

CITY OF ALBEMARLE, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2009

CITY OF ALBEMARLE, NORTH CAROLINA

CITY OFFICIALS

JUNE 30, 2009

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

CITY OF ALBEMARLE, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2009

<u>Exhibit</u>	<u>Page No.</u>
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
1 Statement of net assets	12
2 Statement of activities	13
Fund Financial Statements:	
3 Balance sheet – governmental funds	14
4 Statement of revenues, expenditures, and changes in fund balance - governmental funds	15
5 Reconciliation of the statement of revenues, expenditures, and changes in in fund balances of governmental funds to the statement of activities	16
6 Statement of revenues, expenditures, and changes in fund balance - budget and actual - general fund	17
7 Statement of net assets – proprietary funds	18
8 Statement of revenues, expenses and changes in fund net assets - proprietary funds	19
9 Statement of cash flows – proprietary funds	20
10 Statement of fiduciary net assets	21
Notes to the financial statements	22
Required Supplemental Financial Data:	
Law enforcement officers' special separation allowance - schedule of funding progress	48
Law enforcement officers special separation allowance - schedule of employer contributions	49
Other postemployment benefits – schedule of funding progress	50
Other postemployment benefits – schedule of employee contributions	51
Combining and Individual Fund Statements and Schedules:	
Major Governmental Funds	
General Fund:	
A-1 Schedule of revenues, expenditures, and changes in fund balance - budget and actual	52
City Hall Capital Project Fund:	
A-2 Schedule of revenues, expenditures, and changes in fund balance - budget and actual – from inception	57
Non-Major Governmental Funds:	
B-1 Combining balance sheet	58
B-2 Combining statement of revenues, expenditures, and changes in fund balance	59
Comprehensive Bicycle Grant Fund	
B-3 Schedule of revenues, expenditures, and changes in fund balance - budget and actual - from inception	60
E. E. Waddell Renovation Fund	
B-4 Schedule of revenues, expenditures, and changes in fund balance - budget and actual - from inception	61

CITY OF ALBEMARLE, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2009

<u>Exhibit</u>	<u>Page No.</u>
B-5	Recreation Grant Fund Schedule of revenues, expenditures, and changes in fund balance - budget and actual – from inception 62
B-6	Grants Fund Schedule of revenues, expenditures, and changes in fund balance - budget and actual - from inception 63
B-7	CDBG - 5 Points Project Fund Schedule of revenues, expenditures, and changes in fund balance - budget and actual - from inception 64
B-8	CDBG – Alfred Street Project Fund Schedule of revenues, expenditures, and changes in fund balance - budget and actual - from inception 65
B-9	Brownfield Assessment Coalition Fund Schedule of revenues, expenditures, and changes in fund balance – Budget and actual - from inception 66
B-10	Clean Water Management Trust Grant Fund Schedule of revenues, expenditures, and changes in fund balance – Budget and actual - from inception 67
	Enterprise Funds:
C-1	Water and Sewer Fund Schedule of revenues and expenditures - budget and actual (non-gaap) 68
C-2	Sewer Capital Project Fund Schedule of revenues and expenditures - budget and actual (non-gaap) – from inception 71
C-3	Electric Fund Schedule of revenues and expenditures – budget and actual (non-gaap) 72
C-4	Municipal Solid Waste Landfill Fund Schedule of revenues and expenditures – budget and actual (non-gaap) 74
C-5	Landfill Capital Reserve Fund Schedule of revenues, expenditures and changes in fund balance - budget and actual - from inception 76
C-6	Landfill White Goods Capital Project Fund Schedule of revenues and expenditures - budget and actual (non-gaap) – from inception 77
C-7	Landfill Capital Project Fund - Phase II Schedule of revenues and expenditures - budget and actual (non-gaap) – from inception 78
C-8	Department of Public Housing Combining balance sheet 79
C-9	Department of Public Housing Combining schedule of revenues and expenses 80
C-10	Department of Public Housing - Conventional Schedule of revenues and expenditures - budget and actual (non-gaap) 81
C-11	Department of Public Housing - Section 8 Schedule of revenues and expenditures - budget and actual (non-gaap) 82

CITY OF ALBEMARLE, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2009

<u>Exhibit</u>	<u>Page No.</u>
C-12	Department of Public Housing – Conventional Statement and certification of actual capital funds costs - uncompleted annual contributions contract A-1974 83
C-13	Department of Public Housing - Conventional Statement and certification of actual capital fund costs - uncompleted annual contributions contract A-1974 84
C-14	Department of Public Housing - Conventional Statement and certification of actual capital fund costs - uncompleted annual contributions contract A-1974 85
C-15	Department of Public Housing - Conventional Statement and certification of actual capital fund costs - uncompleted annual contributions contract A-1974 86
C-16	Department of Public Housing - Conventional Statement and certification of actual capital fund costs - annual contributions contract A-1974 87
D-1	Agency Fund: Albemarle Downtown Development Corporation Tax District Statement of changes in assets and liabilities 88
OTHER SCHEDULES	
E-1	Schedule of ad valorem taxes receivable 89
E-2	Analysis of current tax levy – city wide levy 90
COMPLIANCE SECTION	
	Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> 91
	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 93
	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 95
	Schedule of Findings and Questioned Costs 97
	Schedule of Prior Audit Findings 99
	Schedule of Expenditures of Federal and State Awards 100

Financial Section



KENNETH R. ANDERSON CPA CMA - PLLC

Certified Public Accountant

220 EAST WASHINGTON STREET
POST OFFICE BOX 697
ROCKINGHAM, NORTH CAROLINA 28380
PHONE: (910) 895-2899
FAX: (910) 997-3464
krandersoncpa@bellsouth.net

Member
American Institute of Certified
Public Accountants

North Carolina Association of
Certified Public Accountants

713 SOUTH MAIN STREET
HERITAGE HOUSE
LAURINBURG, NORTH CAROLINA 28352
PHONE: (910) 277-2795
FAX: (910) 277-2795
dwilkes1@bellsouth.net

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, 2009 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.

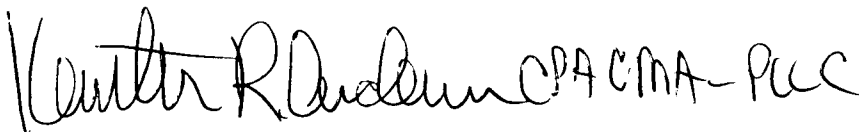
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2009, 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 November 2, 2009 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.

A handwritten signature in black ink that reads "Walter R. Anderson CPA CMA-PCC". The signature is written in a cursive, flowing style.

November 2, 2009

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, 2009. 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.

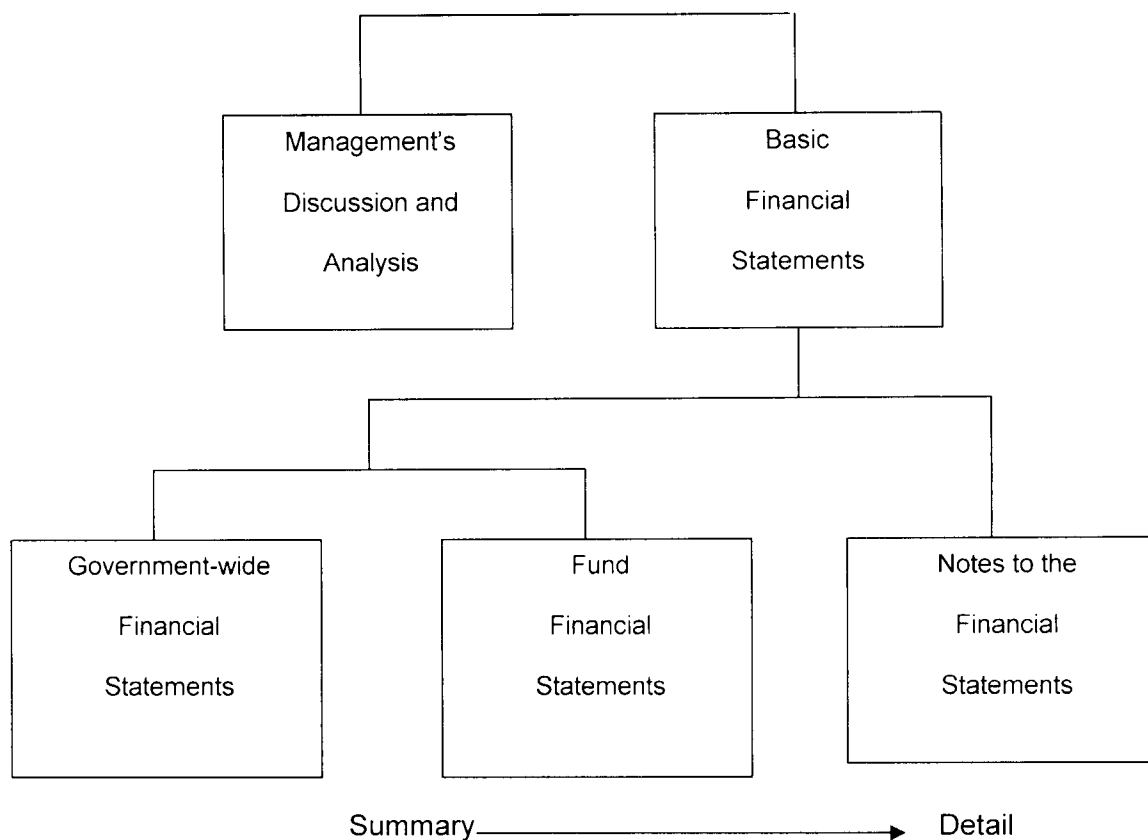
Financial Highlights

- The assets of the City of Albemarle exceeded its liabilities at the close of the fiscal year by \$66,538,047.
- The government's total net assets increased by \$254,910, 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 \$6,365,016 a decrease of \$2,978,886 in comparison with the prior year. Approximately 68.8 percent of this total amount, or \$4,378,583, is available for spending at the government's discretion.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,732,440, or 20 percent of total general fund expenditures for the fiscal year.
- The City of Albemarle's total debt decreased by \$243,788 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 eleventh 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 gauge 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 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, CDBG Five Points 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	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 9,578,756	\$ 11,985,480	\$ 19,202,935	\$ 22,795,086	\$ 28,781,691	\$ 34,780,566
Capital assets	18,512,613	11,957,346	37,972,047	38,422,965	56,484,660	50,380,311
Total assets	<u>28,091,369</u>	<u>23,942,826</u>	<u>57,174,982</u>	<u>61,218,051</u>	<u>85,266,351</u>	<u>85,160,877</u>
Long-term liabilities	3,319,879	3,168,554	7,355,699	12,134,460	10,675,578	15,303,014
Other liabilities	3,456,384	2,987,967	4,596,342	5,151,702	8,052,726	8,139,669
Total liabilities	<u>6,776,263</u>	<u>6,156,521</u>	<u>11,952,041</u>	<u>17,286,162</u>	<u>18,728,304</u>	<u>23,442,683</u>
Net assets						
Invested in capital assets, net of related debt	15,783,772	9,074,098	33,533,372	33,353,696	49,317,144	42,427,794
Restricted	--	--	--	--	--	--
Unrestricted	5,531,334	8,712,207	11,689,569	10,578,193	17,220,903	19,290,400
Total net assets	<u>\$ 21,315,106</u>	<u>17,786,305</u>	<u>\$ 45,222,941</u>	<u>\$ 43,931,889</u>	<u>\$ 66,538,047</u>	<u>\$ 61,718,194</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 \$66,538,047 as of June 30, 2009. The City's net assets increased by \$254,910 for the fiscal year ended June 30, 2009. 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 96.54%, 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	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 881,815	\$ 745,093	\$ 35,039,254	\$ 35,715,086	\$ 35,921,069	\$ 36,460,179
Operating grants and contributions	29,068	37,337	1,987,259	1,989,979	2,016,327	2,027,316
Capital grants and contributions	1,275,564	1,041,948	142,033	516,652	1,417,597	1,558,600
General revenues:						
Property taxes	5,726,659	5,440,858	-	-	5,726,659	5,440,858
Other taxes	4,072,514	4,284,785	-	-	4,072,514	4,284,785
Interest earned	164,553	310,247	211,198	372,950	375,751	683,197
Other	438,513	152,472	1,976,584	926,761	2,415,097	1,079,233
Total revenues	12,588,686	12,012,740	39,356,328	39,521,428	51,945,014	51,534,168
Expenses:						
General government	1,940,740	1,814,901	-	-	1,940,740	1,814,901
Public safety	6,458,307	6,239,976	-	-	6,458,307	6,239,976
Public works	2,499,538	2,431,293	-	-	2,499,538	2,431,293
Environmental protection	1,134,866	1,066,440	-	-	1,134,866	1,066,440
Economical development	162,642	85,597	-	-	162,642	85,597
Culture and recreation	1,354,434	1,243,666	-	-	1,354,434	1,243,666
Interest on long-term debt	125,608	78,106	-	-	125,608	78,106
Water and sewer	-	-	6,680,182	6,041,888	6,680,182	6,041,888
Electric	-	-	27,013,965	26,754,129	27,013,965	26,754,129
Landfill	-	-	1,721,219	5,361,119	1,721,219	5,361,119
Public housing	-	-	2,598,603	2,424,874	2,598,603	2,424,874
Total expenses	13,676,135	12,959,979	38,013,969	40,582,010	51,690,104	53,541,989
Increase in net assets before transfers	(1,087,449)	(947,239)	1,342,359	(1,060,582)	254,910	(2,007,821)
Transfers	1,466,250	2,230,000	(1,466,250)	(2,320,000)	-	-
Increase in net assets	3,528,801	1,372,761	(3,273,891)	(3,430,582)	254,910	(2,057,821)
Net assets, July 1	17,786,305	16,413,544	43,931,889	47,362,471	61,718,194	63,776,015
Prior period adjustment (Note 7)	3,150,000	-	1,414,943	-	4,564,943	-
Net assets, June 30	\$ 21,315,106	\$ 17,786,305	\$ 45,222,941	\$ 43,931,889	\$ 66,538,047	\$ 61,718,194

Governmental activities. Governmental activities increased the City's net assets by \$378,801, thereby accounting for all of the total growth in the net assets of the City of Albemarle. Key elements of this increase are as follows:

- Transfers from other funds of \$1,466,250
- Increase in business license fees
- Tax revenues increased
- Increase in solid waste tipping fees

Business-type activities: Business-type activities decreased the City of Albemarle's net assets by \$123,891, accounting for all of the total reduction in the business's net assets. Key elements of this decrease are as follows:

- Transfers to other funds of \$1,466,250

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 \$3,553,790, while total fund balance reached \$5,391,031. 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 26 percent of total General Fund expenditures, while total fund balance represents 39.4 percent of that same amount.

At June 30, 2009, the governmental funds of City of Albemarle reported a combined fund balance of \$6,365,016, a 31.9 percent decrease over last year. Included in this change in fund balance are increases in fund balance in the General and Capital Projects Funds.

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

- Appropriated funds reserved for funding the Snyder Greenway Project, an annexation study, and contributed to Homes of Hope
- The City appropriated funds from the Sale of equipment
- The City received a funding from NCDENR for an Adopt-a-trail grant
- The City received a grant and donations for Earth Day
- The City appropriated unbudgeted funds received for law enforcement for equipment
- The City appropriated funds for a sidewalk project at highway 24/27
- The City appropriated debt proceeds for a street sweeper
- The City appropriated retained earnings in the water/sewer fund for a study on the Salisbury ave water line

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 \$2,340,338, those for the Electric Fund amounted to \$8,929,065, Public Housing \$1,541,603, and for the Landfill Fund \$(1,121,437). The total increase (decrease) in net assets for all funds was \$(1,115,538), \$863,007, \$(53,135), and \$181,775, 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, 2009, totals \$56,484,660 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Replacement of several Police vehicles
- Replacement of two automatic defibrillators in the Fire Department
- Partial Renovation of the bathhouse at Rock Creek Park
- Addition of a restroom at the Rock Creek Park ball field
- Award of a \$500,000 Parks and Recreation Trust Fund Grant for renovations to E.E. Waddell Community Center
- Substantial progress on the City Hall Project
- Replacement of sidewalk on both sides of West Main Street between North First and North Second Streets
- Resurfacing of 14 City Streets
- Replacement of the City's Sweeper truck
- Continued capital improvements to the City's electric distribution and SCADA system
- Continued replacement of electric meters with Automated Meter Reading meters
- Replace Vickers Store Road Sewer Lift Station
- Replaced two screw pumps at the "A" station at the WWTP
- Continued replacement of aging sewer lines to address inflow and infiltration
- Conducted Engineering Study of City's Water Distribution System
- Cleaned sludge holding tank at WWTP
- Completed construction of new lined landfill cell at the City's Solid Waste Disposal Facility

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

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,347,000	\$ 2,280,070	\$ 495,092	\$ 495,092	\$ 2,842,092	\$ 2,775,162
Infrastructure	2,580,684	2,389,608	10,497,738	10,732,851	13,078,422	13,122,459
Other improvements	328,771	359,657	331,914	273,731	660,685	633,388
Buildings	3,456,796	3,595,618	20,066,686	20,417,843	23,523,482	24,013,461
Machinery and equipment	653,585	696,281	1,769,413	1,776,187	2,422,998	2,472,468
Mobile equipment	1,269,238	1,162,887	668,354	675,128	1,937,592	1,838,015
Construction in progress	7,876,539	1,473,225	4,142,850	4,052,133	12,019,389	5,525,358
Total	<u>\$ 18,512,613</u>	<u>\$ 11,957,346</u>	<u>\$ 37,972,047</u>	<u>\$ 38,422,965</u>	<u>\$ 56,484,660</u>	<u>\$ 50,380,311</u>

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

Long-term Debt. As of June 30, 2009, 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	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

City of Albemarle's Outstanding Debt

The City of Albemarle's total debt decreased \$243,788 (2.6%) during the past fiscal year, primarily due to debt payments exceeding additional debt. The City of Albemarle does however owe \$1,383,645 on an inter-fund loan for the addition and renovation to the Public Safety Facility issued by the water/sewer and electric departments.

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

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Albemarle is \$78,732,416.

Additional information regarding the City of Albemarle's long-term debt can be found in note 2 .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, 2010

Governmental Activities: Property taxes will remain at 0.56 per \$100 valuation for the fiscal year ending June 30, 2010. This budget represents an overall decrease of 3.1% with more than 50% of the total General Fund budget being allocated to the Police and Fire Departments. There is no increase in business license fees, household solid waste collection fees or household solid waste disposal fees. The Powell bill funding represents a 18% decrease for the Powell bill budget which is a 50% decrease from the prior year.

Business-Type Activities: The Water and Sewer rates will see no increase in the minimum charge but an increase of 3.5% in water and sewer rates for usage above the minimum and an adjustment in the thresholds for the rate blocks above 300 cubic feet. Declining industrial water and sewer usage and increased capital needs necessitate these increases. Capital expenditures at the Long Creek Wastewater Treatment Plant mandated by the State of North Carolina in particular contribute to the need for this rate increase. In addition, costs for utility relocation for NC 24/27 and US Highway 52 which are required by the North Carolina Department of Transportation are included in the budget. There will be a \$25 increase in water and sewer tap fees. The Electric rates will have no increase even though the wholesale price increased 4.6%. The 2009-2010 budget for the electric fund represents an increase of approximately 1.7% of the previous fiscal year budget. The Solid Waste Disposal Fund will have a \$3 per ton increase in the solid waste disposal fee from \$30 to \$33 and \$5 for construction and demolition fees from \$25 to \$30. This is needed to pay the debt service cost of the new landfill cell construction and the decreases in landfill revenue due to the economy.

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, 2009

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Albemarle Downtown Development Corporation	City of Albemarle ABC Board
ASSETS					
Current assets					
Cash and cash equivalents	\$ 7,770,681	\$11,616,079	\$ 19,386,760	\$ 143,203	\$ 52,364
Receivables:					
Taxes receivable - net	439,464	-	439,464	-	-
Accounts receivable	401,396	3,701,014	4,102,410	-	-
Due from other governments	1,393,497	-	1,393,497	47,000	-
Internal balances	(1,383,645)	1,383,645	-	-	-
Inventories	17,772	2,413,976	2,431,748	550	199,129
Deferred charges	-	8,089	8,089	-	-
Prepaid expenses	139,591	80,132	219,723	-	13,749
Total current assets	<u>8,778,756</u>	<u>19,202,935</u>	<u>27,981,691</u>	<u>190,753</u>	<u>265,242</u>
Non-current assets					
Note receivable	800,000	-	800,000	-	-
Capital assets					
Land, and construction in progress	10,223,539	4,642,882	14,866,421	85,535	261,417
Other capital assets, net of depreciation	8,289,074	33,329,165	41,618,239	693,223	1,006,147
Total capital assets	<u>18,512,613</u>	<u>37,972,047</u>	<u>56,484,660</u>	<u>778,758</u>	<u>1,267,564</u>
Total non-current assets	<u>19,312,613</u>	<u>37,972,047</u>	<u>57,284,660</u>	<u>778,758</u>	<u>1,267,564</u>
Total assets	<u>28,091,369</u>	<u>57,174,982</u>	<u>85,266,351</u>	<u>969,511</u>	<u>1,532,806</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	1,674,087	3,231,846	4,905,933	3,100	116,934
Deposits	1,400	586,692	588,092	-	-
Unearned earnings	1,093,538	8,694	1,102,232	-	-
Current portion of long-term liabilities	687,359	768,178	1,455,537	6,891	91,490
Accrued interest payable	-	932	932	-	-
Total current liabilities	<u>3,456,384</u>	<u>4,596,342</u>	<u>8,052,726</u>	<u>9,991</u>	<u>208,424</u>
Long-term liabilities					
Accrued landfill closure and postclosure costs	-	3,166,644	3,166,644	-	-
Long-term liabilities:					
Due in more than one year	3,319,879	4,189,055	7,508,934	69,879	218,369
Total long-term liabilities	<u>3,319,879</u>	<u>7,355,699</u>	<u>10,675,578</u>	<u>69,879</u>	<u>218,369</u>
Total liabilities	<u>6,776,263</u>	<u>11,952,041</u>	<u>18,728,304</u>	<u>79,870</u>	<u>426,793</u>
Net Assets					
Invested in capital assets, net of related debt	15,783,772	33,533,372	49,317,144	701,988	957,704
Working capital	-	-	-	-	67,919
Unrestricted	5,531,334	11,689,569	17,220,903	187,653	80,390
Total net assets	<u>\$ 21,315,106</u>	<u>\$45,222,941</u>	<u>\$ 66,538,047</u>	<u>\$ 889,641</u>	<u>\$ 1,106,013</u>

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

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	
Primary government							
General government	\$ 1,940,740	\$ 18,230	\$ -	\$ 133,800	\$ (1,788,710)	\$ (1,788,710)	\$ -
Public safety	6,458,307	14,747	29,068	49,955	(6,364,537)	(6,364,537)	-
Public works	2,499,538	736,569	-	561,396	(1,201,573)	(1,201,573)	-
Environmental protection	1,134,866	-	-	-	(1,134,866)	(1,134,866)	-
Economic and physical development	162,642	-	-	395,575	232,933	232,933	-
Cultural and recreational	1,354,434	112,269	-	134,838	(1,107,327)	(1,107,327)	-
Interest on long-term debt	125,608	-	-	-	(125,608)	(125,608)	-
Total governmental activities	13,676,135	881,815	29,068	1,275,564	(11,489,688)	(11,489,688)	-
Business-type activities							
Water and sewer	6,680,182	5,672,541	-	-	(1,007,641)	(1,007,641)	-
Electric	27,013,965	26,877,090	-	-	(136,875)	(136,875)	-
Landfill	1,721,219	2,073,596	-	60,131	412,508	412,508	-
Department of public housing	2,598,603	416,027	1,987,259	81,902	(113,415)	(113,415)	-
Total business-type activities	38,013,969	35,039,254	1,987,259	142,033	(845,423)	(845,423)	-
Total primary government	\$ 51,690,104	\$ 35,921,069	\$ 2,016,327	\$ 1,417,597	\$ (11,489,688)	\$ (12,335,111)	\$ -
Component units							
Albemarle Downtown Development Corporation	\$ 486,539	\$ -	\$ 302,422	\$ 82,489	\$ -	\$ -	\$ (101,628)
Albemarle ABC Board	1,649,754	1,774,514	-	-	-	-	124,760
Total component units	\$ 2,136,293	\$ 1,774,514	\$ 302,422	\$ 82,489	\$ -	\$ -	\$ 23,132
General revenues							
Taxes							
Property taxes, levied for general purposes					5,726,659	5,726,659	-
Other taxes and licenses					4,072,514	4,072,514	41,679
Unrestricted investment earnings					164,553	375,751	1,784
Miscellaneous revenues					438,513	1,976,584	15,134
Transfers					1,466,250	(1,466,250)	-
Total general revenues and transfers					11,868,489	12,590,021	58,597
Change in net assets					378,801	254,910	81,729
Net assets, beginning as previously reported					17,786,305	61,718,194	1,913,925
Prior period adjustment (Note 6)					3,150,000	4,564,943	-
Net assets, beginning as restated					20,936,305	66,283,137	1,913,925
Net assets, end of year					\$ 21,315,106	\$ 66,538,047	\$ 1,995,654

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

	Major Fund		Total Non-Major Funds	Total Governmental Funds
	General	City Hall Capital Project Fund		
Assets				
Cash and cash equivalents	\$ 6,169,276	\$ 1,569,040	\$ 32,365	\$ 7,770,681
Receivables, net				
Taxes	439,464	-	-	439,464
Accounts	201,396	200,000	-	401,396
Due from other governments	1,205,164	-	188,333	1,393,497
Inventories	17,772	-	-	17,772
Prepaid expenses	139,591	-	-	139,591
Note receivable	800,000	-	-	800,000
Total assets	\$ 8,972,663	\$ 1,769,040	\$ 220,698	\$ 10,962,401
Liabilities and fund balances				
Liabilities				
Accounts payable and accrued liabilities	\$ 658,334	\$ 899,190	\$ 116,563	\$ 1,674,087
Deposits	1,400	-	-	1,400
Due to other funds	1,383,645	-	-	1,383,645
Deferred revenue	444,715	-	-	444,715
Unearned revenue	1,093,538	-	-	1,093,538
Total liabilities	3,581,632	899,190	116,563	4,597,385
Fund balances				
Reserved for				
Inventories	17,772	-	-	17,772
Prepays	139,591	-	-	139,591
State statute	1,406,560	-	149,192	1,555,752
Streets - Powell Bill	273,318	-	-	273,318
Unreserved, reported in				
General Fund				
Designated for subsequent year's expenditures	821,350	-	-	821,350
Undesignated	2,732,440	-	-	2,732,440
Capital Projects Funds	-	869,850	96,836	966,686
Special Revenue Funds	-	-	(141,893)	(141,893)
Total fund balances	5,391,031	869,850	104,135	6,365,016
Total liabilities and fund balances	\$ 8,972,663	\$ 1,769,040	\$ 220,698	\$ 10,962,401
Reconciliation of fund balance as reported in the balance sheet - governmental funds with net assets - governmental activities				
Fund balance as reported in the balance sheet - governmental funds				\$ 6,365,016
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				18,512,613
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds				444,715
Compensated absences not expected to be materially liquidated with expendable available resources				(547,381)
Net pension obligations				(386,305)
Other postemployment benefits				(344,711)
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				(2,728,841)
Net assets of governmental activities				\$ 21,315,106

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

Exhibit 4

	Major Fund		Total Non-Major Funds	Total Governmental Funds
	General	City Hall Capital Project Fund		
Revenues				
Ad valorem taxes	\$ 5,615,374	\$ -	\$ -	\$ 5,615,374
Other taxes and licenses	263,131	-	-	263,131
Unrestricted intergovernmental	3,810,196	-	-	3,810,196
Restricted intergovernmental	743,260	-	561,372	1,304,632
Permits and fees	29,788	-	-	29,788
Sales and services	852,027	-	-	852,027
Investment earnings	127,554	36,942	57	164,553
Miscellaneous	136,513	300,000	2,000	438,513
Total revenues	<u>11,577,843</u>	<u>336,942</u>	<u>563,429</u>	<u>12,478,214</u>
Expenditures				
Current				
General government	1,788,696	-	-	1,788,696
Public safety	6,249,859	-	31,924	6,281,783
Public works	2,510,158	-	-	2,510,158
Environmental protection	1,107,614	-	-	1,107,614
Economic and physical development	-	-	163,223	163,223
Cultural and recreation	1,271,011	-	-	1,271,011
Debt service:				
Principal	346,304	-	-	346,304
Interest	125,608	-	-	125,608
Capital outlay	-	6,026,651	644,199	6,670,850
Total expenditures	<u>13,399,250</u>	<u>6,026,651</u>	<u>839,346</u>	<u>20,265,247</u>
Excess (deficiency) of revenues over expenditures	(1,821,407)	(5,689,709)	(275,917)	(7,787,033)
Other financing sources (uses)				
Transfers from other funds	1,491,250	-	224,601	1,715,851
Transfers to other funds	(249,601)	-	-	(249,601)
Proceeds from installment financing	191,897	-	-	191,897
Total other financing sources (uses)	<u>1,433,546</u>	<u>-</u>	<u>224,601</u>	<u>1,658,147</u>
Net change in fund balances	<u>(387,861)</u>	<u>(5,689,709)</u>	<u>(51,316)</u>	<u>(6,128,886)</u>
Fund balances - beginning as previously reported	<u>7,878,892</u>	<u>1,309,559</u>	<u>155,451</u>	<u>9,343,902</u>
Prior Period Adjustment (Note 6)	<u>(2,100,000)</u>	<u>5,250,000</u>	<u>-</u>	<u>3,150,000</u>
Fund Balances - beginning as restated	<u>5,778,892</u>	<u>6,559,559</u>	<u>155,451</u>	<u>12,493,902</u>
Fund balances - end of year	<u>\$ 5,391,031</u>	<u>\$ 869,850</u>	<u>\$ 104,135</u>	<u>\$ 6,365,016</u>

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, 2009

Exhibit 5

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

Net changes in fund balances - total governmental funds \$ (6,128,886)

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	7,276,931
Depreciation	(611,865)
Asset disposals	(109,799)

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	111,285
Other deferred revenues	(813)

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	48,364
Current pension cost	(16,112)
Other postemployment benefits	(344,711)

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.

154,407

Total changes in net assets of governmental activities

\$ 378,801

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

GENERAL FUND

For the Year Ended June 30, 2009

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Ad valorem taxes	\$ 5,583,700	\$ 5,583,700	\$ 5,615,374	\$ 31,674
Other taxes and licenses	278,200	278,200	263,131	(15,069)
Unrestricted intergovernmental	4,008,500	4,008,500	3,810,196	(198,304)
Restricted intergovernmental	757,550	765,793	743,260	(22,533)
Permits and fees	28,000	28,000	29,788	1,788
Sales and services	808,081	808,081	852,027	43,946
Investment earnings	225,000	225,000	127,554	(97,446)
Miscellaneous	63,019	97,109	136,513	39,404
Total revenues	<u>11,752,050</u>	<u>11,794,383</u>	<u>11,577,843</u>	<u>(216,540)</u>
Expenditures				
Current				
General government	1,900,150	1,841,650	1,788,696	52,954
Public safety	6,428,900	6,457,952	6,249,859	208,093
Public works	2,527,250	2,629,159	2,510,158	119,001
Cultural and recreational	1,269,914	1,293,531	1,271,011	22,520
Environmental protection	1,116,500	1,116,500	1,107,614	8,886
Debt service				
Principal	614,350	614,350	346,304	268,046
Interest	151,850	151,850	125,608	26,242
Total expenditures	<u>14,008,914</u>	<u>14,104,992</u>	<u>13,399,250</u>	<u>705,742</u>
Revenues over (under) expenditures	<u>(2,256,864)</u>	<u>(2,310,609)</u>	<u>(1,821,407)</u>	<u>489,202</u>
Other financing sources (uses)				
Transfers from other funds	1,575,000	1,575,000	1,491,250	(83,750)
Transfers to other funds	(62,486)	(250,486)	(249,601)	885
Capital lease obligations issued	-	191,897	191,897	-
Total other financing sources (uses)	<u>1,512,514</u>	<u>1,516,411</u>	<u>1,433,546</u>	<u>(82,865)</u>
Appropriated fund balance	<u>744,350</u>	<u>794,198</u>	<u>-</u>	<u>(794,198)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(387,861)</u>	<u>(387,861)</u>
Fund balance - beginning as previously reported			<u>7,878,892</u>	
Prior Period Adjustment (Note 6)			<u>(2,100,000)</u>	
Fund balance - Beginning as restated			<u>5,778,892</u>	
Fund balance - end of year			<u>\$ 5,391,031</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

Exhibit 7

	Major Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
Assets					
Current assets					
Cash and cash equivalents	\$ 1,823,783	\$ 6,191,353	\$ 1,948,204	\$ 1,652,739	\$ 11,616,079
Accounts receivable - net	528,740	2,900,601	262,436	9,237	3,701,014
Due from other governments	-	-	-	-	-
Due from other funds	461,215	922,430	-	-	1,383,645
Inventories	402,362	2,011,614	-	-	2,413,976
Deferred charges	8,089	-	-	-	8,089
Prepaid expenses	37,164	31,015	6,739	5,214	80,132
Total current assets	3,261,353	12,057,013	2,217,379	1,667,190	19,202,935
Noncurrent assets					
Capital assets					
Land, improvements and construction in progress	766,233	119,106	3,584,023	168,580	4,637,942
Other capital assets, net of depreciation	24,167,231	2,636,371	1,384,209	5,146,294	33,334,105
Total capital assets, net	24,933,464	2,755,477	4,968,232	5,314,874	37,972,047
Total assets	\$ 28,194,817	\$ 14,812,490	\$ 7,185,611	\$ 6,982,064	\$ 57,174,982
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	\$ 665,696	\$ 2,397,364	\$ 124,485	\$ 44,301	\$ 3,231,846
Customer deposits	-	540,460	6,000	40,232	586,692
Accrued interest payable	-	-	932	-	932
Compensated absences - current	67,213	59,560	7,780	600	135,153
General obligation bonds payable - current	-	-	-	-	-
Installment purchase agreements payable - current	103,959	140,000	389,066	-	633,025
Deferred revenue	8,089	-	-	605	8,694
Total current liabilities	844,957	3,137,384	528,263	85,738	4,596,342
Noncurrent liabilities					
Accrued landfill closure and postclosure costs	-	-	3,166,644	-	3,166,644
Compensated absences	67,213	59,560	7,780	20,953	155,506
Other postemployment benefits	112,804	71,004	25,195	18,896	227,899
General obligation bonds payable - noncurrent (net)	-	-	-	-	-
Installment purchase agreements payable - noncurrent	963,269	1,820,000	1,022,381	-	3,805,650
Total noncurrent liabilities	1,143,286	1,950,564	4,222,000	39,849	7,355,699
Total liabilities	1,988,243	5,087,948	4,750,263	125,587	11,952,041
Net assets					
Invested in capital assets, net of related debt	23,866,236	795,477	3,556,785	5,314,874	33,533,372
Unrestricted	2,340,338	8,929,065	(1,121,437)	1,541,603	11,689,569
Total net assets	\$ 26,206,574	\$ 9,724,542	\$ 2,435,348	\$ 6,856,477	\$ 45,222,941

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

Exhibit 8

	Major Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
Operating Revenues					
Charges for sales and services	\$ 5,672,541	\$ 26,877,090	\$ 2,073,596	\$ -	\$ 34,623,227
Rental income	-	-	-	416,027	416,027
Other operating revenues	<u>134,642</u>	<u>1,790,699</u>	<u>2,505</u>	<u>23,147</u>	<u>1,950,993</u>
Total operating revenues	<u>5,807,183</u>	<u>28,667,789</u>	<u>2,076,101</u>	<u>439,174</u>	<u>36,990,247</u>
Operating Expenses					
Administrative	664,162	896,376	-	358,919	1,919,457
Customer service	-	188,008	-	-	188,008
Electrical operations	-	3,156,730	-	-	3,156,730
Electri power purchases	-	22,328,097	-	-	22,328,097
Water operations	1,641,193	-	-	-	1,641,193
Sewer operations	1,606,674	-	-	-	1,606,674
Systems division	1,336,070	-	-	-	1,336,070
Tenant services	-	-	-	14,942	14,942
Utilities	-	-	-	357,396	357,396
Ordinary Maintenance and operation	-	-	-	330,322	330,322
General expenses	-	-	-	62,619	62,619
Housing assistance payments	-	-	-	1,195,494	1,195,494
Nonroutine maintenance	-	-	-	49,906	49,906
Landfill operations	-	-	1,477,345	-	1,477,345
Depreciation	<u>1,402,102</u>	<u>392,532</u>	<u>191,204</u>	<u>229,005</u>	<u>2,214,843</u>
Total operating expense	<u>6,650,201</u>	<u>26,961,743</u>	<u>1,668,549</u>	<u>2,598,603</u>	<u>37,879,096</u>
Operating income (loss)	<u>(843,018)</u>	<u>1,706,046</u>	<u>407,552</u>	<u>(2,159,429)</u>	<u>(888,849)</u>
Nonoperating revenues (expenses)					
Operating grants	-	-	-	1,987,259	1,987,259
Capital grants	-	-	60,131	81,902	142,033
Gain on disposal of assets	366	3,446	1,890	-	5,702
Investment earnings	53,217	120,737	21,062	16,182	211,198
Interest and other charges	(29,981)	(52,222)	(52,670)	-	(134,873)
Other nonoperating (expenses) income	3,878	-	(4,940)	20,951	19,889
Amortization of deferred loss on refunding	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>27,480</u>	<u>71,961</u>	<u>25,473</u>	<u>2,106,294</u>	<u>2,231,208</u>
Income (loss) before contributions and transfers	<u>(815,538)</u>	<u>1,778,007</u>	<u>433,025</u>	<u>(53,135)</u>	<u>1,342,359</u>
Capital contributions	-	-	-	-	-
Transfers to other funds	(300,000)	(940,000)	(251,250)	-	(1,491,250)
Transfers from other funds	-	<u>25,000</u>	-	-	<u>25,000</u>
Change in net assets	(1,115,538)	863,007	181,775	(53,135)	(123,891)
Total net assets, beginning as previously reported	<u>28,372,112</u>	<u>10,961,535</u>	<u>(2,311,370)</u>	<u>6,909,612</u>	<u>43,931,889</u>
Prior period adjustment (Note 6)	<u>(1,050,000)</u>	<u>(2,100,000)</u>	<u>4,564,943</u>	<u>-</u>	<u>1,414,943</u>
Total net assets, as restated	<u>27,322,112</u>	<u>8,861,535</u>	<u>2,253,573</u>	<u>6,909,612</u>	<u>45,346,832</u>
Total net assets, ending	<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>

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009

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	\$ 5,856,641	\$ 26,882,956	\$ 2,137,540	\$ 445,151	\$ 35,322,288
Cash paid for goods and services	(1,891,996)	(24,863,103)	(1,623,102)	(1,871,124)	(30,249,325)
Cash paid to employees for services	(2,878,327)	(2,042,124)	(536,263)	(475,957)	(5,932,671)
Customer deposits received	-	22,942	-	-	22,942
Customer deposits returned	-	(17,592)	-	-	(17,592)
Other operating revenues	134,642	1,790,699	2,505	20,951	1,948,797
Net cash provided (used) by operating activities	1,220,960	1,773,778	(19,320)	(1,880,979)	1,094,439
Cash flows from noncapital financing activities:					
Operating grants and subsidies	-	-	60,131	1,987,259	2,047,390
Due from other funds	38,986	77,973	-	-	116,959
Transfers from other funds	-	25,000	-	-	25,000
Transfers to other funds	(300,000)	(940,000)	(251,250)	-	(1,491,250)
Total cash flows from noncapital financing activities	(261,014)	(837,027)	(191,119)	1,987,259	698,099
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(714,650)	(162,121)	(817,596)	(77,429)	(1,771,796)
Principal paid on bonds and installment purchase agreements	(85,267)	(105,000)	(440,358)	-	(630,625)
Interest paid on bonds and installment purchase agreements	(29,981)	(52,222)	(52,670)	-	(134,873)
Proceeds from installment financing	-	-	-	-	-
Proceeds from sale of assets	6,269	1,602	1,890	-	9,761
Capital grants	-	-	-	81,902	81,902
Capital contributions	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	(823,629)	(317,741)	(1,308,734)	4,473	(2,445,631)
Cash flows from investing activities:					
Interest earned on investments	53,217	120,737	21,062	16,182	211,198
Net increase (decrease) in cash and cash equivalents	189,534	739,747	(1,498,111)	126,935	(441,895)
Cash and cash equivalents at beginning of year	1,634,249	5,451,606	3,446,315	1,525,804	12,057,974
Cash and cash equivalents at end of year	\$ 1,823,783	\$ 6,191,353	\$ 1,948,204	\$ 1,652,739	\$ 11,616,079
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (843,018)	\$ 1,706,046	\$ 407,552	\$ (2,159,429)	\$ (888,849)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,402,102	392,532	191,204	229,005	2,214,843
Other nonoperating income	4,245	3,446	(4,940)	20,951	23,702
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	49,458	(133,751)	63,944	5,977	(14,372)
(Increase) decrease in prepaid expenses	9,019	11,747	1,844	524	23,134
(Increase) decrease in inventory	(4,577)	(123,294)	-	-	(127,871)
Increase (decrease) in accounts payable and accrued liabilities	492,540	(165,168)	(877,493)	1,222	(548,899)
Increase (decrease) in customer deposits	-	5,350	-	2,291	7,641
Decrease (increase) in accrued compensated absences	(1,613)	5,866	(2,299)	(568)	1,386
Increase in postemployment benefits	112,804	71,004	25,195	18,896	227,899
Increase in accrued landfill closure and postclosure costs	-	-	175,673	-	175,673
Increase (decrease) in deferred revenues	-	-	-	152	152
Total adjustments	2,063,978	67,732	(426,872)	278,450	1,983,288
Net cash provided (used) by operating activities	\$ 1,220,960	\$ 1,773,778	\$ (19,320)	\$ (1,880,979)	\$ 1,094,439

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Year Ended June 30, 2009

Exhibit 10

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 627
Liabilities and Net Assets	
Liabilities:	
Miscellaneous liabilities	<u>627</u>
Total liabilities	<u>\$ 627</u>

Notes to the Financial Statements

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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, 2009

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 Five Points Project Fund. This fund accounts for grant monies to facilitate the Five Points Redevelopment Project.

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.

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The City reports the following major enterprise funds:

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

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

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

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

The City reports the following fund types:

Agency Fund. Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the City holds on behalf of others. The City maintains the Municipal Service District, which accounts for tax revenues that the City is required to remit to the Albemarle Downtown Development Corporation.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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 2008 through February 2009 apply to the fiscal year ended June 30, 2009. 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, 2009

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, 2008. 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, 2009

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 July1, 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, 2009

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, 2009

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, 2009.

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.

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 Capital Projects. portion of total fund balance available for appropriation which has been designated to fund capital projects and improvements.

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2009-2010 budget ordinance.

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

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the City's, the ADDC's and the ABC Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's, the ADDC's, or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, the ADDC, and the ABC Board, these deposits are considered to be held by the City's, the ADDC, and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for noninterest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits.

The State Treasurer does not confirm this information with the City, the ACDD, or the ABC Board, or with the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City, the ADDC, or the ABC Board under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S.159-31 when designating official depositories and verifying that deposits are properly secured. The ADDC and the ABC Board have no formal policies regarding custodial credit risk for deposits.

At June 30, 2009, the City's deposits had a carrying amount of \$14,777,215 and a bank balance of \$15,082,122. Of the bank balance, \$2,415,795 was covered by federal depository insurance and \$12,666,327 was covered by collateral held under the pooling method. At June 30, 2009, the City's petty cash fund totaled \$3,208. The carrying amount of the deposits for the ADDC was \$143,203 and a bank balance of \$143,203. Of the bank balance \$143,203 was covered by federal depository insurance. The carrying amount of deposits for the ABC Board was \$49,870 and a bank balance of \$58,202. Of the bank balance, the entire balance was covered by federal depository insurance. At June 30, 2009, the ABC Board's petty cash fund totaled \$2,494.

2. Investments

At June 30, 2009, the City of Albemarle had \$4,606,964 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>\$100,000</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2009, 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	\$ 2,280,070	\$ 91,930	\$ 25,000	\$ 2,347,000
Construction in progress	<u>1,473,225</u>	<u>6,685,944</u>	<u>282,630</u>	<u>7,876,539</u>
Total capital assets not being depreciated	<u>3,753,295</u>	<u>6,777,874</u>	<u>307,630</u>	<u>10,223,539</u>
Capital assets being depreciated				
Buildings	5,796,498	6,450	105,411	5,697,537
Other improvements	571,329	-	-	571,329
Infrastructure	3,799,777	282,630	-	4,082,407
Equipment and furnishings	1,553,759	62,941	5,105	1,611,595
Mobile Equipment	<u>3,876,982</u>	<u>454,666</u>	<u>131,081</u>	<u>4,200,567</u>
Total capital assets being depreciated	<u>15,598,345</u>	<u>806,687</u>	<u>241,597</u>	<u>16,163,435</u>
Less accumulated depreciation				
Buildings	2,200,880	104,788	64,927	2,240,741
Other improvements	211,672	34,351	3,465	242,558
Infrastructure	1,410,169	91,554	-	1,501,723
Equipment and furnishings	857,478	265,475	15,165	958,010
Mobile equipment	<u>2,714,095</u>	<u>115,697</u>	<u>48,241</u>	<u>2,931,329</u>
Total accumulated depreciation	<u>7,394,294</u>	<u>\$ 611,865</u>	<u>\$ 131,798</u>	<u>7,874,361</u>
Total capital assets being depreciated – net	<u>8,204,051</u>			<u>8,289,074</u>
Total Governmental Activities				
Capital assets – net	<u>\$ 11,957,346</u>			<u>\$ 18,512,613</u>

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

General government	\$ 63,198
Public safety	250,728
Public works	187,013
Recreation	<u>110,926</u>
Total depreciation expense	<u>\$ 611,865</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Water and Sewer Fund				
Capital assets not being depreciated				
Land	\$ 139,933	\$ -	\$ -	\$ 139,933
Construction in progress	<u>727,637</u>	<u>233,537</u>	<u>334,874</u>	<u>626,300</u>
Total capital assets not being depreciated	<u>867,570</u>	<u>233,537</u>	<u>334,874</u>	<u>766,233</u>
Capital assets being depreciated				
Buildings	32,330,262	18,580	-	32,348,842
Water and sewer lines	26,101,870	674,757	-	26,776,627
Equipment and vehicles	<u>2,822,342</u>	<u>122,649</u>	<u>51,004</u>	<u>2,893,987</u>
Total capital assets being depreciated	<u>61,254,474</u>	<u>815,986</u>	<u>51,004</u>	<u>62,019,456</u>
Less accumulated depreciation				
Buildings	16,827,458	586,944	-	17,414,402
Water and sewer lines	17,595,281	634,639	-	18,229,920
Equipment and vehicles	<u>2,072,120</u>	<u>180,519</u>	<u>44,736</u>	<u>2,207,903</u>
Total accumulated depreciation	<u>36,494,859</u>	<u>\$ 1,402,102</u>	<u>\$ 44,736</u>	<u>37,852,225</u>
Total capital assets being depreciated – net	<u>24,759,615</u>			<u>24,167,231</u>
Water and Sewer Fund				
Capital Assets – net	<u>25,627,185</u>			<u>24,933,464</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>-</u>	<u>87,143</u>
Total capital assets not being depreciated	<u>119,106</u>	<u>-</u>	<u>-</u>	<u>119,106</u>
Capital assets being depreciated				
Buildings	1,348,814	-	-	1,348,814
Distribution lines	17,766,519	-	-	17,766,519
Equipment and vehicles	<u>1,812,084</u>	<u>162,121</u>	<u>61,937</u>	<u>1,912,268</u>
Total capital assets being depreciated	<u>20,927,417</u>	<u>162,121</u>	<u>61,937</u>	<u>21,027,601</u>
Less accumulated depreciation				
Buildings	1,053,321	12,961	-	1,066,282
Distribution lines	15,607,609	273,117	-	15,880,726
Equipment and vehicles	<u>1,398,103</u>	<u>106,454</u>	<u>60,335</u>	<u>1,444,222</u>
Total accumulated depreciation	<u>18,059,033</u>	<u>\$ 392,532</u>	<u>\$ 60,335</u>	<u>18,391,230</u>
Total capital assets being depreciated – net	<u>2,868,384</u>			<u>2,636,371</u>
Electric Fund Capital				
Assets – net	<u>2,987,490</u>			<u>2,755,477</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Landfill Fund				
Capital assets not being depreciated				
Land	\$ 159,691	\$ -	\$ -	\$ 159,691
Construction in progress	2,654,299	774,973	4,940	3,424,332
Total capital assets not being depreciated	<u>2,813,990</u>	<u>774,973</u>	<u>4,940</u>	<u>3,584,023</u>
Capital assets being depreciated				
Buildings	193,951	-	-	193,951
Landfill cell construction	3,148,443	-	-	3,148,443
Equipment and vehicles	2,586,446	47,563	21,631	2,612,378
Total capital assets being depreciated	<u>5,928,840</u>	<u>47,563</u>	<u>21,631</u>	<u>5,954,772</u>
Less accumulated depreciation				
Buildings	47,214	6,434	-	53,648
Landfill cell construction	3,081,091	2,114	-	3,083,205
Equipment and vehicles	1,272,685	182,656	21,631	1,433,710
Total accumulated depreciation	<u>4,400,990</u>	<u>\$ 191,204</u>	<u>\$ 21,631</u>	<u>4,570,563</u>
Total capital assets being depreciated – net	<u>1,527,850</u>			<u>1,384,209</u>
Landfill Fund Capital Assets – net	<u>4,341,840</u>			<u>4,968,232</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	583,054	77,429	655,408	5,075
Total capital assets not being depreciated	<u>746,559</u>	<u>77,429</u>	<u>655,408</u>	<u>168,580</u>
Capital assets being depreciated				
Buildings	8,209,610	576,640	-	8,786,250
Improvements	521,595	71,812	-	593,407
Equipment	263,786	6,956	-	270,742
Total capital assets being depreciated	<u>8,994,991</u>	<u>655,408</u>	<u>-</u>	<u>9,650,399</u>
Less accumulated depreciation				
Buildings	3,875,968	182,203	-	4,076,839
Improvements	253,431	17,157	-	261,493
Equipment	145,701	16,220	-	165,773
Total accumulated depreciation	<u>4,275,100</u>	<u>\$ 229,005</u>	<u>\$ -</u>	<u>4,504,105</u>
Total capital assets being depreciated – net	<u>4,719,891</u>			<u>5,146,294</u>
Department of Public Housing Capital Assets – net	<u>5,466,450</u>			<u>5,314,874</u>
Business-type Activities Capital Assets, net	<u>\$38,422,965</u>			<u>\$ 37,972,047</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Discretely presented component units:

Activity for the ADDC Board for the year ended June 30, 2009, 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	\$ -	\$ -	\$ 85,535
Capital assets being depreciated				
Buildings	908,778	-	-	908,778
Equipment	17,601	-	-	17,601
Total capital assets being depreciated	<u>926,379</u>	<u>-</u>	<u>-</u>	<u>926,379</u>
Less accumulated depreciation				
Buildings	193,812	22,719	-	216,531
Equipment and vehicles	15,871	754	-	16,625
Total accumulated depreciation	<u>209,683</u>	<u>\$ 23,473</u>	<u>\$ -</u>	<u>233,156</u>
Depreciable assets, net	<u>716,696</u>			<u>693,223</u>
Total ADDC Board capital assets, net	<u>\$ 802,231</u>			<u>\$ 778,758</u>

Activity for the ABC Board for the year ended June 30, 2009, 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	177,426	4,013	-	181,439
Total capital assets being depreciated	<u>1,212,966</u>	<u>4,013</u>	<u>-</u>	<u>1,216,979</u>
Less accumulated depreciation				
Buildings	80,742	27,006	-	107,748
Equipment and furniture	83,302	19,782	-	103,084
Total accumulated depreciation	<u>164,044</u>	<u>\$ 46,788</u>	<u>\$ -</u>	<u>210,832</u>
Depreciable assets, net	<u>1,048,922</u>			<u>1,006,147</u>
Total ABC Board capital assets, net	<u>\$ 1,310,339</u>			<u>\$ 1,267,564</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2009, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	\$ 210,316	\$ 448,018	\$ -	\$ 658,334
City Hall Capital Project	899,190	-	-	899,190
Other governmental	<u>116,563</u>	<u>-</u>	<u>-</u>	<u>116,563</u>
Total - governmental activities	<u>\$ 1,226,069</u>	<u>\$ 448,018</u>	<u>\$ -</u>	<u>\$ 1,674,087</u>
Business-type activities:				
Water and sewer fund	\$ 562,118	\$ 103,578	\$ -	\$ 665,696
Electric fund	2,281,760	79,486	36,118	2,397,364
Landfill fund	103,744	20,741	-	124,485
Department of public housing	<u>23,182</u>	<u>21,119</u>	<u>-</u>	<u>44,301</u>
Total - Business-type activities	<u>\$ 2,970,804</u>	<u>\$ 224,924</u>	<u>\$ 36,118</u>	<u>\$ 3,231,846</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 6.09% 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, 2009, 2008, and 2007 were \$531,846, \$510,105, and \$493,807, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2009, 2008 and 2007 were \$8,541, \$7,819, and \$7,759, 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, 2009

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance

(1) *Plan Description*

The City of Albemarle, NC administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The plan does not issue a separate financial report.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>47</u>
Total	<u>55</u>

(2) *Summary of Significant Accounting Policies*

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

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

(3) *Contributions*

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

The annual required contribution for the current year was determined as part of the December 31, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% 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, 2009

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

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

Annual required contribution	\$ 94,585
Interest on net pension obligation	26,839
Adjustment to annual required contribution	<u>(22,633)</u>
Annual pension cost	\$ 98,791
Contributions made	<u>82,679</u>
Increase (decrease) in net pension obligation	16,112
Net pension obligation beginning of fiscal year	<u>370,193</u>
Net pension obligation end of fiscal year	<u>\$ 386,305</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>
6/30/2007	\$ 73,983	78.59%	\$355,681
6/30/2008	\$ 81,732	82.25%	\$370,193
6/30/2009	\$ 98,791	83.69%	\$386,305

Funded Status and Funding Progress

As of December 31 2008, 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 \$1,036,076. The covered payroll (annual payroll of active employees covered by the plan) was \$1,900,489, and the ratio of the UAAL to the covered payroll was 54.52 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, 2009

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of law enforcement officers' salary, and all amounts contributed are vested immediately. Also, law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2009 were \$242,449, which consisted of \$154,852 from the City and \$87,597 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 \$15,509 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, 2009. 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, 2008, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	21	8
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	217	47
Total	238	55

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

e. Other Postemployment Benefit (Continued)

Funding Policy. The City pays a percentage of healthcare coverage, starting with ten years of creditable service and at twenty-five years of creditable service, the full cost of coverage under a City resolution that can be amended by City Council. The City's members pay the actual cost per month for dependent coverage. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 7.45% of annual covered payroll. For the current year, the City contributed \$197,968 or 1.91% 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 7.45% and 7.45% 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	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>770,578</u>
Contributions made	<u>197,968</u>
Increase (decrease) in net OPEB obligation	572,610
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ 572,610</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 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

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

e. Other Postemployment Benefit (Continued)

Funded Status and Funding Progress. As of December 31, 2008, 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 \$9,018,139. The covered payroll (annual payroll of active employees covered by the plan) was \$10,354,140, and the ratio of the UAAL to the covered payroll was 87.1 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, 2008 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, 2008, 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, 2009

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

3. Deferred/Unearned Revenues

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid privilege licenses (General)	\$ -	\$ 293,538
Note receivable (General)	-	800,000
Taxes receivable, net (General)	439,464	-
Assessments receivable (General)	5,251	-
Prepaid rents (Business-type Funds)	-	8,694
	<u>\$ 444,715</u>	<u>\$ 1,102,232</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, 2009, 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, 2009

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations

a. Installment Purchases

	<u>Serviced by</u>	
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>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.	\$ 197,177	\$ -
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.	-	87,228
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.	-	436,447
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.	155,544	-
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.	233,350	-
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.	-	975,000
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.	1,960,000	2,940,000
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.	<u>182,770</u>	<u>-</u>
Total Installment Purchases	<u>\$2,728,841</u>	<u>\$4,438,675</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

NOTE 2 - 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, 2009, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 413,669	\$ 85,247	\$ 651,595	\$ 139,032
2011	418,873	70,568	657,544	118,134
2012	265,986	58,950	626,456	97,109
2013	213,191	51,315	225,224	77,945
2014	192,122	46,219	440,356	69,329
2015-19	700,000	159,067	1,050,000	238,599
2020-24	<u>525,000</u>	<u>30,419</u>	<u>787,500</u>	<u>43,217</u>
Totals	<u>\$2,728,841</u>	<u>\$ 501,785</u>	<u>\$4,438,675</u>	<u>\$ 783,365</u>

At June 30, 2009 the City's legal debt margin is \$ 78,732,416.

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, 2009:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 2,883,248	\$ 191,897	\$ 346,304	\$ 2,728,841	\$ 413,669
Compensated absences	595,745	338,384	386,748	547,381	273,690
Net pension obligation	370,193	16,112	-	386,305	-
Other postemployment benefits	-	344,711	-	344,711	-
Governmental activity					
Long-term liabilities	<u>\$ 3,849,186</u>	<u>\$ 891,104</u>	<u>\$ 733,052</u>	<u>\$ 4,007,238</u>	<u>\$ 687,359</u>
Business-type activities:					
Installment purchases	5,069,300	-	630,625	4,438,675	633,025
Compensated absences	289,773	192,476	191,590	290,659	135,153
Other postemployment benefits	-	227,899	-	227,899	-
Business-type activity					
Long-term liabilities	<u>\$ 5,359,073</u>	<u>\$ 420,375</u>	<u>\$ 822,215</u>	<u>\$ 4,957,233</u>	<u>\$ 768,178</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, 2009

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)
B. Liabilities (Continued)

7. Long-Term Obligations – Albemarle Downtown Development Corporation

The ADDC has entered into a note payable for the purchase of real property, secured by a deed of trust. Principal, along with interest at the rate of 5.25%, is due in annual installments of \$10,904. Annual debt service requirements for this note payable are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 6,891	\$ 4,366
2011	7,252	4,022
2012	7,633	3,654
2013	8,034	3,257
2014	8,456	2,840
Thereafter	<u>38,504</u>	<u>7,625</u>
	<u>\$ 76,770</u>	<u>\$ 25,764</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>
2010	\$ 85,315	\$ 17,577
2011	<u>224,545</u>	<u>7,410</u>
	<u>\$ 309,860</u>	<u>\$ 24,987</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 Brownfield Coalition Fund for operating expenditures	\$ 12,000
From the General Fund to the Electric Fund for operating expenditures	25,000
From the General Fund to the Comprehensive Bicycle Grant Fund for operating expenditures	20,650
From the General Fund to the Recreation Grant Fund for operating expenditures	27,951
From the General Fund to the E.E. Waddell Renovations Project for capital expenditures	70,000
From the General Fund to the Clean Water Management Trust Grant Fund for operating expenditures	94,000

**CITY OF ALBEMARLE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2009**

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Activity (Continued)

1. Transfers to/from other funds (Continued)

From the Water and Sewer Fund to the General Fund for operating expenditures.	300,000
From the Electric Fund to the General Fund for operating expenditures.	300,000
From the Landfill Fund to the General Fund for operating expenditures.	251,250
From the Electric Fund to the General Fund for payment in lieu of taxes.	640,000

2. Interfund Receivables and Payables

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer Fund	General Fund To fund operations	\$ 461,215
Electric Fund	General Fund To fund operations	<u>922,430</u>
		<u>\$ 1,383,645</u>

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2009, the City of Albemarle has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$ 15,509 for the 16 volunteer firemen and the 41 employed fireman who perform firefighting duties for the town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

NOTE 3 – JOINTLY GOVERNED ORGANIZATIONS

North Carolina Municipal Power Agency Number 1

The City, in conjunction with twenty other local governments, is a member of the North Carolina City Municipal Power Agency Number 1 (Agency). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency's governing board. The twenty-one members, which receive power from the Agency, have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2009 were \$22,328,097.

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

NOTE 3 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

Centralina Council of Governments

The City, in conjunction with nine counties and sixty-four other municipalities, participates in the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from the federal and state agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$ 23,000 to the Council during the year ended June 30, 2009.

NOTE 4 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

NOTE 5 – CLOSURE AND POSTCLOSURE CARE COSTS – CITY OF ALBEMARLE LANDFILL FACILITY

The City operates two landfills which are referred to as the "old landfill" and the "new landfill." State and federal laws and regulations require the City to place a final cover on its landfills when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although certain closure and postclosure care costs will be paid only near or after the date each landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,166,644 reported as landfill closure and postclosure care liability at June 30, 2009 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, 2009:

Old Landfill	\$ 1,274,051
New Landfill	<u>1,892,593</u>
	<u>\$3,166,644</u>

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

NOTE 6 – PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2009, the City determined that the Closure and Postclosure care cost for the City's Landfill were incorrectly recorded. Based on new actuarial information, it was determined that the true liability for these costs was \$2,990,971 at June 30, 2008. The previous beginning liability at June 30, 2008 for this cost was \$7,555,914 and has been adjusted to \$2,990,971 through a prior period adjustment of \$4,564,943. This adjustment will increase (restate) net assets by \$4,564,943 in the City's Landfill fund at June 30, 2008. It was also determined that during the June 30, 2008 year ended that lease proceeds and related cash were incorrectly recorded in the General, Water/Sewer and Electric funds. This transaction amounted to \$5,250,000. The adjustment will increase (restate) fund balance and cash in the City Hall Capital project fund by \$5,250,000, and lower (restate) cash and fund balance in the General, Water/Sewer and Electric by \$2,100,000, \$1,050,000 and \$2,100,000 each, respectively.

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 Employer Contributions for the Other Postemployment Benefits
- Schedule of Funding Progress for the Other Postemployment Benefits

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
12/31/2003	-	660,099	660,099	0%	1,597,843	41.31%
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%

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

<u>Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
2007	\$ 73,983	78.59%
2008	\$ 81,732	82.25%
2009	\$ 98,791	83.69%

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, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
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%

**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%

Notes to the Required Schedules:

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

Valuation date	12/31/2008
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, 2009

Exhibit A-1
Page 1 of 5

	2009		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Ad valorem taxes			
Current year	\$ -	\$ 5,396,567	\$ -
Prior years	-	180,515	-
Penalties and interest	-	38,292	-
Total	<u>5,583,700</u>	<u>5,615,374</u>	<u>31,674</u>
Other taxes and licenses			
Gross receipts tax on short-term rental property	-	16,659	-
Local occupancy tax	-	94,150	-
Privilege licenses	-	152,322	-
Total	<u>278,200</u>	<u>263,131</u>	<u>(15,069)</u>
Unrestricted intergovernmental revenues			
Local option sales tax	-	2,647,997	-
Franchise tax	-	639,254	-
Telecommunications tax	-	215,146	-
Video programming fees	-	166,280	-
Piped natural gas tax	-	69,400	-
Beer and wine tax	-	71,972	-
Payment in lieu of taxes	-	147	-
Total	<u>4,008,500</u>	<u>3,810,196</u>	<u>(198,304)</u>
Restricted intergovernmental revenue			
ABC - law enforcement	-	6,174	-
Powell Bill allocation	-	561,396	-
State grants	-	18,996	-
Drug tax distribution	-	7,385	-
ABC Senate Bill Distribution	-	40,000	-
Schools	-	93,800	-
On-behalf payments - fire	-	15,509	-
Total	<u>765,793</u>	<u>743,260</u>	<u>(22,533)</u>
Permits and fees			
Fire Department fees	-	11,558	-
Housing fees	-	9,186	-
Inspection and rezoning fees	-	8,500	-
Nuisance abatements	-	544	-
Total	<u>28,000</u>	<u>29,788</u>	<u>1,788</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, 2009

Exhibit A-1
Page 2 of 5

	2009		Variance Positive (Negative)
	Budget	Actual	
Revenues (continued)			
Sales and service			
Court costs and fees	-	3,189	-
Refuse collection fees	-	736,569	-
Cultural and recreational fees	-	112,269	-
Total	<u>808,081</u>	<u>852,027</u>	<u>43,946</u>
Investment earnings	<u>225,000</u>	<u>127,554</u>	<u>(97,446)</u>
Miscellaneous			
Miscellaneous	-	55,297	-
Sale of surplus property	-	20,286	-
Sale of fixed assets	-	14,088	-
Lease revenue	-	13,931	-
Contributions	-	12,969	-
Insurance reimbursement	-	19,942	-
Total	<u>97,109</u>	<u>136,513</u>	<u>39,404</u>
Total revenues	<u>11,794,383</u>	<u>11,577,843</u>	<u>(216,540)</u>
Expenditures			
General government			
Administration			
Salaries and employee benefits	-	216,037	-
Other operating expenditures	-	194,558	-
Total	<u>420,650</u>	<u>410,595</u>	<u>10,055</u>
Information systems			
Salaries and employees benefits	-	138,896	-
Other operating expenditures	-	83,765	-
Total	<u>229,050</u>	<u>222,661</u>	<u>6,389</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, 2009

Exhibit A-1
Page 3 of 5

	2009		Variance Positive (Negative)
	Budget	Actual	
Expenditures (Continued)			
General government (continued)			
Engineering			
Salaries and employees benefits	-	109,410	-
Other operating expenditures	-	31,464	-
Total	<u>147,850</u>	<u>140,874</u>	<u>6,976</u>
Human resources			
Salaries and employee benefits	-	185,118	-
Other operating expenditures	-	35,878	-
Total	<u>225,100</u>	<u>220,996</u>	<u>4,104</u>
Finance			
Salaries and employee benefits	-	170,037	-
Other operating expenditures	-	203,151	-
Total	<u>383,000</u>	<u>373,188</u>	<u>9,812</u>
Community Development			
Salaries and employee benefits	-	298,458	-
Other operating expenditures	-	121,924	-
Total	<u>436,000</u>	<u>420,382</u>	<u>15,618</u>
Total general government	<u>1,841,650</u>	<u>1,788,696</u>	<u>52,954</u>
Public Safety			
Police			
Salaries and employee benefits	-	2,846,388	-
School resource officers	-	178,967	-
Other operating expenditures	-	430,477	-
Capital outlay	-	139,018	-
Total	<u>3,742,852</u>	<u>3,594,850</u>	<u>148,002</u>
Fire department			
Salaries and employee benefits	-	2,133,930	-
Other operating expenditures	-	304,793	-
Fire Marshall	-	80,580	-
Capital outlay	-	135,706	-
Total	<u>2,715,100</u>	<u>2,655,009</u>	<u>60,091</u>
Total public safety	<u>6,457,952</u>	<u>6,249,859</u>	<u>208,093</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, 2009

Exhibit A-1
Page 4 of 5

	2009		Variance Positive (Negative)
	Budget	Actual	
Expenditures (Continued)			
Public works			
Administration			
Salaries and employees benefits	-	214,179	-
Solid waste disposal fee	-	231,097	-
Downtown Services	-	91,319	-
Other operating expenditures	-	56,357	-
Total	<u>618,550</u>	<u>592,952</u>	<u>25,598</u>
Streets and Highways			
Salaries and employee benefits	-	830,146	-
Other operating expenditures	-	430,510	-
Capital outlay	-	221,503	-
Total	<u>1,549,059</u>	<u>1,482,159</u>	<u>66,900</u>
Shop and Warehouse			
Salaries and employee benefits	-	357,539	-
Other operating expenditures	-	70,002	-
Capital outlay	-	7,506	-
Total	<u>461,550</u>	<u>435,047</u>	<u>26,503</u>
Total public works	<u>2,629,159</u>	<u>2,510,158</u>	<u>119,001</u>
Environmental protection			
Solid waste			
Solid waste	-	1,100,945	-
Bad debt expense	-	6,669	-
Total environmental protection	<u>1,116,500</u>	<u>1,107,614</u>	<u>8,886</u>
Cultural and recreation			
Parks and recreation			
Salaries and employee benefits	-	831,693	-
Other operating expenditures	-	384,375	-
Capital outlay	-	54,943	-
Total cultural and recreation	<u>1,293,531</u>	<u>1,271,011</u>	<u>22,520</u>
Debt service			
Principal retirement	614,350	346,304	268,046
Interest and fees	<u>151,850</u>	<u>125,608</u>	<u>26,242</u>
Total debt service	<u>766,200</u>	<u>471,912</u>	<u>294,288</u>
Total expenditures	<u>14,104,992</u>	<u>13,399,250</u>	<u>705,742</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, 2009

Exhibit A-1
Page 5 of 5

	2009		Variance Positive (Negative)
	Budget	Actual	
Revenues over (under) expenditures	<u>(2,310,609)</u>	<u>(1,821,407)</u>	<u>489,202</u>
Other financing sources (uses)			
Operating transfers (to) from other funds			
Water and Sewer Fund	300,000	300,000	-
Electric Fund	940,000	940,000	-
Landfill Fund	335,000	251,250	(83,750)
Recreation Grant	(28,836)	(27,951)	885
E. E. Waddell Renovations project	(70,000)	(70,000)	-
Clean Water Management Trust Grant Fund	(94,000)	(94,000)	-
Comprehensive Bicycle Grant Fund	(20,650)	(20,650)	-
Brownfield Assessment Coalition Fund	(12,000)	(12,000)	-
Electric Fund	(25,000)	(25,000)	-
Capital lease obligations issued	<u>191,897</u>	<u>191,897</u>	<u>-</u>
Total other financing sources (uses)	<u>1,516,411</u>	<u>1,433,546</u>	<u>(82,865)</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>(794,198)</u>	<u>(387,861)</u>	<u>406,337</u>
Fund balance appropriated	<u>794,198</u>	<u>-</u>	<u>(794,198)</u>
Net change in fund balance	<u>\$ -</u>	<u>(387,861)</u>	<u>\$ (387,861)</u>
Fund balance, beginning as previously reported		<u>7,878,892</u>	
Prior Period Adjustment (Note 6)		<u>(2,100,000)</u>	
Fund balance, beginning as restated		<u>5,778,892</u>	
Fund balance, ending		<u>\$ 5,391,031</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
 CAPITAL PROJECTS FUND

Exhibit A-2

CITY HALL

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

From Inception and for the Fiscal Year Ended June 30, 2009

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Investment earnings	\$ 25,000	27,672	\$ 36,942	\$ 64,614	\$ 39,614
Sale of fixed assets	750,000	-	300,000	300,000	(450,000)
Total Revenues	<u>775,000</u>	<u>27,672</u>	<u>336,942</u>	<u>364,614</u>	<u>(410,386)</u>
EXPENDITURES:					
Capital outlay:					
Legal	65,000	15,725	1,840	17,565	47,435
Engineering	687,000	560,902	122,935	683,837	3,163
Permit fees and testing	105,000	32,028	59,227	91,255	13,745
Other equipment	500,000	5,239	77,316	82,555	417,445
Construction in progress	9,292,000	508,317	5,757,810	6,266,127	3,025,873
Environmental remediation	250,000	143,614	7,523	151,137	98,863
Total expenditures	<u>10,899,000</u>	<u>1,265,825</u>	<u>6,026,651</u>	<u>7,292,476</u>	<u>3,606,524</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(10,124,000)</u>	<u>(1,238,153)</u>	<u>(5,689,709)</u>	<u>(6,927,862)</u>	<u>3,196,138</u>
OTHER FINANCING SOURCES:					
Operating transfers from:					
General fund	1,750,000	875,000	-	875,000	(875,000)
City Hall Capital Reserve Fund	920,000	922,712	-	922,712	2,712
Water and Sewer Fund	250,000	125,000	-	125,000	(125,000)
Electric Fund	1,000,000	500,000	-	500,000	(500,000)
Landfill Fund	250,000	125,000	-	125,000	(125,000)
Proceeds from debt	5,954,000	-	-	5,250,000	(704,000)
Total other financing sources:	<u>10,124,000</u>	<u>2,547,712</u>	<u>-</u>	<u>7,797,712</u>	<u>(2,326,288)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,309,559</u>	<u>(5,689,709)</u>	<u>\$ 868,850</u>	<u>\$ 869,850</u>
Fund balance, beginning as previously reported			<u>1,309,559</u>		
Prior Period Adjustment (Note 6)			<u>5,250,000</u>		
Fund balance, beginning as restated			<u>6,559,559</u>		
Fund balance, ending			<u>\$ 868,850</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 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 Project Fund – This fund is used to account for grant monies restricted for flood mitigation at Long Creek.

Brownfield Assessment Coalition Fund – This fund is used to account for grant monies restricted for the study of Brownfields.

CDBG Five Points Capital Project Fund – This fund accounts for grant monies to facilitate the Five Points Redevelopment Project.

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

Exhibit B-1

CITY OF ALBEMARLE, NORTH CAROLINA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009

	Special Revenue Funds										Capital Project Fund							
	Comprehensive Bicycle Grant Fund			E. E. Waddell Renovation Fund		Recreation Grant Fund		Clean Water Management Trust Grant Fund		Brownfield Assessment Coalition Fund	Total Nonmajor Special Revenue Funds		CDBG 5 Points Project Fund		CDBG Alfred Street Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds	
ASSETS																		
Current Assets																		
Cash and investments	\$ 3,854	\$ 27,253	\$(147,829)	\$ 2,922	\$ 72,114	\$ 1,977	\$ 83,589	\$ 83,543	\$ 1,976	\$ 113,659	\$ -	\$ 72,074	\$ 27,666	\$ 72,074	\$ 27,666	\$ 32,365	\$ 188,333	
Due from other governments	-	-	149,192	-	11,475	-	-	-	-	-	-	-	-	-	-	-	-	
Total assets	\$ 3,854	\$ 27,253	\$ 1,363	\$ 2,922	\$ 83,589	\$ 1,977	\$ 83,589	\$ 83,543	\$ 1,976	\$ 113,659	\$ -	\$ 99,740	\$ 27,666	\$ 99,740	\$ 27,666	\$ 220,698	\$ 220,698	
LIABILITIES AND FUND BALANCES																		
Liabilities																		
Accounts payable and accrued liabilities	\$ 3,557	\$ 23,580	\$ 1,003	\$ -	\$ 83,543	\$ 1,976	\$ -	\$ -	\$ 1,976	\$ 113,659	\$ -	\$ 2,904	\$ -	\$ 2,904	\$ -	\$ 116,563	\$ 116,563	
Total liabilities	3,557	23,580	1,003	-	83,543	1,976	-	83,543	1,976	113,659	-	2,904	-	2,904	-	116,563	116,563	
Fund balances																		
Reserved by State statute	-	-	149,192	-	-	-	-	-	-	149,192	-	-	-	-	-	-	-	149,192
Unreserved																		
Designated for capital projects	297	3,673	(148,832)	2,922	46	1	-	-	1	(141,893)	-	96,836	-	96,836	-	96,836	96,836	
Undesignated	297	3,673	360	2,922	46	1	-	46	1	7,299	-	-	-	-	-	-	(141,893)	
Total fund balances	297	3,673	360	2,922	46	1	-	46	1	7,299	-	96,836	-	96,836	-	96,836	104,135	
Total liabilities and fund balances	\$ 3,854	\$ 27,253	\$ 1,363	\$ 2,922	\$ 83,589	\$ 1,977	\$ -	\$ 83,589	\$ 1,977	\$ 120,958	\$ -	\$ 99,740	\$ -	\$ 99,740	\$ 99,740	\$ 220,698	\$ 220,698	

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, 2009

	Special Revenue Funds							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	Total Nonmajor Special Revenue Funds	CDBG 5 Points Project Fund	CDBG Alfred Street Project Fund	Total Nonmajor Capital Project Funds		
Revenues												
Restricted intergovernmental	\$ -	\$ -	\$ 134,838	\$ 30,959	\$ 55,270	\$ -	\$ 221,067	\$ -	\$ 340,305	\$ 340,305	\$ -	\$ 561,372
Investment earnings	-	-	57	-	-	-	57	-	-	-	-	57
Miscellaneous	-	-	-	-	-	2,000	2,000	-	-	-	-	2,000
Total revenues	-	-	134,895	30,959	55,270	2,000	223,124	-	340,305	340,305	-	563,429
Expenditures												
Public safety	-	-	-	31,924	-	-	31,924	-	-	-	-	31,924
Economic and physical development	-	-	-	-	149,224	13,999	163,223	-	-	-	-	163,223
Capital outlay	20,353	66,327	232,903	-	-	-	319,583	-	324,616	324,616	-	644,199
Total expenditures	20,353	66,327	232,903	31,924	149,224	13,999	514,730	-	324,616	324,616	-	839,343
Revenues over (under) expenditures	(20,353)	(66,327)	(98,008)	(965)	(93,954)	(11,999)	(291,606)	-	15,689	15,689	-	(275,917)
Other financing sources (uses)												
Transfers from other funds												
From General Fund	20,650	70,000	27,951	-	94,000	12,000	224,601	-	-	-	-	224,601
(To) from CDBG Funds	-	-	-	-	-	-	-	236	(236)	-	-	-
Total other financing sources (uses)	20,650	70,000	27,951	-	94,000	12,000	224,601	236	(236)	-	-	224,601
Net change in fund balances	297	3,673	(70,057)	(965)	46	1	(67,005)	236	15,453	15,689	-	(51,316)
Fund Balances												
Beginning of year, July 1	-	-	70,417	3,887	-	-	74,304	(236)	81,383	81,147	-	155,451
End of year, June 30	297	3,673	360	2,922	46	1	7,299	-	96,836	96,836	-	104,135

**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, 2009**

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	\$ -	\$ -	\$ -	\$ (31,850)
Expenditures					
Capital outlay	45,500	-	20,353	20,353	25,147
Total expenditures	45,500	-	20,353	20,353	25,147
Revenues (under) expenditures	(13,650)	-	(20,353)	(20,353)	(6,703)
Other financing sources					
Transfers from other funds					
General fund	13,650	-	20,650	20,650	7,000
Total other financing sources	13,650	-	20,650	20,650	7,000
Net change in fund balance	\$ -	\$ -	297	\$ 297	\$ 297
Fund balance					
Beginning of year, July 1			-		
End of year, June 30			\$ 297		

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, 2009

	Project Authorization	Actual		Total To Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental revenues					
NC Parks and Recreation Grant	\$ 499,978	\$ -	\$ -	\$ -	\$ (499,978)
Expenditures					
Capital outlay					
Other professional expense	90,905	-	66,327	66,327	24,578
Buildings and structures	822,264	-	-	-	822,264
Landscaping	13,500	-	-	-	13,500
Water and Sewer Improvements	30,000	-	-	-	30,000
Contingency	43,288	-	-	-	43,288
Total expenditures	999,957	-	66,327	66,327	933,630
Revenues (under) expenditures	(499,979)	-	(66,327)	(66,327)	433,742
Other financing sources					
Transfers from other funds					
General fund	499,979	-	70,000	70,000	(429,979)
Total other financing sources	-	-	70,000	70,000	(429,979)
Net change in fund balance	\$ -	\$ -	3,673	\$ 3,673	\$ 3,673
Fund balance					
Beginning of year, July 1					
			-		
End of year, June 30					
			\$ 3,673		

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, 2009

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	65,730	134,838	200,568	8,568
DOT - Enhancement Grant - Phase II	176,000	-	-	-	(176,000)
Investment earnings	12,462	25,447	57	25,504	13,042
Miscellaneous	56,700	67,600	-	67,600	10,900
Total revenues	936,080	677,382	134,895	812,277	(123,803)
Expenditures					
Economic and physical development					
Leasehold improvements	77,262	75,984	-	75,984	1,278
Capital outlay	1,468,636	1,177,039	232,903	1,409,942	58,694
Total expenditures	1,545,898	1,253,023	232,903	1,485,926	59,972
Revenues over (under) expenditures	(609,818)	(575,641)	(98,008)	(673,649)	(63,831)
Other financing sources					
Transfers from other funds					
General Fund	609,818	646,058	27,951	674,009	64,191
Net change in fund balance	\$ -	\$ 70,417	(70,057)	\$ 360	\$ 360
Fund balance					
Beginning of year, July 1			70,417		
End of year, June 30			<u>\$ 360</u>		

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

From Inception and for the Fiscal Year Ended June 30, 2009

	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	\$ 316,445	\$ 30,959	\$ 347,404	\$ -
Expenditures					
Public safety					
Operating expenditures	12,000	11,797	-	11,797	203
Capital outlay	54,000	53,809	-	53,809	191
Tools and equipment	315,683	281,231	31,924	313,155	2,528
Total expenditures	381,683	346,837	31,924	378,761	2,922
Revenues (under) expenditures	(34,279)	(30,392)	(965)	(31,357)	2,922
Other financing sources					
Transfers from other funds					
General fund	34,279	34,279	-	34,279	-
Net change in fund balance	\$ -	\$ 3,887	(965)	\$ 2,922	\$ 2,922
Fund balance					
Beginning of year, July 1			3,887		
End of year, June 30			\$ 2,922		

CITY OF ALBEMARLE, NORTH CAROLINA
 CDBG - 5 POINTS PROJECT FUND 03-U-1161
 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-7

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
CDBG Funds	\$ 975,609	\$ 973,671	\$ -	\$ 973,671	\$ (1,938)
Expenditures					
Current:					
Capital outlay	975,609	973,907	-	973,907	1,702
Revenues (under) expenditures	-	(236)	-	(236)	(236)
Other financing sources					
Operating transfers in					
CDBG - Alfred Street Project	-	-	236	236	236
Excess of revenues and other sources over expenditures	\$ -	\$ (236)	236	\$ -	\$ -
Fund balance					
Beginning of year, July 1			(236)		
End of year, June 30			\$ -		

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, 2009

Exhibit B-8

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
CDBG Funds					
Miscellaneous	\$ 603,297	\$ 87,224	\$ 340,305	\$ 427,529	\$ (175,768)
	<u>455,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(455,000)</u>
Total revenues	<u>1,058,297</u>	<u>87,224</u>	<u>340,305</u>	<u>427,529</u>	<u>(630,768)</u>
Expenditures					
Capital outlay					
Infrastructure improvements	93,921	10,268	16,601	26,869	67,052
Operating costs	<u>1,061,447</u>	<u>92,644</u>	<u>308,015</u>	<u>400,659</u>	<u>660,788</u>
Total expenditures	<u>1,155,368</u>	<u>102,912</u>	<u>324,616</u>	<u>427,528</u>	<u>727,840</u>
Revenues over (under) expenditures	(97,071)	(15,688)	15,689	1	97,072
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>-</u>	<u>(236)</u>	<u>(236)</u>	<u>(236)</u>
Total	<u>97,071</u>	<u>97,071</u>	<u>(236)</u>	<u>96,835</u>	<u>(236)</u>
Excess of revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 81,383</u>	15,453	<u>\$ 96,836</u>	<u>\$ 96,836</u>
Fund balance					
Beginning of year, July 1			<u>81,383</u>		
End of year, June 30			<u>\$ 96,836</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-9

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental revenues					
CDBG Grants	\$ 459,000	\$ -	\$ -	\$ -	\$ (459,000)
Investment earnings	700	-	-	-	(700)
Miscellaneous	59,614	-	2,000	2,000	(57,614)
Total revenues	519,314	-	2,000	2,000	(517,314)
Expenditures					
Economic and physical development					
Legal	5,500	-	-	-	5,500
Other professional services	507,614	-	-	-	507,614
Administration	18,825	-	13,781	13,781	5,044
Advertising	2,175	-	-	-	2,175
Travel	2,000	-	218	218	1,782
Training	1,000	-	-	-	1,000
Other	700	-	-	-	700
Total expenditures	537,814	-	13,999	13,999	523,815
Revenues over (under) expenditures	(18,500)	-	(11,999)	(11,999)	6,501
Other financing sources					
Transfers from other funds					
General Fund	18,500	-	12,000	12,000	(6,500)
Net change in fund balance	\$ -	\$ -	\$ 1	1	\$ 1
Fund balance					
Beginning of year, July 1			-		
End of year, June 30			\$ 1		

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, 2009

Exhibit B-10

	<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	\$ 203,645	\$ -	\$ 55,270	\$ 55,270	\$ (148,375)
Total revenues	<u>203,645</u>	<u>-</u>	<u>55,270</u>	<u>55,270</u>	<u>(148,375)</u>
Expenditures					
Other operating expenditures	<u>266,345</u>	<u>-</u>	<u>149,224</u>	<u>149,224</u>	<u>117,121</u>
Total expenditures	<u>266,345</u>	<u>-</u>	<u>149,224</u>	<u>149,224</u>	<u>117,121</u>
Revenues over (under) expenditures	(62,700)	-	(93,954)	(93,954)	(31,254)
Other financing sources (uses)					
From General Fund	<u>62,700</u>	<u>-</u>	<u>94,000</u>	<u>94,000</u>	<u>31,300</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46</u>	<u>46</u>	<u>\$ 46</u>
Fund balance					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ 46</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, 2009

Exhibit C-1
Page 1 of 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenues			
Water sales	\$ 4,183,000	\$ 3,264,365	\$ (918,635)
Sewer charges	2,584,700	2,358,104	(226,596)
Water and sewer taps	70,600	50,072	(20,528)
Miscellaneous	87,450	134,642	47,192
Total operating revenues	<u>6,925,750</u>	<u>5,807,183</u>	<u>(1,118,567)</u>
Nonoperating revenues			
Interest earned on investments	70,000	52,185	(17,815)
Sale of assets	2,500	366	(2,134)
Total nonoperating revenues	<u>72,500</u>	<u>52,551</u>	<u>(19,949)</u>
Total revenues	<u>6,998,250</u>	<u>5,859,734</u>	<u>(1,138,516)</u>
Expenditures			
Water and Sewer Administration			
Salaries and employees benefits	-	296,814	-
Postage	-	37,747	-
Contracted services	-	48,686	-
Insurance	-	139,568	-
Uniforms	-	15,985	-
Other operating expenditures	-	126,975	-
Total	<u>762,080</u>	<u>665,775</u>	<u>96,305</u>
Water Treatment Plant			
Salaries and employees benefits	-	765,315	-
Supplies	-	312,251	-
Repairs	-	61,532	-
Contracted services	-	81,875	-
Utilities	-	230,212	-
Fuel	-	9,494	-
Other operating expenditures	-	142,912	-
Total	<u>1,662,400</u>	<u>1,603,591</u>	<u>58,809</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, 2009

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	-	725,782	-
Supplies	-	160,943	-
Repairs	-	302,041	-
Contracted service	-	72,722	-
Utilities	-	145,354	-
Fuel	-	7,695	-
Other operating expenditures	-	154,536	-
Total	<u>1,663,616</u>	<u>1,569,073</u>	<u>94,543</u>
System Division			
Salaries and employee benefits	-	1,092,482	-
Supplies	-	121,344	-
Repairs	-	16,682	-
Utilities	-	4,148	-
Other operating expenditures	-	63,813	-
Total	<u>1,413,600</u>	<u>1,298,469</u>	<u>115,131</u>
Debt Service			
Principal on installment purchases	150,000	85,237	64,733
Interest and fees	42,000	29,881	12,019
Total	<u>192,000</u>	<u>115,118</u>	<u>76,752</u>
Capital Outlay			
Water and sewer administration	16,170	15,570	600
Water treatment plant	30,000	24,789	5,211
Sewer treatment plant	103,684	90,842	12,842
Systems division	732,000	583,449	148,551
Total	<u>881,854</u>	<u>714,650</u>	<u>167,204</u>
Total expenditures	<u>6,575,550</u>	<u>5,966,806</u>	<u>608,744</u>
Revenues over (under) expenditures	<u>422,700</u>	<u>(107,072)</u>	<u>(529,772)</u>
Other financing sources (uses)			
Transfers to other funds			
To General Fund	(300,000)	(300,000)	-
To Electric Fund	(188,000)	-	188,000
Total financing sources (uses) - net	<u>(488,000)</u>	<u>(300,000)</u>	<u>188,000</u>
Appropriated fund balance	<u>65,300</u>	<u>-</u>	<u>(65,300)</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, 2009**

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

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ (407,072)	\$ (407,072)
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		\$ (407,072)	
Payment on installment purchases		85,267	
Capital outlay		714,650	
Depreciation		(1,402,102)	
Decrease in accrued compensated absences		1,613	
Increase in postemployment benefits		(112,804)	
Interest income Sewer Capital Project		1,032	
Other investment Sewer Capital Project		<u>3,878</u>	
Total reconciling items		<u>(708,466)</u>	
Change in net assets		\$ (1,115,538)	

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

Exhibit C-2

From Inception and for the Fiscal Year Ended June 30, 2009

	<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	11,815	3,878	15,693	(8,807)
Interest earnings	-	-	1,032	1,032	1,032
Total revenues	<u>124,500</u>	<u>111,815</u>	<u>4,910</u>	<u>116,725</u>	<u>(7,775)</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>(233,643)</u>	<u>4,910</u>	<u>(228,733)</u>	<u>(7,336)</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>\$ -</u>	<u>\$ 4,910</u>	<u>\$ 4,910</u>	<u>\$ 4,910</u>

CITY OF ALBEMARLE, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2009

Exhibit C-3
Page 1 of 2

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Residential sales	\$ 12,940,000	\$ 13,003,706	\$ 63,706
Commercial and industrial sales	13,450,000	13,211,936	(238,064)
Sales to City Departments	660,000	661,448	1,448
Total charges for services	<u>27,050,000</u>	<u>26,877,090</u>	<u>(172,910)</u>
Other operating revenues	924,700	1,790,699	865,999
Total operating revenues	<u>27,974,700</u>	<u>28,667,789</u>	<u>693,089</u>
Nonoperating revenues			
Interest earned on investments	126,800	120,737	(6,063)
Sale of assets	3,000	3,446	446
Total nonoperating revenues	<u>129,800</u>	<u>124,183</u>	<u>(5,617)</u>
Total revenues	<u>28,104,500</u>	<u>28,791,972</u>	<u>687,472</u>
Expenditures			
Administrative and Finance			
Salaries and employees benefits	-	623,442	-
Postage	-	37,419	-
Travel	-	7,825	-
Contracted services	-	95,972	-
Insurance	-	35,375	-
Other operating expenditures	-	90,477	-
Total	<u>1,017,400</u>	<u>890,510</u>	<u>126,890</u>
Customer Service			
Salaries and employees benefits	-	160,045	-
Materials and supplies	-	14,156	-
Repairs and maintenance	-	4,983	-
Other operating expenditures	-	8,824	-
Total	<u>189,300</u>	<u>188,008</u>	<u>1,292</u>
Electric Operations			
Salaries and employees benefits	-	1,269,602	-
Materials and supplies	-	792,390	-
Repairs	-	68,484	-
Contract labor	-	680,581	-
Electric power purchases	-	22,328,097	-
Other operating expenditures	-	274,669	-
Total	<u>25,974,900</u>	<u>25,413,823</u>	<u>561,077</u>

CITY OF ALBEMARLE, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2009

Exhibit C-3
Page 2 of 2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued)			
Debt Service			
Interest and other charges	-	52,222	-
Principal retirement	-	105,000	-
Total debt service	<u>310,000</u>	<u>157,222</u>	<u>152,778</u>
Capital Outlay			
Administrative and finance	-	46,654	-
Electric operations	-	115,467	-
Total	<u>190,500</u>	<u>162,121</u>	<u>28,379</u>
Total expenditures	<u>27,682,100</u>	<u>26,811,684</u>	<u>870,416</u>
Revenues over (under) expenditures	<u>422,400</u>	<u>1,980,288</u>	<u>1,557,888</u>
Other financing sources (uses)			
Transfer from other funds			
General fund	25,000	25,000	-
Water and sewer fund	188,000	-	(188,000)
Transfers to other funds			
To General Fund	<u>(940,000)</u>	<u>(940,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(727,000)</u>	<u>(915,000)</u>	<u>(188,000)</u>
Appropriated fund balance	<u>304,600</u>	<u>-</u>	<u>(304,600)</u>
Revenues and other sources over (under) expenditures, other (uses) and appropriated fund balances	<u>\$ -</u>	<u>\$ 1,065,288</u>	<u>\$ 1,065,288</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ 1,065,288</u>	
Principal retirement		105,000	
Capital outlay		162,121	
Depreciation		(392,532)	
Increase in accrued compensated absences		(5,866)	
Increase in postemployment benefits		(71,004)	
Capital lease proceeds		<u>-</u>	
Total reconciling items		(202,281)	
Change in net assets		<u>\$ 863,007</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, 2009**

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

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Disposal fees	\$ 1,920,000	\$ 1,829,835	\$ (90,165)
Solid waste fees	-	132,249	132,249
Sales of mulch and scrap	30,000	27,732	(2,268)
Scrap tire and white goods fees	90,000	83,780	(6,220)
Total charges for services	<u>2,040,000</u>	<u>2,073,596</u>	<u>33,596</u>
Other operating revenues	-	2,505	2,505
Total operating revenues	<u>2,040,000</u>	<u>2,076,101</u>	<u>36,101</u>
Nonoperating revenues			
Interest earned on investments	5,000	18,729	13,729
Sale of assets	-	1,890	1,890
State Grant	58,143	60,131	1,988
Total nonoperating revenues	<u>63,143</u>	<u>80,750</u>	<u>17,607</u>
Total revenues	<u>2,103,143</u>	<u>2,156,851</u>	<u>53,708</u>
Expenditures			
Landfill Operations			
Salaries and employees benefits	-	534,201	-
Postage	-	401	-
Materials and supplies	-	189,415	-
Repairs	-	138,834	-
Utilities	-	7,717	-
Contracted services	-	166,076	-
Insurance	-	26,724	-
Solid waste disposal fee	-	124,811	-
Other operating expenditures	-	78,103	-
Total	<u>1,273,300</u>	<u>1,266,282</u>	<u>7,018</u>
Debt Service			
Principal on installment purchases	-	440,358	-
Interest and fees	-	52,670	-
Total	<u>494,700</u>	<u>493,028</u>	<u>1,672</u>
Capital Outlay	58,143	47,563	10,580
Total expenditures	<u>1,826,143</u>	<u>1,806,873</u>	<u>19,270</u>
Revenues over expenditures	<u>277,000</u>	<u>(349,978)</u>	<u>72,978</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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing (uses) sources			
Transfers to other funds			
To Landfill White Goods Capital Project Fund	(24,000)	(23,462)	538
To General Fund	<u>(253,000)</u>	<u>(251,250)</u>	<u>1,750</u>
Total other financing (uses)	<u>(277,000)</u>	<u>(274,712)</u>	<u>2,288</u>
Revenues and other sources over (under) expenditures, other (uses)	<u>\$ -</u>	<u>\$ 75,266</u>	<u>\$ 75,266</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ 75,266</u>	
Payment on installment purchases		440,358	
Capital outlay		47,563	
Depreciation		(191,204)	
Decrease in accrued compensated absences		2,299	
Increase in postemployment benefits		(25,195)	
Interest income from Landfill Capital Reserve Fund		2,333	
Transfer - Landfill White Goods Capital Project Fund		23,462	
Prior year construction in progress expensed		(4,940)	
Adjustment to accrued landfill closure and postclosure costs		<u>(188,167)</u>	
Total reconciling items		<u>106,509</u>	
Change in net assets		<u>\$ 181,775</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
 LANDFILL CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL (NON-GAAP)
 From Inception and for the Fiscal Year Ended June 30, 2009

Exhibit C-5

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Investment earnings	\$ 100,000	\$ 160,608	\$ -	\$ 160,608	\$ 60,608
Other finances sources (uses)					
Transfers from other funds					
Landfill fund	3,900,000	1,027,800	-	1,027,800	(2,872,200)
Landfill capital project fund	-	1,020,175	-	1,020,175	1,020,175
Transfers to other funds					
New Landfill Capital Project Fund	(4,000,000)	(2,221,083)	12,500	(2,208,583)	1,791,417
Total other finances sources (uses)	(100,000)	(173,108)	12,500	(160,608)	(60,608)
Net change in fund balance	\$ -	\$ (12,500)	12,500	\$ -	\$ -
Fund balance					
Beginning of year, July 1			(12,500)		
End of year, June 30			\$ -		

CITY OF ALBEMARLE, NORTH CAROLINA
LANDFILL WHITE GOODS CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2009

Exhibit C-6

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted Intergovernmental Revenues					
N.C. Department of Environment and Natural Resources Grant	\$ 353,645	\$ 239,320	\$ -	\$ 239,320	\$ (114,325)
Expenditures					
Motor vehicles	140,000	114,059	-	114,059	25,941
Other equipment	51,945	45,709	-	45,709	6,236
Buildings and improvements	209,400	118,790	-	118,790	90,610
Roadway and pavement	15,000	-	-	-	15,000
Total expenditures	416,345	278,558	-	278,558	137,787
Revenues (under) expenditures	(62,700)	(39,238)	-	(39,238)	(23,462)
Other financing sources (uses)					
Transfers from other funds					
From Landfill Fund	62,700	62,700	(23,462)	39,238	23,462
Revenues and other sources over (under) expenditures and other (uses)	\$ -	\$ 23,462	\$ (23,462)	\$ -	\$ -

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, 2009

Exhibit C-7

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Investment earnings	50,000	19,150	2,333	21,483	(28,517)
Total revenues	50,000	19,150	2,333	21,483	(28,517)
Expenditures					
Capital outlay	3,930,500	2,649,359	774,973	3,424,332	506,168
Revenues (under) expenditures	(3,880,500)	(2,630,209)	(772,640)	(3,402,849)	477,651
Other financing sources					
Transfers from (to) other funds					
From (to) Landfill Capital Reserve Fund	1,900,000	2,221,083	(12,500)	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	3,521,083	(12,500)	3,508,583	(371,917)
Revenues and other sources over (under) expenditures and other (uses)	\$ -	\$ 890,874	(785,140)	\$ 105,734	\$ 105,734
Fund balance					
Beginning of year, July 1			890,874		
End of year, June 30			\$ 105,734		

**CITY OF ALBEMARLE, NORTH CAROLINA
 COMBINING BALANCE SHEET
 DEPARTMENT OF PUBLIC HOUSING
 June 30, 2009**

Exhibit C-8

	Department of Public Housing			Totals
	Conventional	Section 8	Capital Fund	
ASSETS				
Current Assets				
Cash and investments	\$ 1,055,617	\$ 597,122	\$ -	\$ 1,652,739
Accounts receivable - net	9,153	84	-	9,237
Prepaid expenses	4,029	1,185	-	5,214
Due to (from) other funds	1,815	(1,815)	-	-
Due from other governments	-	-	-	-
Total current assets	1,070,614	596,576	-	1,667,190
Noncurrent Assets				
Capital Assets				
Land	163,505	-	-	163,505
Construction in progress	-	-	5,075	5,075
Other capital assets, net of accumulated depreciation	5,073,308	72,986	-	5,146,294
Total noncurrent assets	5,236,813	72,986	5,075	5,314,874
Total Assets	\$ 6,307,427	\$ 669,562	\$ 5,075	\$ 6,982,064
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 33,413	\$ 10,888	\$ -	\$ 44,301
Customer deposits	40,232	-	-	40,232
Deferred revenues	605	-	-	605
Current portion of compensated absences	500	100	-	600
Total current liabilities	74,750	10,988	-	85,738
Noncurrent liabilities				
Accrued compensated absences	18,339	2,614	-	20,953
Other postemployment benefits	18,896	-	-	18,896
Total noncurrent liabilities	37,235	2,614	-	39,849
Total liabilities	111,985	13,602	-	125,587
Net Assets				
Invested in capital assets, net of debt	5,236,813	72,986	5,075	5,314,874
Unrestricted	958,629	582,974	-	1,541,603
Total net assets	6,195,442	655,960	5,075	6,856,477
Total Liabilities and Net Assets	\$ 6,307,427	\$ 669,562	\$ 5,075	\$ 6,982,064

CITY OF ALBEMARLE, NORTH CAROLINA
COMBINING SCHEDULE OF REVENUES AND EXPENSES
DEPARTMENT OF PUBLIC HOUSING
For the Fiscal Year Ended June 30, 2009

Exhibit C-9

	Department of Public Housing			Totals
	Conventional	Section 8	Capital Fund	
Operating Revenues				
Rental income	\$ 416,027	\$ -	\$ -	\$ 416,027
Other	23,147	-	-	23,147
Total operating revenues	439,174	-	-	439,174
Operating expenses				
Administrative	222,501	128,306	8,112	358,919
Tenant services	14,942	-	-	14,942
Utilities	357,396	-	-	357,396
Ordinary maintenance and operation	330,322	-	-	330,322
General expenses	60,599	2,020	-	62,619
Housing assistance payments	-	1,195,494	-	1,195,494
Nonroutine maintenance	49,906	-	-	49,906
Depreciation	223,228	5,777	-	229,005
Total operating expenses	1,258,894	1,331,597	8,112	2,598,603
Operating (loss)	(819,720)	(1,331,597)	(8,112)	(2,159,429)
Nonoperating revenues (expenses)				
Operating subsidies	647,972	1,331,175	8,112	1,987,259
Interest earned on investments	12,386	3,796	-	16,182
Nonoperating revenue	20,951	-	-	20,951
Nonoperating expenses	-	-	-	-
Total nonoperating revenues	681,309	1,334,971	8,112	2,024,392
Net income (loss) before contributions and transfers	(138,411)	3,374	-	(135,037)
Capital grants	-	-	81,902	81,902
Transfers	659,881	-	(659,881)	-
	659,881	-	(577,979)	81,902
Change in net assets	521,470	3,374	(577,979)	(53,135)
Net assets, July 1	5,673,972	652,586	583,054	6,909,612
Net assets, June 30	\$ 6,195,442	\$ 655,960	\$ 5,075	\$ 6,856,477

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, 2009

Exhibit C-10

	Conventional		Variance Favorable (Unfavorable)
	Original and Final Budget	Actual	
Operating Revenues			
Rental income	\$ 426,200	\$ 416,027	\$ (10,173)
Other	26,500	23,147	(3,353)
Total operating revenues	<u>452,700</u>	<u>439,174</u>	<u>(13,526)</u>
Operating expenditures			
Administrative	205,000	203,605	1,395
Tenant services	15,000	14,942	58
Utilities	360,000	357,396	2,604
Ordinary maintenance and operation	338,050	330,322	7,728
General expenses	62,000	60,599	1,401
Nonroutine maintenance	50,000	49,906	94
Total operating expenditures	<u>1,030,050</u>	<u>1,016,770</u>	<u>13,280</u>
Operating revenues (under) operating expenditures	<u>(577,350)</u>	<u>(577,596)</u>	<u>(246)</u>
Nonoperating revenues			
Operating subsidies	487,300	647,972	160,672
Other income	30,500	20,951	(9,549)
Interest income	29,000	12,386	(16,614)
Total nonoperating revenues	<u>546,800</u>	<u>681,309</u>	<u>134,509</u>
Nonoperating expenditures			
Capital outlay	<u>10,800</u>	<u>5,956</u>	<u>4,844</u>
Nonoperating revenues over nonoperating expenditures	<u>536,000</u>	<u>675,353</u>	<u>139,353</u>
Deficiency of revenues (under) expenditures	<u>(41,350)</u>	<u>97,757</u>	<u>139,107</u>
Appropriated fund balance	<u>41,350</u>	<u>-</u>	<u>(41,350)</u>
Excess of revenues and appropriated fund balance (under) expenditures - modified accrual	<u>\$ -</u>	<u>97,757</u>	<u>\$ 97,757</u>
Reconciliation to the accrual basis:			
Depreciation		(223,228)	
Capital fund expense		5,956	
Accrual of compensated balances		-	
Other postemployment benefits		(18,896)	
Capital fund transfer to Conventional		-	
Change in net income before capital contributions and transfers - Exhibit C-9		<u>\$ (138,411)</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (NON-GAAP)
DEPARTMENT OF PUBLIC HOUSING - SECTION 8
For the Fiscal Year Ended June 30, 2009

Exhibit C-11

	Section 8		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Operating subsidiaries	\$ 1,390,584	\$ 1,331,175	\$ (59,409)
Total operating revenues	<u>1,390,584</u>	<u>1,331,175</u>	<u>(59,409)</u>
Operating expenditures			
Administrative	167,900	130,326	37,574
Housing assistance payments	<u>1,234,284</u>	<u>1,195,494</u>	<u>38,790</u>
Total operating expenditures	<u>1,402,184</u>	<u>1,325,820</u>	<u>76,364</u>
Operating revenues (under) operating expenditures	(11,600)	5,355	16,955
Nonoperating revenues			
Interest income	<u>11,600</u>	<u>3,796</u>	<u>(7,804)</u>
Excess (deficiency) of revenues under expenditures modified accrual	<u>\$ -</u>	9,151	<u>\$ 9,151</u>
Reconciliation to the accrual basis:			
Depreciation		<u>(5,777)</u>	
Change in net assets Schedule 24		<u>\$ 3,374</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, 2009**

Exhibit C-12

1. The actual modernization costs of NC 19P07550103 are as follows:

	<u>Total</u>
Funds approved	\$ 363,045
Funds expended	<u>13,187</u>
Excess of funds approved	<u>\$ 349,858</u>
Funds advanced - HUD Grants	\$ 13,187
Funds expended	<u>13,187</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$13,187

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, 2009

Exhibit C-13

1. The actual modernization costs of NC 19P07550106 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, 2009

Exhibit C-14

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

	<u>Total</u>
Funds approved	\$ 458,477
Funds expended	<u>-</u>
Excess of funds approved	<u>\$ 458,477</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, 2009

Exhibit C-15

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

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

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

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, 2009

Exhibit C-16

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>

2. Costs audited during the current audit period totaled \$76,836

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, 2009

Exhibit D-1

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
ASSETS				
Cash and cash equivalents	\$ 599	\$ 42,368	\$ 42,341	\$ 627
	<u>\$ 599</u>	<u>\$ 42,368</u>	<u>\$ 42,341</u>	<u>\$ 627</u>
LIABILITIES				
Due to agencies	<u>599</u>	<u>42,368</u>	<u>42,341</u>	<u>627</u>
	<u>\$ 599</u>	<u>\$ 42,368</u>	<u>\$ 42,341</u>	<u>\$ 627</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, 2009

Exhibit E-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2008</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2009</u>
2008-2009	\$ -	\$ 5,705,458	\$ 5,463,711	\$ 241,747
2007-2008	195,977	-	128,224	67,753
2006-2007	78,081	-	25,756	52,325
2005-2006	54,053	-	13,383	40,670
2004-2005	46,178	-	9,911	36,267
2003-2004	27,359	-	4,425	22,934
2002-2003	35,492	-	2,096	33,396
2001-2002	19,461	-	2,107	17,354
2000-2001	15,881	-	609	15,272
1999-2000	12,427	-	681	11,746
1998-1999	11,270	-	11,270	-
	<u>\$ 496,179</u>	<u>\$ 5,705,458</u>	<u>\$ 5,662,173</u>	539,464
Less: Allowance for uncollectible accounts Ad valorem taxes receivable				<u>(100,000)</u>
Ad valorem taxes receivable - net				<u>\$ 439,464</u>
Reconciliation with revenues				
Ad valorem taxes collected - General Fund				<u>\$ 5,615,374</u>
Discounts allowed				62,904
Releases and adjustments				11,197
Taxes written off				10,990
Interest collected				<u>(38,292)</u>
Total collections and credits				<u>\$ 5,662,173</u>

CITY OF ALBEMARLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
For the Fiscal Year Ended June 30, 2009

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	\$ 991,389,821	.56	\$ 5,551,783	\$ 5,031,911	\$ 519,872
Penalties	-		3,170	3,170	-
Total	<u>991,389,821</u>		<u>5,554,953</u>	<u>5,035,081</u>	<u>519,872</u>
Discoveries:					
Current year taxes	31,904,821	.56	178,667	177,693	974
Penalties	-		-	-	-
Total	<u>31,904,821</u>		<u>178,667</u>	<u>177,693</u>	<u>974</u>
Abatements:	(5,028,929)	.56	(28,162)	(17,855)	(10,307)
Total valuation	<u>\$ 1,018,265,713</u>				
Net levy			5,705,458	5,194,919	510,539
Uncollected taxes at June 30, 2009			<u>(241,747)</u>	<u>(179,572)</u>	<u>(62,175)</u>
Current year's taxes collected			<u>\$ 5,463,711</u>	<u>\$ 5,015,347</u>	<u>\$ 448,364</u>
Current levy collection percentage			<u>95.76%</u>	<u>96.54%</u>	<u>87.82%</u>

Compliance Section



KENNETH R. ANDERSON CPA CMA - PLLC

Certified Public Accountant

220 EAST WASHINGTON STREET
POST OFFICE BOX 697
ROCKINGHAM, NORTH CAROLINA 28380
PHONE: (910) 895-2899
FAX: (910) 997-3464
krandersoncpa@bellsouth.net

Member
American Institute of Certified
Public Accountants

North Carolina Association of
Certified Public Accountants

713 SOUTH MAIN STREET
HERITAGE HOUSE
LAURINBURG, NORTH CAROLINA 28352
PHONE: (910) 277-2795
FAX: (910) 277-2795
dwilkes1@bellsouth.net

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, 2009, which collectively comprises the City of Albemarle, North Carolina's basic financial statements, and have issued our report thereon dated November 2, 2009. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the 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, reading "Kenneth R. Anderson CPA CMA-ACC". The signature is written in a cursive style.

November 2, 2009



KENNETH R. ANDERSON CPA CMA - PLLC

Certified Public Accountant

220 EAST WASHINGTON STREET
POST OFFICE BOX 697
ROCKINGHAM, NORTH CAROLINA 28380
PHONE: (910) 895-2899
FAX: (910) 997-3464
krandersoncpa@bellsouth.net

Member
American Institute of Certified
Public Accountants
North Carolina Association of
Certified Public Accountants

713 SOUTH MAIN STREET
HERITAGE HOUSE
LAURINBURG, NORTH CAROLINA 28352
PHONE: (910) 277-2795
FAX: (910) 277-2795
dwilkes1@bellsouth.net

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, 2009. 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, 2009.

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.



November 2, 2009



KENNETH R. ANDERSON CPA CMA - PLLC

Certified Public Accountant

220 EAST WASHINGTON STREET
POST OFFICE BOX 697
ROCKINGHAM, NORTH CAROLINA 28380
PHONE: (910) 895-2899
FAX: (910) 997-3464
krandersoncpa@bellsouth.net

Member
American Institute of Certified
Public Accountants

North Carolina Association of
Certified Public Accountants

713 SOUTH MAIN STREET
HERITAGE HOUSE
LAURINBURG, NORTH CAROLINA 28352
PHONE: (910) 277-2795
FAX: (910) 277-2795
dwilkes1@bellsouth.net

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, 2009. 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, 2009.

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.



November 2, 2009

CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2009

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted *No*

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal program:

CFDA Numbers

Names of Federal Program

14.850
14.228

Low Income Housing
Community Development Block Grant

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, 2009

State Awards

Internal control over major State programs:

- Material weakness(es) identified? *No*

- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Reported*

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

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

Identification of major State program:

Powell Bill

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – State Award Findings and Questioned Costs

None reported

CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2009

Finding 2008-1

Status: Corrected

**CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<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 I	20.205	E-4129	206,763	-	-
Enhancement Agreement - Greenway Phase II	20.205	E-4129	26,140	-	-
<u>U.S. Department of Homeland Security</u>					
Assistance to Firefighters Grant Program	97.044		31,924	-	-
<u>U.S. Department of Housing & Urban Development</u>					
<u>Direct Grant:</u>					
Low Income Housing:					
Public and Indian Housing Operating Subsidies	14.850		1,011,297	-	-
Section 8:					
Housing Choice Vouchers	14.871		1,325,820	-	-
Public Housing Capital Fund:					
NC19PO7550107	14.872		13,187	-	-
NC19PO7550106	14.872		76,827	-	-
Passed-through the N.C. Department of Commerce					
CDBG/Alfred Street Concentrated needs	14.228	05-C-1397	324,616	-	-
<u>U.S. Department of Justice</u>					
Bullet Proof Vest Grant	16.607		3,244	-	-
Total assistance federal programs			<u>3,019,818</u>	<u>-</u>	<u>-</u>
STATE GRANTS					
Cash Assistance					
<u>N.C. Rural Economic Development Center</u>					
Rural Development Grant	N/A		-	9,149	-
<u>N.C. Department of Environmental & Natural Resources</u>					
<u>Division of Waste Management</u>					
Adopt a Trail Grant Program	N/A		-	4,545	-
White Goods Grant	N/A		-	60,131	-
N.C. Clean Water Management Trust Fund	N/A		-	149,224	-
<u>N.C. Parks and Recreation Authority:</u>					
N.C. Parks and Recreation Trust Fund	N/A		-	66,327	-
<u>N.C. Department of Transportation</u>					
Powell Bill	N/A	9.9000	-	565,302	-
Bike Grant	N/A		-	20,353	-
Total assistance state programs			<u>-</u>	<u>875,031</u>	<u>-</u>
Total assistance			<u>\$ 3,019,818</u>	<u>\$ 875,031</u>	<u>\$ -</u>

Note to the Schedule of Expenditures of Federal and State Financial Awards:

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the City of Albemarle and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.