

CITY OF ALBEMARLE, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2010

CITY OF ALBEMARLE, NORTH CAROLINA

CITY OFFICIALS

JUNE 30, 2010

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, 2010 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, 2010, 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 25, 2010 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 25, 2010

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, 2010. 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.

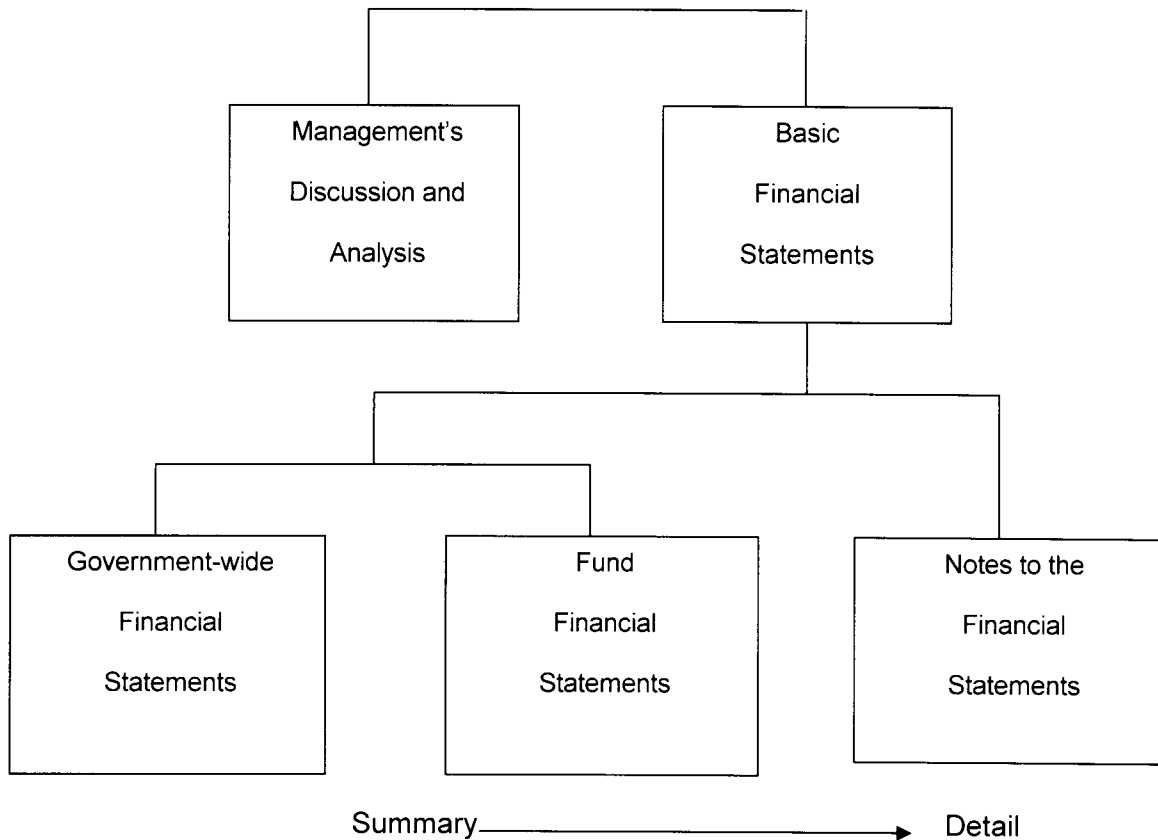
Financial Highlights

- The assets of the City of Albemarle exceeded its liabilities at the close of the fiscal year by \$69,645,618.
- The government's total net assets increased by \$3,107,571, 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 \$3,995,575 a decrease of \$2,369,441 in comparison with the prior year. Approximately 43.6 percent of this total amount, or \$1,742,006, 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 \$1,423,670, or 11.2 percent of total general fund expenditures for the fiscal year.
- The City of Albemarle's total debt decreased by \$146,843 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 twelveth 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, Brownfield Assessment Coalition 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 22 through 47 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 48 through 51 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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 6,287,844	\$ 9,578,756	\$ 19,189,175	\$ 19,202,935	\$ 25,477,019	\$ 28,781,691
Capital assets	16,558,639	18,512,613	45,439,264	37,972,047	61,997,903	56,484,660
Total assets	<u>22,846,483</u>	<u>28,091,369</u>	<u>64,628,439</u>	<u>57,174,982</u>	<u>87,474,922</u>	<u>85,266,351</u>
Long-term liabilities	3,347,884	3,319,879	7,367,966	7,355,699	10,715,850	10,675,578
Other liabilities	2,471,111	3,456,384	4,642,343	4,596,342	7,113,454	8,052,726
Total liabilities	<u>5,818,995</u>	<u>6,776,263</u>	<u>12,010,309</u>	<u>11,952,041</u>	<u>17,829,304</u>	<u>18,728,304</u>
Net assets						
Invested in capital assets, net of related debt	14,165,960	15,783,772	41,490,312	33,533,372	55,656,272	49,317,144
Restricted	--	-	-	-	-	-
Unrestricted	2,861,528	5,531,334	11,127,818	11,689,569	13,989,346	17,220,903
Total net assets	<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>

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 \$69,645,618 as of June 30, 2010. The City's net assets increased by \$3,107,571 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 95.59%, 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	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 857,929	\$ 881,815	\$ 37,519,388	\$ 35,039,254	\$ 38,377,317	\$ 35,921,069
contributions	29,631	29,068	1,980,201	1,987,259	2,009,832	2,016,327
contributions	1,561,706	1,275,564	1,184,645	142,033	2,746,351	1,417,597
General revenues:						
Property taxes	5,661,574	5,726,659	-	-	5,661,574	5,726,659
Other taxes	3,919,861	4,072,514	-	-	3,919,861	4,072,514
Interest earned	55,594	164,553	96,253	211,198	151,847	375,751
Other	100,908	438,513	3,430,815	1,976,584	3,531,723	2,415,097
Total revenues	<u>12,187,203</u>	<u>12,588,686</u>	<u>44,211,302</u>	<u>39,356,328</u>	<u>56,398,505</u>	<u>51,945,014</u>
Expenses:						
General government	1,632,156	1,940,740	-	-	1,632,156	1,940,740
Public safety	6,470,518	6,458,307	-	-	6,470,518	6,458,307
Public works	2,215,974	2,499,538	-	-	2,215,974	2,499,538
Environmental protection	1,072,326	1,134,866	-	-	1,072,326	1,134,866
Economical development	35,426	162,642	-	-	35,426	162,642
Culture and recreation	1,147,193	1,354,434	-	-	1,147,193	1,354,434
Interest on long-term debt	130,530	125,608	-	-	130,530	125,608
Water and sewer	-	-	7,482,155	6,680,182	7,482,155	6,680,182
Electric	-	-	27,983,274	27,013,965	27,983,274	27,013,965
Landfill	-	-	2,248,007	1,721,219	2,248,007	1,721,219
Public housing	-	-	2,873,375	2,598,603	2,873,375	2,598,603
Total expenses	<u>12,704,123</u>	<u>13,676,135</u>	<u>40,586,811</u>	<u>38,013,969</u>	<u>53,290,934</u>	<u>51,690,104</u>
Increase in net assets before transfers	(516,920)	(1,087,449)	3,624,491	1,342,359	3,107,571	254,910
Transfers	<u>(3,770,698)</u>	<u>1,466,250</u>	<u>3,770,698</u>	<u>(1,466,250)</u>	<u>-</u>	<u>-</u>
Increase in net assets	(4,287,618)	3,528,801	7,395,189	(3,273,891)	3,107,571	254,910
Net assets, July 1	21,315,106	17,786,305	45,222,941	43,931,889	66,538,047	61,718,194
Prior period adjustment (Note 7)	-	3,150,000	-	1,414,943	-	4,564,943
Net assets, June 30	<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>

Governmental activities. Governmental activities decreased the City's net assets by \$4,287,618, thereby accounting for all of the total growth in the net assets of the City of Albemarle. Key elements of this decrease are as follows:

- Transfers to other funds of \$3,770,696

Business-type activities: Business-type activities increased the City of Albemarle's net assets by \$7,395,189, accounting for all of the total reduction in the business's net assets. Key elements of this increase are as follows:

- Transfers from other funds of \$3,770,696
- Increase in donated assets of \$2,165,554

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 \$2,063,699, while total fund balance reached \$3,862,917. 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 16.2 percent of total General Fund expenditures, while total fund balance represents 30.3 percent of that same amount.

At June 30, 2010, the governmental funds of City of Albemarle reported a combined fund balance of \$3,995,575, a 59.3 percent decrease over last year. Included in this change in fund balance are increases in fund balance in the General and Capital Projects Funds.

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

- The City appropriated funds for the new city hall project
- The City appropriated funds for the ee waddell renovations project
- The City appropriated funds for recreation grant fund
- The City appropriated debt proceeds for the telephone system and core switch
- The City appropriated funds for the clean water management trust grant fund

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 \$1,748,115, those for the Electric Fund amounted to \$9,321,513, Public Housing \$1,339,396, and for the Landfill Fund \$(1,281,206). The total increase (decrease) in net assets for all funds was \$2,438,032, \$4,370,882, \$675,975, and \$(89,700), 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, 2010, totals \$61,997,903 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Opening of the renovated and expanded City Hall
- Major renovations to the E.E. Waddell Community Center
- Completion of Phase II of the Roger F. Snyder Greenway
- Replacement of four Police Department vehicles
- Uniforms and protective clothing replacement in the Fire Department
- Replacement of the City's computer network core switch and other hardware
- Replacement of City's Voice over Internet Protocol Telephone system due to the expiration of current lease
- Replacement of City's time clock system
- Completion of City's Comprehensive Bicycle Plan
- Participation in the development of a Countywide Recreation Plan spearheaded by the City's Parks and Recreation Department
- Replacement of several desktop computers throughout the City as recommended by the IT Division
- Resurfacing several City Streets
- Acquisition of property for future relocation of Fire Station Two/West Area Community Police office
- Continued replacement of flocculators at US 52 Water Treatment Plant aging sewer lines to address inflow and infiltration
- Continued inflow and infiltration improvements to the sanitary sewer system
- Completion of cleaning of the aeration basins at the WWTP

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

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,452,979	\$ 2,347,000	\$ 495,092	\$ 495,092	\$ 2,948,071	\$ 2,842,092
Infrastructure	3,085,021	2,580,684	11,936,240	10,497,738	15,021,261	13,078,422
Other improvements	373,555	328,771	314,757	331,914	688,312	660,685
Buildings	6,954,367	3,456,796	26,344,367	20,066,686	33,298,734	23,523,482
Machinery and equipment	828,813	653,585	1,567,124	1,769,413	2,395,937	2,422,998
Mobile equipment	1,046,604	1,269,238	1,046,604	668,354	2,093,208	1,937,592
Construction in progress	<u>1,817,300</u>	<u>7,876,539</u>	<u>3,735,080</u>	<u>4,142,850</u>	<u>5,552,380</u>	<u>12,019,389</u>
Total	<u>\$ 16,558,639</u>	<u>\$18,512,613</u>	<u>\$45,439,264</u>	<u>\$37,972,047</u>	<u>\$ 61,997,903</u>	<u>\$ 56,484,660</u>

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, 2010, 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	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

City of Albemarle's Outstanding Debt

The City of Albemarle's total debt decreased \$146,843 (1.6%) during the past fiscal year, primarily due to debt payments exceeding additional debt. The City of Albemarle does however owe \$1,263,137 on an inter-fund loan for the addition and renovation to the Public Safety Facility issued by the water/sewer and electric departments.

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

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Albemarle is \$78,646,235.

Additional information regarding the City of Albemarle's long-term debt can be found in note 3 .B. beginning on page 43 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the current underlying economic conditions surrounding the City of Albemarle.

The unemployment rate in Stanly County is in line with the state average of 11.2%; the civilian labor force estimates for North Carolina reports the Stanly County unemployment rate is 12.4%; the national average is 9.5%.

Budget Highlights for the Fiscal Year Ending June 30, 2011

Governmental Activities: Property taxes will remain at 0.56 per \$100 valuation for the fiscal year ending June 30, 2011. This budget represents an overall decrease of 4.5% with more than 52% of the total General Fund budget being allocated to the Police and Fire Departments. There is no increase in business license fees, however this includes an increase in the household solid waste collection fee, which would increase from \$5.45 per month to \$8.75 per month. This would still only cover approximately 60% of the cost of collection of household garbage, trash, yard waste, and leaves. An increase in household solid waste disposal fees is also proposed, from \$3.15 per month to \$3.90 per month which will cover 100% of this cost. A slight increase is also recommended in the business roll out charge, from \$7.00 to \$7.20 per month. The budget also includes increases in planning and zoning fees to recover more of the out of pocket costs associated with these items, although the fees will still not cover all of these costs. Also proposed are new fire inspections and plans review fees to help cover the costs of these services.

The Powell Bill Fund is proposed at \$595,000 which is a 3.8% decrease from the current Powell Bill Budget. The current year Powell Fund Budget represented a decrease of 18% from the prior year. This budget includes \$75,000 for asphalt resurfacing and street repairs, a reduction of 25% from the FY 2009-10 budget. This follows a decrease of funds for resurfacing of 50% from the prior year.

Business-Type Activities: The Water and Sewer Budget is proposed at \$6,572,050, which is a decrease of 6.6% for FY 2009-10. 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 4.5% in water and sewer rates for usage above the minimum. The need to maintain the City's aging utility infrastructure and an increasingly stringent regulatory environment are the primary reasons for these recommended increases. Costs for utility relocation for NC 24-27, US Highway 52, and the NC 73 bridge replacement which are required by the North Carolina Department of Transportation are included in the budget. The budget also includes 50% of the match required for the \$1 million grant and \$3 million loan for major improvements at the Long Creek Wastewater Treatment Plant. The second half of this match will be budgeted in 2011-12. The Water and Sewer Budget also includes funds to continue the replacement of flocculators at the US 52 Water Treatment Plant and for the financing of the replacement of an aging backhoe in the Systems Division.

The Electric Fund has a proposed budget of \$29,829,050. This represents an increase of 2.5% over the current year. The City will receive from the North Carolina Municipal Power Agency One a wholesale rate increase of 5.2% effective July 1, 2010. The budget proposes a retail rate adjustment of either 4.2% effective July 1, 2010 or a 4.5% adjustment effective October 1, 2010 to partially offset the wholesale rate increase we are receiving. The recommended budget eliminates funding for full time contract crews that provided construction services for the Electric Division during the past few years. It includes funding to replace a pickup truck and a service truck.

The Solid Waste Disposal Fund budget is proposed at \$2,117,100 for the FY 2010-11, which constitutes a decrease of approximately 2% from the current year. I am recommending a \$2 per ton increase in the municipal solid waste disposal fee, from \$33 to \$35; and an increase in the construction and demolition fee from \$30 to \$32. These fee increases are needed to pay the debt service on the Landfill expansion recently completed and to offset decreases in Landfill revenues due to the economy. Both of these disposal rates will remain competitive with rates of other facilities in North Carolina.

Requests for Information

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

Basic Financial Statements

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2010

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Albemarle Downtown Development Corporation	City of Albemarle ABC Board
ASSETS					
Current assets					
Cash and cash equivalents	\$ 4,121,744	\$10,701,954	\$ 14,823,698	\$ 73,608	\$ 29,910
Receivables:					
Taxes receivable - net	546,276	-	546,276	-	-
Accounts receivable	356,013	4,587,469	4,943,482	-	162
Due from other governments	1,665,802	8,335	1,674,137	47,000	-
Internal balances	(1,264,735)	1,264,735	-	-	-
Inventories	17,002	2,602,027	2,619,029	550	216,103
Deferred charges	-	4,277	4,277	-	-
Prepaid expenses	45,742	20,378	66,120	-	6,141
Total current assets	<u>5,487,844</u>	<u>19,189,175</u>	<u>24,677,019</u>	<u>121,158</u>	<u>252,316</u>
Non-current assets					
Note receivable	800,000	-	800,000	-	-
Capital assets					
Land, and construction in progress	4,270,279	4,230,172	8,500,451	106,508	261,417
Other capital assets, net of depreciation	<u>12,288,360</u>	<u>41,209,092</u>	<u>53,497,452</u>	<u>669,009</u>	<u>962,767</u>
Total capital assets	<u>16,558,639</u>	<u>45,439,264</u>	<u>61,997,903</u>	<u>775,517</u>	<u>1,224,184</u>
Total non-current assets	<u>17,358,639</u>	<u>45,439,264</u>	<u>62,797,903</u>	<u>775,517</u>	<u>1,224,184</u>
Total assets	<u>22,846,483</u>	<u>64,628,439</u>	<u>87,474,922</u>	<u>896,675</u>	<u>1,476,500</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	701,948	3,298,170	4,000,118	4,778	139,435
Deposits	1,400	516,930	518,330	-	-
Unearned earnings	1,038,554	5,905	1,044,459	-	-
Current portion of long-term liabilities	729,209	820,406	1,549,615	7,252	106,369
Accrued interest payable	-	932	932	2,149	-
Total current liabilities	<u>2,471,111</u>	<u>4,642,343</u>	<u>7,113,454</u>	<u>14,179</u>	<u>245,804</u>
Long-term liabilities					
Accrued landfill closure and postclosure costs	-	3,447,837	3,447,837	-	-
Long-term liabilities:					
Due in more than one year	<u>3,347,884</u>	<u>3,920,129</u>	<u>7,268,013</u>	<u>62,313</u>	<u>-</u>
Total long-term liabilities	<u>3,347,884</u>	<u>7,367,966</u>	<u>10,715,850</u>	<u>62,313</u>	<u>-</u>
Total liabilities	<u>5,818,995</u>	<u>12,010,309</u>	<u>17,829,304</u>	<u>76,492</u>	<u>245,804</u>
Net Assets					
Invested in capital assets, net of related debt	14,165,960	41,490,312	55,656,272	733,505	1,117,815
Working capital	-	-	-	-	65,670
Unrestricted	<u>2,861,528</u>	<u>11,127,818</u>	<u>13,989,346</u>	<u>86,678</u>	<u>47,211</u>
Total net assets	<u>\$ 17,027,488</u>	<u>\$52,618,130</u>	<u>\$ 69,645,618</u>	<u>\$ 820,183</u>	<u>\$ 1,230,696</u>

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
General government	\$ 1,632,156	\$ 15,268	\$ -	\$ 113,650	\$ (1,503,238)	\$ -	\$ (1,503,238)	\$ -
Public safety	6,470,518	24,804	29,631	141,177	(6,274,906)	-	(6,274,906)	-
Public works	2,215,974	726,791	-	500,479	(988,704)	-	(988,704)	-
Environmental protection	1,072,326	-	-	-	(1,072,326)	-	(1,072,326)	-
Economic and physical development	35,426	-	-	315,315	279,889	-	279,889	-
Cultural and recreational	1,147,193	91,066	-	491,085	(565,042)	-	(565,042)	-
Interest on long-term debt	130,530	-	-	-	(130,530)	-	(130,530)	-
Total governmental activities	12,704,123	857,929	29,631	1,561,706	(10,254,857)	-	(10,254,857)	-
Business-type activities								
Water and sewer	7,482,155	6,240,988	-	40,000	-	(1,201,167)	(1,201,167)	-
Electric	27,983,274	28,394,156	-	-	-	410,882	410,882	-
Landfill	2,248,007	2,455,316	-	27,410	-	234,719	234,719	-
Department of public housing	2,873,375	428,928	1,980,201	1,117,235	-	652,989	652,989	-
Total business-type activities	40,586,811	37,519,388	1,980,201	1,184,645	-	97,423	97,423	-
Total primary government	\$ 53,290,934	\$ 38,377,317	\$ 2,009,832	\$ 2,746,351	\$ (10,254,857)	\$ 97,423	\$ (10,157,434)	\$ -
Component units								
Albemarle Downtown Development Corporation	\$ 513,337	\$ -	\$ 312,957	\$ 72,503	\$ -	\$ -	\$ -	\$ (127,877)
Albemarle ABC Board	1,591,257	1,715,858	-	-	-	-	-	124,601
Total component units	\$ 2,104,594	\$ 1,715,858	\$ 312,957	\$ 72,503	\$ -	\$ -	\$ -	\$ (3,276)
General revenues								
Taxes								
Property taxes, levied for general purposes					5,661,574	-	5,661,574	42,470
Other taxes and licenses					3,919,861	-	3,919,861	-
Unrestricted investment earnings					55,594	96,253	151,847	706
Miscellaneous revenues					100,908	3,430,815	3,531,723	15,325
Transfers					(3,770,698)	3,770,698	-	-
Total general revenues and transfers					5,967,239	7,297,766	13,265,005	58,501
Change in net assets					(4,287,618)	7,395,189	3,107,571	55,225
Net assets, beginning					21,315,106	45,222,941	66,538,047	1,995,654
Net assets, end of year					\$ 17,027,488	\$ 52,618,130	\$ 69,645,618	\$ 2,050,879

CITY OF ALBEMARLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

Exhibit 3

	Major Fund		Total Non-Major Funds	Total Governmental Funds
	General	City Hall Capital Project Fund		
Assets				
Cash and cash equivalents	\$ 4,035,192	\$ -	\$ 86,552	\$ 4,121,744
Receivables, net				
Taxes	546,276	-	-	546,276
Accounts	205,821	150,192	-	356,013
Due from other governments	1,211,451	-	454,351	1,665,802
Due from other funds	514,019	-	-	514,019
Inventories	17,002	-	-	17,002
Prepaid expenses	45,742	-	-	45,742
Note receivable	800,000	-	-	800,000
Total assets	\$ 7,375,503	\$ 150,192	\$ 540,903	\$ 8,066,598
Liabilities and fund balances				
Liabilities				
Accounts payable and accrued liabilities	\$ 657,530	\$ 475	\$ 43,943	\$ 701,948
Deposits	1,400	-	-	1,400
Due to other funds	1,264,735	104,925	409,094	1,778,754
Deferred revenue	550,367	-	-	550,367
Unearned revenue	1,038,554	-	-	1,038,554
Total liabilities	3,512,586	105,400	453,037	4,071,023
Fund balances				
Reserved for				
Inventories	17,002	-	-	17,002
Prepays	45,742	-	-	45,742
State statute	1,417,272	-	454,351	1,871,623
Streets - Powell Bill	319,202	-	-	319,202
Unreserved, reported in				
General Fund				
Designated for subsequent year's expenditures	130,101	-	-	130,101
Undesignated	1,933,598	-	-	1,933,598
Capital Projects Funds	-	44,792	(62,882)	(18,090)
Special Revenue Funds	-	-	(303,603)	(303,603)
Total fund balances	3,862,917	44,792	87,866	3,995,575
Total liabilities and fund balances	\$ 7,375,503	\$ 150,192	\$ 540,903	\$ 8,066,598
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				\$ 3,995,575
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				16,558,639
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds				550,367
Compensated absences not expected to be materially liquidated with expendable available resources				(589,900)
Net pension obligations				(410,298)
Other postemployment benefits				(684,216)
Long-term liabilities, principally installment purchases and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds				(2,392,679)
Net assets of governmental activities				\$ 17,027,488

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

Exhibit 4

	Major Fund		Total Non-Major Funds	Total Governmental Funds
	General	City Hall Capital Project Fund		
Revenues				
Ad valorem taxes	\$ 5,554,762	\$ -	\$ -	\$ 5,554,762
Other taxes and licenses	273,170	-	-	273,170
Unrestricted intergovernmental	3,647,851	-	-	3,647,851
Restricted intergovernmental	673,748	-	917,589	1,591,337
Permits and fees	37,951	-	-	37,951
Sales and services	819,978	-	-	819,978
Investment earnings	48,571	7,022	1	55,594
Miscellaneous	100,908	-	-	100,908
Total revenues	11,156,939	7,022	917,590	12,081,551
Expenditures				
Current				
General government	1,601,348	-	-	1,601,348
Public safety	6,309,238	-	114,111	6,423,349
Public works	2,125,370	-	-	2,125,370
Environmental protection	1,110,076	-	-	1,110,076
Economic and physical development	-	-	35,426	35,426
Cultural and recreation	1,064,349	-	-	1,064,349
Debt service:				
Principal	417,180	-	-	417,180
Interest	130,530	-	-	130,530
Capital outlay	-	2,492,080	1,202,301	3,694,381
Total expenditures	12,758,091	2,492,080	1,351,838	16,602,009
Excess (deficiency) of revenues over expenditures	(1,601,152)	(2,485,058)	(434,248)	(4,520,458)
Other financing sources (uses)				
Transfers from other funds	1,402,000	1,660,000	440,979	3,502,979
Transfers to other funds	(1,409,979)	-	(23,000)	(1,432,979)
Proceeds from installment financing	81,017	-	-	81,017
Total other financing sources (uses)	73,038	1,660,000	417,979	2,151,017
Net change in fund balances	(1,528,114)	(825,058)	(16,269)	(2,369,441)
Fund balances - beginning	5,391,031	869,850	104,135	6,365,016
Fund balances - end of year	\$ 3,862,917	\$ 44,792	\$ 87,866	\$ 3,995,575

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, 2010

Exhibit 5

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

Net changes in fund balances - total governmental funds \$ (2,369,441)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	3,966,717
Depreciation	(756,406)
Asset disposals	(100,053)
Asset transfers	(5,840,698)
Asset reclassifications	776,466

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Taxes including interest and penalties	106,812
Other deferred revenues	(1,160)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Compensated absences	(42,519)
Current pension cost	(23,993)
Other postemployment benefits	(339,505)

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.

336,162

Total changes in net assets of governmental activities \$ (4,287,618)

CITY OF ALBEMARLE, NORTH CAROLINA

Exhibit 6

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

For the Year Ended June 30, 2010

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Ad valorem taxes	\$ 5,688,500	\$ 5,688,500	\$ 5,554,762	\$ (133,738)
Other taxes and licenses	263,400	263,400	273,170	9,770
Unrestricted intergovernmental	3,680,150	3,680,150	3,647,851	(32,299)
Restricted intergovernmental	655,950	655,950	673,748	17,798
Permits and fees	52,800	52,800	37,951	(14,849)
Sales and services	820,350	820,350	819,978	(372)
Investment earnings	128,000	128,000	48,571	(79,429)
Miscellaneous	25,150	49,446	100,908	51,462
Total revenues	<u>11,314,300</u>	<u>11,338,596</u>	<u>11,156,939</u>	<u>(181,657)</u>
Expenditures				
Current				
General government	1,757,750	1,839,582	1,601,348	238,234
Public safety	6,468,448	6,516,744	6,309,238	207,506
Public works	2,237,750	2,227,750	2,125,370	102,380
Cultural and recreational	1,251,950	1,251,950	1,064,349	187,601
Environmental protection	1,104,000	1,114,000	1,110,076	3,924
Debt service				
Principal	480,752	480,752	417,180	63,572
Interest	200,000	200,000	130,530	69,470
Total expenditures	<u>13,500,650</u>	<u>13,630,778</u>	<u>12,758,091</u>	<u>872,687</u>
Revenues over (under) expenditures	<u>(2,186,350)</u>	<u>(2,292,182)</u>	<u>(1,601,152)</u>	<u>691,030</u>
Other financing sources (uses)				
Transfers from other funds	1,390,000	1,390,000	1,402,000	12,000
Transfers to other funds	(25,000)	(1,581,479)	(1,409,979)	171,500
Capital lease obligations issued	-	81,832	81,017	(815)
Total other financing sources (uses)	<u>1,365,000</u>	<u>(109,647)</u>	<u>73,038</u>	<u>182,685</u>
Appropriated fund balance	<u>821,350</u>	<u>2,401,829</u>	-	<u>(2,401,829)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,528,114)</u>	<u>(1,528,114)</u>
Fund balance - beginning as previously reported			<u>5,391,031</u>	
Fund balance - end of year			<u>\$ 3,862,917</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

Exhibit 7

	Major Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
Assets					
Current assets					
Cash and cash equivalents	\$ 948,037	\$ 6,132,791	\$ 2,176,309	\$ 1,444,817	\$ 10,701,954
Accounts receivable - net	835,845	3,517,904	197,925	35,795	4,587,469
Due from other governments	-	-	-	8,335	8,335
Due from other funds	421,004	842,133	-	1,598	1,264,735
Inventories	386,254	2,215,773	-	-	2,602,027
Deferred charges	4,277	-	-	-	4,277
Prepaid expenses	6,570	4,462	1,621	7,725	20,378
Total current assets	<u>2,601,987</u>	<u>12,713,063</u>	<u>2,375,855</u>	<u>1,498,270</u>	<u>19,189,175</u>
Noncurrent assets					
Capital assets					
Land, improvements and construction in progress	139,933	31,963	3,621,325	436,951	4,230,172
Other capital assets, net of depreciation	27,763,920	6,617,064	1,049,957	5,778,151	41,209,092
Total capital assets, net	<u>27,903,853</u>	<u>6,649,027</u>	<u>4,671,282</u>	<u>6,215,102</u>	<u>45,439,264</u>
Total assets	<u>\$ 30,505,840</u>	<u>\$ 19,362,090</u>	<u>\$ 7,047,137</u>	<u>\$ 7,713,372</u>	<u>\$ 64,628,439</u>
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	\$ 464,869	\$ 2,645,181	\$ 137,673	\$ 50,447	\$ 3,298,170
Customer deposits	-	468,015	6,000	42,915	516,930
Accrued interest payable	-	-	932	-	932
Compensated absences - current	74,888	67,546	9,387	600	152,421
General obligation bonds payable - current	-	-	-	-	-
Installment purchase agreements payable - current	114,163	151,210	398,128	4,484	667,985
Deferred revenue	4,277	-	-	1,628	5,905
Total current liabilities	<u>658,197</u>	<u>3,331,952</u>	<u>552,120</u>	<u>100,074</u>	<u>4,642,343</u>
Noncurrent liabilities					
Accrued landfill closure and postclosure costs	-	-	3,447,837	-	3,447,837
Compensated absences	74,889	67,547	9,388	25,463	177,287
Other postemployment benefits	234,949	143,261	45,844	37,821	461,875
General obligation bonds payable - noncurrent (net)	-	-	-	-	-
Installment purchase agreements payable - noncurrent	893,199	1,723,906	646,300	17,562	3,280,967
Total noncurrent liabilities	<u>1,203,037</u>	<u>1,934,714</u>	<u>4,149,369</u>	<u>80,846</u>	<u>7,367,966</u>
Total liabilities	<u>1,861,234</u>	<u>5,266,666</u>	<u>4,701,489</u>	<u>180,920</u>	<u>12,010,309</u>
Net assets					
Invested in capital assets, net of related debt	26,896,491	4,773,911	3,626,854	6,193,056	41,490,312
Unrestricted	1,748,115	9,321,513	(1,281,206)	1,339,396	11,127,818
Total net assets	<u>\$ 28,644,606</u>	<u>\$ 14,095,424</u>	<u>\$ 2,345,648</u>	<u>\$ 7,532,452</u>	<u>\$ 52,618,130</u>

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

Exhibit 8

	Major Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
Operating Revenues					
Charges for sales and services	\$ 6,240,988	\$ 28,394,156	\$ 2,455,316	\$ -	\$ 37,090,460
Rental income	-	-	-	428,928	428,928
Other operating revenues	<u>128,827</u>	<u>1,157,997</u>	<u>53,725</u>	<u>12,662</u>	<u>1,353,211</u>
Total operating revenues	<u>6,369,815</u>	<u>29,552,153</u>	<u>2,509,041</u>	<u>441,590</u>	<u>38,872,599</u>
Operating Expenses					
Administrative	851,241	1,045,423	-	511,143	2,407,807
Customer service	-	185,050	-	-	185,050
Electrical operations	-	2,824,090	-	-	2,824,090
Electric power purchases	-	23,374,734	-	-	23,374,734
Water operations	1,567,514	-	-	-	1,567,514
Sewer operations	2,266,237	-	-	-	2,266,237
Systems division	1,344,001	-	-	-	1,344,001
Tenant services	-	-	-	13,789	13,789
Utilities	-	-	-	390,598	390,598
Ordinary Maintenance and operation	-	-	-	251,049	251,049
General expenses	-	-	-	59,279	59,279
Housing assistance payments	-	-	-	1,378,590	1,378,590
Nonroutine maintenance	-	-	-	25,400	25,400
Landfill operations	-	-	2,009,766	-	2,009,766
Depreciation	<u>1,417,450</u>	<u>488,149</u>	<u>198,422</u>	<u>243,367</u>	<u>2,347,388</u>
Total operating expense	<u>7,446,443</u>	<u>27,917,446</u>	<u>2,208,188</u>	<u>2,873,215</u>	<u>40,445,292</u>
Operating income (loss)	<u>(1,076,628)</u>	<u>1,634,707</u>	<u>300,853</u>	<u>(2,431,625)</u>	<u>(1,572,693)</u>
Nonoperating revenues (expenses)					
Operating grants	-	-	-	1,980,201	1,980,201
Capital grants	40,000	-	27,410	-	67,410
Gain on disposal of assets	10,434	58,780	(159,746)	-	(90,532)
Donated assets	1,933,294	232,260	-	-	2,165,554
Investment earnings	15,759	62,746	6,602	11,146	96,253
Interest and other charges	(35,712)	(65,828)	(39,819)	(160)	(141,519)
Other nonoperating (expenses) income	<u>3,404</u>	<u>-</u>	<u>-</u>	<u>(822)</u>	<u>2,582</u>
Total nonoperating revenues (expenses)	<u>1,967,179</u>	<u>287,958</u>	<u>(165,553)</u>	<u>1,990,365</u>	<u>4,079,949</u>
Income (loss) before contributions and transfers	<u>890,551</u>	<u>1,922,665</u>	<u>135,300</u>	<u>(441,260)</u>	<u>2,507,256</u>
Capital contributions	-	-	-	1,117,235	1,117,235
Transfers to other funds	(375,000)	(1,495,000)	(225,000)	-	(2,095,000)
Transfers from other funds	<u>1,922,481</u>	<u>3,943,217</u>	<u>-</u>	<u>-</u>	<u>5,865,698</u>
Change in net assets	<u>2,438,032</u>	<u>4,370,882</u>	<u>(89,700)</u>	<u>675,975</u>	<u>7,395,189</u>
Total net assets, beginning	<u>26,206,574</u>	<u>9,724,542</u>	<u>2,435,348</u>	<u>6,856,477</u>	<u>45,222,941</u>
Total net assets, ending	<u>\$ 28,644,606</u>	<u>\$ 14,095,424</u>	<u>\$ 2,345,648</u>	<u>\$ 7,532,452</u>	<u>\$ 52,618,130</u>

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

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	\$ 6,062,710	\$ 28,944,675	\$ 2,573,552	\$ 415,032	\$ 37,995,969
Cash paid for goods and services	(1,228,792)	(25,910,363)	(1,115,501)	(2,045,927)	(30,300,583)
Cash paid to employees for services	(2,998,525)	(2,227,450)	(624,627)	(574,964)	(6,425,566)
Customer deposits received	-	12,463	-	-	12,463
Customer deposits returned	-	(94,733)	-	-	(94,733)
Other operating revenues	128,827	1,157,997	53,725	12,662	1,353,211
Net cash provided (used) by operating activities	<u>1,964,220</u>	<u>1,882,589</u>	<u>887,149</u>	<u>(2,193,197)</u>	<u>2,540,761</u>
Cash flows from noncapital financing activities:					
Operating grants and subsidies	-	-	27,410	1,980,201	2,007,611
Due from other funds	40,211	80,297	-	(1,598)	118,910
Transfers from other funds	1,922,481	3,943,217	-	-	5,865,698
Transfers to other funds	(375,000)	(1,495,000)	(225,000)	-	(2,095,000)
Total cash flows from noncapital financing activities	<u>1,587,692</u>	<u>2,528,514</u>	<u>(197,590)</u>	<u>1,978,603</u>	<u>5,897,219</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(4,387,839)	(4,381,699)	(87,093)	(1,143,595)	(10,000,226)
Principal paid on bonds and installment purchase agreements	(106,161)	(142,753)	(390,167)	(1,102)	(640,183)
Interest paid on bonds and installment purchase agreements	(35,712)	(65,828)	(39,819)	(160)	(141,519)
Proceeds from installment financing	46,295	57,869	23,148	23,148	150,460
Proceeds from sale of assets	-	-	25,875	-	25,875
Capital grants	40,000	-	-	1,117,235	1,157,235
Net cash provided (used) by capital and related financing activities	<u>(4,443,417)</u>	<u>(4,532,411)</u>	<u>(468,056)</u>	<u>(4,474)</u>	<u>(9,448,358)</u>
Cash flows from investing activities:					
Interest earned on investments	15,759	62,746	6,602	11,146	96,253
Net increase (decrease) in cash and cash equivalents	(875,746)	(58,562)	228,105	(207,922)	(914,125)
Cash and cash equivalents at beginning of year	1,823,783	6,191,353	1,948,204	1,652,739	11,616,079
Cash and cash equivalents at end of year	<u>\$ 948,037</u>	<u>\$ 6,132,791</u>	<u>\$ 2,176,309</u>	<u>\$ 1,444,817</u>	<u>\$ 10,701,954</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (1,076,628)	\$ 1,634,707	\$ 300,853	\$ (2,431,625)	\$ (1,572,693)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,417,450	488,149	198,422	243,367	2,347,388
Other nonoperating income	1,947,132	291,040	-	(822)	2,237,350
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(307,105)	(617,303)	64,511	(34,893)	(894,790)
(Increase) decrease in prepaid expenses	30,594	26,553	5,118	(2,511)	59,754
(Increase) decrease in inventory	16,108	(204,159)	-	-	(188,051)
Increase (decrease) in accounts payable and accrued liabilities	(200,827)	247,817	13,188	6,146	66,324
Increase (decrease) in customer deposits	-	(72,445)	-	2,683	(69,762)
Decrease (increase) in accrued compensated absences	15,351	15,973	3,215	4,510	39,049
Increase in postemployment benefits	122,145	72,257	20,649	18,925	233,976
Increase in accrued landfill closure and postclosure costs	-	-	281,193	-	281,193
Increase (decrease) in deferred revenues	-	-	-	1,023	1,023
Total adjustments	<u>3,040,848</u>	<u>247,882</u>	<u>586,296</u>	<u>238,428</u>	<u>4,113,454</u>
Net cash provided (used) by operating activities	<u>\$ 1,964,220</u>	<u>\$ 1,882,589</u>	<u>\$ 887,149</u>	<u>\$ (2,193,197)</u>	<u>\$ 2,540,761</u>

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Year Ended June 30, 2010

Exhibit 10

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ <u>417</u>
Liabilities and Net Assets	
Liabilities:	
Miscellaneous liabilities	<u>417</u>
Total liabilities	<u>\$ 417</u>

Notes to the Financial Statements

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 a 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, 2010

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.

Grants 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.

Brownfield Assessment Coalition Fund. This fund accounts for grant monies for the study of brownfields.

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.

**CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

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.

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Special Revenue Funds, Capital Project Funds, and the Enterprise Capital Project and Capital Reserve Funds which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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, 2009. 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, 2010

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, 2010

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, 2010

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, 2010.

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, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance or fund equity for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved by state statute - portion of fund balance, in addition to reserves for inventories, which is not available for appropriation under state law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables which have not been offset by deferred revenues.

**CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

10. Net Assets/Fund Balances (Continued)

Reserved for inventories. portion of fund balance is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved for streets. Powell Bill - portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Reserved for prepaid assets. portion of fund balance not available for appropriation because it represents a deferred charge which is not an expendable, available resource.

Unreserved

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2010-2011 budget ordinance.

Undesignated - portion of total fund balance available for appropriation which is uncommitted at year-end.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2010, the expenditures in the City's Landfill Fund operations exceeded the authorized appropriations made by the governing board by \$17,829. This over-expenditure occurred because of unplanned additional expense in landfill operations. 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, 2010

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, 2010, the City's deposits had a carrying amount of \$13,302,747 and a bank balance of \$13,401,685. Of the bank balance, \$1,614,902 was covered by federal depository insurance and \$11,786,783 was covered by collateral held under the pooling method. At June 30, 2010, 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 \$73,608. Of the bank balance \$73,608 was covered by federal depository insurance. The carrying amount of deposits for the ABC Board was \$24,472 and a bank balance of \$47,308. Of the bank balance, the entire balance was covered by federal depository insurance. At June 30, 2010, the ABC Board's petty cash fund totaled \$5,438.

2. Investments

At June 30, 2010, the City of Albemarle had \$1,518,360 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM 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>\$104,000</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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, 2010, 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	\$ 2,347,000	\$ 105,979	\$ -	\$ 2,452,979
Construction in progress	<u>7,876,539</u>	<u>3,812,462</u>	<u>9,871,701</u>	<u>1,817,300</u>
Total capital assets not being depreciated	<u>10,223,539</u>	<u>3,918,441</u>	<u>9,871,701</u>	<u>4,270,279</u>
Capital assets being depreciated				
Buildings	5,703,311	3,701,887	20,000	9,385,198
Other improvements	565,555	89,927	-	655,482
Infrastructure	4,082,407	628,254	-	4,710,661
Equipment and furnishings	1,611,595	329,669	68,604	1,872,660
Mobile Equipment	<u>4,200,567</u>	<u>106,008</u>	<u>255,358</u>	<u>4,051,217</u>
Total capital assets being depreciated	<u>16,163,435</u>	<u>4,855,745</u>	<u>343,962</u>	<u>20,675,218</u>
Less accumulated depreciation				
Buildings	2,240,741	205,723	15,633	2,430,831
Other improvements	242,558	39,369	-	281,927
Infrastructure	1,501,723	123,917	-	1,625,640
Equipment and furnishings	958,010	123,031	37,194	1,043,847
Mobile equipment	<u>2,931,329</u>	<u>264,366</u>	<u>191,082</u>	<u>3,004,613</u>
Total accumulated depreciation	<u>7,874,361</u>	<u>\$ 756,406</u>	<u>\$ 243,909</u>	<u>8,386,858</u>
Total capital assets being depreciated – net	<u>8,289,074</u>			<u>12,288,360</u>
Total Governmental Activities				
Capital assets – net	<u>\$ 18,512,074</u>			<u>\$ 16,558,639</u>

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

General government	\$ 171,090
Public safety	251,374
Public works	213,349
Recreation	<u>120,593</u>
Total depreciation expense	<u>\$ 756,406</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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	<u>626,300</u>	<u>48,396</u>	<u>674,696</u>	<u>-</u>
Total capital assets not being depreciated	<u>766,233</u>	<u>48,396</u>	<u>674,696</u>	<u>139,933</u>
Capital assets being depreciated				
Buildings	32,348,842	2,487,870	-	34,836,712
Water and sewer lines	26,776,627	2,224,435	-	29,001,062
Equipment and vehicles	<u>2,893,987</u>	<u>301,834</u>	<u>31,216</u>	<u>3,164,605</u>
Total capital assets being depreciated	<u>62,019,456</u>	<u>5,014,139</u>	<u>31,216</u>	<u>67,002,379</u>
Less accumulated depreciation				
Buildings	17,414,402	601,741	-	18,016,143
Water and sewer lines	18,229,920	679,427	-	18,909,347
Equipment and vehicles	<u>2,207,903</u>	<u>136,282</u>	<u>31,216</u>	<u>2,312,969</u>
Total accumulated depreciation	<u>37,852,225</u>	<u>\$ 1,417,450</u>	<u>\$ 31,216</u>	<u>39,238,459</u>
Total capital assets being depreciated – net	<u>24,167,231</u>			<u>27,763,920</u>
Water and Sewer Fund				
Capital Assets – net	<u>24,933,464</u>			<u>27,903,853</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	<u>87,143</u>	<u>-</u>	<u>87,143</u>	<u>-</u>
Total capital assets not being depreciated	<u>119,106</u>	<u>-</u>	<u>87,143</u>	<u>31,963</u>
Capital assets being depreciated				
Buildings	1,348,814	3,791,815	-	5,140,629
Distribution lines	17,766,519	232,260	-	17,998,779
Equipment and vehicles	<u>1,912,268</u>	<u>399,824</u>	<u>31,060</u>	<u>2,281,032</u>
Total capital assets being depreciated	<u>21,027,601</u>	<u>4,423,899</u>	<u>31,060</u>	<u>25,420,440</u>
Less accumulated depreciation				
Buildings	1,066,282	107,756	-	1,174,038
Distribution lines	15,880,726	273,528	-	16,154,254
Equipment and vehicles	<u>1,444,222</u>	<u>106,865</u>	<u>76,003</u>	<u>1,475,084</u>
Total accumulated depreciation	<u>18,391,230</u>	<u>\$ 488,149</u>	<u>\$ 76,003</u>	<u>18,803,376</u>
Total capital assets being depreciated – net	<u>2,636,371</u>			<u>6,617,064</u>
Electric Fund Capital				
Assets – net	<u>2,755,477</u>			<u>6,649,027</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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				
Landfill Fund				
Capital assets not being depreciated				
Land	\$ 159,691	\$ -	\$ -	\$ 159,691
Construction in progress	<u>3,424,332</u>	<u>37,302</u>	-	<u>3,461,634</u>
Total capital assets not being depreciated	<u>3,584,023</u>	<u>37,302</u>	-	<u>3,621,325</u>
Capital assets being depreciated				
Buildings	193,951	17,223	-	211,174
Landfill cell construction	3,148,443	-	-	3,148,443
Equipment and vehicles	<u>2,612,378</u>	<u>32,567</u>	<u>202,425</u>	<u>2,442,520</u>
Total capital assets being depreciated	<u>5,954,772</u>	<u>49,790</u>	<u>202,425</u>	<u>5,802,137</u>
Less accumulated depreciation				
Buildings	53,648	7,298	-	60,946
Landfill cell construction	3,083,205	2,114	-	3,085,319
Equipment and vehicles	<u>1,433,710</u>	<u>189,010</u>	<u>16,805</u>	<u>1,605,915</u>
Total accumulated depreciation	<u>4,570,563</u>	<u>\$ 198,422</u>	<u>\$ 16,805</u>	<u>4,752,180</u>
Total capital assets being depreciated – net	<u>1,384,209</u>			<u>1,049,957</u>
Landfill Fund Capital Assets – net	<u>4,968,232</u>			<u>4,671,282</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Department of Public Housing				
Capital assets not being depreciated				
Land	\$ 163,505	\$ -	\$ -	\$ 163,505
Construction in progress	<u>5,075</u>	<u>268,371</u>	-	<u>273,446</u>
Total capital assets not being depreciated	<u>168,580</u>	<u>268,371</u>	-	<u>436,951</u>
Capital assets being depreciated				
Buildings	8,786,250	843,709	-	9,629,959
Improvements	593,407	-	-	593,407
Equipment	<u>270,742</u>	<u>37,643</u>	<u>5,731</u>	<u>302,654</u>
Total capital assets being depreciated	<u>9,650,399</u>	<u>881,352</u>	<u>5,731</u>	<u>10,526,020</u>
Less accumulated depreciation				
Buildings	4,076,839	209,265	-	4,286,104
Improvements	261,493	17,157	-	278,650
Equipment	<u>165,773</u>	<u>16,945</u>	<u>(397)</u>	<u>183,115</u>
Total accumulated depreciation	<u>4,504,105</u>	<u>\$ 243,367</u>	<u>\$ (397)</u>	<u>4,747,869</u>
Total capital assets being depreciated – net	<u>5,146,294</u>			<u>5,778,151</u>
Department of Public Housing Capital Assets – net	<u>5,314,874</u>			<u>6,215,102</u>
Business-type Activities Capital Assets, net	<u>\$37,972,047</u>			<u>\$ 45,439,264</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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, 2010, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land	\$ 85,535	\$ 20,973	\$ -	\$ 106,508
Capital assets being depreciated				
Buildings	908,778	-	-	908,778
Equipment	17,601	108	-	17,709
Total capital assets being depreciated	<u>926,379</u>	<u>108</u>	<u>-</u>	<u>926,487</u>
Less accumulated depreciation				
Buildings	216,531	22,719	-	239,250
Equipment and vehicles	16,625	1,603	-	18,228
Total accumulated depreciation	<u>233,156</u>	<u>\$ 24,322</u>	<u>\$ -</u>	<u>257,478</u>
Depreciable assets, net	<u>693,223</u>			<u>669,009</u>
Total ADDC Board capital assets, net	<u>\$ 778,758</u>			<u>\$ 775,517</u>

Activity for the ABC Board for the year ended June 30, 2010, 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	181,439	1,657	-	183,096
Total capital assets being depreciated	<u>1,216,979</u>	<u>1,657</u>	<u>-</u>	<u>1,218,636</u>
Less accumulated depreciation				
Buildings	107,748	27,006	-	134,754
Equipment and furniture	103,084	18,031	-	121,115
Total accumulated depreciation	<u>210,832</u>	<u>\$ 45,037</u>	<u>\$ -</u>	<u>255,869</u>
Depreciable assets, net	<u>1,006,147</u>			<u>962,767</u>
Total ABC Board capital assets, net	<u>\$ 1,267,564</u>			<u>\$ 1,224,184</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2010, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	\$ 299,045	\$ 358,485	\$ -	\$ 657,530
City Hall Capital Project	475	-	-	475
Other governmental	<u>43,943</u>	<u>-</u>	<u>-</u>	<u>43,943</u>
Total - governmental activities	<u>\$ 343,463</u>	<u>\$ 358,485</u>	<u>\$ -</u>	<u>\$ 701,948</u>
Business-type activities:				
Water and sewer fund	\$ 342,658	\$ 122,211	\$ -	\$ 464,869
Electric fund	2,512,443	93,531	39,207	2,645,181
Landfill fund	106,754	30,919	-	137,673
Department of public housing	<u>9,531</u>	<u>40,916</u>	<u>-</u>	<u>50,447</u>
Total - Business-type activities	<u>\$ 2,971,386</u>	<u>\$ 287,577</u>	<u>\$ 39,207</u>	<u>\$ 3,298,170</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 4.93% and 4.86%, respectively, of annual covered payroll. The ABC Board is currently required to contribute 5.15% 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, 2010, 2009, and 2008 were \$534,471, \$531,846, and \$510,105, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2010, 2009 and 2008 were \$9,243, \$8,541, and \$7,819, 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, 2010

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, 2009, 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>49</u>
Total	<u>57</u>

(2) *Summary of Significant Accounting Policies*

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

(3) *Contributions*

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2009 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 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. 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, 2010

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	\$ 103,000
Interest on net pension obligation	28,007
Adjustment to annual required contribution	<u>(24,335)</u>
Annual pension cost	\$ 106,672
Contributions made	<u>82,679</u>
Increase (decrease) in net pension obligation	23,993
Net pension obligation beginning of fiscal year	<u>386,305</u>
Net pension obligation end of fiscal year	<u>\$ 410,298</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>
6/30/2008	\$ 81,732	82.25%	\$370,193
6/30/2009	\$ 98,791	83.69%	\$386,305
6/30/2010	\$ 106,672	77.51%	\$410,298

Funded Status and Funding Progress

As of December 31 2009, 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 \$1,363,832. The covered payroll (annual payroll of active employees covered by the plan) was \$2,107,167, and the ratio of the UAAL to the covered payroll was 64.72 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, 2010

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, 2010 were \$153,550, which consisted of \$99,628 from the City and \$53,922 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 \$17,365 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, 2010. 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, 2009, the date of the latest actuarial valuation:

	General	Law
	Employees:	Enforcement Officers:
Retirees and dependents receiving benefits	25	8
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	223	49
Total	258	57

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 6.94% of annual covered payroll. For the current year, the City contributed \$200,240 or 1.79% 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 6.94% and 6.94% 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	\$ 770,578
Interest on net OPEB obligation	22,904
Adjustment to annual required contribution	<u>(19,761)</u>
Annual OPEB cost (expense)	773,721
Contributions made	<u>200,240</u>
Increase (decrease) in net OPEB obligation	573,481
Net OPEB obligation, beginning of year	572,610
Net OPEB obligation, end of year	<u>\$ 1,146,091</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

<u>For Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 770,578	7.45%	\$ 572,610
2010	773,721	6.94%	573,481

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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, 2009, 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 \$8,983,695. The covered payroll (annual payroll of active employees covered by the plan) was \$11,186,584, and the ratio of the UAAL to the covered payroll was 80.3 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, 2009 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 3.75 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, 2009, 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, 2010

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:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid privilege licenses (General)	\$ -	\$ 238,554
Note receivable (General)	-	800,000
Taxes receivable, net (General)	546,276	-
Assessments receivable (General)	4,091	-
Prepaid rents (Business-type Funds)	-	5,905
	<u>\$ 550,367</u>	<u>\$ 1,044,459</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, 2010, 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, 2010

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.	\$ 120,414	\$ -
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.	-	53,270
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.	-	307,381
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.	112,794	-
In November 2007, the City entered into an installment contract to finance the purchase of land. The obligation is to be paid by a \$250,000 payment at closing and the remainder in three equal annual payments, including interest at 4.00%, secured by the land.	116,700	-
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.	-	715,000
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.	1,820,000	2,730,000
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.	145,609	-
In March 2010, the City entered into an installment contract to finance the purchase of a telephone system & core switch. The obligation is to be repaid in sixty monthly payments of \$4,206, including interest at 2.815%, secured by the equipment	<u>77,162</u>	<u>143,301</u>
Total Installment Purchases	<u>\$ 2,392,679</u>	<u>\$ 3,948,952</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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, 2010, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 434,259	\$ 76,215	\$ 667,983	\$ 123,431
2012	281,777	62,790	656,432	101,522
2013	220,307	53,757	471,187	81,721
2014	184,683	47,102	241,710	70,426
2015	151,653	41,520	231,640	62,316
2016-20	700,000	135,056	1,050,000	202,585
2021-25	<u>420,000</u>	<u>23,410</u>	<u>630,000</u>	<u>35,114</u>
Totals	<u>\$2,392,679</u>	<u>\$ 439,850</u>	<u>\$3,948,952</u>	<u>\$ 677,113</u>

At June 30, 2010 the City's legal debt margin is \$ 78,646,235.

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, 2010:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental activities:					
Installment purchases	\$ 2,728,841	\$ 81,017	\$ 417,179	\$ 2,392,679	\$ 434,259
Compensated absences	547,381	336,619	294,100	589,900	294,950
Net pension obligation	386,305	23,993	-	410,298	-
Other postemployment benefits	<u>344,711</u>	<u>339,505</u>	-	<u>684,216</u>	-
Governmental activity					
Long-term liabilities	<u>\$ 4,007,238</u>	<u>\$ 781,134</u>	<u>\$ 711,279</u>	<u>\$ 4,077,093</u>	<u>\$ 729,209</u>
Business-type activities:					
Installment purchases	4,438,675	150,460	640,183	3,948,952	667,983
Compensated absences	290,659	199,460	160,411	329,708	164,854
Other postemployment benefits	<u>227,899</u>	<u>233,976</u>	-	<u>461,875</u>	-
Business-type activity					
Long-term liabilities	<u>\$ 4,957,233</u>	<u>\$ 583,896</u>	<u>\$ 800,594</u>	<u>\$ 4,740,535</u>	<u>\$ 832,837</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, 2010

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>
2011	\$ 7,252	\$ 4,022
2012	7,633	3,654
2013	8,034	3,257
2014	8,456	2,840
2015	8,899	2,416
Thereafter	<u>29,291</u>	<u>5,209</u>
	<u>\$ 69,565</u>	<u>\$ 21,398</u>

8. Long-Term Obligations – City of Albemarle ABC Board

The Board entered into a note payable during the year ending June 30, 2006, secured by a deed of trust on a new building constructed during the year ending June 30, 2006. The amount of the note payable is \$1,000,000. Principal, along with interest, is due in 59 monthly installments of \$8,574, with the remaining balance due December, 2010. The interest rate is the prime rate, less 1% with the minimum being 4.25 and the maximum being 6.25%. Annual debt service requirements for this note payable are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 106,369	\$ 7,410
	<u>\$ 106,369</u>	<u>\$ 7,410</u>

C. Interfund Balances and Activity

1. Transfers to/from other funds

Transfers to/from other funds at June 30, 2009, consist of the following:

From the General Fund to the City Hall Capital Project Fund for operating expenditures	\$955,000
From the General Fund to the Electric Fund for operating expenditures.	25,000
From the Comprehensive Bicycle Grant Fund to the General Fund for operating expenditures	7,000
From the Recreation Grant Fund to the General Fund for operating expenditures.	1,500
From the General Fund to the E.E. Waddell Renovations Project for capital expenditures	429,979
From the Clean Water Management Trust Grant Fund to the General Fund for operating expenditures.	3,500
From the Water and Sewer Fund to the General Fund for operating expenditures	250,000
From the Water and Sewer Fund to the City Hall Project Fund for operating expenditures	125,000

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Activity (Continued)

1. Transfers to/from other funds (Continued)

From the Electric Fund to the General Fund for operating expenditures.	275,000
From the Electric Fund to the City Hall Project Fund for operating expenditures	580,000
From the Landfill Fund to the General Fund for operating expenditures.	225,000
From the Electric Fund to the General Fund for payment in lieu of taxes.	640,000
From the Governmental Funds to the Water and Sewer Fund for asset transfers	1,922,481
From the Governmental Funds to the Electric Fund for asset transfers	3,918,217

2. Interfund Receivables and Payables

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Public Housing	General Fund To fund operations	\$ 1,598
Water and Sewer Fund	General Fund To fund operations	421,004
Electric Fund	General Fund To fund operations	<u>842,133</u>
		<u>\$ 1,264,735</u>

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2010, the City of Albemarle has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$ 17,365 for the 19 volunteer firemen and the 42 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, 2010 were \$23,374,734.

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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, 2010.

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 \$3,447,837 reported as landfill closure and postclosure care liability at June 30, 2010 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, 2010:

Old Landfill	\$ 2,068,938
New Landfill	<u>1,378,899</u>
	<u>\$3,447,837</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.

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**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll (b-a)/c)</u>
12/31/2004	-	754,205	754,205	0%	1,710,293	44.10%
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%

**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>
2008	\$ 81,732	82.25%
2009	\$ 98,791	83.69%
2010	\$ 106,672	77.51%

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, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases*	4.5% - 12.3%
*Includes inflation at	3.75%
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%

**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%

Notes to the Required Schedules:

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

Valuation date	12/31/2009
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	3.75%
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, 2010

Exhibit A-1
Page 1 of 5

	2010		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Ad valorem taxes			
Current year	\$ -	\$ 5,386,288	\$ -
Prior years	-	131,936	-
Penalties and interest	-	36,538	-
Total	<u>5,688,500</u>	<u>5,554,762</u>	<u>(133,738)</u>
Other taxes and licenses			
Gross receipts tax on short-term rental property	-	17,078	-
Local occupancy tax	-	84,534	-
Privilege licenses	-	171,558	-
Total	<u>263,400</u>	<u>273,170</u>	<u>9,770</u>
Unrestricted intergovernmental revenues			
Local option sales tax	-	2,528,528	-
Franchise tax	-	673,875	-
Telecommunications tax	-	205,944	-
Video programming fees	-	148,076	-
Piped natural gas tax	-	68,180	-
Beer and wine tax	-	23,101	-
Payment in lieu of taxes	-	147	-
Total	<u>3,680,150</u>	<u>3,647,851</u>	<u>(32,299)</u>
Restricted intergovernmental revenue			
ABC - law enforcement	-	4,575	-
Powell Bill allocation	-	500,479	-
State grants	-	29,988	-
Drug tax distribution	-	7,691	-
ABC Senate Bill Distribution	-	20,000	-
Schools	-	93,650	-
On-behalf payments - fire	-	17,365	-
Total	<u>655,950</u>	<u>673,748</u>	<u>17,798</u>
Permits and fees			
Fire Department fees	-	22,683	-
Housing fees	-	7,396	-
Inspection and rezoning fees	-	7,095	-
Nuisance abatements	-	777	-
Total	<u>52,800</u>	<u>37,951</u>	<u>(14,849)</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, 2010**

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

	2010		Variance Positive (Negative)
	Budget	Actual	
Revenues (continued)			
Sales and service			
Court costs and fees	-	2,121	-
Refuse collection fees	-	726,791	-
Cultural and recreational fees	-	91,066	-
Total	<u>820,350</u>	<u>819,978</u>	<u>(372)</u>
Investment earnings	<u>128,000</u>	<u>48,571</u>	<u>(79,429)</u>
Miscellaneous			
Miscellaneous	-	28,053	-
Sale of surplus property	-	13,480	-
Sale of fixed assets	-	45,419	-
Lease revenue	-	550	-
Contributions	-	11,137	-
Insurance reimbursement	-	2,269	-
Total	<u>49,446</u>	<u>100,908</u>	<u>51,462</u>
Total revenues	<u>11,338,596</u>	<u>11,156,939</u>	<u>(181,657)</u>
Expenditures			
General government			
Administration			
Salaries and employee benefits	-	201,173	-
Other operating expenditures	-	270,328	-
Total	<u>471,900</u>	<u>471,501</u>	<u>399</u>
Information systems			
Salaries and employees benefits	-	49,829	-
Other operating expenditures	-	95,767	-
Capital outlay	-	85,754	-
Total	<u>266,682</u>	<u>231,350</u>	<u>35,332</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, 2010

Exhibit A-1
Page 3 of 5

	2010		Variance Positive (Negative)
	Budget	Actual	
Expenditures (Continued)			
General government (continued)			
Engineering			
Salaries and employees benefits	-	37,570	-
Other operating expenditures	-	19,258	-
Total	<u>75,950</u>	<u>56,828</u>	<u>19,122</u>
Human resources			
Salaries and employee benefits	-	61,178	-
Other operating expenditures	-	27,521	-
Total	<u>125,250</u>	<u>88,699</u>	<u>36,551</u>
Finance			
Salaries and employee benefits	-	130,619	-
Other operating expenditures	-	206,319	-
Total	<u>379,900</u>	<u>336,938</u>	<u>42,962</u>
Community Development			
Salaries and employee benefits	-	299,649	-
Other operating expenditures	-	116,383	-
Total	<u>519,900</u>	<u>416,032</u>	<u>103,868</u>
Total general government	<u>1,839,582</u>	<u>1,601,348</u>	<u>238,234</u>
Public Safety			
Police			
Salaries and employee benefits	-	3,077,793	-
School resource officers	-	182,826	-
Other operating expenditures	-	286,035	-
Capital outlay	-	111,162	-
Total	<u>3,775,246</u>	<u>3,657,816</u>	<u>117,430</u>
Fire department			
Salaries and employee benefits	-	2,092,127	-
Other operating expenditures	-	457,509	-
Fire Marshall	-	77,806	-
Capital outlay	-	23,980	-
Total	<u>2,741,498</u>	<u>2,651,422</u>	<u>90,076</u>
Total public safety	<u>6,516,744</u>	<u>6,309,238</u>	<u>207,506</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, 2010

Exhibit A-1
Page 4 of 5

	2010		Variance Positive (Negative)
	Budget	Actual	
Expenditures (Continued)			
Public works			
Administration			
Salaries and employees benefits	-	193,642	-
Solid waste disposal fee	-	259,935	-
Downtown Services	-	102,891	-
Other operating expenditures	-	47,312	-
Total	<u>626,350</u>	<u>603,780</u>	<u>22,570</u>
Streets and Highways			
Salaries and employee benefits	-	819,982	-
Other operating expenditures	-	225,091	-
Capital outlay	-	51,440	-
Total	<u>1,167,400</u>	<u>1,096,513</u>	<u>70,887</u>
Shop and Warehouse			
Salaries and employee benefits	-	352,013	-
Other operating expenditures	-	73,064	-
Total	<u>434,000</u>	<u>425,077</u>	<u>8,923</u>
Total public works	<u>2,227,750</u>	<u>2,125,370</u>	<u>102,380</u>
Environmental protection			
Solid waste			
Solid waste	-	1,105,834	-
Bad debt expense	-	4,242	-
Total environmental protection	<u>1,114,000</u>	<u>1,110,076</u>	<u>3,924</u>
Cultural and recreation			
Parks and recreation			
Salaries and employee benefits	-	789,563	-
Other operating expenditures	-	274,786	-
Capital outlay	-	-	-
Total cultural and recreation	<u>1,251,950</u>	<u>1,064,349</u>	<u>187,601</u>
Debt service			
Principal retirement	480,752	417,180	63,572
Interest and fees	<u>200,000</u>	<u>130,530</u>	<u>69,470</u>
Total debt service	<u>680,752</u>	<u>547,710</u>	<u>133,042</u>
Total expenditures	<u>13,630,778</u>	<u>12,758,091</u>	<u>872,687</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, 2010

Exhibit A-1
Page 5 of 5

	2010		Variance Positive (Negative)
	Budget	Actual	
Revenues over (under) expenditures	<u>(2,292,182)</u>	<u>(1,601,152)</u>	<u>691,030</u>
Other financing sources (uses)			
Operating transfers (to) from other funds			
Water and Sewer Fund	250,000	250,000	-
Electric Fund	915,000	915,000	-
Landfill Fund	225,000	225,000	-
City Hall project	(955,000)	(955,000)	-
E. E. Waddell Renovations project	(499,979)	(429,979)	70,000
Clean Water Management Trust Grant Fund	(90,500)	3,500	94,000
Comprehensive Bicycle Grant Fund		7,000	7,000
Recreation Grant Fund	(11,000)	1,500	12,500
Electric Fund	(25,000)	(25,000)	-
Capital lease obligations issued	<u>81,832</u>	<u>81,017</u>	<u>(815)</u>
Total other financing sources (uses)	<u>(109,647)</u>	<u>73,038</u>	<u>182,685</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>(2,401,829)</u>	<u>(1,528,114)</u>	<u>873,715</u>
Fund balance appropriated	<u>2,401,829</u>	<u>-</u>	<u>(2,401,829)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,528,114)</u>	<u>\$ (1,528,114)</u>
Fund balance, beginning		<u>5,391,031</u>	
Fund balance, ending		<u>\$ 3,862,917</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, 2010

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Investment earnings	\$ 25,000	64,614	\$ 7,022	\$ 71,636	\$ 46,636
Sale of fixed assets	750,000	300,000	-	300,000	(450,000)
Total Revenues	<u>775,000</u>	<u>364,614</u>	<u>7,022</u>	<u>371,636</u>	<u>(403,364)</u>
EXPENDITURES:					
Capital outlay:					
Legal	65,000	17,565	100	17,665	47,335
Engineering	687,000	683,837	55,280	739,117	47,883
Permit fees and testing	105,000	91,255	19,987	111,242	3,758
Other equipment	500,000	82,555	572,065	654,620	45,380
Construction in progress	9,292,000	6,266,127	1,844,648	8,110,775	871,225
Environmental remediation	250,000	151,137	-	151,137	98,863
Total expenditures	<u>10,899,000</u>	<u>7,292,476</u>	<u>2,492,080</u>	<u>9,784,556</u>	<u>1,114,444</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(10,124,000)</u>	<u>(6,927,862)</u>	<u>(2,485,058)</u>	<u>(9,412,920)</u>	<u>711,080</u>
OTHER FINANCING SOURCES:					
Operating transfers from:					
General fund	1,750,000	875,000	955,000	1,830,000	80,000
City Hall Capital Reserve Fund	920,000	922,712	-	922,712	2,712
Water and Sewer Fund	250,000	125,000	125,000	250,000	-
Electric Fund	1,000,000	500,000	580,000	1,080,000	80,000
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>7,797,712</u>	<u>1,660,000</u>	<u>9,457,712</u>	<u>(666,288)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 869,850</u>	<u>(825,058)</u>	<u>\$ 44,792</u>	<u>\$ 44,792</u>
Fund balance, beginning			869,850		
Fund balance, ending			<u>\$ 44,792</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.

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.

Brownfield Assessment Coalition Fund – This fund accounts for grant monies for the study of brownfields.

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, 2010

Exhibit B-1

	Special Revenue Funds										Total Nonmajor Special Revenue Funds	CDBG Alfred Street Project Fund	Synder Greenway Capital Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
	Comprehensive Bicycle Grant Fund	E.E. Waddell Renovation Fund	Recreation Grant Fund	Grants Fund	Clean Water Management Trust Grant Project Fund	Brownfield Assessment Coalition Fund	Morrow Chase CDBG Fund	Justice Assistance Grant Fund	Total Nonmajor Special Revenue Funds	CDBG Alfred Street Project Fund					
ASSETS															
Current Assets															
Cash and investments	\$ -	\$ -	\$ 15,582	\$ -	\$ 58,140	\$ -	\$ -	\$ -	\$ 73,722	\$ 12,830	\$ -	\$ 12,830	\$ 86,552		
Due from other governments	31,697	295,000	-	-	-	31,926	20,000	-	378,623	-	75,728	75,728	454,351		
Total assets	\$ 31,697	\$ 295,000	\$ 15,582	\$ -	\$ 58,140	\$ 31,926	\$ 20,000	\$ -	\$ 452,345	\$ 12,830	\$ 75,728	\$ 88,558	\$ 540,903		
LIABILITIES AND FUND BALANCES															
Liabilities															
Accounts payable and accrued liabilities	\$ 4,210	\$ 20,553	\$ -	\$ -	\$ -	\$ -	\$ 16,983	\$ -	\$ 41,746	\$ -	\$ 2,197	\$ 2,197	\$ 43,943		
Due to other funds	27,486	273,540	-	-	-	31,926	2,627.00	-	335,579	-	73,515	73,515	409,094		
Total liabilities	31,696	294,093	-	-	-	31,926	19,610	-	377,325	-	75,712	75,712	453,037		
Fund balances															
Reserved by State statute	31,697	295,000	-	-	-	31,926	20,000	-	378,623	-	75,728	75,728	454,351		
Unreserved	-	-	-	-	-	-	-	-	-	12,830	(75,712)	(62,882)	(62,882)		
Designated for capital projects	(31,696)	(294,093)	15,582	-	58,140	(31,926)	(19,610)	-	(303,603)	-	-	-	(303,603)		
Undesignated	1	907	15,582	-	58,140	-	390	-	75,020	12,830	16	12,846	87,866		
Total fund balances	1	907	15,582	-	58,140	-	390	-	75,020	12,830	16	12,846	87,866		
Total liabilities and fund balances	\$ 31,697	\$ 295,000	\$ 15,582	\$ -	\$ 58,140	\$ 31,926	\$ 20,000	\$ -	\$ 452,345	\$ 12,830	\$ 75,728	\$ 88,558	\$ 540,903		

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, 2010

	Special Revenue Funds										Total Nonmajor Special Revenue Funds	Snyder Greenway Capital Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
	Comprehensive Bicycle Grant Fund	E. E. Waddell Renovation Fund	Recreation Grant Fund	Grants Fund	Clean Water Management Trust Grant Project Fund	Brownfield Assessment Coalition Fund	Morrow Chase CDBG Fund	Justice Assistance Grant Fund	CDBG Alfred Street Project Fund	Total Nonmajor Special Revenue Funds				
Revenues														
Restricted intergovernmental	\$ 31,697	\$ 441,664	\$ 17,724	\$ -	\$ 95,709	\$ 31,926	\$ 20,000	\$ 111,189	\$ 56,679	\$ 749,909	\$ 111,001	\$ 167,680	\$ 917,589	
Investment earnings	-	-	1	-	-	-	-	-	-	1	-	-	1	
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total revenues	31,697	441,664	17,725	-	95,709	31,926	20,000	111,189	56,679	749,910	111,001	167,680	917,590	
Expenditures														
Public safety	-	-	-	2,922	-	-	-	111,189	-	114,111	-	-	114,111	
Economic and physical development	-	-	-	-	2,516	20,927	7,387	-	4,596	30,830	-	4,596	35,426	
Capital outlay	24,993	874,409	1,003	-	31,599	-	23,223	-	136,089	955,227	110,985	247,074	1,202,301	
Total expenditures	24,993	874,409	1,003	2,922	34,115	20,927	30,610	111,189	140,685	1,100,168	110,985	251,670	1,351,838	
Revenues over (under) expenditures	6,704	(432,745)	16,722	(2,922)	61,594	10,999	(10,610)	-	(84,006)	(350,258)	16	(83,990)	(434,248)	
Other financing sources (uses)														
Transfers from other funds	(7,000)	429,979	(1,500)	-	(3,500)	(11,000)	11,000	-	-	417,979	-	-	417,979	
From (to) General Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	
(To) from CDBG Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total other financing sources (uses)	(7,000)	429,979	(1,500)	-	(3,500)	(11,000)	11,000	-	-	417,979	-	-	417,979	
Net change in fund balances	(296)	(2,766)	15,222	(2,922)	58,094	(1)	390	-	(84,006)	67,721	16	(83,990)	(16,269)	
Fund Balances														
Beginning of year, July 1	297	3,673	360	2,922	46	1	-	-	96,836	7,299	-	96,836	104,135	
End of year, June 30	1	907	15,582	-	58,140	-	390	-	12,830	75,020	16	12,846	87,866	

**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, 2010**

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	\$ 31,697	\$ (153)
Expenditures					
Capital outlay	45,500	20,353	24,993	45,346	154
Total expenditures	45,500	20,353	24,993	45,346	154
Revenues (under) expenditures	(13,650)	(20,353)	6,704	(13,649)	1
Other financing sources					
Transfers from other funds					
General fund	13,650	20,650	(7,000)	13,650	-
Total other financing sources	13,650	20,650	(7,000)	13,650	-
Net change in fund balance	\$ -	\$ 297	(296)	\$ 1	\$ 1
Fund balance					
Beginning of year, July 1			297		
End of year, June 30			\$ 1		

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, 2010

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental revenues					
NC Parks and Recreation Grant	\$ 499,978	\$ -	\$ 441,664	\$ 441,664	\$ (58,314)
Expenditures					
Capital outlay					
Other professional expense	121,905	66,327	55,569	121,896	9
Buildings and structures	822,264	-	818,840	818,840	3,424
Landscaping	13,500	-	-	-	13,500
Water and Sewer Improvements	30,000	-	-	-	30,000
Contingency	12,288	-	-	-	12,288
Total expenditures	999,957	66,327	874,409	940,736	59,221
Revenues (under) expenditures	(499,979)	(66,327)	(432,745)	(499,072)	907
Other financing sources					
Transfers from other funds					
General fund	499,979	70,000	429,979	499,979	-
Total other financing sources	-	70,000	429,979	499,979	-
Net change in fund balance	\$ -	\$ 3,673	(2,766)	\$ 907	\$ 907
Fund balance					
Beginning of year, July 1			3,673		
End of year, June 30			\$ 907		

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, 2010

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	200,568	124	200,692	8,692
DOT - Enhancement Grant - Phase II	176,000	-	17,600	17,600	(158,400)
Investment earnings	12,462	25,504	1	25,505	13,043
Miscellaneous	56,700	67,600	-	67,600	10,900
Total revenues	936,080	812,277	17,725	830,002	(106,078)
Expenditures					
Economic and physical development					
Leasehold improvements	77,262	75,984	-	75,984	1,278
Capital outlay	1,468,636	1,409,942	1,003	1,410,945	57,691
Total expenditures	1,545,898	1,485,926	1,003	1,486,929	58,969
Revenues over (under) expenditures	(609,818)	(673,649)	16,722	(656,927)	(47,109)
Other financing sources					
Transfers from other funds					
General Fund	609,818	674,009	(1,500)	672,509	62,691
Net change in fund balance	\$ -	\$ 360	15,222	\$ 15,582	\$ 15,582
Fund balance					
Beginning of year, July 1			360		
End of year, June 30			\$ 15,582		

CITY OF ALBEMARLE, NORTH CAROLINA
GRANTS FUND

Exhibit B-6

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2010

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental revenues					
Federal Grant - Dept. of Homeland Security	\$ 347,404	\$ 347,404	\$ -	\$ 347,404	\$ -
Expenditures					
Public safety					
Operating expenditures	11,797	11,797	-	11,797	-
Capital outlay	53,809	53,809	-	53,809	-
Tools and equipment	316,077	313,155	2,922	316,077	-
Total expenditures	381,683	378,761	2,922	381,683	-
Revenues (under) expenditures	(34,279)	(31,357)	(2,922)	(34,279)	-
Other financing sources					
Transfers from other funds					
General fund	34,279	34,279	-	34,279	-
Net change in fund balance	\$ -	\$ 2,922	(2,922)	\$ -	\$ -
Fund balance					
Beginning of year, July 1			2,922		
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

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted intergovernmental revenues	\$ 174,000	\$ 55,270	\$ 95,709	\$ 150,979	\$ (23,021)
Total revenues	<u>174,000</u>	<u>55,270</u>	<u>95,709</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>149,224</u>	<u>2,516</u>	<u>151,740</u>	<u>72,760</u>
Total expenditures	<u>264,500</u>	<u>149,224</u>	<u>34,115</u>	<u>183,339</u>	<u>81,161</u>
Revenues over (under) expenditures	(90,500)	(93,954)	61,594	(32,360)	58,140
Other financing sources (uses)					
From General Fund	<u>90,500</u>	<u>94,000</u>	<u>(3,500)</u>	<u>90,500</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 46</u>	<u>\$ 58,094</u>	<u>58,140</u>	<u>\$ 58,140</u>
Fund balance					
Beginning of year, July 1			<u>46</u>		
End of year, June 30			<u>\$ 58,140</u>		

CITY OF ALBEMARLE, NORTH CAROLINA
BROWNFIELD ASSESSMENT COALITION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2009

Exhibit B-8

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental revenues					
Rural Center Grant	\$ 35,000	\$ -	\$ 31,926	\$ 31,926	\$ (3,074)
Miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>-</u>
Total revenues	<u>37,000</u>	<u>2,000</u>	<u>31,926</u>	<u>33,926</u>	<u>(3,074)</u>
Expenditures					
Economic and physical development					
Professional services	16,175	-	16,100	16,100	75
Administration	18,825	13,781	4,827	18,608	217
Advertising	500	-	-	-	500
Travel	1,500	218	-	218	1,282
Training	500	-	-	-	500
Other	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>
Total expenditures	<u>38,000</u>	<u>13,999</u>	<u>20,927</u>	<u>34,926</u>	<u>3,074</u>
Revenues over (under) expenditures	<u>(1,000)</u>	<u>(11,999)</u>	<u>10,999</u>	<u>(1,000)</u>	<u>-</u>
Other financing sources					
Transfers from other funds					
Morrow Chase CDBG Fund	<u>1,000</u>	<u>12,000</u>	<u>(11,000)</u>	<u>1,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (1)</u>	<u>-</u>	<u>\$ -</u>
Fund balance					
Beginning of year, July 1			<u>1</u>		
End of year, June 30			<u>\$ -</u>		

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, 2010

Exhibit B-9

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
CDBG grant	\$ 254,612	\$ -	\$ 20,000	\$ 20,000	\$ (234,612)
Total revenues	<u>254,612</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>(234,612)</u>
Expenditures					
Salaries & benefits	17,276	-	4,193	4,193	13,083
Other services	11,000	-	-	-	11,000
Administration	21,576	-	3,194	3,194	18,382
Water & Sewer Improvements	50,248	-	-	-	50,248
Street Improvements	165,512	-	23,223	23,223	142,289
Total expenditures	<u>265,612</u>	<u>-</u>	<u>30,610</u>	<u>30,610</u>	<u>235,002</u>
Revenues (under) expenditures	<u>(11,000)</u>	<u>-</u>	<u>(10,610)</u>	<u>(10,610)</u>	<u>390</u>
Other financing sources (uses)					
Transfers from other funds					
From brownfield fund	11,000	-	11,000	11,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>390</u>	<u>\$ 390</u>	<u>\$ 390</u>
Fund balance, beginning of year			<u>-</u>		
Fund balance, end of year			<u>\$ 390</u>		

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, 2010

Exhibit B-10

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Federal funds stimulus	\$ 16,997	\$ -	\$ 16,997	\$ 16,997	\$ -
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	111,189	(27,752)
Expenditures					
Other supplies	1,800	-	-	-	1,800
Small tools	105,663	-	76,637	76,637	29,026
Service maintenance	6,050	-	6,050	6,050	-
Other	28,502	-	28,502	28,502	-
Total expenditures	142,015	-	111,189	111,189	30,826
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	\$ 427,529	\$ 56,679	\$ 484,208	\$ (119,089)
	<u>455,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(455,000)</u>
Total revenues	<u>1,058,297</u>	<u>427,529</u>	<u>56,679</u>	<u>484,208</u>	<u>(574,089)</u>
Expenditures					
Capital outlay					
Infrastructure improvements	163,921	26,869	136,089	162,958	963
Operating costs	<u>991,447</u>	<u>400,659</u>	<u>4,596</u>	<u>405,255</u>	<u>586,192</u>
Total expenditures	<u>1,155,368</u>	<u>427,528</u>	<u>140,685</u>	<u>568,213</u>	<u>587,155</u>
Revenues over (under) expenditures	(97,071)	1	(84,006)	(84,005)	13,066
Other financing sources (uses)					
Operating transfers in (out)					
From General Fund	97,071	97,071	-	97,071	-
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>-</u>	<u>96,835</u>	<u>(236)</u>
Excess of revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 96,836</u>	(84,006)	<u>\$ 12,830</u>	<u>\$ 12,830</u>
Fund balance					
Beginning of year, July 1			<u>96,836</u>		
End of year, June 30			<u>\$ 12,830</u>		

**CITY OF ALBEMARLE, NORTH CAROLINA
 SYNDER GREENWAY PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)**

Exhibit B-12

From Inception and for the Fiscal Year Ended June 30, 2010

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues					
Restricted intergovernmental revenues					
Federal grant - nc dept of transportation	\$ 225,000	\$ -	\$ 111,001	\$ 111,001	\$ (113,999)
Total revenues	<u>225,000</u>	<u>-</u>	<u>111,001</u>	<u>111,001</u>	<u>(113,999)</u>
Expenditures					
Public safety					
Legal	300	-	150	150	150
Engineering	20,000	-	19,944	19,944	56
Advertising	180	-	180	180	-
Construction	226,780	-	90,711	90,711	136,069
Total expenditures	<u>247,260</u>	<u>-</u>	<u>110,985</u>	<u>110,985</u>	<u>136,275</u>
Revenues (under) expenditures	<u>(22,260)</u>	<u>-</u>	<u>16</u>	<u>16</u>	<u>22,276</u>
Other financing sources (uses)					
Transfers from other funds					
From general fund	22,260	-	-	-	(22,260)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>16</u>	<u>\$ 16</u>	<u>\$ 16</u>
Fund balance, beginning of year			-		
Fund balance, end of year			<u>16</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, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenues			
Water sales	\$ -	\$ 3,478,333	\$ -
Sewer charges	-	2,727,226	-
Water and sewer taps	-	35,429	-
Miscellaneous	-	128,827	-
<u>Total operating revenues</u>	<u>6,476,300</u>	<u>6,369,815</u>	<u>(66,485)</u>
Nonoperating revenues			
Interest earned on investments	-	15,286	-
Donated assets	-	1,933,294	-
Grant revenues	-	40,000	-
Sale of assets	-	10,434	-
<u>Total nonoperating revenues</u>	<u>47,500</u>	<u>1,999,014</u>	<u>1,951,514</u>
Total revenues	<u>6,523,800</u>	<u>8,368,829</u>	<u>1,845,029</u>
Expenditures			
Water and Sewer Administraton			
Salaries and employees benefits	-	410,147	-
Postage	-	42,732	-
Contracted services	-	69,960	-
Insurance	-	90,348	-
Uniforms	-	17,262	-
Other operating expenditures	-	98,647	-
<u>Total</u>	<u>846,200</u>	<u>729,096</u>	<u>117,104</u>
Water Treatment Plant			
Salaries and employees benefits	-	735,297	-
Supplies	-	257,418	-
Repairs	-	76,093	-
Contracted services	-	122,643	-
Utilities	-	253,104	-
Fuel	-	12,233	-
Other operating expenditures	-	110,726	-
<u>Total</u>	<u>1,625,800</u>	<u>1,567,514</u>	<u>58,286</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, 2010

Exhibit C-1
Page 2 of 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued)			
Sewer Treatment Plant			
Salaries and employees benefits	-	761,282	-
Supplies	-	111,014	-
Repairs	-	1,006,047	-
Contracted service	-	51,870	-
Utilities	-	177,762	-
Fuel	-	2,531	-
Other operating expenditures	-	155,731	-
Total	<u>2,270,350</u>	<u>2,266,237</u>	<u>4,113</u>
System Division			
Salaries and employee benefits	-	1,109,163	-
Supplies	-	99,473	-
Repairs	-	30,677	-
Utilities	-	6,906	-
Other operating expenditures	-	82,431	-
Governmental Fund	<u>1,380,600</u>	<u>1,328,650</u>	<u>51,950</u>
Debt Service			
Principal on installment purchases	-	106,161	-
Interest and fees	-	35,712	-
Total	<u>149,700</u>	<u>141,873</u>	<u>7,827</u>
Capital Outlay			
Water and sewer administration	80,760	80,621	139
Water treatment plant	135,000	114,440	20,560
Systems division	<u>345,100</u>	<u>337,003</u>	<u>8,097</u>
Total	<u>560,860</u>	<u>532,064</u>	<u>28,796</u>
Total expenditures	<u>6,833,510</u>	<u>6,565,434</u>	<u>268,076</u>
Revenues over (under) expenditures	<u>(309,710)</u>	<u>1,803,395</u>	<u>2,113,105</u>
Other financing sources (uses)			
Transfers (to) from other funds			
To General Fund	(250,000)	(250,000)	-
To City Hall Project Fund	(125,000)	(125,000)	-
From Governmental Fund	-	1,922,481	1,922,481
Proceeds from installment debt	<u>46,760</u>	<u>46,295</u>	<u>(465)</u>
Total financing sources (uses) - net	<u>(328,240)</u>	<u>1,593,776</u>	<u>1,922,016</u>
Appropriated fund balance	<u>637,950</u>	<u>-</u>	<u>(637,950)</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, 2010**

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

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues and other sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 3,397,171</u>	<u>\$ 3,397,171</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ 3,397,171</u>	
Payment on installment purchases		106,161	
Capital outlay		532,064	
Depreciation		(1,417,450)	
Capital lease proceeds		(46,295)	
Increase in accrued compensated absences		(15,351)	
Increase in postemployment benefits		(122,145)	
Interest income Sewer Capital Project		473	
Other investment Sewer Capital Project		<u>3,404</u>	
Total reconciling items		<u>(959,139)</u>	
Change in net assets		<u>\$ 2,438,032</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, 2010

Exhibit C-2

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive Negative</u>
Revenues					
Restricted intergovernmental revenues					
Rural Economic Development Grant	\$ 100,000	\$ 100,000	\$ -	\$ 100,000	\$ -
Water and sewer assessments	24,500	15,693	3,404	19,097	(5,403)
Interest earnings	-	1,032	473	1,505	1,505
Total revenues	<u>124,500</u>	<u>116,725</u>	<u>3,877</u>	<u>120,602</u>	<u>(3,898)</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>(228,733)</u>	<u>3,877</u>	<u>(224,856)</u>	<u>(3,459)</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>\$ 4,910</u>	<u>\$ 3,877</u>	<u>\$ 8,787</u>	<u>\$ 8,787</u>

CITY OF ALBEMARLE, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2010

Exhibit C-3
Page 1 of 2

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
Operating revenues			
Residential sales	\$ -	\$ 14,055,495	\$ -
Commercial and industrial sales	-	13,591,651	-
Sales to City Departments	-	747,010	-
Total charges for services	<u>27,565,000</u>	<u>28,394,156</u>	<u>829,156</u>
Other operating revenues	<u>904,750</u>	<u>1,157,997</u>	<u>253,247</u>
Total operating revenues	<u>28,469,750</u>	<u>29,552,153</u>	<u>1,082,403</u>
Nonoperating revenues			
Interest earned on investments	-	62,746	-
Donated assets	-	232,260	-
Sale of assets	-	58,780	-
Total nonoperating revenues	<u>119,000</u>	<u>353,786</u>	<u>234,786</u>
Total revenues	<u>28,588,750</u>	<u>29,905,939</u>	<u>1,317,189</u>
Expenditures			
Administrative and Finance			
Salaries and employees benefits	-	773,196	-
Postage	-	38,257	-
Travel	-	4,286	-
Contracted services	-	31,102	-
Insurance	-	42,209	-
Other operating expenditures	-	84,116	-
Total	<u>1,076,900</u>	<u>973,166</u>	<u>103,734</u>
Customer Service			
Salaries and employees benefits	-	161,057	-
Materials and supplies	-	10,287	-
Repairs and maintenance	-	4,892	-
Other operating expenditures	-	8,814	-
Total	<u>186,850</u>	<u>185,050</u>	<u>1,800</u>
Electric Operations			
Salaries and employees benefits	-	1,306,328	-
Materials and supplies	-	599,156	-
Repairs	-	62,458	-
Contract labor	-	586,597	-
Electric power purchases	-	23,374,734	-
Other operating expenditures	-	253,579	-
Total	<u>26,540,200</u>	<u>26,182,852</u>	<u>357,348</u>

CITY OF ALBEMARLE, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2010

Exhibit C-3
Page 2 of 2

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures (continued)			
Debt Service			
Interest and other charges	-	65,828	-
Principal retirement	-	142,753	-
Total debt service	<u>218,750</u>	<u>208,581</u>	<u>10,169</u>
Capital Outlay			
Administrative and finance	-	118,522	-
Electric operations	-	67,757	-
Total	<u>225,950</u>	<u>186,279</u>	<u>39,671</u>
Total expenditures	<u>28,248,650</u>	<u>27,735,928</u>	<u>512,722</u>
Revenues over (under) expenditures	<u>340,100</u>	<u>2,170,011</u>	<u>1,829,911</u>
Other financing sources (uses)			
Transfer from (to) funds			
General fund	-	25,000	25,000
City Hall project	(580,000)	(580,000)	-
General fund	(915,000)	(915,000)	-
To Governmental Fund	-	3,918,217	3,918,217
Proceeds from installment debt	<u>58,450</u>	<u>57,869</u>	<u>(581)</u>
Total other financing sources (uses)	<u>(1,436,550)</u>	<u>2,506,086</u>	<u>3,942,636</u>
Appropriated fund balance	<u>1,096,450</u>	<u>-</u>	<u>(1,096,450)</u>
Revenues and other sources over (under) expenditures, other (uses) and appropriated fund balances	<u>\$ -</u>	<u>\$ 4,676,097</u>	<u>\$ 4,676,097</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ 4,676,097</u>	
Principal retirement		142,753	
Capital outlay		186,279	
Depreciation		(488,149)	
Increase in accrued compensated absences		(15,972)	
Increase in postemployment benefits		(72,257)	
Capital lease proceeds		<u>(57,869)</u>	
Total reconciling items		(305,215)	
Change in net assets		<u>\$ 4,370,882</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, 2010**

**Exhibit C-4
Page 1 of 2**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
Operating revenues			
Disposal fees	\$ 2,000,000	\$ 2,166,672	\$ 166,672
Solid waste fees	131,000	140,325	9,325
Sales of mulch and scrap	20,100	56,913	36,813
Scrap tire and white goods fees	80,000	91,406	11,406
Total charges for services	<u>2,231,100</u>	<u>2,455,316</u>	<u>224,216</u>
Other operating revenues	<u>84,380</u>	<u>53,725</u>	<u>(30,655)</u>
Total operating revenues	<u>2,315,480</u>	<u>2,509,041</u>	<u>193,561</u>
Nonoperating revenues			
Interest earned on investments	5,000	6,558	1,558
Sale of assets	25,900	(159,746)	(185,646)
State Grant	30,000	27,410	(2,590)
Total nonoperating revenues	<u>60,900</u>	<u>(125,778)</u>	<u>(186,678)</u>
Total revenues	<u>2,376,380</u>	<u>2,383,263</u>	<u>6,883</u>
Expenditures			
Landfill Operations			
Salaries and employees benefits	-	634,079	-
Postage	-	446	-
Materials and supplies	-	199,464	-
Repairs	-	240,963	-
Utilities	-	7,068	-
Contracted services	-	335,935	-
Insurance	-	43,570	-
Solid waste disposal fee	-	129,273	-
Other operating expenditures	-	113,911	-
Total	<u>1,686,880</u>	<u>1,704,709</u>	<u>(17,829)</u>
Debt Service			
Principal on installment purchases	-	390,167	-
Interest and fees	-	39,819	-
Total	<u>434,000</u>	<u>429,986</u>	<u>4,014</u>
Capital Outlay	<u>53,880</u>	<u>49,790</u>	<u>4,090</u>
Total expenditures	<u>2,174,760</u>	<u>2,184,485</u>	<u>(9,725)</u>
Revenues over expenditures	<u>201,620</u>	<u>198,778</u>	<u>(2,842)</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, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing (uses) sources			
Transfers to other funds			
To General Fund	(225,000)	(225,000)	-
Proceeds from installment debt	<u>23,380</u>	<u>23,148</u>	<u>(232)</u>
Total other financing (uses)	<u>(201,620)</u>	<u>(201,852)</u>	<u>(232)</u>
Revenues and other sources over (under) expenditures, other (uses)	<u>\$ -</u>	<u>\$ (3,074)</u>	<u>\$ (3,074)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ (3,074)</u>	
Payment on installment purchases		390,167	
Capital outlay		49,790	
Depreciation		(198,422)	
Increase in accrued compensated absences		(3,215)	
Capital lease proceeds		(23,148)	
Increase in postemployment benefits		(20,649)	
Interest income from Landfill Capital Project Fund		44	
Adjustment to accrued landfill closure and postclosure costs		<u>(281,193)</u>	
Total reconciling items		<u>(86,626)</u>	
Change in net assets		<u>\$ (89,700)</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, 2010

Exhibit C-5

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Investment earnings	50,000	21,483	44	21,527	(28,473)
Total revenues	50,000	21,483	44	21,527	(28,473)
Expenditures					
Capital outlay	3,930,500	3,424,332	37,302	3,461,634	468,866
Revenues (under) expenditures	(3,880,500)	(3,402,849)	(37,258)	(3,440,107)	440,393
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)	\$ -	\$ 105,734	(37,258)	\$ 68,476	\$ 68,476
Fund balance					
Beginning of year, July 1			105,734		
End of year, June 30			\$ 68,476		

CITY OF ALBEMARLE, NORTH CAROLINA
COMBINING BALANCE SHEET
DEPARTMENT OF PUBLIC HOUSING
June 30, 2010

Exhibit C-6

	Department of Public Housing			Totals
	Conventional	Section 8	Capital Fund	
ASSETS				
Current Assets				
Cash and investments	\$ 1,046,062	\$ 398,755	\$ -	\$ 1,444,817
Accounts receivable - net	35,718	77	-	35,795
Prepaid expenses	4,136	-	3,589	7,725
Internal balances	1,555	43	-	1,598
Due to (from) other funds	12,616	(2,273)	(10,343)	-
Due from other governments	-	-	8,335	8,335
Total current assets	1,100,087	396,602	1,581	1,498,270
Noncurrent Assets				
Capital Assets				
Land	163,505	-	-	163,505
Construction in progress	-	-	273,446	273,446
Other capital assets, net of accumulated depreciation	5,708,180	69,971	-	5,778,151
Total noncurrent assets	5,871,685	69,971	273,446	6,215,102
Total Assets	\$ 6,971,772	\$ 466,573	\$ 275,027	\$ 7,713,372
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 37,537	\$ 11,329	\$ 1,581	\$ 50,447
Customer deposits	42,915	-	-	42,915
Deferred revenues	1,628	-	-	1,628
Current portion of compensated absences	4,984	100	-	5,084
Total current liabilities	87,064	11,429	1,581	100,074
Noncurrent liabilities				
Accrued compensated absences	22,205	3,258	-	25,463
Other postemployment benefits	37,821	-	-	37,821
Installment debt	17,562	-	-	17,562
Total noncurrent liabilities	77,588	3,258	-	80,846
Total liabilities	164,652	14,687	1,581	180,920
Net Assets				
Invested in capital assets, net of debt	5,849,639	69,971	273,446	6,193,056
Unrestricted	957,481	381,915	-	1,339,396
Total net assets	6,807,120	451,886	273,446	7,532,452
Total Liabilities and Net Assets	\$ 6,971,772	\$ 466,573	\$ 275,027	\$ 7,713,372

CITY OF ALBEMARLE, NORTH CAROLINA
COMBINING SCHEDULE OF REVENUES AND EXPENSES
DEPARTMENT OF PUBLIC HOUSING
For the Fiscal Year Ended June 30, 2010

Exhibit C-7

	Department of Public Housing			Totals
	Conventional	Section 8	Capital Fund	
Operating Revenues				
Rental income	\$ 428,928	\$ -	\$ -	\$ 428,928
Other	12,662	-	-	12,662
Total operating revenues	441,590	-	-	441,590
Operating expenses				
Administrative	342,045	161,356	7,742	511,143
Tenant services	13,789	-	-	13,789
Utilities	390,598	-	-	390,598
Ordinary maintenance and operation	251,049	-	-	251,049
General expenses	57,657	1,622	-	59,279
Housing assistance payments	-	1,378,590	-	1,378,590
Nonroutine maintenance	25,400	-	-	25,400
Depreciation	240,352	3,015	-	243,367
Total operating expenses	1,320,890	1,544,583	7,742	2,873,215
Operating (loss)	(879,300)	(1,544,583)	(7,742)	(2,431,625)
Nonoperating revenues (expenses)				
Operating subsidies	632,587	1,339,872	7,742	1,980,201
Interest earned on investments	10,509	637	-	11,146
Interest and other charges	(160)	-	-	(160)
Nonoperating revenue	-	-	-	-
Nonoperating expenses	(822)	-	-	(822)
Total nonoperating revenues	642,114	1,340,509	7,742	1,990,365
Net income (loss) before contributions and transfers	(237,186)	(204,074)	-	(441,260)
Capital grants	-	-	1,117,235	1,117,235
Transfers	848,864	-	(848,864)	-
	848,864	-	268,371	1,117,235
Change in net assets	611,678	(204,074)	268,371	675,975
Net assets, July 1	6,195,442	655,960	5,075	6,856,477
Net assets, June 30	\$ 6,807,120	\$ 451,886	\$ 273,446	\$ 7,532,452

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, 2010

Exhibit C-8

	Conventional		Variance Favorable (Unfavorable)
	Original and Final Budget	Actual	
Operating Revenues			
Rental income	\$ 423,000	\$ 418,892	\$ (4,108)
Other	19,380	10,036	(9,344)
Total operating revenues	442,380	428,928	(13,452)
Operating expenditures			
Administrative	317,610	253,971	63,639
Tenant services	16,000	13,789	2,211
Utilities	398,400	390,598	7,802
Ordinary maintenance and operation	256,950	219,235	37,715
General expenses	161,600	154,932	6,668
Nonroutine maintenance	33,000	25,400	7,600
Total operating expenditures	1,183,560	1,057,925	125,635
Operating revenues (under) operating expenditures	(741,180)	(628,997)	112,183
Nonoperating revenues			
Operating subsidies	579,820	632,587	52,767
Capital lease proceeds	23,380	23,148	(232)
Other income	23,880	12,662	(11,218)
Interest income	13,320	10,509	(2,811)
Total nonoperating revenues	640,400	678,906	38,506
Nonoperating expenditures			
Debt principal payments	1,500	1,102	398
Debt interest expense	500	160	340
Capital outlay	35,930	32,487	3,443
Nonoperating revenues over nonoperating expenditures	602,470	645,157	42,687
Deficiency of revenues (under) expenditures	(138,710)	16,160	154,870
Appropriated fund balance	138,710	-	(138,710)
Excess of revenues and appropriated fund balance (under) expenditures - modified accrual	\$ -	16,160	\$ 16,160
Reconciliation to the accrual basis:			
Depreciation		(240,352)	
Capital outlay		32,487	
Debt principal payments		1,102	
Capital lease proceeds		(23,148)	
Accrual of compensated balances		(4,510)	
Other postemployment benefits		(18,925)	
Capital fund transfer to Conventional		848,864	
Change in net income before capital contributions and transfers - Exhibit C-9		\$ 611,678	

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, 2010

Exhibit C-9

	Section 8		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Operating subsidiaries	\$ 1,321,464	\$ 1,339,872	\$ 18,408
Total operating revenues	<u>1,321,464</u>	<u>1,339,872</u>	<u>18,408</u>
Operating expenditures			
Administrative	173,650	162,978	10,672
Housing assistance payments	<u>1,406,864</u>	<u>1,378,590</u>	<u>28,274</u>
Total operating expenditures	<u>1,580,514</u>	<u>1,541,568</u>	<u>38,946</u>
Operating revenues (under) operating expenditures	(259,050)	(201,696)	57,354
Nonoperating revenues			
Interest income	<u>1,700</u>	<u>637</u>	<u>(1,063)</u>
Excess (deficiency) of revenues under expenditures modified accrual	<u>\$ (257,350)</u>	(201,059)	<u>\$ 56,291</u>
Reconciliation to the accrual basis:			
Depreciation		<u>(3,015)</u>	
Change in net assets Schedule 24		<u>\$ (204,074)</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, 2010**

Exhibit C-10

1. The actual modernization costs of NC 19P07550106 are as follows:

	<u>Total</u>
Funds approved	\$ 316,690
Funds expended	<u>316,690</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced - HUD Grants	\$ 316,690
Funds expended	<u>316,690</u>
Excess of funds advanced	<u>\$ -</u>

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND COSTS - UNCOMPLETED
DEPARTMENT OF PUBLIC HOUSING - CONVENTIONAL
ANNUAL CONTRIBUTIONS CONTRACT A-1974
For the Fiscal Year Ended June 30, 2010

Exhibit C-11

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

	<u>Total</u>
Funds approved	\$ 362,203
Funds expended	<u>-</u>
Excess of funds approved	<u>\$ 362,203</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, 2010

Exhibit C-12

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

	<u>Total</u>
Funds approved	\$ 458,477
Funds expended	<u>458,477</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced - HUD Grants	\$ 458,477
Funds expended	<u>458,477</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$ 458,477.

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, 2010

Exhibit C-13

1. The actual modernization costs of NC 19P075501-09 are as follows:

	<u>Total</u>
Funds approved	\$ 356,607
Funds expended	<u>-</u>
Excess of funds approved	<u>\$ 356,607</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, 2010

Exhibit C-14

1. The actual modernization costs of NC 19P07550107 are as follows:

	<u>Total</u>
Funds approved	\$ 363,045
Funds expended	<u>363,045</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced - HUD Grants	\$ 363,045
Funds expended	<u>363,045</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$349,858

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND COSTS
DEPARTMENT OF PUBLIC HOUSING - CONVENTIONAL
ANNUAL CONTRIBUTIONS CONTRACT A-1974 **UNCOMPLETED**
For the Fiscal Year Ended June 30, 2010

Exhibit C-15

1. The actual modernization costs of NC 19P075501-10 are as follows:

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

2. Cost 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, 2010

Exhibit D-1

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS				
Cash and cash equivalents	\$ 627	\$ 42,696	\$ 42,906	\$ 417
	<u>\$ 627</u>	<u>\$ 42,696</u>	<u>\$ 42,906</u>	<u>\$ 417</u>
LIABILITIES				
Due to agencies	<u>627</u>	<u>42,696</u>	<u>42,906</u>	<u>417</u>
	<u>\$ 627</u>	<u>\$ 42,696</u>	<u>\$ 42,906</u>	<u>\$ 417</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, 2010

Exhibit E-1

<u>Fiscal Year</u>	Uncollected Balance June 30, 2009	Additions	Collections and Credits	Uncollected Balance June 30, 2010
2009-2010	\$ -	\$ 5,675,031	\$ 5,386,288	\$ 288,743
2008-2009	241,747	429	123,360	118,816
2007-2008	67,753	364	18,209	49,908
2006-2007	52,325	364	10,700	41,989
2005-2006	40,670	-	6,584	34,086
2004-2005	36,267	-	3,671	32,596
2003-2004	22,934	-	1,893	21,041
2002-2003	33,396	-	1,775	31,621
2001-2002	17,354	-	763	16,591
2000-2001	15,272	-	387	14,885
1999-2000	11,746	-	11,746	-
	<u>\$ 539,464</u>	<u>\$ 5,676,188</u>	<u>\$ 5,565,376</u>	650,276
Less: Allowance for uncollectible accounts Ad valorem taxes receivable				<u>(104,000)</u>
Ad valorem taxes receivable - net				<u>\$ 546,276</u>
Reconciliation with revenues				
Ad valorem taxes collected - General Fund				<u>\$ 5,554,762</u>
Discounts allowed				30,186
Releases and adjustments				5,614
Taxes written off				11,352
Interest collected				<u>(36,538)</u>
Total collections and credits				<u>\$ 5,565,376</u>

CITY OF ALBEMARLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
For the Fiscal Year Ended June 30, 2010

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	\$ 991,910,357	.56	\$ 5,554,698	\$ 5,070,103	\$ 484,595
Penalties	-		2,307	2,307	-
Total	<u>991,910,357</u>		<u>5,557,005</u>	<u>5,072,410</u>	<u>484,595</u>
Discoveries:					
Current year taxes	24,741,429	.56	138,552	137,765	787
Penalties	-		-	-	-
Total	<u>24,741,429</u>		<u>138,552</u>	<u>137,765</u>	<u>787</u>
Abatements:	(3,665,357)	.56	(20,526)	(12,360)	(8,166)
Total valuation	<u>\$ 1,012,986,429</u>				
Net levy			5,675,031	5,197,815	477,216
Uncollected taxes at June 30, 2010			<u>(288,743)</u>	<u>(228,994)</u>	<u>(59,749)</u>
Current year's taxes collected			<u>\$ 5,386,288</u>	<u>\$ 4,968,821</u>	<u>\$ 417,467</u>
Current levy collection percentage			<u>94.91%</u>	<u>95.59%</u>	<u>87.48%</u>

Compliance Section

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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, 2010, which collectively comprises the City of Albemarle, North Carolina's basic financial statements, and have issued our report thereon dated October 25, 2010. 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.

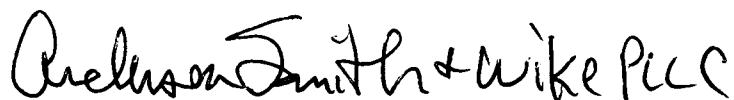
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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 2010-1.

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.

A handwritten signature in black ink that reads "Arnelson Smith & Mike Picc". The signature is written in a cursive, flowing style.

October 25, 2010

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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, 2010. 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, 2010.

Internal Control Over Compliance

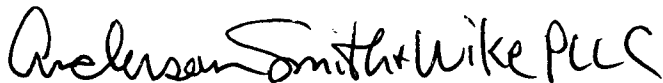
The management of the City of Albemarle is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Albemarle's internal 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.



October 25, 2010

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Post Office Box 697
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(910) 895-2899

154 South Harbor Watch Drive
Statesville, North Carolina 28377
(704) 562-5039

713 South Main Street
Heritage House
Laurinburg, North Carolina 28352
(910) 277-2795

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, 2010. 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, 2010.

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 PCC". The signature is written in a cursive, flowing style.

October 25, 2010

CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010

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>
14.872	Public Housing Capital Fund

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

Auditee qualified as low-risk auditee? *Yes*

**CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010**

State Awards

Internal control over major State programs:

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

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

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

Identification of major State program:

NC Parks and Recreation Trust Fund

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 \$17,829 more for landfill operations in the Landfill Fund than was appropriated in the annual budget ordinance.
- 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

CITY OF ALBEMARLE, NORTH CAROLINA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2010

Section II – Financial Statement Findings

Finding 2010-1

Name of contact person: Colleen C. Jones, 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
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<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	1,003	-	-
<u>U.S. Department of Homeland Security</u>					
Assistance to Firefighters Grant Program	97.044		2,922	-	-
<u>U.S. Department of Housing & Urban Development</u>					
<u>Direct Grant:</u>					
Low Income Housing:					
Public and Indian Housing Operating Subsidies Section 8:	14.850		1,090,017	-	-
Housing Choice Vouchers	14.871		1,541,569	-	-
Public Housing Capital Fund:					
NC19PO7550106	14.872		316,690	-	-
NC19PO7550107	14.872		349,858	-	-
NC19PO7550109	14.872		458,477	-	-
Passed-through the N.C. Department of Commerce					
CDBG/Alfred Street Concentrated needs	14.228	05-C-1397	140,685	-	-
CDBG/Chase Morrow project	14.228		30,610	-	-
<u>U.S. Department of Justice</u>					
Justice Assistance Grant	16.580		16,997	-	-
Justice Assistance Grant - Recovery	16.804		94,192	-	-
Total assistance federal programs			4,043,020	-	-
STATE GRANTS					
Cash Assistance					
<u>N.C. Rural Economic Development Center</u>					
Rural Development Grant	N/A		-	20,927	-
Water Quality Grant	N/A		-	40,000	-
<u>N.C. Department of Environmental & Natural Resources</u>					
<u>Division of Waste Management</u>					
White Goods Grant	N/A		-	2,265	-
N.C. Clean Water Management Trust Fund	N/A		-	34,115	-
Recycling Grant	N/A		-	25,145	-
<u>N.C. Parks and Recreation Authority:</u>					
N.C. Parks and Recreation Trust Fund	N/A		-	874,409	-
<u>N.C. Department of Transportation</u>					
Powell Bill	N/A	9.9000	-	479,256	-
Synder Greenway project	N/A		-	110,985	-
Bike Grant	N/A		-	24,993	-
Total assistance state programs			-	1,612,095	-
Total assistance			\$ 4,043,020	\$ 1,612,095	\$ -

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.