

CITY OF ALBEMARLE, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2011

CITY OF ALBEMARLE, NORTH CAROLINA

CITY OFFICIALS

JUNE 30, 2011

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

JEANETTE M. NAPIER

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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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, 2011 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.

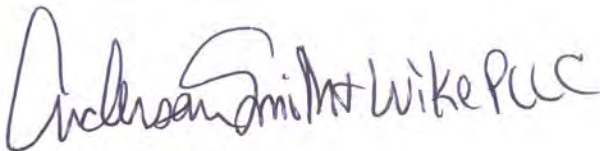
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2011, 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 27, 2011 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.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowances and the Other Postemployment Benefits Schedules of Funding Progress and Schedule of Employer Contributions on pages 3 through 11 and 48 through 51 respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City of Albemarle, North Carolina. The introductory information, combining, and individual nonmajor fund financial statements and schedules and statistical tables as well as the accompanying schedule of expenditures of federal and State awards as required by 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the accompanying 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, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



October 27, 2011

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, 2011. 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.

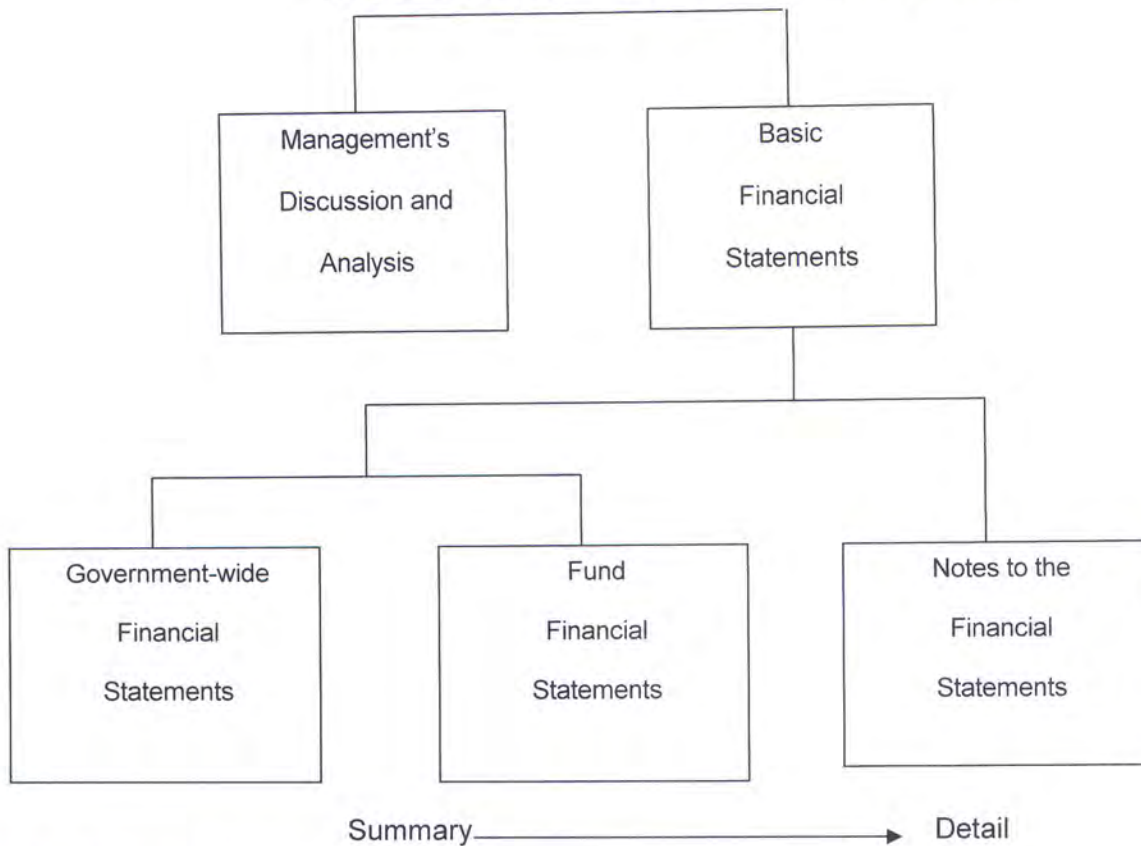
Financial Highlights

- The assets of the City of Albemarle exceeded its liabilities at the close of the fiscal year by \$71,173,957.
- The government's total net assets increased by \$1,528,339, primarily due to revenues exceeding expenditures.
- As of the close of the current fiscal year, the City of Albemarle's governmental funds reported combined ending fund balances of \$4,622,266 a increase of \$626,691 in comparison with the prior year. Approximately 54.5 percent of this total amount, or \$2,521,142, 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 \$2,455,541, or 20.0 percent of total general fund expenditures for the fiscal year.
- The City of Albemarle's total debt decreased by \$309,645 during the current fiscal year. The key factor in this increase is the debt payments exceeding new debt additions.
- The City of Albemarle maintained it's A bond rating for the thirteenth 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 Comprehensive Bicycle Grant Fund, E.E. Waddell Renovation Fund, Recreation Grant Fund, Grant Fund, Clean Water Management Trust Grant Fund, Rural Center Grant Fund, Morrow Chase CDBG Fund, Justice Assistance Grant Fund, Synder Greenway Capital Project Fund and the CDBG Alfred Street Capital Project 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 7,329,788	\$ 6,287,844	\$ 20,534,347	\$ 19,189,175	\$ 27,864,135	\$ 25,477,019
Capital assets	<u>16,329,281</u>	<u>16,558,639</u>	<u>45,666,427</u>	<u>45,439,264</u>	<u>61,995,708</u>	<u>61,997,903</u>
Total assets	<u>23,659,069</u>	<u>22,846,483</u>	<u>66,200,774</u>	<u>64,628,439</u>	<u>89,859,843</u>	<u>87,474,922</u>
Long-term liabilities	3,379,557	3,347,884	7,603,522	7,367,966	10,983,079	10,715,850
Other liabilities	<u>2,636,048</u>	<u>2,471,111</u>	<u>5,066,759</u>	<u>4,642,343</u>	<u>7,702,807</u>	<u>7,113,454</u>
Total liabilities	<u>6,015,605</u>	<u>5,818,995</u>	<u>12,670,281</u>	<u>12,010,309</u>	<u>18,685,886</u>	<u>17,829,304</u>
Net assets						
Invested in capital assets, net of related debt	14,370,860	14,165,960	42,084,089	41,490,312	56,454,949	55,656,272
Restricted	1,967,251	-	-	-	1,967,251	-
Unrestricted	<u>1,305,353</u>	<u>2,861,528</u>	<u>11,446,404</u>	<u>11,127,818</u>	<u>12,751,757</u>	<u>13,989,346</u>
Total net assets	<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>

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 \$71,173,957 as of June 30, 2011. The City's net assets increased by \$1,528,339 for the fiscal year ended June 30, 2010. 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 95.01%, 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	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 1,153,997	\$ 857,929	\$ 39,271,416	\$ 37,519,388	\$ 40,425,413	\$ 38,377,317
Contributions	31,795	29,631	2,212,993	1,980,201	2,244,788	2,009,832
Contributions	1,208,590	1,561,706	658,096	1,184,465	1,866,686	2,746,351
General revenues:						
Property taxes	5,642,857	5,661,574	-	-	5,642,857	5,661,574
Other taxes	4,018,883	3,919,861	-	-	4,018,883	3,919,861
Interest earned	33,304	55,594	49,211	96,253	82,515	151,847
Other	202,507	100,908	1,214,005	3,430,815	1,416,512	3,531,723
Total revenues	<u>12,291,933</u>	<u>12,187,203</u>	<u>43,405,721</u>	<u>44,211,302</u>	<u>55,697,654</u>	<u>56,398,505</u>
Expenses:						
General government	1,690,535	1,632,156	-	-	1,690,535	1,632,156
Public safety	6,469,334	6,470,518	-	-	6,469,334	6,470,518
Public works	2,277,094	2,215,974	-	-	2,277,094	2,215,974
Environmental protection	1,136,579	1,072,326	-	-	1,136,579	1,072,326
Economical development	97,547	35,426	-	-	97,547	35,426
Culture and recreation	1,213,362	1,147,193	-	-	1,213,362	1,147,193
Interest on long-term debt	113,574	130,530	-	-	113,574	130,530
Water and sewer	-	-	6,373,060	7,482,155	6,373,060	7,482,155
Electric	-	-	29,827,906	27,983,274	29,827,906	27,983,274
Landfill	-	-	2,053,366	2,248,007	2,053,366	2,248,007
Public housing	-	-	2,916,958	2,873,375	2,916,958	2,873,375
Total expenses	<u>12,998,025</u>	<u>12,704,123</u>	<u>41,171,290</u>	<u>40,586,811</u>	<u>54,169,315</u>	<u>53,290,934</u>
Increase in net assets before transfers	(706,092)	(516,920)	2,234,431	3,624,491	1,528,339	3,107,571
Transfers	<u>1,322,068</u>	<u>(3,770,698)</u>	<u>(1,322,068)</u>	<u>3,770,698</u>	-	-
Increase in net assets	615,976	(4,287,618)	912,363	7,395,189	1,528,339	3,107,571
Net assets, July 1	<u>17,027,488</u>	<u>21,315,106</u>	<u>52,618,130</u>	<u>45,222,941</u>	<u>69,645,618</u>	<u>66,538,047</u>
Net assets, June 30	<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>

Governmental activities: Governmental activities increased the City's net assets by \$615,976, thereby accounting for approximately 40% of the growth in the net assets of the City of Albemarle. Key elements of this decrease are as follows:

- Transfers to other funds of \$1,322,068

Business-type activities: Business-type activities increased the City of Albemarle's net assets by \$912,363, accounting for approximately 60% of the growth in the net assets of the City of Albemarle. Key elements of this increase are as follows:

- Transfers from other funds of \$1,322,068

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, unreserved fund balance of the General Fund was \$2,455,541, while total fund balance reached \$4,536,615. 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. Unreserved fund balance represents 20.0 percent of total General Fund expenditures, while total fund balance represents 36.9 percent of that same amount.

At June 30, 2011, the governmental funds of City of Albemarle reported a combined fund balance of \$4,622,266, a 15.7 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 through Build America Bonds for Landfill and Water/Sewer Equipment
- The City received a Grant from the Rural Center and a loan from NC Revolving Loan Fund for improvements to the Long Creek Wastewater Treatment Plant
- Final payment for the acquisition of the former Wiscasset Mills property
- The City appropriated GF Fund Balance for Redistricting Study
- To appropriate Revenue and Expenditures for Police
- The City received a Grant to continue the Greenway Project from AARA funds through NCDOT
- The City appropriated funds reserved for CDBGF projects to the Morrow Chase Project
- Appropriate Contributions made for EE Waddell Center

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 \$1,980,262, those for the Electric Fund amounted to \$9,950,000, Public Housing \$1,395,860, and for the Landfill Fund \$(1,879,718). The total increase in net assets for all funds was \$64,703, \$257,108, \$345,868, and \$244,684, 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, 2011, totals \$61,995,708 (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:

- Purchase of a SANS backup system for computer network security
- Purchase of Mobile Data Terminals for Fire Apparatus
- Completion of Phase II of the Roger F. Snyder Greenway
- Replacement of four Police Department vehicles
- Economic Development Incentive Grants for creation of jobs and expansion of the tax base at CCI and IAC
- Replacement of several desktop computers throughout the City as recommended by the City's IT Department
- Final acquisition of the former Jesse F. Niven Army Reserve Center from the Federal Government
- Resurfacing several City streets
- Repair and replacement of deteriorated sidewalks

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

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,656,145	\$ 2,452,979	\$ 495,092	\$ 495,092	\$ 3,151,237	\$ 2,948,071
Infrastructure	3,647,216	3,085,021	11,474,144	11,936,240	15,121,360	15,021,261
Other improvements	333,367	373,555	284,900	314,757	618,267	688,312
Buildings	6,656,351	6,954,367	25,274,029	26,344,367	31,930,380	33,298,734
Machinery and equipment	744,784	828,813	2,811,065	2,430,311	3,555,849	3,259,124
Mobile equipment	907,783	1,046,604	128,828	183,417	1,036,611	1,230,021
Construction in progress	1,383,635	1,817,300	5,198,369	3,735,080	6,582,004	5,552,380
Total	\$ 16,329,281	\$16,558,639	\$45,666,427	\$45,439,264	\$ 61,995,708	\$ 61,997,903

Additional information on the City's capital assets can be found in note 3. A. of the Basic Financial Statements.

Long-term Debt: As of June 30, 2011, 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	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

City of Albemarle's Outstanding Debt

The City of Albemarle's total debt decreased \$309,645 (3.3%) during the past fiscal year, primarily due to debt payments exceeding additional debt. The City of Albemarle does however owe \$1,138,973 on an inter-fund loan for the addition and renovation to the Public Safety Facility issued by the water/sewer and electric departments.

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

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Albemarle is \$79,481,036.

Additional information regarding the City of Albemarle's long-term debt can be found in note 3 .B. beginning on page 44 of this report.

Budget Highlights for the Fiscal Year Ending June 30, 2012

Governmental Activities: The proposed budget includes no new positions and no expansion of programs or services. The proposed budget maintains most existing services, with some reductions in program availability and operating hours for some facilities. No essential services are impacted, although capital expenditures continue to be significantly curtailed. I would like to commend the City's department heads and staff for their recognition of the current economic environment, and their corresponding restraint in their budget proposals.

For the eighth consecutive year I am proposing that there be no property tax increase. The proposed General Fund budget is \$12,190,050 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 decrease of 1% from the current year General Fund Budget, with 52% 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 \$6.4 million while property tax collections are projected to be only \$5.6 million.

The budget proposes an increase in the household solid waste collection fee, which would increase from \$8.75 per month to \$9.75 per month. This would still only cover approximately 65% of the cost of collection of household garbage, trash, yard waste, and leaves. No increase in household solid waste disposal fees, small business roll out fees, planning and zoning fees, fire inspection and plans review fees, or business license fees is proposed.

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; financing costs for the purchase of two replacement fire apparatus; financing costs for renovation of the former Niven Center for Parks and Recreation Department offices, programs, and parks maintenance staff; \$100,000 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, funds to cover an increase in the contract cost for solid waste collection; and additional funding to address nuisance concerns and abandoned and dilapidated dwellings in the City.

The **Powell Bill Fund** is proposed at \$759,600 which is a 28% increase from the current Powell Bill Budget. The current year Powell Fund Budget represented a decrease of 22% from the past two years. The increase for FY 2011-2012 is primarily due to a larger than normal appropriation of Powell Bill Fund Balance, part of which will be used to reimburse the NC Department of Transportation for the City's 30% share of new sidewalks on the new section of US 52 South. The budget includes \$150,000 for asphalt resurfacing and street repairs, an increase of 50% from the FY 2010-2011 budget. This follows a decrease of funds for resurfacing of 50% in each of the prior two years.

Business-Type Activities: The Water and Sewer Budget is proposed at \$6,617,100, which is an increase of approximately 1% from FY 2010-2011. I have recommended no increase in the minimum charges for water and sewer. This means that small users will see no increase or a very small increase in their monthly bills. I am recommending an increase of 5.5% in water and sewer rates for usage above the minimum. Even if this increase is implemented, 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 and an increasingly stringent regulatory environment are the primary reasons for these recommended increases. The budget also includes the second part of the 50% match required for the \$1 million grant and \$3 million loan for major improvements at the Long Creek Wastewater Treatment Plant. The Water and Sewer Budget also includes funds to continue the replacement of flocculators at the US 52 Water Treatment Plant and to repair the roof of the chlorine building at that plant; replacement of filters, repairs to filtration basins, and partial roof replacement at the Tuckertown WTP, continuation of sewer system improvements to address inflow and infiltration; and the replacement of a service truck and sewer right of way mowing tractor in the WS Systems Division.

The Electric Fund has a proposed budget of \$31,762,650. This represents an increase of 6% over the current year. The City will receive from the North Carolina Municipal Power Agency One a wholesale rate increase of 5.0% effective July 1, 2011. The budget proposes a retail rate adjustment of 4.0% effective July 1, 2011 to partially offset the wholesale rate increase we are receiving. The recommended budget includes funding for a temporary bush hog crew to mow rural electric lines which have not been mowed in several years. It also includes funding to replace a meter reading truck and an electric line truck.

The Solid Waste Disposal Fund is proposed at \$2,167,100 for FY 2011-2012, which constitutes an increase of approximately 2% from the current year. I am recommending a \$1 per ton increase in the municipal solid waste disposal fee, from \$35 to \$36; and an increase in the construction and demolition fee of \$1 from \$32 to \$33. These fee increases are needed to pay the debt service on the landfill expansion recently completed and to offset 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.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Albemarle Downtown Development Corporation	City of Albemarle ABC Board
ASSETS					
Current assets					
Cash and cash equivalents	\$ 4,863,138	\$12,460,483	\$ 17,323,621	\$ 62,519	\$ 86,967
Receivables:					
Taxes receivable - net	638,427	-	638,427	-	-
Accounts receivable	404,007	4,176,473	4,580,480	-	30
Due from other governments	1,623,902	20,890	1,644,792	85,650	-
Internal balances	(1,138,973)	1,138,973	-	-	-
Inventories	33,873	2,644,053	2,677,926	550	214,898
Deferred charges	-	1,973	1,973	-	-
Prepaid expenses	105,414	91,502	196,916	-	6,321
Total current assets	6,529,788	20,534,347	27,064,135	148,719	308,216
Non-current assets					
Note receivable	800,000	-	800,000	-	-
Capital assets					
Land, and construction in progress	4,039,780	5,693,463	9,733,243	116,423	261,417
Other capital assets, net of depreciation	12,289,501	39,972,964	52,262,465	643,050	944,329
Total capital assets	16,329,281	45,666,427	61,995,708	759,473	1,205,746
Total non-current assets	17,129,281	45,666,427	62,795,708	759,473	1,205,746
Total assets	23,659,069	66,200,774	89,859,843	908,192	1,513,962
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	774,004	3,592,490	4,366,494	1,866	210,024
Deposits	1,400	587,516	588,916	-	-
Unearned earnings	1,293,316	3,704	1,297,020	-	-
Current portion of long-term liabilities	567,328	883,049	1,450,377	7,252	-
Accrued interest payable	-	-	-	2,149	-
Total current liabilities	2,636,048	5,066,759	7,702,807	11,267	210,024
Long-term liabilities					
Accrued landfill closure and postclosure costs	-	3,925,472	3,925,472	-	-
Long-term liabilities:					
Due in more than one year	3,379,557	3,678,050	7,057,607	55,092	-
Total long-term liabilities	3,379,557	7,603,522	10,983,079	55,092	-
Total liabilities	6,015,605	12,670,281	18,685,886	66,359	210,024
Net Assets					
Invested in capital assets, net of related debt	14,370,860	42,084,089	56,454,949	697,129	1,205,747
Restricted for:					64,401
Stabilization by State Statute	1,507,584	-	1,507,584	-	-
Economic development	30,330	-	30,330	-	-
Other functions	429,337	-	429,337	127,492	-
Unrestricted	1,305,353	11,446,404	12,751,757	17,212	33,790
Total net assets	\$ 17,643,464	\$53,530,493	\$ 71,173,957	\$ 841,833	\$ 1,303,938

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Exhibit 2

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						Component Units
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 1,690,535	\$ 21,915	\$ -	\$ 157,450	\$ (1,511,170)	\$ -	\$ (1,511,170)
Public safety	6,469,334	25,508	31,795	31,282	(6,380,749)	-	(6,380,749)
Public works	2,277,094	1,026,813	-	505,844	(744,437)	-	(744,437)
Environmental protection	1,136,579	-	-	-	(1,136,579)	-	(1,136,579)
Economic and physical development	97,547	-	-	40,916	(56,631)	-	(56,631)
Cultural and recreational	1,213,362	79,761	-	473,098	(660,503)	-	(660,503)
Interest on long-term debt	113,574	-	-	-	(113,574)	-	(113,574)
Total governmental activities	<u>12,998,025</u>	<u>1,153,997</u>	<u>31,795</u>	<u>1,208,590</u>	<u>(10,603,643)</u>	<u>-</u>	<u>(10,603,643)</u>
Business-type activities							
Water and sewer	6,373,060	6,429,806	-	40,000	-	96,746	96,746
Electric	29,827,906	30,307,901	-	44,097	-	524,092	524,092
Landfill	2,053,366	2,104,072	-	9,355	-	60,061	60,061
Department of public housing	2,916,958	429,637	2,212,993	564,644	-	290,316	290,316
Total business-type activities	<u>41,171,290</u>	<u>39,271,416</u>	<u>2,212,993</u>	<u>658,096</u>	<u>-</u>	<u>971,215</u>	<u>971,215</u>
Total primary government	<u>\$ 54,169,315</u>	<u>\$ 40,425,413</u>	<u>\$ 2,244,788</u>	<u>\$ 1,866,686</u>	<u>\$ (10,603,643)</u>	<u>\$ 971,215</u>	<u>\$ (9,632,428)</u>
Component units							
Albemarle Downtown Development Corporation	\$ 234,436	\$ -	\$ 119,972	\$ -	\$ -	\$ -	\$ (114,464)
Albemarle ABC Board	2,115,923	2,189,078	-	-	-	-	73,155
Total component units	<u>\$ 2,350,359</u>	<u>\$ 2,189,078</u>	<u>\$ 119,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(41,309)</u>
General revenues							
Taxes							
Property taxes, levied for general purposes					5,642,857		5,642,857
Other taxes and licenses					4,018,883		4,018,883
Unrestricted investment earnings					33,304	49,211	82,515
Miscellaneous revenues					202,507	1,214,005	1,416,512
Transfers					1,322,068	(1,322,068)	-
Total general revenues and transfers					<u>11,219,619</u>	<u>(58,852)</u>	<u>11,160,767</u>
Change in net assets					615,976	912,363	1,528,339
Net assets, beginning					17,027,488	52,618,130	69,645,618
Net assets, end of year					<u>\$ 17,643,464</u>	<u>\$ 53,530,493</u>	<u>\$ 71,173,957</u>

CITY OF ALBEMARLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

Exhibit 3

	Major Fund		Total Non-Major Funds	Total Governmental Funds
	General	City Hall Capital Project Fund		
Assets				
Cash and cash equivalents	\$ 4,797,249	\$ -	\$ 65,889	\$ 4,863,138
Receivables, net				
Taxes	638,427	-	-	638,427
Accounts	304,007	100,000	-	404,007
Due from other governments	1,203,577	-	420,325	1,623,902
Due from other funds	343,073	-	-	343,073
Inventories	33,873	-	-	33,873
Prepaid expenses	105,414	-	-	105,414
Note receivable	800,000	-	-	800,000
Total assets	\$ 8,225,620	\$ 100,000	\$ 486,214	\$ 8,811,834
Liabilities and fund balances				
Liabilities				
Accounts payable and accrued liabilities	\$ 616,514	\$ -	\$ 157,490	\$ 774,004
Deposits	1,400	-	-	1,400
Due to other funds	1,138,973	79,950	263,123	1,482,046
Deferred revenue	638,802	-	-	638,802
Unearned revenue	1,293,316	-	-	1,293,316
Total liabilities	3,689,005	79,950	420,613	4,189,568
Fund balances				
Nonspendable				
Inventories	33,873	-	-	33,873
Restricted				
Stabilization by State Statute	1,507,584	-	-	1,507,584
Streets - Powell Bill	429,337	-	-	429,337
Committed				
Economic development	10,280	20,050	-	30,330
Assigned				
Subsequent year's expenditures	100,000	-	-	100,000
Unassigned	2,455,541	-	65,601	2,521,142
Total fund balances	4,536,615	20,050	65,601	4,622,266
Total liabilities and fund balances	\$ 8,225,620	\$ 100,000	\$ 486,214	\$ 8,811,834

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	\$ 4,622,266
Amounts reported for governmental activities in the statement of net assets are different because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	16,329,281
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	638,802
Compensated absences not expected to be materially liquidated with expendable available resources	(570,132)
Net pension obligations	(439,201)
Other postemployment benefits	(979,131)
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	(1,958,421)
Net assets of governmental activities	\$ 17,643,464

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

Exhibit 4

	Major Fund		Total Non-Major Funds	Total Governmental Funds
	General	City Hall Capital Project Fund		
Revenues				
Ad valorem taxes	\$ 5,550,706	\$ -	\$ -	\$ 5,550,706
Other taxes and licenses	256,490	-	-	256,490
Unrestricted intergovernmental	3,766,109	-	-	3,766,109
Restricted intergovernmental	710,114	-	530,271	1,240,385
Permits and fees	45,433	-	-	45,433
Sales and services	1,108,564	-	-	1,108,564
Investment earnings	28,159	5,145	-	33,304
Miscellaneous	194,183	-	8,324	202,507
Total revenues	11,659,758	5,145	538,595	12,203,498
Expenditures				
Current				
General government	1,442,843	-	-	1,442,843
Public safety	6,101,012	-	4,560	6,105,572
Public works	2,001,471	-	-	2,001,471
Environmental protection	1,136,579	-	-	1,136,579
Economic and physical development	-	-	97,547	97,547
Cultural and recreation	1,060,152	-	-	1,060,152
Debt service:				
Principal	434,258	-	-	434,258
Interest	113,574	-	-	113,574
Capital outlay	-	-	506,879	506,879
Total expenditures	12,289,889	-	608,986	12,898,875
Excess (deficiency) of revenues over expenditures	(630,131)	5,145	(70,391)	(695,377)
Other financing sources (uses)				
Transfers from other funds	1,387,235	-	58,406	1,445,641
Transfers to other funds	(83,406)	(29,887)	(10,280)	(123,573)
Total other financing sources (uses)	1,303,829	(29,887)	48,126	1,322,068
Net change in fund balances	673,698	(24,742)	(22,265)	626,691
Fund balances - beginning	3,862,917	44,792	87,866	3,995,575
Fund balances - end of year	\$ 4,536,615	\$ 20,050	\$ 65,601	\$ 4,622,266

CITY OF ALBEMARLE, NORTH CAROLINA
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, 2011

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds		\$ 626,691
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
	Capital outlay	664,037
	Depreciation	(857,898)
	Asset transfers	(5,435)
	Asset reclassifications	(30,062)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>		
	Taxes including interest and penalties	92,151
	Other deferred revenues	(3,716)
<p>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</p>		
	Compensated absences	19,768
	Current pension cost	(28,903)
	Other postemployment benefits	(294,915)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net 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.</p>		434,258
Total changes in net assets of governmental activities		\$ 615,976

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2011

Exhibit 6

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues				
Ad valorem taxes	\$ 5,623,350	\$ 5,623,350	\$ 5,550,706	\$ (72,644)
Other taxes and licenses	253,100	253,100	256,490	3,390
Unrestricted intergovernmental	3,621,150	3,621,150	3,766,109	144,959
Restricted intergovernmental	636,525	636,525	710,114	73,589
Permits and fees	58,400	58,400	45,433	(12,967)
Sales and services	1,052,434	1,122,800	1,108,564	(14,236)
Investment earnings	62,300	62,300	28,159	(34,141)
Miscellaneous	95,591	95,591	194,183	98,592
Total revenues	<u>11,402,850</u>	<u>11,473,216</u>	<u>11,659,758</u>	<u>186,542</u>
Expenditures				
Current				
General government	1,479,549	1,516,150	1,442,843	73,307
Public safety	6,310,250	6,378,730	6,101,012	277,718
Public works	2,198,400	2,198,400	2,001,471	196,929
Cultural and recreational	1,178,150	1,180,036	1,060,152	119,884
Environmental protection	1,138,000	1,138,000	1,136,579	1,421
Debt service				
Principal	434,550	434,550	434,258	292
Interest	114,000	114,000	113,574	426
Total expenditures	<u>12,852,899</u>	<u>12,959,866</u>	<u>12,289,889</u>	<u>669,977</u>
Revenues over (under) expenditures	<u>(1,450,049)</u>	<u>(1,486,650)</u>	<u>(630,131)</u>	<u>856,519</u>
Other financing sources (uses)				
Transfers from other funds	1,415,000	1,415,000	1,387,235	(27,765)
Transfers to other funds	(68,051)	(68,051)	(83,406)	(15,355)
Total other financing sources (uses)	<u>1,346,949</u>	<u>1,346,949</u>	<u>1,303,829</u>	<u>(43,120)</u>
Appropriated fund balance	<u>103,100</u>	<u>139,701</u>	<u>-</u>	<u>(139,701)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>673,698</u>	<u>673,698</u>
Fund balance - beginning as previously reported			<u>3,862,917</u>	
Fund balance - end of year			<u>\$ 4,536,615</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

Exhibit 7

	Major Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
Assets					
Current assets					
Cash and cash equivalents	\$ 1,388,460	\$ 6,924,560	\$ 2,580,742	\$ 1,566,721	\$ 12,460,483
Accounts receivable - net	839,490	3,181,238	153,880	1,865	4,176,473
Due from other governments	-	-	-	20,890	20,890
Due from other funds	379,620	1,122,804	-	-	1,502,424
Inventories	400,674	2,243,379	-	-	2,644,053
Deferred charges	1,973	-	-	-	1,973
Prepaid expenses	29,931	55,634	1,731	4,206	91,502
Total current assets	<u>3,040,148</u>	<u>13,527,615</u>	<u>2,736,353</u>	<u>1,593,682</u>	<u>20,897,798</u>
Noncurrent assets					
Capital assets					
Land, improvements and construction in progress	619,554	31,963	4,065,086	976,860	5,693,463
Other capital assets, net of depreciation	27,103,339	6,094,475	1,251,987	5,523,163	39,972,964
Total capital assets, net	<u>27,722,893</u>	<u>6,126,438</u>	<u>5,317,073</u>	<u>6,500,023</u>	<u>45,666,427</u>
Total assets	<u>\$ 30,763,041</u>	<u>\$ 19,654,053</u>	<u>\$ 8,053,426</u>	<u>\$ 8,093,705</u>	<u>\$ 66,564,225</u>
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	\$ 576,446	\$ 2,703,522	\$ 238,231	\$ 74,291	\$ 3,592,490
Customer deposits	-	541,485	6,000	40,031	587,516
Due to other funds	-	-	363,451	-	363,451
Compensated absences - current	70,347	64,071	10,501	100	145,019
General obligation bonds payable - current	-	-	-	-	-
Installment purchase agreements payable - current	118,673	151,875	467,482	-	738,030
Deferred revenue	1,973	-	-	1,731	3,704
Total current liabilities	<u>767,439</u>	<u>3,460,953</u>	<u>1,085,665</u>	<u>116,153</u>	<u>5,430,210</u>
Noncurrent liabilities					
Accrued landfill closure and postclosure costs	-	-	3,925,472	-	3,925,472
Compensated absences	70,346	64,072	10,502	25,667	170,587
Other postemployment benefits	340,774	204,465	61,914	56,002	663,155
General obligation bonds payable - noncurrent (net)	-	-	-	-	-
Installment purchase agreements payable - noncurrent	875,173	1,572,031	379,541	17,563	2,844,308
Total noncurrent liabilities	<u>1,286,293</u>	<u>1,840,568</u>	<u>4,377,429</u>	<u>99,232</u>	<u>7,603,522</u>
Total liabilities	<u>2,053,732</u>	<u>5,301,521</u>	<u>5,463,094</u>	<u>215,385</u>	<u>13,033,732</u>
Net assets					
Invested in capital assets, net of related debt	26,729,047	4,402,532	4,470,050	6,482,460	42,084,089
Unrestricted	<u>1,980,262</u>	<u>9,950,000</u>	<u>(1,879,718)</u>	<u>1,395,860</u>	<u>11,446,404</u>
Total net assets	<u>\$ 28,709,309</u>	<u>\$ 14,352,532</u>	<u>\$ 2,590,332</u>	<u>\$ 7,878,320</u>	<u>\$ 53,530,493</u>

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2011

Exhibit 8

	Major Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
Operating Revenues					
Charges for sales and services	\$ 6,429,806	\$ 30,307,901	\$ 2,104,072	\$ -	\$ 38,841,779
Rental income	-	-	-	429,637	429,637
Other operating revenues	189,398	973,334	7,659	32,559	1,202,950
Total operating revenues	6,619,204	31,281,235	2,111,731	462,196	40,474,366
Operating Expenses					
Administrative	852,982	1,211,635	-	507,919	2,572,536
Customer service	-	171,731	-	-	171,731
Electrical operations	-	2,513,146	-	-	2,513,146
Electric power purchases	-	25,227,973	-	-	25,227,973
Water operations	1,590,431	-	-	-	1,590,431
Sewer operations	1,243,346	-	-	-	1,243,346
Systems division	1,291,387	-	-	-	1,291,387
Tenant services	-	-	-	9,011	9,011
Utilities	-	-	-	390,054	390,054
Ordinary Maintenance and operation	-	-	-	265,808	265,808
General expenses	-	-	-	68,944	68,944
Housing assistance payments	-	-	-	1,353,488	1,353,488
Nonroutine maintenance	-	-	-	30,067	30,067
Landfill operations	-	-	1,942,274	-	1,942,274
Depreciation	1,360,802	641,388	37,167	291,152	2,330,509
Total operating expense	6,338,948	29,765,873	1,979,441	2,916,443	41,000,705
Operating income (loss)	280,256	1,515,362	132,290	(2,454,247)	(526,339)
Nonoperating revenues (expenses)					
Operating grants	-	-	-	2,212,993	2,212,993
Capital grants	40,000	-	9,355	564,644	613,999
Gain on disposal of assets	17,412	21,908	(41,308)	-	(1,988)
Investment earnings	4,894	29,270	4,821	10,226	49,211
Interest and other charges	(34,112)	(62,033)	(47,858)	(515)	(144,518)
Other nonoperating (expenses) income	276	-	(26,067)	12,767	(13,024)
Total nonoperating revenues (expenses)	28,470	(10,855)	(101,057)	2,800,115	2,716,673
Income (loss) before contributions and transfers	308,726	1,504,507	31,233	345,868	2,190,334
Capital contributions	-	44,097	-	-	44,097
Transfers to other funds	(250,000)	(1,328,451)	(150,000)	-	(1,728,451)
Transfers from other funds	5,977	36,955	363,451	-	406,383
Change in net assets	64,703	257,108	244,684	345,868	912,363
Total net assets, beginning	28,644,606	14,095,424	2,345,648	7,532,452	52,618,130
Total net assets, ending	\$ 28,709,309	\$ 14,352,532	\$ 2,590,332	\$ 7,878,320	\$ 53,530,493

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

Exhibit 9

	Enterprise Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public	
Cash flows from operating activities:					
Cash received from customers	\$ 6,426,161	\$ 30,644,567	\$ 2,148,117	\$ 451,012	\$ 39,669,857
Cash paid for goods and services	(1,822,721)	(26,767,337)	(751,304)	(2,004,415)	(31,345,777)
Cash paid to employees for services	(2,984,611)	(2,301,423)	(621,587)	(568,885)	(6,476,506)
Customer deposits received	-	86,912	-	1,210	88,122
Customer deposits returned	-	(13,442)	-	(4,094)	(17,536)
Other operating revenues	189,398	973,334	7,659	32,559	1,202,950
Net cash provided (used) by operating activities	<u>1,808,227</u>	<u>2,622,611</u>	<u>782,885</u>	<u>(2,092,613)</u>	<u>3,121,110</u>
Cash flows from noncapital financing activities:					
Operating grants and subsidies	-	-	-	2,212,993	2,212,993
Due from (to) other funds	41,384	(280,671)	363,451	1,598	125,762
Transfers from other funds	5,977	36,955	363,451	-	406,383
Transfers to other funds	(250,000)	(1,328,451)	(150,000)	-	(1,728,451)
Total cash flows from noncapital financing activities	<u>(202,639)</u>	<u>(1,572,167)</u>	<u>576,902</u>	<u>2,214,591</u>	<u>1,016,687</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(1,180,087)	(118,799)	(737,791)	(569,946)	(2,606,623)
Principal paid on bonds and installment purchase agreements	(124,728)	(151,210)	(419,139)	(4,483)	(699,560)
Interest paid on bonds and installment purchase agreements	(34,112)	(62,033)	(47,858)	(515)	(144,518)
Proceeds from installment financing	111,212	-	221,733	-	332,945
Proceeds from sale of assets	17,656	-	13,525	-	31,181
Capital grants	40,000	44,097	9,355	564,644	658,096
Net cash provided (used) by capital and related financing activities	<u>(1,170,059)</u>	<u>(287,945)</u>	<u>(960,175)</u>	<u>(10,300)</u>	<u>(2,428,479)</u>
Cash flows from investing activities:					
Interest earned on investments	4,894	29,270	4,821	10,226	49,211
Net increase (decrease) in cash and cash equivalents	440,423	791,769	404,433	121,904	1,758,529
Cash and cash equivalents at beginning of year	948,037	6,132,791	2,176,309	1,444,817	10,701,954
Cash and cash equivalents at end of year	<u>\$ 1,388,460</u>	<u>\$ 6,924,560</u>	<u>\$ 2,580,742</u>	<u>\$ 1,566,721</u>	<u>\$ 12,460,483</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 280,256	\$ 1,515,362	\$ 132,290	\$ (2,454,247)	\$ (526,339)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,360,802	641,388	37,167	285,025	2,324,382
Other nonoperating income (expense)	276	21,908	(26,067)	12,767	8,884
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(3,645)	336,666	44,045	21,375	398,441
(Increase) decrease in prepaid expenses	(23,361)	(51,172)	(110)	3,519	(71,124)
(Increase) decrease in inventory	(14,420)	(27,606)	-	-	(42,026)
Increase (decrease) in accounts payable and accrued liabilities	111,577	58,341	99,627	23,844	293,389
Increase (decrease) in customer deposits	-	73,470	-	(2,884)	70,586
Decrease (increase) in accrued compensated absences	(9,084)	(6,950)	2,228	(296)	(14,102)
Increase in postemployment benefits	105,826	61,204	16,070	18,181	201,281
Increase in accrued landfill closure and postclosure costs	-	-	477,635	-	477,635
Increase (decrease) in deferred revenues	-	-	-	103	103
Total adjustments	<u>1,527,971</u>	<u>1,107,249</u>	<u>650,595</u>	<u>361,634</u>	<u>3,647,449</u>
Net cash provided (used) by operating activities	<u>\$ 1,808,227</u>	<u>\$ 2,622,611</u>	<u>\$ 782,885</u>	<u>\$ (2,092,613)</u>	<u>\$ 3,121,110</u>

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Year Ended June 30, 2011

Exhibit 10

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ <u>509</u>
Liabilities and Net Assets	
Liabilities:	
Miscellaneous liabilities	<u>509</u>
Total liabilities	<u>\$ 509</u>

Notes to the Financial Statements

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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, 2011

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:

Comprehensive Bicycle Grant Fund. This fund is used to accumulate monies to assist in the comprehensive planning of bicycle transportation.

E.E. Waddell Renovation Fund. This fund is used to account for grant monies restricted for the renovation of the E.E. Waddell Center.

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.

CDBG Alfred Street Project Fund. This fund accounts for grant monies to facilitate the Alfred Street Redevelopment Project.

Rural Center Grant Fund. This fund accounts for grant monies for the DEST Family dentistry expenditures.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Justice Assistance Grant Fund. This fund is used to account for grant monies restricted for use in public safety improvements.

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

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.

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 2010 through February 2011 apply to the fiscal year ended June 30, 2011. 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.

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 1st, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2010. 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, 2011

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. The anticipation date of completion is march 2010. 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, 2011

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, 2011

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, 2011.

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, 2011

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.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2011, the following expenditures exceeded their authorized appropriations made by the governing board:

General Fund:	
Transfer from General Fund to the E.E. Waddell Renovation Fund	\$ 15,399
Morrow Chase CDBG Fund:	
Street improvements	26,635
Snyder Greenway Project Fund:	
Engineering	16,227
Water and Sewer Fund:	
Water Treatment Plant	33,581
Sewer Treatment Plant	16,184
Electric Fund:	
Electric Operations	449,319

Management and the Board will more closely review the budget reports to ensure compliance in future years.

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 3 - 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, 2011, the City's deposits had a carrying amount of \$16,756,832 and a bank balance of \$16,811,996. Of the bank balance, \$1,820,848 was covered by federal depository insurance and \$14,991,148 was covered by collateral held under the pooling method. At June 30, 2011, the City's petty cash fund totaled \$3,008. The carrying amount of the deposits for the ADDC was \$73,608 and a bank balance of \$62,519. Of the bank balance \$62,519 was covered by federal depository insurance. The carrying amount of deposits for the ABC Board was \$84,470 and a bank balance of \$78,821. Of the bank balance, the entire balance was covered by federal depository insurance. At June 30, 2011, the ABC Board's petty cash fund totaled \$2,497.

2. Investments

At June 30, 2011, the City of Albemarle had \$564,290 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, 2011

NOTE 3 - 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, 2011, 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	\$ 2,452,979	\$ 203,166	\$ -	\$ 2,656,145
Construction in progress	1,817,300	495,182	928,847	1,383,635
Total capital assets not being depreciated	<u>4,270,279</u>	<u>698,348</u>	<u>928,847</u>	<u>4,039,780</u>
Capital assets being depreciated				
Buildings	9,385,198	11,955	352,897	9,044,256
Other improvements	655,482	-	-	655,482
Infrastructure	4,710,661	690,185	-	5,400,846
Equipment and furnishings	1,872,660	40,977	34,057	1,879,580
Mobile Equipment	4,051,217	115,922	95,509	4,071,630
Total capital assets being depreciated	<u>20,675,218</u>	<u>859,039</u>	<u>482,463</u>	<u>21,051,794</u>
Less accumulated depreciation				
Buildings	2,430,831	298,559	341,485	2,387,905
Other improvements	281,927	40,188	-	322,115
Infrastructure	1,625,640	127,990	-	1,753,630
Equipment and furnishings	1,043,847	131,029	40,080	1,134,796
Mobile equipment	3,004,613	260,132	100,898	3,163,847
Total accumulated depreciation	<u>8,386,858</u>	<u>\$ 857,898</u>	<u>\$ 482,463</u>	<u>8,762,293</u>
Total capital assets being depreciated – net	<u>12,288,360</u>			<u>12,289,501</u>
Total Governmental Activities				
Capital assets – net	<u>\$ 16,558,639</u>			<u>\$ 16,329,281</u>

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

General government	\$ 226,303
Public safety	280,992
Public works	219,884
Recreation	<u>130,719</u>
Total depreciation expense	<u>\$ 857,898</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Water and Sewer Fund				
Capital assets not being depreciated				
Land	\$ 139,933	\$ -	\$ -	\$ 139,933
Construction in progress	-	479,621	-	479,621
Total capital assets not being depreciated	<u>139,933</u>	<u>479,621</u>	<u>-</u>	<u>619,554</u>
Capital assets being depreciated				
Buildings	34,836,712	26,268	-	34,862,980
Water and sewer lines	29,001,062	314,747	-	29,315,809
Equipment and vehicles	3,164,605	359,451	38,780	3,485,276
Total capital assets being depreciated	<u>67,002,379</u>	<u>700,466</u>	<u>38,780</u>	<u>67,664,065</u>
Less accumulated depreciation				
Buildings	18,016,143	601,382	-	18,617,525
Water and sewer lines	18,909,347	605,996	-	19,515,343
Equipment and vehicles	2,312,969	153,424	38,535	2,427,858
Total accumulated depreciation	<u>39,238,459</u>	<u>\$ 1,360,802</u>	<u>\$ 38,535</u>	<u>40,560,726</u>
Total capital assets being depreciated – net	<u>27,763,920</u>			<u>27,103,339</u>
Water and Sewer Fund				
Capital Assets – net	<u>27,903,853</u>			<u>27,722,893</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Electric Fund				
Capital assets not being depreciated				
Land	\$ 31,963	\$ -	\$ -	\$ 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	5,140,629	11,955	-	5,152,584
Distribution lines	17,998,779	-	-	17,998,779
Equipment and vehicles	2,281,032	106,844	43,488	2,344,388
Total capital assets being depreciated	<u>25,420,440</u>	<u>118,799</u>	<u>43,488</u>	<u>25,495,751</u>
Less accumulated depreciation				
Buildings	1,174,038	203,462	-	1,377,500
Distribution lines	16,154,254	231,858	-	16,386,112
Equipment and vehicles	1,475,084	206,068	43,488	1,637,664
Total accumulated depreciation	<u>18,803,376</u>	<u>\$ 641,388</u>	<u>\$ 43,488</u>	<u>19,401,276</u>
Total capital assets being depreciated – net	<u>6,617,064</u>			<u>6,094,475</u>
Electric Fund Capital				
Assets – net	<u>6,649,027</u>			<u>6,126,438</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities				
Landfill Fund				
Capital assets not being depreciated				
Land	\$ 159,691	\$ -	\$ -	\$ 159,691
Construction in progress	3,461,634	443,761	-	3,905,395
Total capital assets not being depreciated	<u>3,621,325</u>	<u>443,761</u>	<u>-</u>	<u>4,065,086</u>
Capital assets being depreciated				
Buildings	211,174	-	-	211,174
Landfill cell construction	3,148,443	-	-	3,148,443
Equipment and vehicles	2,442,520	294,031	111,000	2,625,551
Total capital assets being depreciated	<u>5,802,137</u>	<u>294,031</u>	<u>111,000</u>	<u>5,985,168</u>
Less accumulated depreciation				
Buildings	60,946	6,173	-	67,119
Landfill cell construction	3,085,319	2,113	-	3,087,432
Equipment and vehicles	1,605,915	28,882	56,167	1,578,630
Total accumulated depreciation	<u>4,752,180</u>	<u>\$ 37,168</u>	<u>\$ 56,167</u>	<u>4,733,181</u>
Total capital assets being depreciated – net	<u>1,049,957</u>			<u>1,251,987</u>
Landfill Fund Capital Assets – net	<u>4,671,282</u>			<u>5,317,073</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities				
Department of Public Housing				
Capital assets not being depreciated				
Land	\$ 163,505	\$ -	\$ -	\$ 163,505
Construction in progress	273,446	539,909	-	813,353
Total capital assets not being depreciated	<u>436,951</u>	<u>539,909</u>	<u>-</u>	<u>976,860</u>
Capital assets being depreciated				
Buildings	9,629,959	-	-	9,629,959
Improvements	593,407	-	-	593,407
Equipment	302,654	30,037	17,209	315,482
Total capital assets being depreciated	<u>10,526,020</u>	<u>30,037</u>	<u>17,209</u>	<u>10,538,848</u>
Less accumulated depreciation				
Buildings	4,286,104	234,420	-	4,520,524
Improvements	278,650	29,857	-	308,507
Equipment	183,115	20,748	17,209	186,654
Total accumulated depreciation	<u>4,747,869</u>	<u>\$ 285,025</u>	<u>\$ 17,209</u>	<u>5,015,685</u>
Total capital assets being depreciated – net	<u>5,778,151</u>			<u>5,523,163</u>
Department of Public Housing Capital Assets – net	<u>6,215,102</u>			<u>6,500,023</u>
Business-type Activities Capital Assets, net	<u>\$ 45,439,264</u>			<u>\$ 45,666,427</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Discretely presented component units:

Activity for the ADDC Board for the year ended June 30, 2011, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land	\$ 106,508	\$ 9,915	\$ -	\$ 116,423
Capital assets being depreciated				
Buildings	908,778	-	-	908,778
Equipment	17,709	-	-	17,709
Total capital assets being depreciated	<u>926,487</u>	<u>-</u>	<u>-</u>	<u>926,487</u>
Less accumulated depreciation				
Buildings	239,250	22,719	-	261,969
Equipment and vehicles	18,228	3,240	-	21,648
Total accumulated depreciation	<u>257,478</u>	<u>\$ 25,959</u>	<u>\$ -</u>	<u>283,437</u>
Depreciable assets, net	<u>669,009</u>			<u>643,050</u>
Total ADDC Board capital assets, net	<u>\$ 775,517</u>			<u>\$ 759,473</u>

Activity for the ABC Board for the year ended June 30, 2011, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land	\$ 261,417	\$ -	\$ -	\$ 261,417
Capital assets being depreciated				
Buildings	1,035,540	-	-	1,035,540
Equipment and furniture	183,096	-	582	182,514
Total capital assets being depreciated	<u>1,218,636</u>	<u>-</u>	<u>582</u>	<u>1,218,054</u>
Less accumulated depreciation				
Buildings	134,754	27,004	-	161,758
Equipment and furniture	121,115	12,477	21,625	111,967
Total accumulated depreciation	<u>255,869</u>	<u>\$ 39,481</u>	<u>\$ 21,625</u>	<u>273,725</u>
Depreciable assets, net	<u>962,767</u>			<u>944,329</u>
Total ABC Board capital assets, net	<u>\$ 1,224,184</u>			<u>\$ 1,205,746</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2011, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General	\$ 268,587	\$ 347,927	\$ 616,514
Other governmental	<u>157,490</u>	<u>-</u>	<u>157,490</u>
Total - governmental activities	<u>\$ 426,077</u>	<u>\$ 347,927</u>	<u>\$ 774,004</u>
Business-type activities:			
Water and sewer fund	\$ 449,430	\$ 127,016	\$ 576,446
Electric fund	2,602,456	101,066	2,703,522
Landfill fund	212,701	25,530	238,231
Department of public housing	<u>32,895</u>	<u>41,396</u>	<u>74,291</u>
Total – Business-type activities	<u>\$ 3,297,482</u>	<u>\$ 295,008</u>	<u>\$ 3,592,490</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 6.48% and 6.41%, respectively, of annual covered payroll. The ABC Board is currently required to contribute 7.64% 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, 2011, 2010, and 2009 were \$688,077, \$534,471, and \$531,846, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2011, 2010 and 2009 were \$12,337, \$9,243, and \$8,541, 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, 2011

NOTE 3 - 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, 2010, 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, 2010 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, 2011

NOTE 3 - 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	\$ 133,100
Interest on net pension obligation	20,515
Adjustment to annual required contribution	<u>(21,966)</u>
Annual pension cost	\$ 131,649
Contributions made	<u>102,746</u>
Increase (decrease) in net pension obligation	28,903
Net pension obligation beginning of fiscal year	<u>410,298</u>
Net pension obligation end of fiscal year	<u>\$ 439,201</u>

Three year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation End of Year</u>
6/30/2009	\$ 98,791	83.69%	\$386,305
6/30/2010	\$ 106,672	77.51%	\$410,298
6/30/2011	\$ 131,649	78.05%	\$439,201

Funded Status and Funding Progress

As of December 31 2010, 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 \$1,294,483. The covered payroll (annual payroll of active employees covered by the plan) was \$1,999,596, and the ratio of the UAAL to the covered payroll was 64.74 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, 2011

NOTE 3 - 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, 2011 were \$167,659, which consisted of \$123,897 from the City and \$43,762 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 \$19,058 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, 2011. 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, 2010, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	28	8
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	226	47
Total	<u>254</u>	<u>55</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 3 - 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 36.20% of annual covered payroll. For the current year, the City contributed \$281,850 or 6.59% 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 36.20% and 36.20% 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	\$ 775,996
Interest on net OPEB obligation	45,844
Adjustment to annual required contribution	<u>(43,795)</u>
Annual OPEB cost (expense)	778,045
Contributions made	<u>281,850</u>
Increase (decrease) in net OPEB obligation	496,195
Net OPEB obligation, beginning of year	<u>1,146,091</u>
Net OPEB obligation, end of year	<u>\$ 1,642,286</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

<u>For Year</u> <u>Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2009	\$ 770,578	7.45%	\$ 572,610
2010	773,721	6.94%	1,146,091
2011	778,045	36.20%	1,642,286

NOTE 3 - 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, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$8,395,508. The covered payroll (annual payroll of active employees covered by the plan) was \$10,854,228, and the ratio of the UAAL to the covered payroll was 77.3 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2010 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 10.50 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, 2010, 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, 2011

NOTE 3 - 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:

	Deferred Revenue	Unearned Revenue
Prepaid privilege licenses (General)	\$ -	\$ 493,316
Note receivable (General)	-	800,000
Taxes receivable, net (General)	638,427	-
Assessments receivable (General)	375	-
Prepaid rents (Business-type Funds)	-	3,704
	<u>\$ 638,802</u>	<u>\$ 1,297,020</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, 2011, 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, 2011

NOTE 3 - 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 December 2006, the City entered into an installment purchase contract to finance fire equipment. The obligation is to be repaid in twenty quarterly payments of \$20,704, including interest at 3.59 percent, secured by the equipment.	\$ 40,858	\$ -
In December 2006, the City entered into an installment purchase contract to finance public utilities equipment. The obligation is to be repaid in twenty quarterly payments of \$9,159, including interest at 3.59%, secured by the equipment.	-	18,075
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.	-	173,738
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.	68,712	-
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.	-	455,000
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.	1,680,000	2,520,000
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.	107,382	-
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.	61,469	114,156
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.	-	301,368
Total Installment Purchases	<u>\$ 1,958,421</u>	<u>\$ 3,582,337</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations

a. Installment Purchases

The future minimum payments of the installment purchase contracts as of June 30, 2011, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 282,262	\$ 62,790	\$ 738,030	\$ 107,292
2013	220,307	53,757	536,864	85,765
2014	184,683	47,102	309,112	72,700
2015	151,653	41,520	300,813	62,774
2016	139,516	35,938	227,518	54,206
2017-21	700,000	115,025	1,050,000	172,255
2022-26	<u>280,000</u>	<u>7,503</u>	<u>420,000</u>	<u>11,236</u>
Totals	<u>\$ 1,958,421</u>	<u>\$ 363,635</u>	<u>\$ 3,582,337</u>	<u>\$ 566,228</u>

At June 30, 2011 the City's legal debt margin is \$ 79,481,036.

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, 2011:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 2,392,679	\$ -	\$ 434,258	\$ 1,958,421	\$ 282,262
Compensated absences	589,900	329,140	348,908	570,132	285,066
Net pension obligation	410,298	28,903	-	439,201	-
Other postemployment benefits	<u>684,216</u>	<u>294,915</u>	<u>-</u>	<u>979,131</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$ 4,077,093</u>	<u>\$ 652,958</u>	<u>\$ 783,166</u>	<u>\$ 3,946,885</u>	<u>\$ 567,328</u>
Business-type activities:					
Installment purchases	3,948,952	332,916	699,531	3,582,337	738,030
Compensated absences	329,708	190,293	204,395	315,606	145,019
Other postemployment benefits	<u>461,875</u>	<u>201,280</u>	<u>-</u>	<u>663,155</u>	<u>-</u>
Business-type activity					
Long-term liabilities	<u>\$ 4,740,535</u>	<u>\$ 724,489</u>	<u>\$ 903,926</u>	<u>\$ 4,561,098</u>	<u>\$ 883,049</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, 2011

NOTE 3 - 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>
2012	\$ 7,633	\$ 3,654
2013	8,034	3,257
2014	8,456	2,840
2015	8,899	2,416
2016	9,342	1,992
Thereafter	<u>19,980</u>	<u>3,217</u>
	<u>\$ 62,344</u>	<u>\$ 17,376</u>

C. Interfund Balances and Activity

1. Transfers to/from other funds: Transfers to/from other funds at June 30, 2011, consist of the following:

From the City Hall Capital Project Fund to the General Fund for operating expenditures.	\$ 11,955
From the General Fund to the Electric Fund for operating expenditures.	25,000
From the CDG Alfred Street Project Fund to the General Fund for operating expenditures.	10,280
From the Water and Sewer Fund to the Waste Water Treatment Improvements Project Fund for operating expenditures.	500,000
From the General Fund to the E.E. Waddell Renovations Project for capital expenditures.	15,399
From the City Hall Project Fund to the Water and Sewer Fund for capital expenditures.	5,977
From the Water and Sewer Fund to the General Fund for operating expenditures.	250,000
From the Electric Fund to the Landfill Fund for operating expenditures.	363,451
From the General Fund to the Synder Greenway Project Fund for operating expenditures.	12,256
From the General Fund to the Brownfield Assessment Coalition Fund for operating expenditures.	3,750
From the General Fund to the Morrow Chase CDBG Project Fund for operating expenditures.	27,001
From the Water and Sewer Fund to the Water and Sewer (CKA) Project Fund for operating expenditures.	159,000
From the Electric Fund to the General Fund for operating expenditures.	275,000
From the City Hall Project Fund to the Electric Fund for operating expenditures.	11,955
From the Landfill Fund to the General Fund for operating expenditures.	150,000
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, 2011

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Activity (Continued)

2. Interfund Receivables and Payables

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer Fund	General Fund to fund operations	379,620
Electric Fund	General Fund to fund operations	759,353
Electric Fund	Landfill Fund to fund operations	363,451
General Fund	Morrow Chase CDBG Fund	155,928
General Fund	Snyder Greenway Capital Project Fund	209,655
General Fund	City Hall Capital Project Fund to fund operations	79,950
General Fund	E.E. Waddell Fund	36,666
General Fund	Safe Routes to School Grant Fund	14,250
General Fund	Rural Center Grant Fund	3,826

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2011, the City of Albemarle has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$ 19,058 for the 18 volunteer firemen and 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 4 – 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, 2011 were \$25,227,973.

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 4 – 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 \$ 4,007 to the Council during the year ended June 30, 2011.

NOTE 5 – 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 6 – 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 \$3,925,472 reported as landfill closure and postclosure care liability at June 30, 2011 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, 2011:

Old Landfill	\$2,290,786
New Landfill	<u>1,634,686</u>
	<u>\$3,925,472</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 7 – 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>\$4,536,615</u>
Inventories	33,873
Stabilization by State Statute	1,507,584
Streets – Powell Bill	429,337
Appropriated fund balance in 2012 budget	100,000
Economic development	-
Working Capital/Fund balance policy	2,465,821
Remaining fund balance	-

Required Supplemental Financial Data

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
12/31/2005	-	667,716	667,716	0%	1,721,017	38.77%
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%

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

Year Ended <u>June 30</u>	Annual Required <u>Contributions</u>	Percentage <u>Contributed</u>
2009	\$ 98,791	83.69%
2010	\$ 106,672	77.51%
2011	\$ 131,649	78.05%

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, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 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)
12/31/2007	0	9,175,039	9,175,039	0%	9,819,995	93.4%
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%

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

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	770,578	7.45%
2010	773,721	6.94%
2011	778,045	36.20%

Notes to the Required Schedules:

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

Valuation date	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	Market vlaue
Actuarial assumptions:	
Investment rate of return*	4.0%
Medical cost trend	10.50% - 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, 2011

Exhibit A-1
Page 1 of 5

	2011		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Ad valorem taxes			
Current year	\$ -	\$ 5,337,438	\$ -
Prior years	-	175,969	-
Penalties and interest	-	37,299	-
Total	<u>5,623,350</u>	<u>5,550,706</u>	<u>(72,644)</u>
Other taxes and licenses			
Gross receipts tax on short-term rental property	-	18,113	-
Local occupancy tax	-	102,221	-
Privilege licenses	-	136,156	-
Total	<u>253,100</u>	<u>256,490</u>	<u>3,390</u>
Unrestricted intergovernmental revenues			
Local option sales tax	-	2,573,515	-
Franchise tax	-	720,905	-
Telecommunications tax	-	197,322	-
Video programming fees	-	142,393	-
Piped natural gas tax	-	59,819	-
Beer and wine tax	-	72,008	-
Payment in lieu of taxes	-	147	-
Total	<u>3,621,150</u>	<u>3,766,109</u>	<u>144,959</u>
Restricted intergovernmental revenue			
ABC - law enforcement	-	4,156	-
Powell Bill allocation	-	505,844	-
Federal grants	-	15,025	-
Drug tax distribution	-	8,581	-
ABC Senate Bill Distribution	-	63,000	-
Schools	-	94,450	-
On-behalf payments - fire	-	19,058	-
Total	<u>636,525</u>	<u>710,114</u>	<u>73,589</u>
Permits and fees			
Fire Department fees	-	23,518	-
Housing fees	-	12,488	-
Inspection and rezoning fees	-	8,935	-
Nuisance abatements	-	492	-
Total	<u>58,400</u>	<u>45,433</u>	<u>(12,967)</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, 2011

Exhibit A-1
Page 2 of 5

	2011		Variance Positive (Negative)
	Budget	Actual	
Revenues (continued)			
Sales and service			
Court costs and fees	-	1,990	-
Refuse collection fees	-	1,026,813	-
Cultural and recreational fees	-	79,761	-
Total	<u>1,122,800</u>	<u>1,108,564</u>	<u>(14,236)</u>
Investment earnings	<u>62,300</u>	<u>28,159</u>	<u>(34,141)</u>
Miscellaneous			
Miscellaneous	-	108,666	-
Sale of surplus property	-	1,864	-
Sale of fixed assets	-	33,157	-
Lease revenue	-	500	-
Contributions	-	7,362	-
Insurance reimbursement	-	42,634	-
Total	<u>95,591</u>	<u>194,183</u>	<u>98,592</u>
Total revenues	<u>11,473,216</u>	<u>11,659,758</u>	<u>186,542</u>
Expenditures			
General government			
Administration			
Salaries and employee benefits	-	190,142	-
Other operating expenditures	-	235,437	-
Total	<u>434,300</u>	<u>425,579</u>	<u>8,721</u>
Information systems			
Salaries and employees benefits	-	62,417	-
Other operating expenditures	-	64,697	-
Capital outlay	-	22,199	-
Total	<u>152,750</u>	<u>149,313</u>	<u>3,437</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, 2011

Exhibit A-1
Page 3 of 5

	2011		Variance Positive (Negative)
	Budget	Actual	
Expenditures (Continued)			
General government (continued)			
Engineering			
Salaries and employees benefits	-	40,683	-
Other operating expenditures	-	11,590	-
Capital outlay	-	11,955	-
Total	<u>67,850</u>	<u>64,228</u>	<u>3,622</u>
Human resources			
Salaries and employee benefits	-	65,477	-
Other operating expenditures	-	28,176	-
Total	<u>100,850</u>	<u>93,653</u>	<u>7,197</u>
Finance			
Salaries and employee benefits	-	132,090	-
Other operating expenditures	-	178,446	-
Total	<u>322,050</u>	<u>310,536</u>	<u>11,514</u>
Community Development			
Salaries and employee benefits	-	286,929	-
Other operating expenditures	-	112,605	-
Total	<u>438,350</u>	<u>399,534</u>	<u>38,816</u>
Total general government	<u>1,516,150</u>	<u>1,442,843</u>	<u>73,307</u>
Public Safety			
Police			
Salaries and employee benefits	-	2,833,742	-
School resource officers	-	184,731	-
Other operating expenditures	-	475,225	-
Capital outlay	-	116,004	-
Total	<u>3,798,080</u>	<u>3,609,702</u>	<u>188,378</u>
Fire department			
Salaries and employee benefits	-	2,113,737	-
Other operating expenditures	-	302,410	-
Fire Marshall	-	75,163	-
Total	<u>2,580,650</u>	<u>2,491,310</u>	<u>89,340</u>
Total public safety	<u>6,378,730</u>	<u>6,101,012</u>	<u>277,718</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, 2011

Exhibit A-1
Page 4 of 5

	2011		Variance Positive (Negative)
	Budget	Actual	
Expenditures (Continued)			
Public works			
Administration			
Salaries and employees benefits	-	151,687	-
Solid waste disposal fee	-	296,563	-
Downtown Services	-	96,369	-
Other operating expenditures	-	44,771	-
Total	<u>594,000</u>	<u>589,390</u>	<u>4,610</u>
Streets and Highways			
Salaries and employee benefits	-	784,943	-
Other operating expenditures	-	237,700	-
Total	<u>1,177,700</u>	<u>1,022,643</u>	<u>155,057</u>
Shop and Warehouse			
Salaries and employee benefits	-	320,398	-
Other operating expenditures	-	69,040	-
Total	<u>426,700</u>	<u>389,438</u>	<u>37,262</u>
Total public works	<u>2,198,400</u>	<u>2,001,471</u>	<u>196,929</u>
Environmental protection			
Solid waste			
Solid waste	-	1,126,050	-
Bad debt expense	-	10,529	-
Total environmental protection	<u>1,138,000</u>	<u>1,136,579</u>	<u>1,421</u>
Cultural and recreation			
Parks and recreation			
Salaries and employee benefits	-	767,676	-
Other operating expenditures	-	285,476	-
Capital outlay	-	7,000	-
Total cultural and recreation	<u>1,180,036</u>	<u>1,060,152</u>	<u>119,884</u>
Debt service			
Principal retirement	434,550	434,258	292
Interest and fees	<u>114,000</u>	<u>113,574</u>	<u>426</u>
Total debt service	<u>548,550</u>	<u>547,832</u>	<u>718</u>
Total expenditures	<u>12,959,866</u>	<u>12,289,889</u>	<u>669,977</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, 2011

Exhibit A-1
Page 5 of 5

	2011		Variance Positive (Negative)
	Budget	Actual	
Revenues over (under) expenditures	<u>(1,486,650)</u>	<u>(630,131)</u>	<u>856,519</u>
Other financing sources (uses)			
Operating transfers (to) from other funds			
Water and Sewer Fund	250,000	250,000	-
Electric Fund	965,000	965,000	-
Landfill Fund	200,000	150,000	(50,000)
CDBG - Alfred Street Project Fund	-	10,280	10,280
E.E. Waddell Renovation Fund	-	(15,399)	(15,399)
Synder Greenway Project Fund	(12,300)	(12,256)	44
Brownfield Assessment Coalition Fund	(3,750)	(3,750)	-
Morrow Chase CDBG Project Fund	(27,001)	(27,001)	-
City Hall Capital Project Fund	-	11,955	11,955
Electric Fund	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,346,949</u>	<u>1,303,829</u>	<u>(43,120)</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>(139,701)</u>	<u>673,698</u>	<u>813,399</u>
Fund balance appropriated	<u>139,701</u>	<u>-</u>	<u>(139,701)</u>
Net change in fund balance	<u>\$ -</u>	<u>673,698</u>	<u>\$ 673,698</u>
Fund balance, beginning		<u>3,862,917</u>	
Fund balance, ending		<u>\$ 4,536,615</u>	

CAPITAL PROJECTS FUND

CITY HALL

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

From Inception and for the Fiscal Year Ended June 30, 2011

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
REVENUES:					
Investment earnings	\$ 25,000	71,636	\$ 5,145	\$ 76,781	\$ 51,781
Sale of fixed assets	750,000	300,000	-	300,000	\$ (450,000)
Total Revenues	<u>775,000</u>	<u>371,636</u>	<u>5,145</u>	<u>376,781</u>	<u>(398,219)</u>
EXPENDITURES:					
Capital outlay:					
Legal	65,000	17,665	-	17,665	47,335
Engineering	777,000	739,117	-	739,117	37,883
Permit fees and testing	115,000	111,242	-	111,242	3,758
Other equipment	500,000	654,620	-	654,620	(154,620)
Construction in progress	9,192,000	8,110,775	-	8,110,775	1,081,225
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>(9,412,920)</u>	<u>5,145</u>	<u>(9,407,775)</u>	<u>716,225</u>
OTHER FINANCING SOURCES:					
Operating transfers from (to):					
General fund	1,750,000	1,830,000	(11,955)	1,818,045	68,045
City Hall Capital Reserve Fund	920,000	922,712	-	922,712	2,712
Water and Sewer Fund	250,000	250,000	(5,977)	244,023	(5,977)
Electric Fund	1,000,000	1,080,000	(11,955)	1,068,045	68,045
Landfill Fund	250,000	125,000	-	125,000	(125,000)
Proceeds from debt	5,954,000	5,250,000	-	5,250,000	(704,000)
Total other financing sources:	<u>10,124,000</u>	<u>9,457,712</u>	<u>(29,887)</u>	<u>9,427,825</u>	<u>(696,175)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 44,792</u>	<u>(24,742)</u>	<u>\$ 20,050</u>	<u>\$ 20,050</u>
Fund balance, beginning			<u>44,792</u>		
Fund balance, ending			<u>\$ 20,050</u>		

Non-major Governmental Funds

Comprehensive Bicycle Grant Fund - This fund is used to accumulate monies to assist in the comprehensive planning of bicycle transportation.

E.E. Waddell Renovation Fund – This fund is used to account for grant monies restricted for the renovation of the E.E. Waddell Center.

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.

Rural Center Grant Fund – This fund accounts for grant monies for the DEST family dentistry expenditures

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

Justice Assistance Grant Fund – This fund is used to account for grant monies restricted for use in public safety improvements.

CDBG Alfred Street Project Fund – This fund accounts for grant monies to facilitate the Alfred Street Redevelopment Project.

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

CITY OF ALBEMARLE, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2011

Exhibit B-1

	Special Revenue Funds											Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds		
	Comprehensive Bicycle Grant Fund	E.E. Waddell Renovation Fund	Recreation Grant Fund	Safe Routes to School Grant Fund	Clean Water Management Trust Grant Fund	Rural Center Grant Fund	Morrow Chase CDBG Fund	Justice Assistance Grant Fund	CDBG Alfred Street Project Fund	Synder Greenway Capital Project Fund						
ASSETS																
Current Assets																
Cash and investments	\$ -	\$ -	\$ 10,004	\$ -	\$ 55,885	\$ -	\$ -	\$ -	\$ 65,889	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,889
Due from other governments	-	36,666	-	14,250	-	3,826	155,928	-	210,670	-	209,655	-	209,655	-	209,655	420,325
Total assets	\$ -	\$ 36,666	\$ 10,004	\$ 14,250	\$ 55,885	\$ 3,826	\$ 155,928	\$ -	\$ 276,559	\$ -	\$ 209,655	\$ 209,655	\$ 209,655	\$ -	\$ 486,214	
LIABILITIES AND FUND BALANCES																
Liabilities																
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 288	\$ 3,826	\$ 138,196	\$ -	\$ 142,310	\$ -	\$ 15,180	\$ -	\$ 15,180	\$ 15,180	\$ 157,490	
Due to other funds	-	36,666	-	14,250	-	-	17,732	-	68,648	-	194,475	-	194,475	-	263,123	
Total liabilities	-	36,666	-	14,250	288	3,826	155,928	-	210,958	-	209,655	-	209,655	-	420,613	
Fund balances																
Reserved by State statute	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Designated for capital projects	-	-	10,004	-	55,597	-	-	-	65,601	-	-	-	-	-	-	65,601
Undesignated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	-	-	10,004	-	55,597	-	-	-	65,601	-	-	-	-	-	-	65,601
Total liabilities and fund balances	\$ -	\$ 36,666	\$ 10,004	\$ 14,250	\$ 55,885	\$ 3,826	\$ 155,928	\$ -	\$ 276,559	\$ -	\$ 209,655	\$ 209,655	\$ 209,655	\$ -	\$ 486,214	

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, 2011

Exhibit B-2

	Special Revenue Funds											Total Nonmajor Project Funds	Total Nonmajor Governmental Funds	
	Comprehensive Bicycle Grant Fund	E.E. Waddell Renovation Fund	Recreation Grant Fund	School Grant Fund	Safe Routes to Management Trust Grant Fund	Clean Water	Rural Center Grant Fund	Morrow Chase CDBG Fund	Justice Assistance Grant Fund	Total Nonmajor Special Revenue Funds	CDBG Alfred Street Project Fund			Snyder Greenway Capital Project Fund
Revenues														
Restricted intergovernmental	152	\$ 26,514	\$ -	\$ 14,250	\$ -	\$ 63,545	\$ 218,397	\$ 16,257	\$ 339,115	\$ -	\$ 191,156	\$ 191,156	\$ 530,271	
Investment earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	3,750	-	-	3,750	-	4,574	4,574	8,324	
Total revenues	152	26,514	-	14,250	-	67,295	218,397	16,257	342,865	-	195,730	195,730	538,595	
Expenditures														
Public safety	-	-	-	-	-	-	-	4,560	4,560	-	-	-	4,560	
Economic and physical development	-	-	-	-	2,543	71,045	21,409	-	94,997	2,550	-	2,550	97,547	
Capital outlay	153	42,820	5,578	14,250	-	-	224,379	11,697	298,877	-	208,002	208,002	506,879	
Total expenditures	153	42,820	5,578	14,250	2,543	71,045	245,788	16,257	398,434	2,550	208,002	210,552	608,986	
Revenues over (under) expenditures	(1)	(16,306)	(5,578)	-	(2,543)	(3,750)	(27,391)	-	(55,569)	(2,550)	(12,272)	(14,822)	(70,391)	
Other financing sources (uses)														
Transfers from other funds	-	15,399	-	-	-	3,750	27,001	-	46,150	(10,280)	12,256	1,976	48,126	
From (to) General Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	
(To) from CDBG Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total other financing sources (uses)	-	15,399	-	-	-	3,750	27,001	-	46,150	(10,280)	12,256	1,976	48,126	
Net change in fund balances	(1)	(907)	(5,578)	-	(2,543)	-	(390)	-	(9,419)	(12,830)	(16)	(12,846)	(22,265)	
Fund Balances														
Beginning of year, July 1	1	907	15,582	-	58,140	-	390	-	75,020	12,830	16	12,846	87,866	
End of year, June 30	-	\$ -	\$ 10,004	\$ -	\$ 55,597	\$ -	\$ -	\$ -	\$ 65,601	\$ -	\$ -	\$ -	\$ 65,601	

**CITY OF ALBEMARLE, NORTH CAROLINA
 COMPREHENSIVE BICYCLE GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 From Inception and for the Fiscal Year Ended June 30, 2011**

Exhibit B-3

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental revenues					
NC Department of Transportation	\$ 31,850	\$ 31,697	\$ 152	\$ 31,849	\$ (1)
Expenditures					
Capital outlay	45,500	45,346	153	45,499	1
Total expenditures	45,500	45,346	153	45,499	1
Revenues (under) expenditures	(13,650)	(13,649)	(1)	(13,650)	-
Other financing sources					
Transfers from other funds					
General fund	13,650	13,650	-	13,650	-
Total other financing sources	13,650	13,650	-	13,650	-
Net change in fund balance	\$ -	\$ 1	(1)	\$ 1	\$ 1
Fund balance					
Beginning of year, July 1			1		
End of year, June 30			\$ -		

E.E. WADDELL RENOVATIONS

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

From Inception and for the Fiscal Year Ended June 30, 2011

	Project Authorization	Actual		Total To Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental revenues					
NC Parks and Recreation Grant	\$ 499,978	\$ 441,664	\$ 26,514	\$ 468,178	\$ (31,800)
Expenditures					
Capital outlay					
Other professional expense	127,000	121,896	4,133	126,029	971
Buildings and structures	834,000	818,840	14,428	833,268	732
Landscaping	5,000	-	650	650	4,350
Water and Sewer Improvements	25,000	-	22,530	22,530	2,470
Contingency	8,957	-	1,079	1,079	7,878
Total expenditures	999,957	940,736	42,820	983,556	16,401
Revenues (under) expenditures	(499,979)	(499,072)	(16,306)	(515,378)	(15,399)
Other financing sources					
Transfers from other funds					
General fund	499,979	499,979	15,399	515,378	15,399
Total other financing sources	-	499,979	15,399	515,378	15,399
Net change in fund balance	\$ -	\$ 907	(907)	\$ -	\$ -
Fund balance					
Beginning of year, July 1			907		
End of year, June 30			\$ -		

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, 2011

Exhibit B-5

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
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	56,700	67,600	-	67,600	10,900
Total revenues	<u>936,080</u>	<u>830,002</u>	<u>-</u>	<u>830,002</u>	<u>(106,078)</u>
Expenditures					
Economic and physical development					
Leasehold improvements	77,262	75,984	-	75,984	1,278
Capital outlay	1,468,636	1,410,945	5,578	1,416,523	52,113
Total expenditures	<u>1,545,898</u>	<u>1,486,929</u>	<u>5,578</u>	<u>1,492,507</u>	<u>53,391</u>
Revenues over (under) expenditures	<u>(609,818)</u>	<u>(656,927)</u>	<u>(5,578)</u>	<u>(662,505)</u>	<u>(52,687)</u>
Other financing sources					
Transfers from other funds					
General Fund	609,818	672,509	-	672,509	62,691
Net change in fund balance	<u>\$ -</u>	<u>\$ 15,582</u>	<u>\$ (5,578)</u>	<u>\$ 10,004</u>	<u>\$ 10,004</u>
Fund balance					
Beginning of year, July 1			15,582		
End of year, June 30			<u>\$ 10,004</u>		

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, 2011

Exhibit B-6

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental revenues					
State Grant - N.C. Dept. of Transportation	\$ 51,968	\$ -	\$ 14,250	\$ 14,250	\$ (37,718)
Expenditures					
Capital outlay					
Legal	3,000	-	-	-	3,000
Engineering	15,000	-	14,250	14,250	750
Materials	29,244	-	-	-	29,244
Contingency	4,724	-	-	-	4,724
Total expenditures	51,968	-	14,250	14,250	37,718
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance					
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
From Inception and for the Fiscal Year Ended June 30, 2010

Exhibit B-7

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental revenues	\$ 174,000	\$ 150,979	\$ -	\$ 150,979	\$ (23,021)
Total revenues	<u>174,000</u>	<u>150,979</u>	<u>-</u>	<u>150,979</u>	<u>(23,021)</u>
Expenditures					
Capital outlay	40,000	31,599	-	31,599	8,401
Other operating expenditures	<u>224,500</u>	<u>151,740</u>	<u>2,543</u>	<u>154,283</u>	<u>70,217</u>
Total expenditures	<u>264,500</u>	<u>183,339</u>	<u>2,543</u>	<u>185,882</u>	<u>78,618</u>
Revenues over (under) expenditures	(90,500)	(32,360)	(2,543)	(34,903)	55,597
Other financing sources (uses)					
From General Fund	<u>90,500</u>	<u>90,500</u>	<u>-</u>	<u>90,500</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 58,140</u>	<u>\$ (2,543)</u>	<u>55,597</u>	<u>\$ 55,597</u>
Fund balance					
Beginning of year, July 1			<u>58,140</u>		
End of year, June 30			<u>\$ 55,597</u>		

CITY OF ALBEMARLE, NORTH CAROLINA
RURAL CENTER GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2011

Exhibit B-8

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental revenues					
Rural Center Grant	\$ 63,545	\$ -	\$ 63,545	\$ 63,545	\$ -
Miscellaneous	3,750	-	3,750	3,750	-
Total revenues	67,295	-	67,295	67,295	-
Expenditures					
Economic and physical development					
Professional services	3,500	-	3,500	3,500	-
Administration	3,500	-	3,500	3,500	-
Travel	500	-	500	500	-
Other	63,545	-	63,545	63,545	-
Total expenditures	71,045	-	71,045	71,045	-
Revenues over (under) expenditures	(3,750)	-	(3,750)	(3,750)	-
Other financing sources					
Transfers from other funds					
General Fund	3,750	-	3,750	3,750	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance					
Beginning of year, July 1			-		
End of year, June 30			\$ -		

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, 2011

Exhibit B-9

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
CDBG grant	\$ 237,336	\$ 20,000	\$ 218,397	\$ 238,397	\$ 1,061
Total revenues	237,336	20,000	218,397	238,397	1,061
Expenditures					
Salaries & benefits	17,276	4,193	7,308	11,501	5,775
Other services	11,000	-	-	-	11,000
Administration	7,000	3,194	3,802	6,996	4
Water & Sewer Improvements	19,094	-	10,299	10,299	8,795
Street Improvements	220,967	23,223	224,379	247,602	(26,635)
Total expenditures	275,337	30,610	245,788	276,398	(1,061)
Revenues (under) expenditures	(38,001)	(10,610)	(27,391)	(38,001)	-
Other financing sources (uses)					
Transfers from other funds					
From General fund	38,001	11,000	27,001	38,001	-
Net change in fund balance	\$ -	\$ 390	(390)	\$ -	\$ -
Fund balance, beginning of year			390		
Fund balance, end of year			\$ -		

CITY OF ALBEMARLE, NORTH CAROLINA
JUSTICE ASSISTANCE GRANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2011

Exhibit B-10

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Federal funds stimulus	\$ 16,997	\$ 16,997	\$ 16,257	\$ 33,254	\$ 16,257
Federal funds stimulus	94,192	94,192	-	94,192	\$ -
Categorical grants	27,652	-	-	-	\$ (27,652)
Investment earnings	100	-	-	-	\$ (100)
Total revenues	138,941	111,189	16,257	127,446	(11,495)
Expenditures					
Other supplies	1,800	-	-	-	1,800
Small tools	88,663	76,637	496	77,133	11,530
Service maintenance	6,050	6,050	-	6,050	-
Other	33,502	28,502	4,064	32,566	936
Capital outlay	12,000	-	11,697	11,697	303
Total expenditures	142,015	111,189	16,257	127,446	14,569
Revenues (under) expenditures	(3,074)	-	-	-	3,074
Other financing sources (uses)					
Transfers from other funds					
From general fund	3,074	-	-	-	(3,074)
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning of year			-		
Fund balance, end of year			\$ -		

CITY OF ALBEMARLE, NORTH CAROLINA
CDBG - ALFRED STREET PROJECT FUND 05-C-1397
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2010

Exhibit B-11

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
CDBG Funds					
Miscellaneous	\$ 603,297 455,000	\$ 484,208 -	\$ - -	\$ 484,208 -	\$ (119,089) (455,000)
Total revenues	<u>1,058,297</u>	<u>484,208</u>	<u>-</u>	<u>484,208</u>	<u>(574,089)</u>
Expenditures					
Capital outlay					
Infrastructure improvements	163,921	162,958	-	162,958	963
Operating costs	<u>991,447</u>	<u>405,255</u>	<u>2,550</u>	<u>407,805</u>	<u>583,642</u>
Total expenditures	<u>1,155,368</u>	<u>568,213</u>	<u>2,550</u>	<u>570,763</u>	<u>584,605</u>
Revenues over (under) expenditures	(97,071)	(84,005)	(2,550)	(86,555)	10,516
Other financing sources (uses)					
Operating transfers in (out)					
From General Fund	97,071	97,071	(10,280)	86,791	(10,280)
To CDBG 5 Points Project Fund	<u>-</u>	<u>(236)</u>	<u>-</u>	<u>(236)</u>	<u>(236)</u>
Total	<u>97,071</u>	<u>96,835</u>	<u>(10,280)</u>	<u>86,555</u>	<u>(10,516)</u>
Excess of revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 12,830</u>	<u>(12,830)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance					
Beginning of year, July 1			<u>12,830</u>		
End of year, June 30			<u>\$ -</u>		

CITY OF ALBEMARLE, NORTH CAROLINA
SYNDER GREENWAY PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2011

Exhibit B-12

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Restricted intergovernmental revenues					
Federal grant - NC dept of transportation	\$ 281,777	\$ 111,001	\$ 191,156	\$ 302,157	\$ 20,380
Miscellaneous	-	-	4,574	4,574	4,574
Total revenues	<u>281,777</u>	<u>111,001</u>	<u>195,730</u>	<u>306,731</u>	<u>24,954</u>
Expenditures					
Public safety					
Legal	300	150	-	150	150
Engineering	20,000	19,944	16,283	36,227	(16,227)
Advertising	180	180	-	180	-
Construction	283,557	90,711	191,719	282,430	1,127
Total expenditures	<u>304,037</u>	<u>110,985</u>	<u>208,002</u>	<u>318,987</u>	<u>(14,950)</u>
Revenues (under) expenditures	<u>(22,260)</u>	<u>16</u>	<u>(12,272)</u>	<u>(12,256)</u>	<u>10,004</u>
Other financing sources (uses)					
Transfers from other funds					
From general fund	22,260	-	12,256	12,256	(10,004)
Net change in fund balance	<u>\$ -</u>	<u>\$ 16</u>	<u>(16)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>16</u>		
Fund balance, end of year			<u><u>-</u></u>		

Enterprise Funds

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

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

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

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

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

CITY OF ALBEMARLE, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Water sales	\$ -	\$ 3,606,834	\$ -
Sewer charges	-	2,791,452	-
Water and sewer taps	-	31,520	-
Miscellaneous	-	189,398	-
Total operating revenues	<u>6,465,450</u>	<u>6,619,204</u>	<u>153,754</u>
Nonoperating revenues			
Interest earned on investments	-	4,851	-
Grant revenues	-	40,000	-
Sale of assets	-	17,412	-
Total nonoperating revenues	<u>106,600</u>	<u>62,263</u>	<u>(44,337)</u>
Total revenues	<u>6,572,050</u>	<u>6,681,467</u>	<u>109,417</u>
Expenditures			
Water and Sewer Administration			
Salaries and employees benefits	-	419,984	-
Postage	-	39,754	-
Contracted services	-	79,477	-
Insurance	-	89,192	-
Uniforms	-	13,427	-
Other operating expenditures	-	114,406	-
Total	<u>814,157</u>	<u>756,240</u>	<u>57,917</u>
Water Treatment Plant			
Salaries and employees benefits	-	776,403	-
Supplies	-	293,294	-
Repairs	-	164,546	-
Contracted services	-	26,297	-
Utilities	-	266,551	-
Fuel	-	9,718	-
Other operating expenditures	-	53,622	-
Total	<u>1,556,850</u>	<u>1,590,431</u>	<u>(33,581)</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	-	711,948	-
Supplies	-	115,893	-
Repairs	-	60,729	-
Contracted service	-	64,691	-
Utilities	-	199,884	-
Fuel	-	3,805	-
Other operating expenditures	-	86,396	-
Total	<u>1,227,162</u>	<u>1,243,346</u>	<u>(16,184)</u>
System Division			
Salaries and employee benefits	-	1,080,830	-
Supplies	-	142,482	-
Repairs	-	22,112	-
Utilities	-	8,490	-
Other operating expenditures	-	37,473	-
Governmental Fund	<u>1,291,550</u>	<u>1,291,387</u>	<u>163</u>
Debt Service			
Principal on installment purchases	-	124,728	-
Interest and fees	-	34,112	-
Total	<u>165,300</u>	<u>158,840</u>	<u>6,460</u>
Capital Outlay			
Water and sewer administration	-	12,685	-
Water treatment plant	-	272,592	-
Systems division	-	415,189	-
Total	<u>719,214</u>	<u>700,466</u>	<u>18,748</u>
Total expenditures	<u>5,774,233</u>	<u>5,740,710</u>	<u>33,523</u>
Revenues over (under) expenditures	<u>797,817</u>	<u>940,757</u>	<u>142,940</u>
Other financing sources (uses)			
Transfers (to) from other funds			
City Hall project fund	-	5,977	5,977
General fund	(250,000)	(250,000)	-
Waste Water Treatment Improvement project fund	(500,000)	(500,000)	-
Water and Sewer (CKA) project fund	(159,000)	(159,000)	-
Proceeds from installment debt	111,183	111,212	29
Total financing sources (uses) - net	<u>(797,817)</u>	<u>(791,811)</u>	<u>6,006</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**

	Budget	Actual	Variance Positive (Negative)
Revenues and other sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 148,946</u>	<u>\$ 148,946</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ 148,946</u>	
Payment on installment purchases		124,728	
Capital outlay		700,466	
Depreciation		(1,360,802)	
Capital lease proceeds		(111,212)	
Decrease in accrued compensated absences		9,084	
Increase in postemployment benefits		(105,826)	
Interest income Sewer Capital Project		43	
Other investment Sewer Capital Project		276	
Transfer from Water and Sewer (CKA) capital project		159,000	
Transfer from Waste Water Treatment Improvements project		<u>500,000</u>	
Total reconciling items		<u>(84,243)</u>	
Change in net assets		<u>\$ 64,703</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
SEWER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2011

Exhibit C-2

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Restricted intergovernmental revenues					
Rural Economic Development Grant	\$ 100,000	\$ 100,000	\$ -	\$ 100,000	\$ -
Water and sewer assessments	24,500	19,097	276	19,373	(5,127)
Interest earnings	-	1,505	43	1,548	1,548
Total revenues	<u>124,500</u>	<u>120,602</u>	<u>319</u>	<u>120,921</u>	<u>(3,579)</u>
Expenditures					
Engineering	22,800	22,594	-	22,594	206
Construction costs	311,300	311,181	-	311,181	119
Other professional services	11,797	11,683	-	11,683	114
Total expenditures	<u>345,897</u>	<u>345,458</u>	<u>-</u>	<u>345,458</u>	<u>439</u>
Revenues (under) expenditures	<u>(221,397)</u>	<u>(224,856)</u>	<u>319</u>	<u>(224,537)</u>	<u>(3,140)</u>
Other financing sources (uses)					
Transfers from other funds					
From water and sewer fund	221,397	233,643	-	233,643	12,246
Revenues and other sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 8,787</u>	<u>\$ 319</u>	<u>\$ 9,106</u>	<u>\$ 9,106</u>

CITY OF ALBEMARLE, NORTH CAROLINA
WATER & SEWER CAPITAL (CKA) PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2011

Exhibit C-3

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Interest earnings	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures					
Engineering	359,710	-	109,679	109,679	250,031
Total expenditures	359,710	-	109,679	109,679	250,031
Revenues (under) expenditures	(359,710)	-	(109,679)	(109,679)	250,031
Other financing sources (uses)					
Transfers from other funds					
From water and sewer fund	359,710	-	159,000	159,000	(200,710)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ -	\$ 49,321	\$ 49,321	\$ 49,321

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, 2011

Exhibit C-4

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Restricted intergovernmental revenues					
Rural Economic Development Grant	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>
Total revenues	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>
Expenditures					
Legal	50,000	-	-	-	50,000
Engineering	367,745	-	-	-	367,745
Administration	75,000	-	-	-	75,000
Other professional services	125,000	-	-	-	125,000
Building	4,204,500	-	369,942	369,942	3,834,558
Contingency	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
Total expenditures	<u>5,072,245</u>	<u>-</u>	<u>369,942</u>	<u>369,942</u>	<u>4,702,303</u>
Revenues (under) expenditures	<u>(4,072,245)</u>	<u>-</u>	<u>(369,942)</u>	<u>(369,942)</u>	<u>3,702,303</u>
Other financing sources (uses)					
Transfers from other funds					
From water and sewer fund	1,072,245	-	500,000	500,000	(572,245)
Debt proceeds	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,000,000)</u>
Other financing sources (uses) Total	<u>4,072,245</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>(3,572,245)</u>
Revenues and other sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,058</u>	<u>\$ 130,058</u>	<u>\$ 130,058</u>

CITY OF ALBEMARLE, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2011

Exhibit C-5
Page 1 of 2

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Residential sales	\$ -	\$ 14,990,097	\$ -
Commercial and industrial sales	-	14,495,086	-
Sales to City Departments	-	822,718	-
Total charges for services	<u>28,528,500</u>	<u>30,307,901</u>	<u>1,779,401</u>
Other operating revenues	<u>345,000</u>	<u>973,334</u>	<u>628,334</u>
Total operating revenues	<u>28,873,500</u>	<u>31,281,235</u>	<u>2,407,735</u>
Nonoperating revenues			
Interest earned on investments	-	29,270	-
Sale of assets	-	21,908	-
Total nonoperating revenues	<u>122,000</u>	<u>51,178</u>	<u>(70,822)</u>
Total revenues	<u>28,995,500</u>	<u>31,332,413</u>	<u>2,336,913</u>
Expenditures			
Administrative and Finance			
Salaries and employees benefits	-	812,789	-
Postage	-	40,546	-
Travel	-	256	-
Bad debts	-	124,318	-
Insurance	-	36,255	-
Other operating expenditures	-	143,218	-
Total	<u>1,162,284</u>	<u>1,157,382</u>	<u>4,902</u>
Customer Service			
Salaries and employees benefits	-	161,751	-
Materials and supplies	-	3,118	-
Repairs and maintenance	-	6,502	-
Other operating expenditures	-	360	-
Total	<u>181,500</u>	<u>171,731</u>	<u>9,769</u>
Electric Operations			
Salaries and employees benefits	-	1,333,952	-
Materials and supplies	-	576,090	-
Repairs	-	78,222	-
Contract labor	-	332,383	-
Electric power purchases	-	25,227,973	-
Other operating expenditures	-	192,499	-
Total	<u>27,291,800</u>	<u>27,741,119</u>	<u>(449,319)</u>

CITY OF ALBEMARLE, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2011

Exhibit C-5
Page 2 of 2

	Budget	Actual	Variance Positive (Negative)
Expenditures (continued)			
Debt Service			
Interest and other charges	-	62,033	-
Principal retirement	-	151,210	-
Total debt service	<u>213,700</u>	<u>213,243</u>	<u>457</u>
Capital Outlay			
Administrative and finance	-	16,220	-
Electric operations	-	90,624	-
Total	<u>128,041</u>	<u>106,844</u>	<u>21,197</u>
Total expenditures	<u>28,977,325</u>	<u>29,390,319</u>	<u>(412,994)</u>
Revenues over (under) expenditures	<u>18,175</u>	<u>1,942,094</u>	<u>1,923,919</u>
Other financing sources (uses)			
Transfer from (to) funds			
General fund	25,000	25,000	-
Landfil fund	(600,000)	(363,451)	236,549
City Hall project	83,000	11,955	(71,045)
General fund	(965,000)	(965,000)	-
Capital contributions	<u>108,275</u>	<u>44,097</u>	<u>(64,178)</u>
Total other financing sources (uses)	<u>(1,348,725)</u>	<u>(1,247,399)</u>	<u>101,326</u>
Appropriated fund balance	<u>1,330,550</u>	<u>-</u>	<u>(1,330,550)</u>
Revenues and other sources over (under) expenditures, other (uses) and appropriated fund balances	<u>\$ -</u>	<u>\$ 694,695</u>	<u>\$ 694,695</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ 694,695</u>	
Principal retirement		151,210	
Capital outlay		106,844	
Depreciation		(641,388)	
Increase in accrued compensated absences		6,950	
Increase in postemployment benefits		<u>(61,203)</u>	
Total reconciling items		<u>(437,587)</u>	
Change in net assets		<u>\$ 257,108</u>	

**CITY OF ALBEMARLE, NORTH CAROLINA
MUNICIPAL SOLID WASTE LANDFILL FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2011**

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

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Disposal fees	\$ -	\$ 1,834,470	\$ -
Solid waste fees	-	113,654	-
Sales of mulch and scrap	-	55,412	-
Scrap tire and white goods fees	-	100,536	-
Total charges for services	<u>2,109,000</u>	<u>2,104,072</u>	<u>(4,928)</u>
Other operating revenues	-	7,659	7,659
Total operating revenues	<u>2,109,000</u>	<u>2,111,731</u>	<u>2,731</u>
Nonoperating revenues			
Interest earned on investments	-	4,820	-
Sale of assets	-	(41,308)	-
State Grant	-	9,355	-
Other income (expense)	-	(26,067)	-
Total nonoperating revenues	<u>8,100</u>	<u>(53,200)</u>	<u>(61,300)</u>
Total revenues	<u>2,117,100</u>	<u>2,058,531</u>	<u>(58,569)</u>
Expenditures			
Landfill Operations			
Salaries and employees benefits	-	616,623	-
Postage	-	651	-
Materials and supplies	-	200,258	-
Repairs	-	131,416	-
Utilities	-	7,045	-
Contracted services	-	269,530	-
Insurance	-	47,150	-
Solid waste disposal fee	-	102,586	-
Other operating expenditures	-	71,082	-
Total	<u>1,486,600</u>	<u>1,446,341</u>	<u>40,259</u>
Debt Service			
Principal on installment purchases	-	419,139	-
Interest and fees	-	47,858	-
Total	<u>475,450</u>	<u>466,997</u>	<u>8,453</u>
Capital Outlay	<u>757,733</u>	<u>657,482</u>	<u>100,251</u>
Total expenditures	<u>2,719,783</u>	<u>2,570,820</u>	<u>148,963</u>
Revenues over expenditures	<u>(602,683)</u>	<u>(512,289)</u>	<u>90,394</u>

CITY OF ALBEMARLE, NORTH CAROLINA
MUNICIPAL SOLID WASTE LANDFILL FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2011

Exhibit C-6
Page 2 of 2

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Other financing (uses) sources			
Transfers to other funds			
To General Fund	(219,050)	(150,000)	69,050
From Electric fund	600,000	363,451	(236,549)
Proceeds from installment debt	<u>221,733</u>	<u>221,733</u>	<u>-</u>
Total other financing (uses)	<u>602,683</u>	<u>435,184</u>	<u>(167,499)</u>
Revenues and other sources over (under) expenditures, other (uses)	<u>\$ -</u>	<u>\$ (77,105)</u>	<u>\$ (77,105)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ (77,105)</u>	
Payment on installment purchases		419,139	
Capital outlay		657,482	
Depreciation		(37,167)	
Increase in accrued compensated absences		(2,228)	
Capital lease proceeds		(221,733)	
Increase in postemployment benefits		(16,070)	
Interest income from Landfill Capital Project Fund		1	
Adjustment to accrued landfill closure and post closure costs		<u>(477,635)</u>	
Total reconciling items		<u>321,789</u>	
Change in net assets		<u>\$ 244,684</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
 LANDFILL CAPITAL PROJECT FUND - PHASE II
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 From Inception and for the Fiscal Year Ended June 30, 2011

Exhibit C-7

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Investment earnings	50,000	21,527	1	21,528	2
Total revenues	50,000	21,527	1	21,528	2
Expenditures					
Capital outlay	3,930,500	3,461,634	80,309	3,541,943	388,557
Revenues (under) expenditures	(3,880,500)	(3,440,107)	(80,308)	(3,520,415)	(360,085)
Other financing sources					
Transfers from (to) other funds					
From (to) Landfill Capital Reserve Fund	1,900,000	2,208,583	-	2,208,583	308,583
Proceeds from installment financing	1,980,500	1,300,000	-	1,300,000	(680,500)
Total other financing sources	3,880,500	3,508,583	-	3,508,583	(371,917)
Revenues and other sources over (under) expenditures and other (uses)	\$ -	\$ 68,476	(80,308)	\$ (11,832)	\$ (11,832)
Fund balance					
Beginning of year, July 1			68,476		
End of year, June 30			\$ (11,832)		

**CITY OF ALBEMARLE, NORTH CAROLINA
COMBINING BALANCE SHEET
DEPARTMENT OF PUBLIC HOUSING
June 30, 2011**

Exhibit C-8

	Department of Public Housing			Totals
	Conventional	Section 8	Capital Fund	
ASSETS				
Current Assets				
Cash and investments	\$ 1,202,817	\$ 363,904	\$ -	\$ 1,566,721
Accounts receivable - net	1,865	-	-	1,865
Prepaid expenses	4,206	-	-	4,206
Internal balances	-	-	-	-
Due to (from) other funds	-	-	-	-
Due from other governments	2	-	20,888	20,890
Total current assets	1,208,890	363,904	20,888	1,593,682
Noncurrent Assets				
Capital Assets				
Land	163,505	-	-	163,505
Construction in progress	-	-	813,355	813,355
Other capital assets, net of accumulated depreciation	5,452,875	70,288	-	5,523,163
Total noncurrent assets	5,616,380	70,288	813,355	6,500,023
Total Assets	\$ 6,825,270	\$ 434,192	\$ 834,243	\$ 8,093,705
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 41,396	\$ 12,007	\$ 20,888	\$ 74,291
Customer deposits	40,031	-	-	40,031
Deferred revenues	1,731	-	-	1,731
Current portion of compensated absences	-	100	-	100
Total current liabilities	83,158	12,107	20,888	116,153
Other liabilities				
Lease payable	17,563	-	-	17,563
Other post employment benefits	56,002	-	-	56,002
Accrued compensated absences	24,660	1,007	-	25,667
Total other liabilities	98,225	1,007	-	99,232
Total liabilities	181,383	13,114	20,888	215,385
Net Assets				
Invested in capital assets, net of debt	5,598,817	70,288	813,355	6,482,460
Unrestricted	1,045,070	350,790	-	1,395,860
Total net assets	6,643,887	421,078	813,355	7,878,320
Total Liabilities and Net Assets	\$ 6,825,270	\$ 434,192	\$ 834,243	\$ 8,093,705

CITY OF ALBEMARLE, NORTH CAROLINA
COMBINING SCHEDULE OF REVENUES AND EXPENSES
DEPARTMENT OF PUBLIC HOUSING
For the Fiscal Year Ended June 30, 2011

Exhibit C-9

	Department of Public Housing			Totals
	Conventional	Section 8	Capital Fund	
Operating Revenues				
Rental income	\$ 429,637	\$ -	\$ -	\$ 429,637
Other	32,559	-	-	32,559
Total operating revenues	462,196	-	-	462,196
Operating expenses				
Administrative	328,387	160,113	19,419	507,919
Tenant services	9,011	-	-	9,011
Utilities	390,054	-	-	390,054
Ordinary maintenance and operation	264,585	1,223	-	265,808
General expenses	66,601	2,343	-	68,944
Housing assistance payments	-	1,353,488	-	1,353,488
Nonroutine maintenance	30,067	-	-	30,067
Depreciation	288,773	2,379	-	291,152
Total operating expenses	1,377,478	1,519,546	19,419	2,916,443
Operating (loss)	(915,282)	(1,519,546)	(19,419)	(2,454,247)
Nonoperating revenues (expenses)				
Operating subsidies	705,288	1,488,286	19,419	2,212,993
Interest earned on investments	9,774	452	-	10,226
Interest and other charges	(515)	-	-	(160)
Nonoperating revenue	12,767	-	-	12,767
Total nonoperating revenues	727,314	1,488,738	19,419	2,235,471
Net income (loss) before contributions and transfers	(187,968)	(30,808)	-	(218,776)
Capital grants	-	-	564,644	564,644
Transfers	24,735	-	(24,735)	-
	24,735	-	539,909	564,644
Change in net assets	(163,233)	(30,808)	539,909	345,868
Net assets, July 1	6,807,120	451,886	273,446	7,532,452
Net assets, June 30	\$ 6,643,887	\$ 421,078	\$ 813,355	\$ 7,878,320

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, 2011

Exhibit C-10

	Conventional		Variance Favorable (Unfavorable)
	Original and Final Budget	Actual	
Operating Revenues			
Rental income	\$ 375,000	\$ 429,637	\$ 54,637
Other	8,000	32,559	24,559
Total operating revenues	383,000	462,196	79,196
Operating expenditures			
Administrative	343,869	315,231	28,638
Tenant services	14,000	9,011	4,989
Utilities	398,460	390,054	8,406
Ordinary maintenance and operation	289,151	258,105	31,046
General expenses	67,500	66,601	899
Nonroutine maintenance	35,000	30,067	4,933
Total operating expenditures	1,147,980	1,069,069	78,911
Operating revenues (under) operating expenditures	(764,980)	(606,873)	158,107
Nonoperating revenues			
Operating subsidies	604,365	705,288	100,923
Other income	10,100	12,767	2,667
Interest income	9,648	9,774	126
Total nonoperating revenues	624,113	727,829	103,716
Nonoperating expenditures			
Lease payments	5,065	5,047	18
Capital outlay	4,068	3,647	421
Total nonoperating expenditures	9,133	8,694	439
Nonoperating revenues over nonoperating expenditures	614,980	719,135	104,155
Revenues over expenditures	(150,000)	112,262	262,262
Appropriated fund balance	150,000	-	(150,000)
Excess of revenues and appropriated fund balance (under) expenditures - modified accrual	\$ -	112,262	\$ 112,262
Reconciliation to the accrual basis:			
Depreciation		(288,773)	
Capital outlay		3,647	
Lease principal payments		4,532	
Accrual of OPEB		(18,181)	
Accrual of compensated absences		(1,455)	
Change in net income before capital contributions and transfers - Exhibit C-9		\$ (187,968)	

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, 2011

Exhibit C-11

	Section 8		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Operating subsidiaries	\$ 1,514,664	\$ 1,488,286	\$ 26,378
Total operating revenues	<u>1,514,664</u>	<u>1,488,286</u>	<u>26,378</u>
Operating expenditures			
Administrative	193,672	163,679	29,993
Capital outlay	3,028	2,396	632
Housing assistance payments	<u>1,500,000</u>	<u>1,353,488</u>	<u>146,512</u>
Total operating expenditures	<u>1,696,700</u>	<u>1,519,563</u>	<u>177,137</u>
Operating revenues (under) operating expenditures	(182,036)	(31,277)	(150,759)
Nonoperating revenues			
Interest income	<u>480</u>	<u>452</u>	<u>(28)</u>
Excess (deficiency) of revenues under expenditures modified accrual	<u>\$ (181,556)</u>	<u>(30,825)</u>	<u>\$ (150,731)</u>
Reconciliation to the accrual basis:			
Depreciation		(2,379)	
Capital outlay		<u>2,396</u>	
Change in net assets Exhibit C-7		<u>\$ (30,808)</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, 2011

Exhibit C-12

	Section 8		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating			
Operating subsidies	\$ 47,107	\$ 19,419	\$ (27,688)
Operating expenditures			
Administrative	47,107	19,419	27,688
Capital Outlay	<u>1,323,526</u>	<u>564,644</u>	<u>758,882</u>
Total operating expenditures	<u>1,370,633</u>	<u>584,063</u>	<u>786,570</u>
Operating revenues under operating expenditures	(1,323,526)	(564,644)	758,882
Nonoperating revenues			
Capital grants	<u>1,323,526</u>	<u>564,644</u>	<u>(758,882)</u>
Revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ALBEMARLE, NORTH CAROLINA
 STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND COSTS
 DEPARTMENT OF PUBLIC HOUSING - CONVENTIONAL
 ANNUAL CONTRIBUTIONS CONTRACT A-1974
 For the Fiscal Year Ended June 30, 2011**

Exhibit C-13

1. The actual modernization costs of NC 19P07550108 are as follows:

	<u>Total</u>
Funds approved	\$ 362,203
Funds expended	<u>362,203</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced - HUD Grants	\$ 362,203
Funds expended	<u>362,203</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$50,715

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, 2011

Exhibit C-14

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

	<u>Total</u>
Funds approved	\$ 356,607
Funds expended	<u>346,391</u>
Excess of funds approved	<u>\$ 10,216</u>
Funds advanced - HUD Grants	\$ 346,391
Funds expended	<u>346,391</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$346,391

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, 2011

Exhibit C-15

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

	<u>Total</u>
Funds approved	\$ 352,334
Funds expended	<u>190,312</u>
Excess of funds approved	<u>\$ 162,022</u>
Funds advanced - HUD Grants	\$ 190,312
Funds expended	<u>190,312</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$ 190,312.

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, 2011

Exhibit C-16

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

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

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, 2011

Exhibit C-17

1. The actual modernization costs of NC 19P07550108 are as follows:

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

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

Agency Fund

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

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

CITY OF ALBEMARLE, NORTH CAROLINA
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2011

Exhibit D-1

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
ASSETS				
Cash and cash equivalents	\$ 417	\$ 43,101	\$ 43,009	\$ 509
	<u>\$ 417</u>	<u>\$ 43,101</u>	<u>\$ 43,009</u>	<u>\$ 509</u>
LIABILITIES				
Due to agencies	417	43,101	43,009	509
	<u>\$ 417</u>	<u>\$ 43,101</u>	<u>\$ 43,009</u>	<u>\$ 509</u>

Other Schedules

This section includes additional information on property taxes.

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

CITY OF ALBEMARLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2011

Exhibit E-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2010</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2011</u>
2010-2011	\$ -	\$ 5,708,742	\$ 5,383,660	\$ 325,082
2009-2010	288,743	-	123,336	165,407
2008-2009	118,816	-	33,064	85,752
2007-2008	49,908	-	9,624	40,284
2006-2007	41,989	-	6,013	35,976
2005-2006	34,086	-	3,554	30,532
2004-2005	32,596	-	1,855	30,741
2003-2004	21,041	-	1,035	20,006
2002-2003	31,621	-	266	31,355
2001-2002	16,591	-	299	16,292
2000-2001	14,885	-	14,885	-
	<u>\$ 650,276</u>	<u>\$ 5,708,742</u>	<u>\$ 5,577,591</u>	781,427
Less: Allowance for uncollectible accounts Ad valorem taxes receivable				<u>(143,000)</u>
Ad valorem taxes receivable - net				<u>\$ 638,427</u>
Reconciliation with revenues				
Ad valorem taxes collected - General Fund				<u>\$ 5,550,706</u>
Discounts allowed				30,621
Releases and adjustments				18,691
Taxes written off				14,320
Interest collected				<u>(36,747)</u>
Total collections and credits				<u>\$ 5,577,591</u>

CITY OF ALBEMARLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
For the Fiscal Year Ended June 30, 2011

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	\$ 988,255,179	.56	\$ 5,534,229	\$ 5,068,786	\$ 465,443
Penalties	-		7,980	7,980	-
Total	<u>988,255,179</u>		<u>5,542,209</u>	<u>5,076,766</u>	<u>465,443</u>
Discoveries:					
Current year taxes	32,524,107	.56	182,135	181,389	746
Penalties	-		-	-	-
Total	<u>32,524,107</u>		<u>182,135</u>	<u>181,389</u>	<u>746</u>
Abatements:	(2,786,071)	.56	(15,602)	(15,602)	-
Total valuation	<u>\$ 1,017,993,215</u>				
Net levy			5,708,742	5,242,553	466,189
Uncollected taxes at June 30, 2011			<u>(325,082)</u>	<u>(261,792)</u>	<u>(63,290)</u>
Current year's taxes collected			<u>\$ 5,383,660</u>	<u>\$ 4,980,761</u>	<u>\$ 402,899</u>
Current levy collection percentage			<u>94.31%</u>	<u>95.01%</u>	<u>86.42%</u>

Compliance Section

220 East Washington Street
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Statesville, North Carolina

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

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, 2011, which collectively comprises the City of Albemarle, North Carolina's basic financial statements, and have issued our report thereon dated October 27, 2011. 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

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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

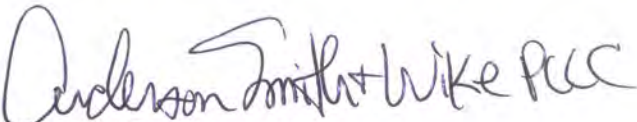
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be 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 on the preceding page.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Finding 2011-1.

This report is intended solely for the information and use of the audit committee, management, others within the organization, 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.


October 27, 2011

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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 compliance of the City of Albemarle, North Carolina, 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 are applicable to each of its major federal programs for the year ended June 30, 2011. 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 are applicable to each of its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

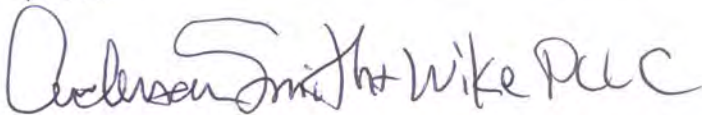
The management of the City of Albemarle is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Albemarle's internal 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, 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 control deficiency in an entity's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, 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.

A handwritten signature in black ink that reads "Anderson Smith + Wife PLLC". The signature is written in a cursive, flowing style.

October 27, 2011



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(910) 895-2899

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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 are applicable to each of its major State programs for the year ended June 30, 2011. 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 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 requirements referred to above that are applicable to its major State program for the year ended June 30, 2011.

Internal Control Over Compliance

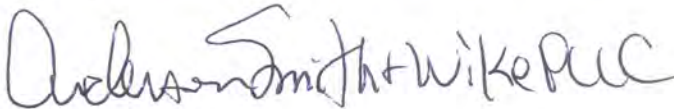
The management of City of Albemarle is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered City of Albemarle's internal control 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, 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 control deficiency in an entity's 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 noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the City's internal control.

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, 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.

A handwritten signature in black ink that reads "Anderson Smith + Wike PUC". The signature is written in a cursive, flowing style.

October 27, 2011

CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011

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>
14.871	Section 8 – Housing Vouchers

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

Auditee qualified as low-risk auditee? *Yes*

**CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011**

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:

Powell Bill

Section II – Financial Statement Findings

MATERIAL NONCOMPLIANCE

- Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.
- Condition: The City of Albemarle expended \$15,399 for transfers to the E.E. Waddell Renovation Fund in the General Fund; \$26,635 for street improvements in the Morrow Chase CDBG Fund; \$16,227 for Engineering in the Snyder Greenway Project Fund; \$33,581 for the Water Treatment Plant and \$16,184 for the Sewer Treatment Plant in the Water and Sewer Fund; and \$449,319 for electric operations in the Electric Fund.
- Effect: Moneys were spent that had not been appropriated.
- Cause: The City expended more than had been budgeted for in the budget ordinance and a Budget amendment was not adopted.
- Recommendation: Budget amendments should be adopted before expenditures exceeded budgeted expenditures in the budget ordinance.

Views of responsible officials and planned corrective actions. The City agrees with this finding. Budget Amendments will be adopted prior to making expenditures that exceed budgeted amounts.

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – State Award Findings and Questioned Costs

None reported

Section II – Financial Statement Findings

Finding 2011-1

Name of contact person: Colleen M. Conroy, Finance Officer

Corrective Action: Management will review a budget-to-actual report prepared by the finance officer at each monthly board meeting. Budget amendments will be made as necessary.

Proposed Completion Date: Management will implement the above procedure at their December meeting.

**CITY OF ALBEMARLE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2011**

Finding 2010-1

Status: Similar comment found in current year. See finding 2011-1

CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Grantor/Pass-through Grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Direct & - Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>U.S. Department of Transportation</u>					
Passed-through the N.C. Department of Transportation Enhancement Agreement - Greenway Phase II	20.205	E-4129	5,578	-	-
<u>U.S. Department of Housing and Urban Development</u>					
American Recovery and Reinvestment Act	81.041		44,096	-	-
<u>U.S. Department of Housing & Urban Development</u>					
<u>Direct Grant:</u>					
Low Income Housing:					
Public and Indian Housing Operating Subsidies	14.850		705,288	-	-
Section 8:					
Housing Choice Vouchers	14.871		1,488,286	-	-
Public Housing Capital Fund:					
NC19PO7550107	14.872		50,260	-	-
NC19PO7550109	14.872		341,236	-	-
NC19PO7550110	14.872		192,117	-	-
Passed-through the N.C. Department of Commerce					
CDBG/Alfred Street Concentrated needs	14.228	05-C-1397	2,550	-	-
CDBG/Chase Morrow project	14.228		218,788	-	-
<u>U.S. Department of Justice</u>					
Justice Assistance Grant	16.580		16,257	-	-
Total assistance federal programs			<u>3,064,456</u>	<u>-</u>	<u>-</u>
STATE GRANTS					
Cash Assistance					
<u>N.C. Rural Economic Development Center</u>					
Rural Development Grant	N/A		-	63,545	-
Water Quality Grant	N/A		-	2,543	-
<u>N.C. Parks and Recreation Authority:</u>					
N.C. Parks and Recreation Trust Fund	N/A		-	27,421	-
<u>N.C. Department of Transportation</u>					
Powell Bill	N/A	9.9000	-	429,940	-
Synder Greenway project	N/A		-	191,171	-
Bike Grant	N/A		-	153	-
Safe Routes to School	N/A		-	14,250	-
Total assistance state programs			<u>-</u>	<u>729,023</u>	<u>-</u>
Total assistance			<u>\$ 3,064,456</u>	<u>\$ 729,023</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.