenues</b>					
<b>Restricted intergovernmental revenues</b>					
Federal grant - NC dept of transportation	\$ 277,372	\$ 302,157	\$ (24,785)	\$ 277,372	\$ -
Miscellaneous	9,512	4,574	4,938	9,512	-
<b>Total revenues</b>	<b>286,884</b>	<b>306,731</b>	<b>(19,847)</b>	<b>286,884</b>	<b>-</b>
<b>Expenditures</b>					
<b>Public safety</b>					
Legal	300	150	-	150	150
Engineering	35,629	36,227	-	36,227	(598)
Advertising	180	180	-	180	-
Construction	282,879	282,430	-	282,430	449
<b>Total expenditures</b>	<b>318,988</b>	<b>318,987</b>	<b>-</b>	<b>318,987</b>	<b>1</b>
<b>Revenues (under) expenditures</b>	<b>(32,104)</b>	<b>(12,256)</b>	<b>(19,847)</b>	<b>(32,103)</b>	<b>1</b>
<b>Other financing sources (uses)</b>					
<b>Transfers from other funds</b>					
From general fund	22,260	12,256	9,843	22,099	(161)
From Recreation grant fund	9,844	-	10,004	10,004	160
<b>Total other financing sources</b>	<b>32,104</b>	<b>12,256</b>	<b>19,847</b>	<b>32,103</b>	<b>(1)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>
Fund balance, beginning of year			-		
Fund balance, end of year			\$ -		

# Enterprise Funds

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

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

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

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

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

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**For the Fiscal Year Ended June 30, 2012**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues			
Water sales	\$ -	\$ 3,886,095	\$ -
Sewer charges	-	2,745,237	-
Water and sewer taps	-	17,745	-
Miscellaneous	-	106,268	-
<b>Total operating revenues</b>	<u>6,624,400</u>	<u>6,755,345</u>	<u>130,945</u>
Nonoperating revenues			
Interest earned on investments	-	2,916	-
Grant revenues	-	40,000	-
Sale of assets	-	4,774	-
<b>Total nonoperating revenues</b>	<u>51,500</u>	<u>47,690</u>	<u>(3,810)</u>
<b>Total revenues</b>	<u>6,675,900</u>	<u>6,803,035</u>	<u>127,135</u>
<b>Expenditures</b>			
Water and Sewer Administration			
Salaries and employees benefits	-	471,932	-
Postage	-	37,860	-
Contracted services	-	74,632	-
Insurance	-	101,329	-
Uniforms	-	17,279	-
Other operating expenditures	-	169,179	-
<b>Total</b>	<u>878,600</u>	<u>872,211</u>	<u>6,389</u>
Water Treatment Plant			
Salaries and employees benefits	-	853,806	-
Supplies	-	325,410	-
Repairs	-	104,033	-
Contracted services	-	9,208	-
Utilities	-	275,364	-
Fuel	-	5,958	-
Other operating expenditures	-	70,386	-
<b>Total</b>	<u>1,647,681</u>	<u>1,644,165</u>	<u>3,516</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, 2011**

**Exhibit C-1**  
**Page 2 of 3**

	Budget	Actual	Variance Positive (Negative)
Expenditures (continued)			
Sewer Treatment Plant			
Salaries and employees benefits	-	711,068	-
Supplies	-	132,776	-
Repairs	-	42,532	-
Contracted service	-	107,860	-
Utilities	-	338,268	-
Fuel	-	2,074	-
Other operating expenditures	-	121,136	-
Total	<u>1,460,650</u>	<u>1,455,714</u>	<u>4,936</u>
System Division			
Salaries and employee benefits	-	1,046,298	-
Supplies	-	110,380	-
Repairs	-	24,109	-
Utilities	-	9,375	-
Other operating expenditures	-	12,352	-
Total	<u>1,206,400</u>	<u>1,202,514</u>	<u>3,886</u>
Debt Service			
Principal on installment purchases	119,500	119,332	-
Interest and fees	30,900	30,693	-
Total	<u>150,400</u>	<u>150,025</u>	<u>375</u>
Capital Outlay			
Water and sewer administration	-	7,623	-
Water treatment plant	-	186,085	-
Systems division	-	315,853	-
Total	<u>568,619</u>	<u>509,561</u>	<u>59,058</u>
Total expenditures	<u>5,912,350</u>	<u>5,834,190</u>	<u>78,160</u>
Revenues over (under) expenditures	<u>763,550</u>	<u>968,845</u>	<u>205,295</u>
Other financing sources (uses)			
Transfers (to) from other funds			
General fund	(200,000)	(200,000)	-
Waste Water Treatment Improvement project fund	(500,000)	(500,000)	-
Water and Sewer (CKA) project fund	(63,550)	(63,550)	-
Total financing sources (uses) - net	<u>(763,550)</u>	<u>(763,550)</u>	<u>-</u>
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</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, 2011**

**Exhibit C-1  
 Page 3 of 3**

	Budget	Actual	Variance Positive (Negative)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ 205,295	\$ 205,295
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		\$ 205,295	
Payment on installment purchases		119,332	
Capital outlay		509,561	
Depreciation		(1,347,716)	
Decrease in accrued compensated absences		4,099	
Increase in postemployment benefits		(77,838)	
Interest income Sewer Capital Project		190	
Other investment Sewer Capital Project		276	
Transfer from Water and Sewer (CKA) capital project		63,550	
Transfer from Waste Water Treatment Improvements project		500,000	
Total reconciling items		(228,546)	
Change in net assets		\$ (23,251)	

**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, 2012**

**Exhibit C-2**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
<b>Revenues</b>					
Restricted intergovernmental revenues					
Rural Economic Development Grant	\$ 100,000	\$ 100,000	\$ -	\$ 100,000	\$ -
Water and sewer assessments	24,500	19,373	276	19,649	(4,851)
Interest earnings	-	1,548	190	1,738	1,738
<b>Total revenues</b>	<b>124,500</b>	<b>120,921</b>	<b>466</b>	<b>121,387</b>	<b>(3,113)</b>
<b>Expenditures</b>					
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
<b>Total expenditures</b>	<b>345,897</b>	<b>345,458</b>	<b>-</b>	<b>345,458</b>	<b>439</b>
<b>Revenues (under) expenditures</b>	<b>(221,397)</b>	<b>(224,537)</b>	<b>466</b>	<b>(224,071)</b>	<b>(2,674)</b>
<b>Other financing sources (uses)</b>					
Transfers from other funds					
From water and sewer fund	221,397	233,643	-	233,643	12,246
<b>Revenues and other sources (uses)</b> <b>over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 9,106</b>	<b>\$ 466</b>	<b>\$ 9,572</b>	<b>\$ 9,572</b>

**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, 2012**

Exhibit C-3

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
<b>Revenues</b>					
Interest earnings	-	-	-	-	-
<b>Total revenues</b>	-	-	-	-	-
<b>Expenditures</b>					
Engineering	359,710	109,679	177,554	287,233	72,477
<b>Total expenditures</b>	359,710	109,679	177,554	287,233	72,477
<b>Revenues (under) expenditures</b>	(359,710)	(109,679)	(177,554)	(287,233)	72,477
<b>Other financing sources (uses)</b>					
Transfers from other funds					
From water and sewer fund	359,710	159,000	63,550	222,550	(137,160)
<b>Revenues and other sources (uses)</b>					
<b>over (under) expenditures</b>	\$ -	\$ 49,321	\$ (114,004)	\$ (64,683)	\$ (64,683)

**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, 2012**

Exhibit C-4

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
<b>Revenues</b>					
Restricted intergovernmental revenues					
Rural Economic Development Grant	1,000,000	-	-	-	(1,000,000)
<b>Total revenues</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,000,000)</b>
<b>Expenditures</b>					
Legal	50,000	-	-	-	50,000
Engineering	367,745	-	375,037	375,037	(7,292)
Administration	75,000	-	58,274	58,274	16,726
Other professional services	125,000	-	67,293	67,293	57,707
Building	4,204,500	369,942	851,017	1,220,959	2,983,541
Contingency	250,000	-	-	-	250,000
<b>Total expenditures</b>	<b>5,072,245</b>	<b>369,942</b>	<b>1,351,621</b>	<b>1,721,563</b>	<b>3,350,682</b>
<b>Revenues (under) expenditures</b>	<b>(4,072,245)</b>	<b>(369,942)</b>	<b>(1,351,621)</b>	<b>(1,721,563)</b>	<b>2,350,682</b>
<b>Other financing sources (uses)</b>					
Transfers from other funds					
From water and sewer fund	1,072,245	500,000	500,000	1,000,000	(72,245)
Debt proceeds	3,000,000	-	564,613	564,613	(2,435,387)
<b>Other financing sources (uses) Total</b>	<b>4,072,245</b>	<b>500,000</b>	<b>1,064,613</b>	<b>1,564,613</b>	<b>(2,507,632)</b>
<b>Revenues and other sources (uses)</b> <b>over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 130,058</b>	<b>\$ (287,008)</b>	<b>\$ (156,950)</b>	<b>\$ (156,950)</b>

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**For the Year Ended June 30, 2012**

**Exhibit C-5**  
**Page 1 of 2**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues			
Residential sales	\$ -	\$ 14,242,611	\$ -
Commercial and industrial sales	-	14,819,970	-
Sales to City Departments	-	932,869	-
Total charges for services	<u>29,434,000</u>	<u>29,995,450</u>	<u>561,450</u>
Other operating revenues	<u>947,555</u>	<u>1,061,090</u>	<u>113,535</u>
Total operating revenues	<u>30,381,555</u>	<u>31,056,540</u>	<u>674,985</u>
Nonoperating revenues			
Interest earned on investments	-	12,217	-
Sale of assets	-	2,825	-
Total nonoperating revenues	<u>32,000</u>	<u>15,042</u>	<u>(16,958)</u>
Total revenues	<u>30,413,555</u>	<u>31,071,582</u>	<u>658,027</u>
<b>Expenditures</b>			
Administrative and Finance			
Salaries and employees benefits	-	905,721	-
Postage	-	39,405	-
Travel	-	94	-
Insurance	-	48,593	-
Other operating expenditures	-	285,952	-
Total	<u>1,276,230</u>	<u>1,279,765</u>	<u>(3,535)</u>
Customer Service			
Salaries and employees benefits	-	160,046	-
Materials and supplies	-	3,858	-
Repairs and maintenance	-	10,413	-
Other operating expenditures	-	161	-
Total	<u>178,400</u>	<u>174,478</u>	<u>3,922</u>
Electric Operations			
Salaries and employees benefits	-	1,327,632	-
Materials and supplies	-	501,850	-
Repairs	-	91,853	-
Contract labor	-	488,281	-
Electric power purchases	-	26,204,571	-
Other operating expenditures	-	161,654	-
Total	<u>28,866,282</u>	<u>28,775,841</u>	<u>90,441</u>

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**For the Year Ended June 30, 2012**

**Exhibit C-5**  
**Page 2 of 2**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued)			
Debt Service			
Interest and other charges	-	56,911	-
Principal retirement	-	151,529	-
Total debt service	<u>208,700</u>	<u>208,440</u>	<u>260</u>
Capital Outlay			
Administrative and finance	-	54,571	-
Electric operations	-	229,284	-
Total	<u>293,593</u>	<u>283,855</u>	<u>9,738</u>
Total expenditures	<u>30,823,205</u>	<u>30,722,379</u>	<u>100,826</u>
Revenues over (under) expenditures	<u>(409,650)</u>	<u>349,203</u>	<u>758,853</u>
Other financing sources (uses)			
Transfer from (to) funds			
General fund	25,000	25,000	-
Landfil fund	(236,550)	(236,549)	1
General fund	<u>(940,000)</u>	<u>(940,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,151,550)</u>	<u>(1,151,549)</u>	<u>1</u>
Appropriated fund balance	<u>1,561,200</u>	<u>-</u>	<u>(1,561,200)</u>
Revenues and other sources over (under) expenditures, other (uses) and appropriated fund balances	<u>\$ -</u>	<u>\$ (802,346)</u>	<u>\$ (802,346)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ (802,346)</u>	
Principal retirement		151,529	
Capital outlay		283,855	
Depreciation		(595,770)	
Increase in accrued compensated absences		(2,683)	
Increase in postemployment benefits		<u>(62,037)</u>	
Total reconciling items		(225,106)	
Change in net assets		<u>\$ (1,027,452)</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, 2012**

**Exhibit C-6  
Page 1 of 2**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Operating revenues			
Disposal fees	\$ -	\$ 2,026,080	\$ -
Solid waste fees	-	106,211	-
Sales of mulch and scrap	-	47,514	-
Scrap tire and white goods fees	-	112,921	-
Total charges for services	<u>2,160,000</u>	<u>2,292,726</u>	<u>132,726</u>
Other operating revenues	<u>1,100</u>	<u>1,895</u>	<u>795</u>
Total operating revenues	<u>2,161,100</u>	<u>2,294,621</u>	<u>133,521</u>
Nonoperating revenues			
Interest earned on investments	-	2,365	-
Sale of assets	-	3,068	-
Total nonoperating revenues	<u>6,000</u>	<u>5,433</u>	<u>(567)</u>
Total revenues	<u>2,167,100</u>	<u>2,300,054</u>	<u>132,954</u>
<b>Expenditures</b>			
Landfill Operations			
Salaries and employees benefits	-	625,906	-
Postage	-	480	-
Materials and supplies	-	206,313	-
Repairs	-	77,729	-
Utilities	-	6,407	-
Contracted services	-	278,736	-
Insurance	-	60,323	-
Solid waste disposal fee	-	95,351	-
Other operating expenditures	-	79,882	-
Total	<u>1,484,100</u>	<u>1,431,127</u>	<u>52,973</u>
Debt Service			
Principal on installment purchases	-	444,957	-
Interest and fees	-	38,042	-
Total	<u>491,500</u>	<u>482,999</u>	<u>8,501</u>
Capital Outlay	<u>303,050</u>	<u>249,867</u>	<u>53,183</u>
Total expenditures	<u>2,278,650</u>	<u>2,163,993</u>	<u>114,657</u>
Revenues over expenditures	<u>(111,550)</u>	<u>136,061</u>	<u>247,611</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, 2012**

**Exhibit C-6  
Page 2 of 2**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing (uses) sources			
Transfers to other funds			
To General Fund	(125,000)	(75,000)	50,000
From Electric fund	<u>236,550</u>	<u>236,549</u>	<u>(1)</u>
Total other financing (uses)	<u>111,550</u>	<u>161,549</u>	<u>49,999</u>
Revenues and other sources over (under) expenditures, other (uses)	<u>\$ -</u>	<u>\$ 297,610</u>	<u>\$ 297,610</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ 297,610</u>	
Payment on installment purchases		444,957	
Capital outlay		249,867	
Depreciation		(181,188)	
Increase in accrued compensated absences		(86)	
Increase in postemployment benefits		(21,809)	
Adjustment to accrued landfill closure and post closure costs		<u>(371,076)</u>	
Total reconciling items		<u>120,665</u>	
Change in net assets		<u>\$ 418,275</u>	

**CITY OF ALBEMARLE, NORTH CAROLINA  
 COMBINING BALANCE SHEET  
 DEPARTMENT OF PUBLIC HOUSING  
 June 30, 2012**

**Exhibit C-7**

	Department of Public Housing			Totals
	Conventional	Section 8	Capital Fund	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 1,170,426	\$ 436,239	\$ -	\$ 1,606,665
Accounts receivable - net	785	-	5,000	5,785
Prepaid expenses	947	-	-	947
<b>Total current assets</b>	<b>1,172,158</b>	<b>436,239</b>	<b>5,000</b>	<b>1,613,397</b>
<b>Noncurrent Assets</b>				
<b>Capital Assets</b>				
Land	163,505	-	-	163,505
Other capital assets, net of accumulated depreciation	5,995,206	68,902	-	6,064,108
<b>Total noncurrent assets</b>	<b>6,158,711</b>	<b>68,902</b>	<b>-</b>	<b>6,227,613</b>
<b>Total Assets</b>	<b>\$ 7,330,869</b>	<b>\$ 505,141</b>	<b>\$ 5,000</b>	<b>\$ 7,841,010</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	\$ 17,693	\$ 2,636	\$ 5,000	\$ 25,329
Customer deposits	42,682	-	-	42,682
Deferred revenues	1,937	-	-	1,937
Current portion of compensated absences	10,426	862	-	11,288
Current portion of long term debt	4,743	-	-	4,743
<b>Total current liabilities</b>	<b>77,481</b>	<b>3,498</b>	<b>5,000</b>	<b>85,979</b>
<b>Other liabilities</b>				
Lease payable	8,208	-	-	8,208
Other post employment benefits	60,926	7,666	-	68,592
Accrued compensated absences	10,424	863	-	11,287
<b>Total other liabilities</b>	<b>79,558</b>	<b>8,529</b>	<b>-</b>	<b>88,087</b>
<b>Total liabilities</b>	<b>157,039</b>	<b>12,027</b>	<b>5,000</b>	<b>174,066</b>
<b>Net Assets</b>				
Invested in capital assets, net of debt	6,145,760	68,902	-	6,214,662
Unrestricted	1,028,070	424,212	-	1,452,282
<b>Total net assets</b>	<b>7,173,830</b>	<b>493,114</b>	<b>-</b>	<b>7,666,944</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,330,869</b>	<b>\$ 505,141</b>	<b>\$ 5,000</b>	<b>\$ 7,841,010</b>

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**COMBINING SCHEDULE OF REVENUES AND EXPENSES**  
**DEPARTMENT OF PUBLIC HOUSING**  
**For the Fiscal Year Ended June 30, 2012**

**Exhibit C-8**

	Department of Public Housing			Totals
	Conventional	Section 8	Capital Fund	
<b>Operating Revenues</b>				
Rental income	\$ 408,352	\$ -	\$ -	\$ 408,352
Other	31,343	-	-	31,343
<b>Total operating revenues</b>	<b>439,695</b>	<b>-</b>	<b>-</b>	<b>439,695</b>
<b>Operating expenses</b>				
Administrative	312,415	171,869	62,369	546,653
Tenant services	11,576	-	-	11,576
Utilities	370,910	-	-	370,910
Ordinary maintenance and operation	236,167	2,193	-	238,360
General expenses	116,463	2,396	-	118,859
Housing assistance payments	-	1,268,946	-	1,268,946
Nonroutine maintenance	31,315	-	-	31,315
Depreciation	340,257	2,741	-	342,998
<b>Total operating expenses</b>	<b>1,419,103</b>	<b>1,448,145</b>	<b>62,369</b>	<b>2,929,617</b>
<b>Operating (loss)</b>	<b>(979,408)</b>	<b>(1,448,145)</b>	<b>(62,369)</b>	<b>(2,489,922)</b>
<b>Nonoperating revenues (expenses)</b>				
Operating subsidies	611,455	1,519,765	-	2,131,220
Interest earned on investments	7,867	416	-	8,283
Interest and other charges	(435)	-	-	(160)
Nonoperating revenue	14,676	-	-	14,676
<b>Total nonoperating revenues</b>	<b>633,563</b>	<b>1,520,181</b>	<b>-</b>	<b>2,153,744</b>
<b>Net income (loss) before contributions and transfers</b>	<b>(345,845)</b>	<b>72,036</b>	<b>(62,369)</b>	<b>(336,178)</b>
Capital grants	-	-	124,802	124,802
Transfers	875,788	-	(875,788)	-
	875,788	-	(750,986)	124,802
<b>Change in net assets</b>	<b>529,943</b>	<b>72,036</b>	<b>(813,355)</b>	<b>(211,376)</b>
<b>Net assets, July 1</b>	<b>6,643,887</b>	<b>421,078</b>	<b>813,355</b>	<b>7,878,320</b>
<b>Net assets, June 30</b>	<b>\$ 7,173,830</b>	<b>\$ 493,114</b>	<b>\$ -</b>	<b>\$ 7,666,944</b>

**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, 2012**

**Exhibit C-9**

	Conventional		Variance Favorable (Unfavorable)
	Original and Final Budget	Actual	
Operating Revenues			
Rental income	\$ 396,000	\$ 408,352	\$ 12,352
Other	33,000	31,343	(1,657)
Total operating revenues	429,000	439,695	10,695
Operating expenditures			
Administrative	338,150	311,303	26,847
Tenant services	12,500	11,576	924
Utilities	383,000	370,910	12,090
Ordinary maintenance and operation	254,950	236,167	18,783
General expenses	120,000	116,463	3,537
Nonroutine maintenance	38,000	31,315	6,685
Total operating expenditures	1,146,600	1,077,734	68,866
Operating revenues (under) operating expenditures	(717,600)	(638,039)	79,561
Nonoperating revenues			
Operating subsidies	522,000	611,455	89,455
Other income	10,500	14,676	4,176
Interest income	9,600	7,867	(1,733)
Total nonoperating revenues	542,100	633,998	91,898
Nonoperating expenditures			
Lease payments	5,400	5,047	353
Capital outlay	15,000	6,799	8,201
Total nonoperating expenditures	20,400	11,846	8,554
Nonoperating revenues over nonoperating expenditures	521,700	622,152	100,452
Revenues over expenditures	(195,900)	(15,887)	180,013
Appropriated fund balance	195,900	-	(195,900)
Excess of revenues and appropriated fund balance (under) expenditures - modified accrual	\$ -	(15,887)	\$ (15,887)
Reconciliation to the accrual basis:			
Depreciation		(340,257)	
Capital outlay		6,799	
Lease principal payments		4,612	
Accrual of OPEB		(4,924)	
Accrual of compensated absences		3,812	
Change in net income before capital contributions and transfers - Exhibit C-8		<u>\$(345,845)</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, 2012**

**Exhibit C-10**

	Section 8		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Operating subsidiaries	\$ 1,405,300	\$ 1,519,765	\$ (114,465)
Total operating revenues	<u>1,405,300</u>	<u>1,519,765</u>	<u>(114,465)</u>
Operating expenditures			
Administrative	178,800	168,173	10,627
Capital outlay	3,200	1,355	1,845
Housing assistance payments	<u>1,317,000</u>	<u>1,268,946</u>	<u>48,054</u>
Total operating expenditures	<u>1,499,000</u>	<u>1,438,474</u>	<u>60,526</u>
Operating revenues (under) operating expenditures	(93,700)	81,291	174,991
Nonoperating revenues			
Interest income	<u>500</u>	<u>416</u>	<u>(84)</u>
Excess (deficiency) of revenues under expenditures modified accrual	<u>\$ (93,200)</u>	81,707	<u>\$ 174,907</u>
Appropriated fund balance	<u>93,200</u>	<u>-</u>	<u>(93,200)</u>
Excess of revenues and appropriated fund balance (under) expenditures - modified accrual	<u>\$ -</u>	81,707	<u>\$ 81,707</u>
Reconciliation to the accrual basis:			
Depreciation		(2,741)	
Capital outlay		1,355	
Accrual of compensated absences		(619)	
Accrual of OPEB		<u>(7,666)</u>	
Change in net assets Exhibit C-7		<u>\$ 72,036</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, 2012**

**Exhibit C-11**

	Section 8		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating			
Operating subsidies	\$ -	\$ -	\$ -
Operating expenditures			
Administrative	72,000	62,369	9,631
Capital Outlay	<u>227,489</u>	<u>62,433</u>	<u>165,056</u>
Total operating expenditures	<u>299,489</u>	<u>124,802</u>	<u>174,687</u>
Operating revenues under operating expenditures	(299,489)	(124,802)	174,687
Nonoperating revenues			
Capital grants	<u>299,489</u>	<u>124,802</u>	<u>(174,687)</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, 2012**

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**Exhibit C-12**

1. The actual modernization costs of NC 19P07550109 are as follows:

	<u>Total</u>
Funds approved	\$ 356,607
Funds expended	<u>356,607</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced - HUD Grants	\$ 356,607
Funds expended	<u>356,607</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$10,216

**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, 2012**

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**Exhibit C-13**

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

	<u>Total</u>
Funds approved	\$ 352,334
Funds expended	<u>351,394</u>
Excess of funds approved	<u>\$ 940</u>
Funds advanced - HUD Grants	\$ 351,394
Funds expended	<u>351,394</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$ 161,082.



**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, 2012**

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**Exhibit C-14**

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

	<u>Total</u>
Funds approved	\$ 299,489
Funds expended	<u>45,341</u>
Excess of funds approved	<u>\$ 254,148</u>
Funds advanced - HUD Grants	\$ 45,341
Funds expended	<u>45,341</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$ 45,341.

**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, 2012**

*Exhibit C-15*

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

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

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

## Agency Fund

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

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

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**AGENCY FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**For the Fiscal Year Ended June 30, 2012**

**Exhibit D-1**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<b>ASSETS</b>				
Cash and cash equivalents	\$ 509	\$ 43,153	\$ 43,082	\$ 580
	<u>\$ 509</u>	<u>\$ 43,153</u>	<u>\$ 43,082</u>	<u>\$ 580</u>
<b>LIABILITIES</b>				
Due to agencies	509	43,153	43,082	580
	<u>\$ 509</u>	<u>\$ 43,153</u>	<u>\$ 43,082</u>	<u>\$ 580</u>

## Other Schedules

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This section includes additional information on property taxes.

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

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2012**

**Exhibit E-1**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2011</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ -	\$ 5,695,866	\$ 5,390,888	\$ 304,978
2010-2011	325,082	7,120	198,170	134,032
2009-2010	165,407	8,693	29,847	144,253
2008-2009	85,752	4,964	35,504	55,212
2007-2008	40,284	-	5,726	34,558
2006-2007	35,976	-	5,267	30,709
2005-2006	30,532	-	2,645	27,887
2004-2005	30,741	-	1,959	28,782
2003-2004	20,006	-	1,319	18,687
2002-2003	31,355	-	1,272	30,083
2001-2002	16,292	-	16,292	-
	<u>\$ 781,427</u>	<u>\$ 5,716,643</u>	<u>\$ 5,688,889</u>	809,181
Less: Allowance for uncollectible accounts Ad valorem taxes receivable				<u>(143,000)</u>
Ad valorem taxes receivable - net				<u>\$ 666,181</u>
Reconciliation with revenues				
Ad valorem taxes collected - General Fund				<u>\$ 5,512,618</u>
Discounts allowed				31,498
Releases and adjustments				174,455
Taxes written off				15,008
Interest collected				<u>(44,690)</u>
Total collections and credits				<u>\$ 5,688,889</u>

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**CITY-WIDE LEVY**  
**For the Fiscal Year Ended June 30, 2012**

**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	\$ 1,012,498,214	.56	\$ 5,669,990	\$ 5,173,061	\$ 496,929
Penalties	-		2,162	2,162	-
Total	<u>1,012,498,214</u>		<u>5,672,152</u>	<u>5,175,223</u>	<u>496,929</u>
Discoveries:					
Current year taxes	13,134,464	.56	73,553	73,321	232
Penalties	-		-	-	-
Total	<u>13,134,464</u>		<u>73,553</u>	<u>73,321</u>	<u>232</u>
Abatements:	(8,899,821)	.56	(49,839)	(44,908)	-
Total valuation	<u>\$ 1,016,732,857</u>				
Net levy			5,695,866	5,203,636	492,230
Uncollected taxes at June 30, 2012			<u>(304,978)</u>	<u>(227,810)</u>	<u>(77,168)</u>
Current year's taxes collected			<u>\$ 5,390,888</u>	<u>\$ 4,975,826</u>	<u>\$ 415,062</u>
Current levy collection percentage			<u>94.65%</u>	<u>95.62%</u>	<u>84.32%</u>

## Compliance Section



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

815 South Main Street  
Laurinburg, North Carolina 28352  
(910) 277-2795

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of the City of Albemarle, North Carolina, as of and for the year ended June 30, 2012, which collectively comprises the City of Albemarle, North Carolina's basic financial statements, and have issued our report thereon dated October 2, 2012. We did not audit the financial statements of the Albemarle ABC Board and the Albemarle Downtown Development Corporation. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it related to the amounts included for the Albemarle ABC Board and the Albemarle Downtown Development Corporation is based solely on the reports of the 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 General of the United States. The financial statements of the Albemarle ABC Board and the Albemarle Downtown Development Corporation were not audited in accordance with *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

Management of the City of Albemarle is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Albemarle's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting.

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

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

***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*.

This report is intended solely for the information and use of the audit committee, management, others within the entity, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Smith & Wike, PLLC*

October 2, 2012

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

815 South Main Street  
Laurinburg, North Carolina 28352  
(910) 277-2795

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

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

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

**Compliance**

We have audited the City of Albemarle, North Carolina, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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 effect on each of the City's major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Albemarle's management. Our responsibility is to express an opinion on the City of Albemarle's compliance based on our audit.

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. Our audit does not provide a legal determination on the City of Albemarle's compliance with those requirements.

In our opinion, the City of Albemarle complied, in all material respects, with the requirements referred to above that could have a direct effect on each of its major federal program for the year ended June 30, 2012.

### ***Internal Control Over Compliance***

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

A deficiency in internal control over compliance exists when the design or operation of a control 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.

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, as defined above.

This report is intended solely for the information and use of the management, others within the entity, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Smith & White, PLLC*

October 2, 2012

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Rockingham, North Carolina 28380  
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Other Office Locations:  
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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**

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

**Compliance**

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 have a direct effect on each of its major State programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State program is the responsibility of City of Albemarle's management. Our responsibility is to express an opinion on the City of Albemarle's compliance based on our audit.

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, applicable sections of 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 occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination on City of Albemarle's compliance with those requirements.

In our opinion, City of Albemarle complied, in all material respects, with the 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, 2012.

**Internal Control Over Compliance**

Management of the City of Albemarle is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City of Albemarle's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, and the State Single Audit Implementation Act, 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 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.

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, as defined above.

This report is intended solely for the information and use of the management, others within the entity, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Smith & White, PLLC*

October 2, 2012

**CITY OF ALBEMARLE, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2012**

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**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 *Yes*

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>
14.850	HUD – Low Housing Income Public and Indian Housing & Operating Subsidies

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, 2012**

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State Awards

Internal control over major State programs:

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

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

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

Identification of major State program:

NC Clean Water Revolving Loan & Grant Fund

**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  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
For the Fiscal Year Ended June 30, 2012**

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**Finding 2011-1**

**Status:** Prior year finding has been corrected.

**CITY OF ALBEMARLE, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>Grantor/Pass-through Grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Direct &amp; - Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>U.S. Department of Housing &amp; Urban Development</u>					
<u>Direct Grant:</u>					
Low Income Housing:					
Public and Indian Housing Operating Subsidies	14.850		1,095,758	-	-
Section 8:					
Housing Choice Vouchers	14.871		1,443,965	-	-
Public Housing Capital Fund:					
NC19PO7550109	14.872		10,216	-	-
NC19PO7550110	14.872		161,082	-	-
NC19PO7550111	14.872		45,341	-	-
Passed-through the N.C. Department of Commerce					
CDBG/Alfred Street Concentrated needs	14.228	05-C-1397	10,250	-	-
CDBG/Chase Morrow project	14.228		729	-	-
<u>U.S. Department of Justice</u>					
Justice Assistance Grant	16.580		13,008		
Bullet Proof Vest Grant	16.607		2,500	-	-
<b>Total assistance federal programs</b>			<u>2,782,849</u>	<u>-</u>	<u>-</u>
<b>STATE GRANTS</b>					
Cash Assistance					
<u>N.C. Rural Economic Development Center</u>					
Water Quality Grant	N/A		-	2,640	-
<u>N.C. Department of Environmental &amp; Natural Resources</u>					
Division of Water Quality					
NC Clean Water Revolving Loan & Grant program	N/A		-	721,563	-
<u>N.C. Department of Transportation</u>					
Powell Bill	N/A	9.9000	-	568,133	-
Safe Routes to School	N/A		-	37,718	-
<b>Total assistance state programs</b>			<u>-</u>	<u>1,330,054</u>	<u>-</u>
<b>Total assistance</b>			<u>\$ 2,782,849</u>	<u>\$ 1,330,054</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.