

CITY OF ALBEMARLE, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2008

CITY OF ALBEMARLE, NORTH CAROLINA

CITY OFFICIALS

JUNE 30, 2008

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

T. E. WHITE

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, 2008

<u>Exhibit</u>	<u>Page No.</u>
FINANCIAL SECTION	
Independent Auditors' 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.....	47
Law enforcement officers special separation allowance - schedule of employer contributions	48
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.....	49
City Hall Capital Project Fund:	
A-2 Schedule of revenues, expenditures, and changes in fund balance - budget and actual – from inception	54
Non-Major Governmental Funds:	
B-1 Combining balance sheet	55
B-2 Combining statement of revenues, expenditures, and changes in fund balance	56
City Hall Construction Capital Reserve Fund	
B-3 Schedule of revenues, expenditures, and changes in fund balance - budget and actual - from inception	57
Governor's Highway Safety Grant Fund	
B-4 Schedule of revenues, expenditures, and changes in fund balance - budget and actual - from inception	58
Recreation Grant Fund	
B-5 Schedule of revenues, expenditures, and changes in fund balance - budget and actual – from inception	59

CITY OF ALBEMARLE, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2008

<u>Exhibit</u>	<u>Page No.</u>
B-6	Grants Fund Schedule of revenues, expenditures, and changes in fund balance - budget and actual - from inception 60
B-7	CDBG Capital Project Fund Schedule of revenues, expenditures, and changes in fund balance - budget and actual - from inception 61
	Enterprise Funds:
C-1	Water and Sewer Fund Schedule of revenues and expenditures - budget and actual (non-gaap)..... 62
C-2	Sewer Capital Project Fund Schedule of revenues and expenditures - budget and actual (non-gaap) – from inception..... 65
C-3	Electric Fund Schedule of revenues and expenditures – budget and actual (non-gaap) 66
C-4	Municipal Solid Waste Landfill Fund Schedule of revenues and expenditures – budget and actual (non-gaap)..... 68
C-5	Landfill Capital Reserve Fund Schedule of revenues, expenditures and changes in fund balance - budget and actual - from inception 70
C-6	Landfill White Goods Capital Project Fund Schedule of revenues and expenditures - budget and actual (non-gaap) – from inception..... 71
C-7	Landfill Capital Project Fund - Phase II Schedule of revenues and expenditures - budget and actual (non-gaap) – from inception..... 72
C-8	Department of Public Housing Combining balance sheet..... 73
C-9	Department of Public Housing Combining schedule of revenues and expenses..... 74
C-10	Department of Public Housing - Conventional Schedule of revenues and expenditures - budget and actual (non-gaap)..... 75
C-11	Department of Public Housing - Section 8 Schedule of revenues and expenditures - budget and actual (non-gaap)..... 76
C-12	Department of Public Housing – Conventional Statement and certification of actual capital funds costs - uncompleted annual contributions contract A-1974 77

CITY OF ALBEMARLE, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2008

<u>Exhibit</u>	<u>Page No.</u>
C-13	Department of Public Housing - Conventional Statement and certification of actual capital fund costs - uncompleted annual contributions contract A-1974 78
C-14	Department of Public Housing - Conventional Statement and certification of actual capital fund costs - uncompleted annual contributions contract A-1974 79
C-15	Department of Public Housing - Conventional Statement and certification of actual capital fund costs - uncompleted annual contributions contract A-1974 80
C-16	Department of Public Housing - Conventional Statement and certification of actual capital fund costs - uncompleted annual contributions contract A-1974 81
D-1	Agency Fund: Albemarle Downtown Development Corporation Tax District Statement of changes in assets and liabilities 82
 OTHER SCHEDULES	
E-1	Schedule of ad valorem taxes receivable 83
E-2	Analysis of current tax levy – city wide levy 84
 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> 85
	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 87
	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 89
	Schedule of Findings and Questioned Costs 91
	Corrective Action Plan 93
	Schedule of Prior Audit Findings 94
	Schedule of Expenditures of Federal and State Awards 95

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, 2008 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, 2008, 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 September 16, 2008 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. 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 Allowance Schedule of Funding Progress and Schedule of Employer Contributions on pages 3 through 11 and 47 and 48 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.


September 16, 2008

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, 2008. 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.

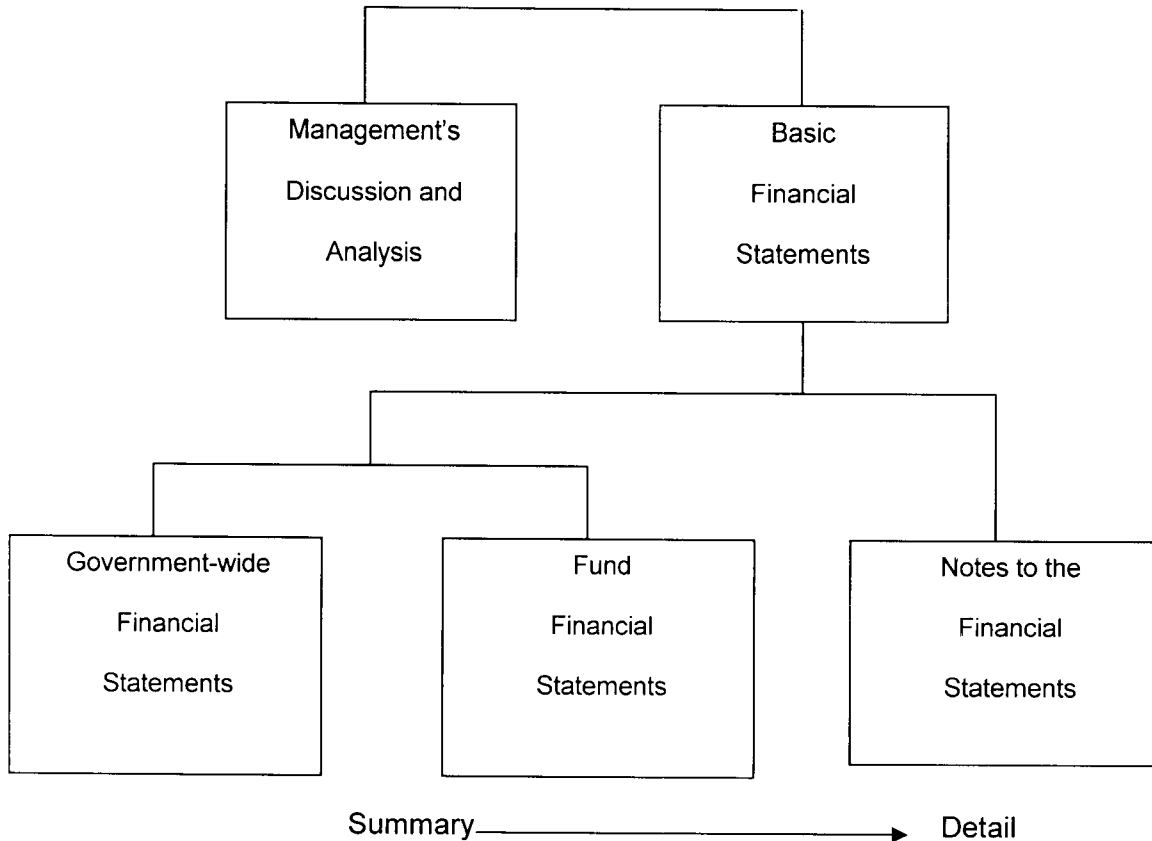
Financial Highlights

- The assets of the City of Albemarle exceeded its liabilities at the close of the fiscal year by \$61,718,194.
- The government's total net assets decreased by \$2,057,821, primarily due to increases in debt.
- As of the close of the current fiscal year, the City of Albemarle's governmental funds reported combined ending fund balances of \$9,343,902 an increase of \$2,055,968 in comparison with the prior year. Approximately 79.8 percent of this total amount, or \$7,461,220, is available for spending at the government's discretion.
- At the end of the current fiscal year, undesignated fund balance for the general fund was \$5,440,650, or 39.3 percent of total general fund expenditures for the fiscal year.
- The City of Albemarle's total debt increased by approximately \$6,800,000 (282%) during the current fiscal year. The key factor in this increase is the debt for the City Hall Project and new Landfill Cell.
- The City of Albemarle maintained it's A bond rating for the tenth consecutive year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Albemarle's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Albemarle.

Required Components of Annual Financial Report



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gage the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer, electric services, landfill services, and public housing offered by the City of Albemarle. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City because the City exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the City. The Albemarle Downtown Development Corporation is another example of a component unit that is legally separate from the City, but the City exercises control over the Board.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Albemarle, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Albemarle can be divided into four categories: governmental funds, special revenue funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Albemarle adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes. The City has five special revenue funds within the governmental fund types, those being the the City Hall Construction Capital Reserve Fund, the CDBG Project Fund, Governor’s Highway Safety Grant Fund, the 2 Recreation grant project fund. These funds are combined in the accompanying financial statements. These funds are not shown on Exhibit C because their budgets are adopted on a multi-year basis for the lives of the projects.

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 46 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 47 and 48 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	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 11,985,480	\$ 8,493,782	\$ 22,795,086	\$ 19,199,948	\$ 34,780,566	\$ 27,693,730
Capital assets	<u>11,957,346</u>	<u>9,885,666</u>	<u>38,422,965</u>	<u>36,099,228</u>	<u>50,380,311</u>	<u>45,984,894</u>
Total assets	<u>23,942,826</u>	<u>18,379,448</u>	<u>61,218,051</u>	<u>55,299,176</u>	<u>85,160,877</u>	<u>73,678,624</u>
Long-term liabilities	3,168,554	1,224,548	12,134,460	1,183,796	15,303,014	2,408,344
Other liabilities	<u>2,987,967</u>	<u>741,356</u>	<u>5,151,702</u>	<u>6,752,909</u>	<u>8,139,669</u>	<u>7,494,265</u>
Total liabilities	<u>6,156,521</u>	<u>1,965,904</u>	<u>17,286,162</u>	<u>7,936,705</u>	<u>23,442,683</u>	<u>9,902,609</u>
Net assets						
Invested in capital assets, net of related debt	9,074,098	9,542,953	33,353,696	35,189,482	42,427,794	44,732,435
Restricted	-	911,580	-	-	-	911,580
Unrestricted	<u>8,712,207</u>	<u>5,959,011</u>	<u>10,578,193</u>	<u>12,172,989</u>	<u>19,290,400</u>	<u>18,132,000</u>
Total net assets	<u>\$ 17,786,305</u>	<u>16,413,544</u>	<u>\$ 43,931,889</u>	<u>\$ 47,362,471</u>	<u>\$ 61,718,194</u>	<u>\$ 63,776,015</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 \$61,718,194 as of June 30, 2008. The City's net assets decreased by \$2,057,821 for the fiscal year ended June 30, 2008. The City of Albemarle uses these 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. There is a large increase in long-term liabilities which represents closure post/closure accrued liabilities for the landfill.

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 96.48%, 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	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 745,093	\$ 429,320	\$ 35,715,086	\$ 34,771,851	\$ 36,460,179	\$ 35,201,171
Operating grants and contributions	37,337	26,319	1,989,979	1,769,972	2,027,316	1,796,291
Capital grants and contributions	1,041,948	1,772,640	516,652	524,045	1,558,600	2,296,685
General revenues:						
Property taxes	5,440,858	5,473,925	-	-	5,440,858	5,473,925
Other taxes	4,284,785	4,217,994	-	-	4,284,785	4,217,994
Interest earned	310,247	346,035	372,950	423,723	683,197	769,758
Other	152,472	(72,377)	928,761	864,989	1,081,233	792,612
Total revenues	12,012,740	12,193,856	39,523,428	38,354,580	51,536,168	50,548,436
Expenses:						
General government	1,814,901	1,691,662	-	-	1,814,901	1,691,662
Public safety	6,239,976	6,053,567	-	-	6,239,976	6,053,567
Public works	2,431,293	2,318,604	-	-	2,431,293	2,318,604
Environmental protection	1,066,440	1,001,941	-	-	1,066,440	1,001,941
Economical development	85,597	873,754	-	-	85,597	873,754
Culture and recreation	1,243,666	1,188,378	-	-	1,243,666	1,188,378
Interest on long-term debt	78,106	6,859	-	-	78,106	6,859
Water and sewer	-	-	6,041,888	5,908,105	6,041,888	5,908,105
Electric	-	-	26,756,129	25,529,330	26,756,129	25,529,330
Landfill	-	-	5,361,119	1,287,336	5,361,119	1,287,336
Public housing	-	-	2,474,874	2,432,919	2,474,874	2,432,919
Total expenses	12,959,979	13,134,765	40,634,010	35,157,690	53,593,989	48,292,455
Increase in net assets before transfers	(947,239)	(944,054)	(1,110,582)	3,196,890	(2,057,821)	2,255,981
Transfers	2,320,000	1,565,000	(2,320,000)	(1,565,000)	-	-
Increase in net assets	1,372,761	624,091	(3,430,582)	1,631,890	(2,057,821)	2,255,981
Net assets, July 1	16,413,544	15,580,552	47,362,471	45,690,624	63,776,015	61,271,176
Prior period adjustment	-	208,901	-	39,957	-	248,858
Net assets, June 30	\$ 17,786,305	\$ 16,413,544	\$ 43,931,889	\$ 47,362,471	\$ 61,718,194	\$ 63,776,015

Governmental activities. Governmental activities increased the City's net assets by \$1,372,761, 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:

- Rising interest rates
- 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 \$3,430,582, accounting for all of the total reduction in the business's net assets. Key elements of this decrease are as follows:

- Increase in rates
- Lower maintenance cost of equipment

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 \$6,072,600, while total fund balance reached \$7,878,892. 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 43.8 percent of total General Fund expenditures, while total fund balance represents 56.9 percent of that same amount.

At June 30, 2008, the governmental funds of City of Albemarle reported a combined fund balance of \$9,343,902, a 28 percent increase over last year. Included in this change in fund balance are increases in fund balance in the General and Capital Projects Funds.

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

- Appropriated funds reserved for Law Enforcement for the construction of a Police Firing Range at the City's Landfill
- The City purchased Land for economic development purposes
- The City received a grant from FEMA for firefighters
- The City received a grant for playground equipment
- The City received a pass-through grant from Rural Center to pass to Lillian Mill group for jobs creation
- The City appropriated debt proceeds for truck repair

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 \$3,897,421, those for the Electric Fund amounted to \$10,039,045, Public Housing \$1,443,132, and for the Landfill Fund \$(4,801,405). The total increase (decrease) in net assets for all funds was \$(224,043), \$40,546, \$509,321, and \$(3,756,406), 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, 2008, totals \$50,380,311 (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 four Police vehicles
- Renovation of the pool at Rock Creek Park
- Installation of grass infield at Don Montgomery Park
- Relocation of City Hall Offices into temporary quarters for the City Hall Project
- Implementation of a separate crew within the Public Works Department for downtown maintenance
- Replacement of one block of sidewalk downtown
- Replacement of thermal imaging camera in the Fire Department
- Resurfacing of 16 City Streets
- Continued replacing again sewer lines to address inflow and infiltration issues
- Replaced pump at Old Whitney Pump Station
- Began a multi-year program for major capital repairs and renovation at the Long Creek Wastewater Treatment Plant
- Construction of a fifth electric circuit at the Lee Lynn Electric Substation
- Construction of a new wire storage area at the City's Service Center
- Received Tree City USA Designation from the National Arbor Day Foundation
- Successful Grant application for federal grants for fire hose and protective gear for the Fire Department

City of Albemarle's Capital Assets Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,280,070	\$ 1,379,966	\$ 495,092	\$ 495,092	\$ 2,775,162	\$ 1,875,058
Infrastructure	2,389,608	2,394,016	10,732,851	11,596,989	13,122,459	13,991,005
Other improvements	359,657	432,054	273,731	-	633,388	432,054
Buildings	3,595,618	3,360,191	20,417,843	21,218,900	24,013,461	24,579,091
Machinery and equipment	696,281	638,531	1,776,187	1,430,236	2,472,468	2,068,767
Mobile equipment	1,162,887	1,020,756	675,128	677,251	1,838,015	1,698,007
Construction in progress	1,473,225	660,152	4,052,133	680,760	5,525,358	1,340,912
Total	\$ 11,957,346	\$ 9,885,666	\$38,422,965	\$36,099,228	\$ 50,380,311	\$ 45,984,894

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

Long-term Debt. As of June 30, 2008, the City of Albemarle had totally paid back all their bonded debt.

City of Albemarle's Outstanding Debt General Obligation Bonds

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ -	\$ -	\$ -	\$ 630,000	\$ -	\$ 630,000

City of Albemarle's Outstanding Debt

The City of Albemarle's total debt increased by approximately \$6,800,000 (282%) during the past fiscal year, primarily due to the loan for the City Hall construction and construction of the new Landfill cell. The City of Albemarle does however owe \$1,500,604 on an inter-fund loan for the addition and renovation to the Public Safety Facility issued by the water/sewer and electric departments.

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

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Albemarle is \$76,608,852.

Additional information regarding the City of Albemarle's long-term debt can be found in note 3 .B. beginning on page 41 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 6.2%; the civilian labor force estimates for North Carolina reports the Stanly County unemployment rate is 6.1%; the national average is 5.5%. This 6.1% unemployment rate is up a bit from the prior year.
- There were 186 Building Permits issued for the City of Albemarle with a total cost estimate of \$19,012,515.

Budget Highlights for the Fiscal Year Ending June 30, 2009

Governmental Activities: Property taxes will remain at 0.56 per \$100 valuation for the fiscal year ending June 30, 2009. There will be an increase in the solid waste collection fee from \$3.25 per month to \$5.45 per month; this will help recover costs associated with garbage & trash collection, yard waste, and leaf collection. This will allow funding of public safety to remain at standards needed for the City as well as other departments funded by declining tax revenues.

Business-Type Activities: The Water and Sewer rates in the City will see no increase in the minimum charge and minimum usage will be increased from 200 to 300 cubic feet; then an increase of 5% for use above the new minimum. Declining industrial water and sewer usage and increased capital needs necessitate these increases. There is also an unfunded federal mandate that requires additional water testing. The Electric rates will increase 1.4% to offset the wholesale price increase. The 2008-2009 budget for the electric fund represents an increase of approximately 5.5% of the previous fiscal year budget. The Solid Waste Disposal Fund will have a \$2 per ton increase in the solid waste disposal fee and an increase of \$5 from \$20 to \$25 for construction and demolition fees. This is needed to pay the debt service cost of the new landfill cell construction and the increased fuel costs.

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, 2008

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	\$ 10,738,451	\$ 15,207,974	\$ 25,946,425	\$ 146,184	\$ 106,359
Receivables:					
Taxes receivable - net	328,179	-	328,179	-	-
Accounts receivable	226,078	3,533,065	3,759,143	-	-
Due from other governments	1,252,974	153,577	1,406,551	70,950	-
Internal balances	(1,500,604)	1,500,604	-	-	-
Inventories	16,413	2,286,105	2,302,518	510	231,485
Deferred charges	-	10,495	10,495	-	-
Prepaid expenses	123,989	103,266	227,255	-	6,107
Total current assets	11,185,480	22,795,086	33,980,566	217,644	343,951
Non-current assets					
Note receivable	800,000	-	800,000	-	-
Capital assets					
Land, and construction in progress	3,753,295	4,547,225	8,300,520	85,535	261,417
Other capital assets, net of depreciation	8,204,051	33,875,740	42,079,791	716,696	1,048,922
Total capital assets	11,957,346	38,422,965	50,380,311	802,231	1,310,339
Total non-current assets	12,757,346	38,422,965	51,180,311	802,231	1,310,339
Total assets	23,942,826	61,218,051	85,160,877	1,019,875	1,654,290
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	1,234,045	3,780,745	5,014,790	3,501	139,622
Deposits	1,400	579,051	580,451	-	-
Unearned earnings	1,071,890	10,948	1,082,838	-	-
Current portion of long-term liabilities	680,632	780,026	1,460,658	6,547	81,771
Accrued interest payable	-	932	932	-	-
Total current liabilities	2,987,967	5,151,702	8,139,669	10,048	221,393
Long-term liabilities					
Accrued landfill closure and postclosure costs	-	7,555,914	7,555,914	-	-
Long-term liabilities:					
Due in more than one year	3,168,554	4,578,546	7,747,100	76,447	452,352
Total long-term liabilities	3,168,554	12,134,460	15,303,014	76,447	452,352
Total liabilities	6,156,521	17,286,162	23,442,683	86,495	673,745
Net Assets					
Invested in capital assets, net of related debt	9,074,098	33,353,696	42,427,794	719,237	776,216
Working capital	-	-	-	-	70,457
Unrestricted	8,712,207	10,578,193	19,290,400	214,143	133,872
Total net assets	\$ 17,786,305	\$ 43,931,889	\$ 61,718,194	\$ 933,380	\$ 980,545

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

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

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	Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 1,814,901	\$ 19,022	\$ -	\$ -	\$ (1,795,879)	\$ -	\$ (1,795,879)
Public safety	6,239,976	11,928	37,337	218,176	(5,972,535)	-	(5,972,535)
Public works	2,431,293	573,392	-	629,487	(1,228,414)	-	(1,228,414)
Environmental protection	1,066,440	-	-	-	(1,066,440)	-	(1,066,440)
Economic and physical development	85,597	-	-	166,221	80,624	-	80,624
Cultural and recreational	1,243,666	140,751	-	28,064	(1,074,851)	-	(1,074,851)
Interest on long-term debt	78,106	-	-	-	(78,106)	-	(78,106)
Total governmental activities	12,959,979	745,093	37,337	1,041,948	(11,135,601)	-	(11,135,601)
Business-type activities							
Water and sewer	6,041,888	6,281,224	-	-	-	239,336	239,336
Electric	26,756,129	27,101,308	-	-	-	345,179	345,179
Landfill	5,361,119	1,917,820	-	28,402	-	(3,414,897)	(3,414,897)
Department of public housing	2,474,874	414,734	1,989,979	488,250	-	418,089	418,089
Total business-type activities	40,634,010	35,715,086	1,989,979	516,652	-	(2,412,293)	(2,412,293)
Total primary government	\$ 53,593,989	\$ 36,460,179	\$ 2,027,316	\$ 1,558,600	\$ (11,135,601)	\$ (2,412,293)	\$ (13,547,894)
Component units							
Albemarle Downtown Development Corporation	\$ 499,394	\$ 17,806	\$ 329,157	\$ 71,401	\$ -	\$ -	\$ (81,030)
Albemarle ABC Board	1,664,553	1,840,269	-	-	-	-	175,716
Total component units	\$ 2,163,947	\$ 1,858,075	\$ 329,157	\$ 71,401	\$ -	\$ -	\$ 94,686
General revenues							
Taxes							
Property taxes, levied for general purposes					5,440,858	-	5,440,858
Other taxes and licenses					4,284,785	-	4,284,785
Unrestricted investment earnings					310,247	372,950	683,197
Miscellaneous revenues					152,472	928,761	1,081,233
Transfers					2,320,000	(2,320,000)	-
Total general revenues and transfers					12,508,362	(1,018,289)	11,490,073
Change in net assets					1,372,761	(3,430,582)	(2,057,821)
Net assets, beginning of year					16,413,544	47,362,471	63,776,015
Net assets, end of year					\$ 17,786,305	\$ 43,931,889	\$ 61,718,194

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

CITY OF ALBEMARLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

Exhibit 3

	Major Fund		Total Non-Major Funds	Total Governmental Funds
	General	City Hall Capital Project Fund		
Assets				
Cash and cash equivalents	\$ 8,859,895	\$ 1,799,015	\$ 79,541	\$ 10,738,451
Receivables, net				
Taxes	328,179	-	-	328,179
Accounts	226,078	-	-	226,078
Due from other governments	1,176,584	-	76,390	1,252,974
Inventories	16,413	-	-	16,413
Prepaid expenses	123,989	-	-	123,989
Note receivable	800,000	-	-	800,000
Total assets	\$ 11,531,138	\$ 1,799,015	\$ 155,931	\$ 13,486,084
Liabilities and fund balances				
Liabilities				
Accounts payable and accrued liabilities	\$ 744,109	\$ 489,456	\$ 480	\$ 1,234,045
Deposits	1,400	-	-	1,400
Due to other funds	1,500,604	-	-	1,500,604
Deferred revenue	334,243	-	-	334,243
Unearned revenue	1,071,890	-	-	1,071,890
Total liabilities	3,652,246	489,456	480	4,142,182
Fund balances				
Reserved for				
Inventories	16,413	-	-	16,413
Prepays	123,989	-	-	123,989
State statute	1,425,344	-	76,390	1,501,734
Streets - Powell Bill	240,546	-	-	240,546
Unreserved, reported in				
General Fund				
Designated for subsequent year's expenditures	631,950	-	-	631,950
Undesignated	5,440,650	-	-	5,440,650
Capital Projects Funds	-	1,309,559	81,147	1,390,706
Special Revenue Funds	-	-	(2,086)	(2,086)
Total fund balances	7,878,892	1,309,559	155,451	9,343,902
Total liabilities and fund balances	\$ 11,531,138	\$ 1,799,015	\$ 155,931	\$ 13,486,084
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				\$ 9,343,902
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				11,957,346
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds				334,243
Compensated absences not expected to be materially liquidated with expendable available resources				(595,745)
Net pension obligations				(370,193)
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				(2,883,248)
Net assets of governmental activities				\$ 17,786,305

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

Exhibit 4

	Major Fund		Total Non-Major Funds	Total Governmental Funds
	General	City Hall Capital Project Fund		
Revenues				
Ad valorem taxes	\$ 5,569,443	\$ -	\$ -	\$ 5,569,443
Other taxes and licenses	296,233	-	-	296,233
Unrestricted intergovernmental	3,990,216	-	-	3,990,216
Restricted intergovernmental	824,193	-	255,092	1,079,285
Permits and fees	29,780	-	-	29,780
Sales and services	715,313	-	-	715,313
Investment earnings	259,664	27,672	22,911	310,247
Miscellaneous	152,472	-	-	152,472
Total revenues	11,837,314	27,672	278,003	12,142,989
Expenditures				
Current				
General government	2,378,078	-	-	2,378,078
Public safety	6,181,399	-	73,277	6,254,676
Public works	2,531,072	-	-	2,531,072
Environmental protection	1,055,649	-	-	1,055,649
Economic and physical development	-	-	74,806	74,806
Cultural and recreation	1,248,648	-	-	1,248,648
Debt service:				
Principal	366,635	-	-	366,635
Interest	78,106	-	-	78,106
Capital outlay	-	1,265,825	60,696	1,326,521
Total expenditures	13,839,587	1,265,825	208,779	15,314,191
Excess (deficiency) of revenues over expenditures	(2,002,273)	(1,238,153)	69,224	(3,171,202)
Other financing sources (uses)				
Transfers from other funds	1,595,000	2,547,712	9,328	4,152,040
Transfers to other funds	(909,328)	-	(922,712)	(1,832,040)
Proceeds from installment financing	2,907,170	-	-	2,907,170
Total other financing sources (uses)	3,592,842	2,547,712	(913,384)	5,227,170
Net change in fund balances	1,590,569	1,309,559	(844,160)	2,055,968
Fund balances - beginning of year	6,288,323	-	999,611	7,287,934
Fund balances - end of year	<u>\$ 7,878,892</u>	<u>\$ 1,309,559</u>	<u>\$ 155,451</u>	<u>\$ 9,343,902</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008**

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

Net changes in fund balances - total governmental funds \$ 2,055,968

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	2,741,857
Depreciation	(571,526)
Asset disposals	(98,651)

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	(128,585)
Other deferred revenues	(1,664)

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	(64,746)
Current pension cost	(19,357)

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.

(2,540,535)

Total changes in net assets of governmental activities

\$ 1,372,761

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

For the Year Ended June 30, 2008

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Ad valorem taxes	\$ 5,494,100	\$ 5,494,100	\$ 5,569,443	\$ 75,343
Other taxes and licenses	273,500	273,500	296,233	22,733
Unrestricted intergovernmental	3,944,641	3,944,641	3,990,216	45,575
Restricted intergovernmental	699,826	720,793	824,193	103,400
Permits and fees	30,400	30,400	29,780	(620)
Sales and services	616,950	616,950	715,313	98,363
Investment earnings	225,300	225,300	259,664	34,364
Miscellaneous	40,353	114,968	152,472	37,504
Total revenues	<u>11,325,070</u>	<u>11,420,652</u>	<u>11,837,314</u>	<u>416,662</u>
Expenditures				
Current				
General government	1,911,350	2,511,350	2,378,078	133,272
Public safety	6,159,300	6,337,516	6,181,399	156,117
Public works	2,424,520	2,631,690	2,531,072	100,618
Cultural and recreational	1,204,300	1,248,700	1,248,648	52
Environmental protection	1,025,000	1,025,000	1,055,649	(30,649)
Debt service				
Principal	281,100	281,100	366,635	(85,535)
Interest	99,500	99,500	78,106	21,394
Total expenditures	<u>13,105,070</u>	<u>14,134,856</u>	<u>13,839,587</u>	<u>295,269</u>
Revenues over (under) expenditures	<u>(1,780,000)</u>	<u>(2,714,204)</u>	<u>(2,002,273)</u>	<u>711,931</u>
Other financing sources (uses)				
Transfers from other funds	1,595,000	1,595,000	1,595,000	-
Transfers to other funds	(28,000)	(906,887)	(909,328)	(2,441)
Capital lease obligations issued	-	207,170	2,907,170	2,700,000
Total other financing sources (uses)	<u>1,567,000</u>	<u>895,283</u>	<u>3,592,842</u>	<u>2,697,559</u>
Appropriated fund balance	<u>213,000</u>	<u>1,818,921</u>	<u>-</u>	<u>(1,818,921)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,590,569</u>	<u>1,590,569</u>
Fund balance - beginning of year			<u>6,288,323</u>	
Fund balance - end of year			<u>\$ 7,878,892</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

Exhibit 7

	Major Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
Assets					
Current assets					
Cash and cash equivalents	\$ 2,684,249	\$ 7,551,606	\$ 3,446,315	\$ 1,525,804	\$ 15,207,974
Accounts receivable - net	578,198	2,766,850	176,380	11,637	3,533,065
Due from other governments	-	-	150,000	3,577	153,577
Due from other funds	500,201	1,000,403	-	-	1,500,604
Inventories	397,785	1,888,320	-	-	2,286,105
Deferred charges	10,495	-	-	-	10,495
Prepaid expenses	46,183	42,762	8,583	5,738	103,266
Total current assets	<u>4,217,111</u>	<u>13,249,941</u>	<u>3,781,278</u>	<u>1,546,756</u>	<u>22,795,086</u>
Noncurrent assets					
Capital assets					
Land, improvements and construction in progress	867,570	119,106	2,813,990	746,559	4,547,225
Other capital assets, net of depreciation	24,759,615	2,868,384	1,527,850	4,719,891	33,875,740
Total capital assets, net	<u>25,627,185</u>	<u>2,987,490</u>	<u>4,341,840</u>	<u>5,466,450</u>	<u>38,422,965</u>
Total assets	<u>\$ 29,844,296</u>	<u>\$ 16,237,431</u>	<u>\$ 8,123,118</u>	<u>\$ 7,013,206</u>	<u>\$ 61,218,051</u>
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	\$ 173,156	\$ 2,562,532	\$ 1,001,978	\$ 43,079	\$ 3,780,745
Customer deposits	-	535,110	6,000	37,941	579,051
Accrued interest payable	-	-	932	-	932
Compensated absences - current	68,020	56,627	8,930	600	134,177
General obligation bonds payable - current	-	-	-	-	-
Installment purchase agreements payable - current	102,767	140,000	403,082	-	645,849
Deferred revenue	10,495	-	-	453	10,948
Total current liabilities	<u>354,438</u>	<u>3,294,269</u>	<u>1,420,922</u>	<u>82,073</u>	<u>5,151,702</u>
Noncurrent liabilities					
Accrued landfill closure and postclosure costs	-	-	7,555,914	-	7,555,914
Compensated absences	68,019	56,627	8,929	21,521	155,096
General obligation bonds payable - noncurrent (net)	-	-	-	-	-
Installment purchase agreements payable - noncurrent	1,049,727	1,925,000	1,448,723	-	4,423,450
Total noncurrent liabilities	<u>1,117,746</u>	<u>1,981,627</u>	<u>9,013,566</u>	<u>21,521</u>	<u>12,134,460</u>
Total liabilities	<u>1,472,184</u>	<u>5,275,896</u>	<u>10,434,488</u>	<u>103,594</u>	<u>17,286,162</u>
Net assets					
Invested in capital assets, net of related debt	24,474,691	922,490	2,490,035	5,466,480	33,353,696
Unrestricted	3,897,421	10,039,045	(4,801,405)	1,443,132	10,578,193
Total net assets	<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>

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

Exhibit 8

	Major Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public Housing	
Operating Revenues					
Charges for sales and services	\$ 6,281,224	\$ 27,101,308	\$ 1,917,820	\$ -	\$ 35,300,352
Rental income	-	-	-	414,734	414,734
Other operating revenues	65,743	796,024	170	15,743	877,680
Total operating revenues	6,346,967	27,897,332	1,917,990	430,477	36,592,766
Operating Expenses					
Administrative	704,329	928,594	-	338,685	1,971,608
Customer service	-	200,538	-	-	200,538
Electrical operations	-	2,955,603	-	-	2,955,603
Electric power purchases	-	22,229,846	-	-	22,229,846
Water operations	1,526,162	-	-	-	1,526,162
Sewer operations	1,116,254	-	-	-	1,116,254
Systems division	1,257,643	-	-	-	1,257,643
Tenant services	-	-	-	-	-
Utilities	-	-	-	13,710	13,710
Ordinary Maintenance and operation	-	-	-	329,411	329,411
General expenses	-	-	-	238,661	238,661
Housing assistance payments	-	-	-	136,978	136,978
Nonroutine maintenance	-	-	-	1,129,687	1,129,687
Landfill operations	-	-	-	72,162	72,162
Depreciation	-	-	5,158,543	-	5,158,543
Total operating expense	1,391,976	423,540	179,331	215,580	2,210,427
Operating income (loss)	350,603	1,159,211	(3,419,884)	(2,044,397)	(3,954,467)
Nonoperating revenues (expenses)					
Operating grants	-	-	-	1,989,979	1,989,979
Capital grants	-	-	-	488,250	488,250
Gain on disposal of assets	-	5,000	12,160	-	17,160
Investment earnings	68,878	156,343	106,161	41,568	372,950
Interest and other charges	(45,524)	(18,008)	(23,245)	-	(86,777)
Other nonoperating (expenses) income	-	-	-	33,921	33,921
Amortization of deferred loss on refunding	-	-	-	-	-
Total nonoperating revenues (expenses)	23,354	143,335	95,076	2,553,718	2,815,483
Income (loss) before contributions and transfers	373,957	1,302,546	(3,324,808)	509,321	(1,138,984)
Capital contributions	-	-	28,402	-	28,402
Transfers to other funds	(598,000)	(1,475,000)	(460,000)	-	(2,533,000)
Transfers from other funds	-	213,000	-	-	213,000
Change in net assets	(224,043)	40,546	(3,756,406)	509,321	(3,430,582)
Total net assets, beginning	28,596,155	10,920,989	1,445,036	6,400,291	47,362,471
Total net assets, ending	\$ 28,372,112	\$ 10,961,535	\$ (2,311,370)	\$ 6,909,612	\$ 43,931,889

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

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

Exhibit 9

	Enterprise Funds				Total
	Water and Sewer Fund	Electric Fund	Landfill Fund	Department of Public	
Cash flows from operating activities:					
Cash received from customers	\$ 6,394,444	\$ 27,001,153	\$ 2,029,198	\$ 468,193	\$ 35,892,988
Cash paid for goods and services	(1,820,313)	(24,261,358)	(4,359)	(1,823,206)	(27,909,236)
Cash paid to employees for services	(2,762,919)	(2,010,769)	(515,582)	(480,221)	(5,769,491)
Customer deposits received	-	31,090	-	-	31,090
Customer deposits returned	-	(13,205)	-	-	(13,205)
Other operating revenues	65,473	793,668	170	33,921	893,232
Net cash provided (used) by operating activities	<u>1,876,685</u>	<u>1,540,579</u>	<u>1,509,427</u>	<u>(1,801,313)</u>	<u>3,125,378</u>
Cash flows from noncapital financing activities:					
Operating grants and subsidies	-	-	-	1,989,979	1,989,979
Due from other funds	37,785	75,730	-	-	113,515
Transfers from other funds	-	213,000	-	-	213,000
Transfers to other funds	(598,000)	(1,475,000)	(460,000)	-	(2,533,000)
Total cash flows from noncapital financing activities	<u>(560,215)</u>	<u>(1,186,270)</u>	<u>(460,000)</u>	<u>1,989,979</u>	<u>(216,506)</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(428,023)	(330,386)	(3,278,204)	(497,551)	(4,534,164)
Principal paid on bonds and installment purchase agreements	(679,116)	(35,000)	(198,136)	-	(912,252)
Interest paid on bonds and installment purchase agreements	(45,524)	(18,008)	(23,245)	-	(86,777)
Proceeds from installment financing	1,050,000	2,100,000	1,921,806	-	5,071,806
Proceeds from sale of assets	-	5,000	12,160	-	17,160
Capital grants	-	-	-	488,250	488,250
Capital contributions	-	-	28,402	-	28,402
Net cash (used) by capital and related financing activities	<u>(102,663)</u>	<u>1,721,606</u>	<u>(1,537,217)</u>	<u>(9,301)</u>	<u>72,425</u>
Cash flows from investing activities:					
Interest earned on investments	68,878	156,343	106,161	41,568	372,950
Net increase (decrease) in cash and cash equivalents	1,282,685	2,232,258	(381,629)	220,933	3,354,247
Cash and cash equivalents at beginning of year	1,401,564	5,319,348	3,827,944	1,304,871	11,853,727
Cash and cash equivalents at end of year	<u>\$ 2,684,249</u>	<u>\$ 7,551,606</u>	<u>\$ 3,446,315</u>	<u>\$ 1,525,804</u>	<u>\$ 15,207,974</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 350,603	\$ 1,159,211	\$(3,419,884)	\$(2,044,397)	\$(3,954,467)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,391,976	423,540	179,331	215,580	2,210,427
Other nonoperating income	-	-	-	33,921	33,921
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	113,220	(100,155)	(156,572)	(3,381)	(146,888)
(Increase) decrease in prepaid expenses	(13,156)	(21,350)	(2,661)	784	(36,383)
(Increase) decrease in inventory	2,270	(179,509)	-	-	(177,239)
Increase (decrease) in accounts payable and accrued liabilities	31,575	233,475	947,260	(3,464)	1,208,846
Increase (decrease) in customer deposits	-	17,885	-	168	18,053
Increase (decrease) in accrued compensated absences	197	7,482	7,335	209	15,223
Increase in accrued landfill closure and postclosure costs	-	-	3,954,618	-	3,954,618
Increase (decrease) in deferred revenues	-	-	-	(733)	(733)
Total adjustments	<u>1,526,082</u>	<u>381,368</u>	<u>4,929,311</u>	<u>243,084</u>	<u>7,079,845</u>
Net cash provided by operating activities	<u>\$ 1,876,685</u>	<u>\$ 1,540,579</u>	<u>\$ 1,509,427</u>	<u>\$ (1,801,313)</u>	<u>\$ 3,125,378</u>

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Year Ended June 30, 2008

Exhibit 10

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 599
Liabilities and Net Assets	
Liabilities:	
Miscellaneous liabilities	<u>599</u>
Total liabilities	<u>\$ 599</u>

Notes to the Financial Statements

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

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.

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 nonmajor 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. Nonoperating 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:

City Hall Capital Reserve Fund. This fund is used to accumulate monies to assist in the construction of a new City Hall.

Governor's Highway Safety Grant Fund. This fund is used to account for grant monies restricted for specific law enforcement program expenses.

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

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.

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 2007 through February 2008 apply to the fiscal year ended June 30, 2008. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

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, 2007. 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.

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 has 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) when certain building re-occupancy percentages are met. This note will be paid to the city over 25 years at a 2% interest rate. At June 30, 2008 the re-occupancy stipulation has not been met. This transaction is currently recorded at the city as a note receivable and unearned revenue for \$800,000.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years.

The City's purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the time of donation. Minimum capitalization costs are \$5,000 for the following types of assets: land, improvements, buildings, infrastructure, substations, lines, plant and distribution systems, equipment and vehicles. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. General infrastructure capital assets, including roads, bridges, streets and sidewalks, and curbs and gutters are capitalized as "Infrastructure". General infrastructure capital assets acquired prior to July 1, 2004, or that received substantial improvements subsequent to July 1, 1980, are reported at estimated historical cost using deflated replacement cost.

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

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, 2008

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, 2008.

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

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

Special Revenues. portion of total fund balance available for appropriation which has been designated to fund special revenue expenditures.

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2008-2009 budget ordinance.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

For the year ended June 30, 2008, expenditures exceeded authorized appropriations as follows:

General Fund:

Environmental protection expenditures exceeded appropriations by \$30,649
Debt service principal retirement expenditures exceeded appropriations by \$85,535
Recreation grant operating transfers exceeded appropriations by \$3,208

Water and Sewer Fund:

Water and Sewer Administration expenditures exceeded budget appropriations by \$76,832
Water Treatment Plant expenditures exceeded budget appropriations by \$75,762
Sewer Treatment Plant expenditures exceeded budget appropriations by \$36,054

Electric Fund:

Administrative expenditures exceeded budget appropriations by \$23,327
Electric operation expenditures exceeded budget appropriations by \$862,003

Department of Public Housing:

Utility expenditures exceeded budget appropriations by \$18,411 – Conventional
Ordinary maintenance operations expenditures exceeded budget appropriations by \$22,824 – Conventional
Nonroutine maintenance expenditures exceeded budget appropriations by \$32,151 – Conventional
Housing assistance payment expenditures exceeded budget appropriations by \$6,835 – Section 8

Management and the City Council will more closely monitor budget reports to ensure compliance in future years.

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

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

At June 30, 2008, the City's deposits had a carrying amount of \$21,487,752 and a bank balance of \$21,570,926. Of the bank balance, \$1,744,310 was covered by federal depository insurance and \$19,826,616 was covered by collateral held under the pooling method. At June 30, 2008, the City's petty cash fund totaled \$3,705. The carrying amount of the deposits for the ADDC was \$146,184 and a bank balance of \$146,184. Of the bank balance \$127,079 was covered by federal depository insurance and \$19,105 was covered by collateral held under the Pooling Method. The carrying amount of deposits for the ABC Board was \$103,701 and a bank balance of \$94,513. Of the bank balance, the entire balance was covered by federal depository insurance. At June 30, 2008, the ABC Board's petty cash fund totaled \$2,658.

2. Investments

At June 30, 2008, the City of Albemarle had \$4,455,567 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.

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

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>\$168,000</u>

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2008, 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	\$ 1,379,966	\$ 900,104	\$ -	\$ 2,280,070
Construction in progress	<u>660,152</u>	<u>1,321,165</u>	<u>508,092</u>	<u>1,473,225</u>
Total capital assets not being depreciated	<u>2,040,118</u>	<u>2,221,269</u>	<u>508,092</u>	<u>3,753,295</u>
Capital assets being depreciated				
Buildings	5,436,380	360,118	-	5,796,498
Other improvements	621,417	-	50,088	571,329
Infrastructure	3,713,777	86,000	-	3,799,777
Equipment and furnishings	1,447,750	150,408	44,399	1,553,759
Mobile Equipment	<u>3,613,391</u>	<u>432,154</u>	<u>168,563</u>	<u>3,876,982</u>
Total capital assets being depreciated	<u>14,832,715</u>	<u>1,028,680</u>	<u>263,050</u>	<u>15,598,345</u>
Less accumulated depreciation				
Buildings	2,076,189	112,725	(11,966)	2,200,880
Other improvements	189,363	34,275	11,966	211,672
Infrastructure	1,319,761	90,408	-	1,410,169
Equipment and furnishings	809,219	90,378	42,119	857,478
Mobile equipment	<u>2,592,635</u>	<u>243,740</u>	<u>122,280</u>	<u>2,714,095</u>
Total accumulated depreciation	<u>6,987,167</u>	<u>\$ 571,526</u>	<u>\$ 164,399</u>	<u>7,394,294</u>
Total capital assets being depreciated – net	<u>7,845,548</u>			<u>8,204,051</u>
Total Governmental Activities				
Capital assets – net	<u>\$ 9,885,666</u>			<u>\$ 11,957,346</u>

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

General government	\$ 61,794
Public safety	244,133
Public works	166,119
Recreation	<u>99,480</u>
Total depreciation expense	<u>\$ 571,526</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Water and Sewer Fund				
Capital assets not being depreciated				
Land	\$ 139,933	\$ -	\$ -	\$ 139,933
Construction in progress	<u>417,608</u>	<u>310,029</u>	<u>-</u>	<u>727,637</u>
Total capital assets not being depreciated	<u>557,541</u>	<u>310,029</u>	<u>-</u>	<u>867,570</u>
Capital assets being depreciated				
Buildings	32,301,377	28,885	-	32,330,262
Water and sewer lines	26,101,870	-	-	26,101,870
Equipment and vehicles	<u>2,745,614</u>	<u>89,109</u>	<u>12,381</u>	<u>2,822,342</u>
Total capital assets being depreciated	<u>61,148,861</u>	<u>117,994</u>	<u>12,381</u>	<u>61,254,474</u>
Less accumulated depreciation				
Buildings	16,239,815	587,643	-	16,827,458
Water and sewer lines	16,961,446	633,835	-	17,595,281
Equipment and vehicles	<u>1,914,003</u>	<u>170,498</u>	<u>12,381</u>	<u>2,072,120</u>
Total accumulated depreciation	<u>35,115,264</u>	<u>\$ 1,391,976</u>	<u>\$ 12,381</u>	<u>36,494,859</u>
Total capital assets being depreciated – net	<u>26,033,597</u>			<u>24,759,615</u>
Water and Sewer Fund				
Capital Assets – net	<u>26,591,138</u>			<u>25,627,185</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities				
Electric Fund				
Capital assets not being depreciated				
Land	\$ 31,963	\$ -	\$ -	\$ 31,963
Construction in progress	87,143	-	-	87,143
Total capital assets not being depreciated	<u>119,106</u>	<u>-</u>	<u>-</u>	<u>119,106</u>
Capital assets being depreciated				
Buildings	1,306,313	42,500	-	1,348,813
Improvements	-	-	-	-
Distribution lines	17,663,831	102,688	-	17,766,519
Equipment and vehicles	1,702,890	182,843	73,648	1,812,085
Total capital assets being depreciated	<u>20,673,034</u>	<u>328,031</u>	<u>73,648</u>	<u>20,927,417</u>
Less accumulated depreciation				
Buildings	1,041,139	12,182	-	1,053,321
Improvements	-	-	-	-
Distribution lines	15,276,731	330,878	-	15,607,609
Equipment and vehicles	1,393,626	80,480	76,003	1,398,103
Total accumulated depreciation	<u>17,711,496</u>	<u>\$ 423,540</u>	<u>\$ 76,003</u>	<u>18,059,033</u>
Total capital assets being depreciated – net	<u>2,961,538</u>			<u>2,868,384</u>
Electric Fund Capital Assets – net	<u>3,080,644</u>			<u>2,987,490</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities				
Landfill Fund				
Capital assets not being depreciated				
Land	\$ 159,691	\$ -	\$ -	\$ 159,691
Construction in progress	81,205	2,573,094	-	2,654,299
Total capital assets not being depreciated	<u>240,896</u>	<u>2,573,094</u>	<u>-</u>	<u>2,813,990</u>
Capital assets being depreciated				
Buildings	124,150	69,801	-	193,951
Improvements	-	-	-	-
Landfill cell	3,148,443	-	-	3,148,443
Equipment and vehicles	1,967,941	635,309	16,804	2,586,446
Total capital assets being depreciated	<u>5,240,534</u>	<u>705,110</u>	<u>16,804</u>	<u>5,928,840</u>
Less accumulated depreciation				
Buildings	41,164	6,050	-	47,214
Improvements	-	-	-	-
Landfill cell construction	3,078,978	2,113	-	3,081,091
Equipment and vehicles	1,118,321	171,168	16,804	1,272,685
Total accumulated depreciation	<u>4,238,463</u>	<u>\$ 179,331</u>	<u>\$ 16,804</u>	<u>4,400,990</u>
Total capital assets being depreciated – net	<u>1,002,071</u>			<u>1,527,850</u>
Landfill Fund Capital Assets – net	<u>1,242,967</u>			<u>4,341,840</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Department of Public Housing				
Capital assets not being depreciated				
Land	\$ 163,505	\$ -	\$ -	\$ 163,505
Construction in progress	94,804	488,250	-	583,054
Total capital assets not being depreciated	<u>258,309</u>	<u>488,250</u>	<u>-</u>	<u>746,559</u>
Capital assets being depreciated				
Buildings	8,209,610	-	-	8,209,610
Improvements	521,595	-	-	521,595
Equipment	254,485	9,301	-	263,786
Total capital assets being depreciated	<u>8,985,690</u>	<u>9,301</u>	<u>-</u>	<u>8,994,991</u>
Less accumulated depreciation				
Buildings	3,693,765	182,203	-	3,875,968
Improvements	236,274	17,157	-	253,431
Equipment	129,481	16,220	-	145,701
Total accumulated depreciation	<u>4,059,520</u>	<u>\$ 215,580</u>	<u>\$ -</u>	<u>4,275,100</u>
Total capital assets being depreciated – net	<u>4,926,170</u>			<u>4,719,891</u>
Department of Public Housing				
Capital Assets – net	<u>5,184,479</u>			<u>5,466,450</u>
Business-type Activities Capital				
Assets, net	<u>\$ 36,099,228</u>			<u>\$ 38,422,965</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Discretely presented component units:

Activity for the ADDC Board for the year ended June 30, 2008, 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	171,093	22,719	-	193,812
Equipment and vehicles	14,979	892	-	15,871
Total accumulated depreciation	<u>186,072</u>	<u>\$ 23,611</u>	<u>\$ -</u>	<u>209,683</u>
Depreciable assets, net	<u>740,307</u>			<u>716,696</u>
Total ADDC Board capital assets, net	<u>\$ 825,842</u>			<u>\$ 802,231</u>

Activity for the ABC Board for the year ended June 30, 2008, 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	172,993	4,433	-	177,426
Total capital assets being depreciated	<u>1,208,533</u>	<u>4,433</u>	<u>-</u>	<u>1,212,966</u>
Less accumulated depreciation				
Buildings	53,738	27,004	-	80,742
Equipment and furniture	65,063	18,239	-	83,302
Total accumulated depreciation	<u>118,801</u>	<u>\$ 45,243</u>	<u>\$ -</u>	<u>164,044</u>
Depreciable assets, net	<u>1,089,732</u>			<u>1,048,922</u>
Total ABC Board capital assets, net	<u>\$ 1,351,149</u>			<u>\$ 1,310,339</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2008, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	\$ 408,791	\$ 334,268	\$ 1,050	\$ 744,109
City Hall Capital Project	489,456	-	-	489,456
Other governmental	<u>480</u>	<u>-</u>	<u>-</u>	<u>480</u>
Total - governmental activities	<u>\$ 898,727</u>	<u>\$ 334,268</u>	<u>\$ 1,050</u>	<u>\$ 1,234,045</u>
Business-type activities:				
Water and sewer fund	\$ 73,514	\$ 99,642	\$ -	\$ 173,156
Electric fund	2,447,982	74,058	40,492	2,562,532
Landfill fund	981,485	20,493	-	1,001,978
Department of public housing	<u>22,988</u>	<u>20,091</u>	<u>-</u>	<u>43,079</u>
Total - Business-type activities	<u>\$ 3,525,969</u>	<u>\$ 214,284</u>	<u>\$ 40,492</u>	<u>\$ 3,780,745</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 4.94% 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, 2008, 2007, and 2006 were \$510,105, \$493,807, and \$451,678, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2008, 2007 and 2006 were \$7,819, \$7,759, and \$7,311, 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, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance

(1) *Plan Description*

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

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2007, the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>48</u>
Total	<u>54</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, 2007 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, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

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

Annual required contribution	\$ 77,801
Interest on net pension obligation	25,787
Adjustment to annual required contribution	<u>(21,856)</u>
Annual pension cost	\$ 81,732
Contributions made	<u>67,221</u>
Increase (decrease) in net pension obligation	14,511
Net pension obligation beginning of fiscal year	<u>355,681</u>
Net pension obligation end of fiscal year	<u>\$ 370,193</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>
6/30/2006	\$ 81,922	56.42%	\$339,843
6/30/2007	\$ 73,983	78.59%	\$355,681
6/30/2008	\$ 81,732	82.25%	\$370,193

c. Supplemental Retirement Income Plan for 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.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of officer's salary and all amounts contributed are vested immediately. Also, the law enforcement officer's may make voluntary contributions to the plan. Contributions for the year ended June 30, 2008 were \$ 205,871, which consisted of \$ 92,130 from the City and \$ 113,741 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, 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 Firemen's and Rescue Squad Workers' Pension 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.

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

Funding Policy. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer 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.

e. Other Post-Employment Benefits

The City provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and meet certain years of creditable service with the City and/or certain age requirements. The City pays full or partial, depending on length of service, cost of coverage for these benefits on a pay as you go basis. Currently twenty-eight retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2008, the City made payments for the postretirement health benefit premiums of \$105,711. The City obtains health coverage through private insurers.

3. 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.

4. 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)	\$ -	\$ 271,890
Note receivable (General)	-	800,000
Taxes receivable, net (General)	328,179	-
Assessments receivable (General)	6,064	-
Prepaid rents (Business-type Funds)	-	10,948
	<u>\$ 334,243</u>	<u>\$ 1,082,838</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

5. 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.

6. Claims, Judgments and Contingent Liabilities

At June 30, 2008, 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.

7. Long-Term Obligations

a. Installment Purchases

In January 2004, the City entered into an installment purchase contract to finance a landfill tractor scraper. The obligation is to be repaid in twenty quarterly payments of \$18,842, including interest at 2.91 percent, secured by the equipment.

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.

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

7. Long-Term Obligations (continued)

a. Installment Purchases (continued)

The future minimum payments of the installment purchase contracts as of June 30, 2008, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 382,759	\$ 95,537	\$ 645,849	\$ 159,731
2010	376,508	80,554	651,595	139,032
2011	380,646	66,941	657,544	118,134
2012	226,663	56,419	626,456	97,109
2013	151,672	49,911	440,356	77,945
2014-18	700,000	177,079	1,050,000	265,610
2019-23	<u>665,000</u>	<u>57,025</u>	<u>997,500</u>	<u>85,535</u>
Totals	<u>\$2,883,248</u>	<u>\$ 583,466</u>	<u>\$5,069,300</u>	<u>\$ 943,096</u>

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.

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.

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.

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.

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.

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.

At June 30, 2008 the City's legal debt margin is \$76,608,852.

b. Prior Year Defeasance of Debt

In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2008, \$4,940,000 of bonds outstanding are considered defeased.

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

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, 2008:

	<u>Balance</u> <u>July 1 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental activities:					
Installment purchases	\$ 342,713	\$ 2,907,170	\$ 366,635	\$ 2,883,248	\$ 382,759
Compensated absences	530,999	334,911	270,165	595,745	297,873
Net pension obligation	<u>350,836</u>	<u>19,357</u>	<u>-</u>	<u>370,193</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$ 1,224,548</u>	<u>\$ 3,261,438</u>	<u>\$ 636,800</u>	<u>\$ 3,849,186</u>	<u>\$ 680,632</u>
Business-type activities:					
General obligation bonds	\$ 630,000	\$ -	\$ 630,000	\$ -	\$ -
Total obligation bonds	<u>630,000</u>	<u>-</u>	<u>630,000</u>	<u>-</u>	<u>-</u>
Installment purchases	279,746	5,071,806	282,252	5,069,300	645,849
Compensated absences	<u>274,050</u>	<u>190,743</u>	<u>175,521</u>	<u>289,272</u>	<u>134,177</u>
Business-type activity					
Long-term liabilities	<u>\$ 1,183,796</u>	<u>\$ 5,262,549</u>	<u>\$ 1,087,773</u>	<u>\$ 5,358,572</u>	<u>\$ 780,026</u>

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

8. 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>
2009	\$ 6,547	\$ 4,366
2010	6,891	4,022
2011	7,252	3,654
2012	7,633	3,257
2013	8,034	2,836
Thereafter	<u>46,637</u>	<u>7,629</u>
	<u>\$ 82,994</u>	<u>\$ 25,764</u>

9. 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:

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

9. Long-Term Obligations – City of Albemarle ABC Board (Continued)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 81,771	\$ 21,120
2010	85,314	17,577
2011	<u>367,038</u>	<u>7,410</u>
	<u>\$ 534,123</u>	<u>\$ 46,107</u>

C. Interfund Balances and Activity

1. Transfers to/from other funds

Transfers to/from other funds at June 30, 2008, consist of the following:

From the General Fund to the City Hall Capital Project Fund to accumulate funds for the City Hall Project.	\$ 875,000
From the General Fund to the Electric Fund for operating expenditures.	25,000
From the General Fund to the Grants Fund for recreation operating expenditures.	3,887
From the City Hall Capital Reserve Fund to the City Hall Capital Project Fund for capital expenditures.	922,712
From the Water and Sewer Fund to the City Hall Capital Project Fund for capital expenditures.	125,000
From the Water and Sewer Fund to the Electric Fund for operating expenditures.	188,000
From the Water and Sewer Fund to the General Fund for operating expenditures.	285,000
From the Electric Fund to the General Fund for operating expenditures.	285,000
From the Landfill Fund to the General Fund for operating expenditures.	335,000
From the Landfill Fund to the City Hall Capital Project Fund for capital expenditures.	125,000
From the Electric Fund to the City Hall Capital Project Fund for capital expenditures.	500,000
From the Electric Fund to the General Fund for payment in lieu of taxes.	690,000
From the General Fund to the Recreation Grant Fund for operating expenditures.	3,208
From the General Fund to the Governor's Highway Safety Fund for operating expenditures.	<u>2,223</u>
Total	<u>\$ 4,365,040</u>

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Activity (Continued)

2. Interfund Receivables and Payables

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer Fund	General Fund To fund operations	\$ 500,201
Electric Fund	General Fund To fund operations	<u>1,000,403</u>
		<u>\$ 1,500,604</u>

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2008, the City of Albemarle has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$ 14,370 for the 15 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 4 – JOINTLY GOVERNED ORGANIZATIONS

North Carolina Municipal Power Agency Number 1

The City, in conjunction with twenty other local governments, is a member of the North Carolina City Municipal Power Agency Number 1 (Agency). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency's governing board. The twenty-one members, which receive power from the Agency, have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2008 were \$22,229,846.

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, 2008.

CITY OF ALBEMARLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 5 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 6 – CLOSURE AND POSTCLOSURE CARE COSTS – CITY OF ALBEMARLE LANDFILL FACILITY

The City operates two landfills which are referred to as the "old landfill" and the "new landfill." State and federal laws and regulations require the City to place a final cover on its landfills when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although certain closure and postclosure care costs will be paid only near or after the date each landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$7,555,914 reported as landfill closure and postclosure care liability at June 30, 2008 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, 2008:

Old Landfill	\$3,039,813
New Landfill	<u>4,516,101</u>
	<u>\$7,555,914</u>

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

Required Supplemental Financial Data

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.

**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)
12/31/2002	-	561,228	561,228	0%	1,566,259	35.83%
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%

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

Year Ended <u>June 30</u>	Annual Required <u>Contributions</u>	Percentage <u>Contributed</u>
2006	\$ 81,922	56.42%
2007	\$ 73,983	78.59%
2008	\$ 81,732	82.25%

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, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	23 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

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, 2008

Exhibit A-1
Page 1 of 5

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Ad valorem taxes			
Current year	\$ -	\$ 5,311,201	\$ -
Prior years	-	211,073	-
Penalties and interest	-	47,169	-
Total	<u>5,494,100</u>	<u>5,569,443</u>	<u>75,343</u>
Other taxes and licenses			
Gross receipts tax on short-term rental property	-	19,792	-
Local occupancy tax	-	120,034	-
Privilege licenses	-	156,407	-
Total	<u>273,500</u>	<u>296,233</u>	<u>22,733</u>
Unrestricted intergovernmental revenues			
Local option sales tax	-	2,835,553	-
Franchise tax	-	638,051	-
Telecommunications tax	-	194,762	-
Video programming fees	-	156,801	-
Piped natural gas tax	-	74,133	-
Beer and wine tax	-	89,875	-
Payment in lieu of taxes	-	1,041	-
Total	<u>3,944,641</u>	<u>3,990,216</u>	<u>45,575</u>
Restricted intergovernmental revenue			
ABC - law enforcement	-	6,829	-
Powell Bill allocation	-	629,487	-
State grants	-	157,369	-
Drug tax distribution	-	16,138	-
On-behalf payments - fire	-	14,370	-
Total	<u>720,793</u>	<u>824,193</u>	<u>103,400</u>
Permits and fees			
Fire Department fees	-	10,758	-
Housing fees	-	10,837	-
Inspection and rezoning fees	-	7,800	-
Nuisance abatements	-	385	-
Total	<u>30,400</u>	<u>29,780</u>	<u>(620)</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, 2008

Exhibit A-1
Page 2 of 5

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues (continued)			
Sales and service			
Court costs and fees	-	1,170	-
Refuse collection fees	-	573,392	-
Cultural and recreational fees	-	140,751	-
Total	<u>616,950</u>	<u>715,313</u>	<u>98,363</u>
Investment earnings	<u>225,300</u>	<u>259,664</u>	<u>34,364</u>
Miscellaneous			
Miscellaneous	-	46,581	-
Sale of surplus property	-	41,422	-
Sale of fixed assets	-	17,440	-
Lease revenue	-	18,584	-
Contributions	-	3,853	-
Insurance reimbursement	-	24,592	-
Total	<u>114,968</u>	<u>152,472</u>	<u>37,504</u>
Total revenues	<u>11,420,652</u>	<u>11,837,314</u>	<u>416,662</u>
Expenditures			
General government			
Administration			
Salaries and employee benefits	-	205,297	-
Other operating expenditures	-	247,227	-
Capital outlay	-	609,580	-
Total	<u>1,136,000</u>	<u>1,062,104</u>	<u>73,896</u>
Information systems			
Salaries and employees benefits	-	142,782	-
Other operating expenditures	-	62,831	-
Capital outlay	-	18,790	-
Total	<u>232,850</u>	<u>224,403</u>	<u>8,447</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, 2008

Exhibit A-1
Page 3 of 5

	2008		Variance Positive (Negative)
	Budget	Actual	
Expenditures (Continued)			
General government (continued)			
Engineering			
Salaries and employees benefits	-	79,151	-
Other operating expenditures	-	52,240	-
Capital outlay	-	257	-
Total	<u>139,700</u>	<u>131,648</u>	<u>8,052</u>
Human resources			
Salaries and employee benefits	-	178,284	-
Other operating expenditures	-	33,292	-
Capital outlay	-	343	-
Total	<u>217,800</u>	<u>211,919</u>	<u>5,881</u>
Finance			
Salaries and employee benefits	-	153,170	-
Other operating expenditures	-	181,297	-
Capital outlay	-	6,535	-
Total	<u>365,600</u>	<u>341,002</u>	<u>24,598</u>
Community Development			
Salaries and employee benefits	-	285,845	-
Other operating expenditures	-	120,900	-
Capital outlay	-	257	-
Total	<u>419,400</u>	<u>407,002</u>	<u>12,398</u>
Total general government	<u>2,511,350</u>	<u>2,378,078</u>	<u>133,272</u>
Public Safety			
Police			
Salaries and employee benefits	-	2,714,808	-
School resource officers	-	172,779	-
Other operating expenditures	-	462,893	-
Capital outlay	-	268,847	-
Total	<u>3,705,824</u>	<u>3,619,327</u>	<u>86,497</u>
Fire department			
Salaries and employee benefits	-	2,186,712	-
Other operating expenditures	-	229,790	-
Fire Marshall	-	122,155	-
Capital outlay	-	23,415	-
Total	<u>2,631,692</u>	<u>2,562,072</u>	<u>69,620</u>
Total public safety	<u>6,337,516</u>	<u>6,181,399</u>	<u>156,117</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, 2008

Exhibit A-1
Page 4 of 5

	2008		Variance Positive (Negative)
	Budget	Actual	
Expenditures (Continued)			
Public works			
Administration			
Salaries and employees benefits	-	206,092	-
Solid waste disposal fee	-	199,592	-
Downtown Services	-	88,124	-
Other operating expenditures	-	50,270	-
Capital outlay	-	1,028	-
Total	<u>573,400</u>	<u>545,106</u>	<u>28,294</u>
Streets and Highways			
Salaries and employee benefits	-	821,919	-
Other operating expenditures	-	468,530	-
Capital outlay	-	255,645	-
Total	<u>1,607,640</u>	<u>1,546,094</u>	<u>61,546</u>
Shop and Warehouse			
Salaries and employee benefits	-	345,861	-
Other operating expenditures	-	73,995	-
Capital outlay	-	20,016	-
Total	<u>450,650</u>	<u>439,872</u>	<u>10,778</u>
Total public works	<u>2,631,690</u>	<u>2,531,072</u>	<u>100,618</u>
Environmental protection			
Solid waste			
Solid waste	-	1,051,673	-
Bad debt expense	-	3,976	-
Total environmental protection	<u>1,025,000</u>	<u>1,055,649</u>	<u>(30,649)</u>
Cultural and recreation			
Parks and recreation			
Salaries and employee benefits	-	779,855	-
Other operating expenditures	-	353,540	-
Capital outlay	-	115,253	-
Total cultural and recreation	<u>1,248,700</u>	<u>1,248,648</u>	<u>52</u>
Debt service			
Principal retirement	281,100	366,635	(85,535)
Interest and fees	99,500	78,106	21,394
Total debt service	<u>380,600</u>	<u>444,741</u>	<u>(64,141)</u>
Total expenditures	<u>14,134,856</u>	<u>13,839,587</u>	<u>295,269</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, 2008

Exhibit A-1
Page 5 of 5

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues over (under) expenditures	<u>(2,714,204)</u>	<u>(2,002,273)</u>	<u>711,931</u>
Other financing sources (uses)			
Operating transfers (to) from other funds			
Water and Sewer Fund	285,000	285,000	-
Electric Fund	975,000	975,000	-
Landfill Fund	335,000	335,000	-
Recreation Grant	-	(3,208)	(3,208)
City Hall Capital Project Fund	(875,000)	(875,000)	-
Grants Fund	(3,887)	(3,887)	-
Governor's Highway Safety Grant Project	(3,000)	(2,233)	767
Electric Fund	(25,000)	(25,000)	-
Capital lease obligations issued	<u>207,170</u>	<u>2,907,170</u>	<u>2,700,000</u>
Total other financing sources (uses)	<u>895,283</u>	<u>3,592,842</u>	<u>2,697,559</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>(1,818,921)</u>	<u>1,590,569</u>	<u>3,409,490</u>
Fund balance appropriated	<u>1,818,921</u>	<u>-</u>	<u>(1,818,921)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,590,569</u>	<u>\$ 1,590,569</u>
Fund balance, beginning		<u>6,288,323</u>	
Fund balance, ending		<u>\$ 7,878,892</u>	

CITY OF ALBEMARLE, NORTH CAROLINA
 CAPITAL PROJECTS FUND
 CITY HALL

Exhibit A-2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 From Inception and for the Fiscal Year Ended June 30, 2008

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Investment earnings	\$ 25,000	-	\$ 27,672	\$ 27,672	\$ 2,672
Sale of fixed assets	\$ 750,000	-	\$ -	\$ -	\$ (750,000)
Total Revenues	<u>775,000</u>	<u>-</u>	<u>27,672</u>	<u>27,672</u>	<u>(747,328)</u>
EXPENDITURES:					
Capital outlay:					
Legal	65,000	-	15,725	15,725	49,275
Engineering	587,000	-	560,902	560,902	26,098
Permit fees and testing	105,000	-	32,028	32,028	72,972
Other equipment	500,000	-	5,239	5,239	494,761
Construction in progress	9,392,000	-	508,317	508,317	8,883,683
Environmental remediation	<u>250,000</u>	<u>-</u>	<u>143,614</u>	<u>143,614</u>	<u>106,386</u>
Total expenditures	<u>10,899,000</u>	<u>-</u>	<u>1,265,825</u>	<u>1,265,825</u>	<u>9,633,175</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(10,124,000)</u>	<u>-</u>	<u>(1,238,153)</u>	<u>(1,238,153)</u>	<u>8,885,847</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	<u>5,954,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,954,000)</u>
Total other financing sources:	<u>10,124,000</u>	<u>-</u>	<u>2,547,712</u>	<u>2,547,712</u>	<u>(7,576,288)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,309,559</u>	<u>\$ 1,309,559</u>	<u>\$ 1,309,559</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 1,309,559</u>		

Non-major Governmental Funds

City Hall Construction Capital Reserve Fund – This fund is used to accumulate monies to assist in the construction of a new City Hall.

Governor's Highway Safety Grant Fund – This fund is used to account for grant monies restricted for specific law enforcement program expenses.

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.

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

**CITY OF ALBEMARLE, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2008**

Exhibit B-1

	Special Revenue Funds				Total Nonmajor Special Revenue Funds	Capital Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
	City Hall Construction Capital Reserve Fund	Governor's Highway Safety Grant Fund	Recreation Grant Fund	Grants Fund				
ASSETS								
Current Assets								
Cash and investments	\$ -	\$ -	\$ 36,931	\$ (39,017)	\$ (2,086)	\$ 81,627	\$ 81,627	\$ 79,541
Due from other governments	-	-	33,486	42,904	76,390	-	-	76,390
Total assets	\$ -	\$ -	\$ 70,417	\$ 3,887	\$ 74,304	\$ 81,627	\$ 81,627	\$ 155,931
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 480	\$ 480	\$ 480
Total liabilities	-	-	-	-	-	480	480	480
Fund balances								
Reserved by State statute	-	-	33,486	42,904	76,390	-	-	76,390
Unreserved	-	-	-	-	-	81,147	81,147	81,147
Designated for capital projects	-	-	36,931	(39,017)	(2,086)	-	-	(2,086)
Undesignated	-	-	70,417	3,887	74,304	81,147	81,147	155,451
Total fund balances	-	-	\$ 70,417	\$ 3,887	\$ 74,304	\$ 81,627	\$ 81,627	\$ 155,931
Total liabilities and fund balances	\$ -	\$ -	\$ 70,417	\$ 3,887	\$ 74,304	\$ 81,627	\$ 81,627	\$ 155,931

**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, 2008**

Exhibit B-2

	Special Revenue Funds				Capital Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
	City Hall Construction Capital Reserve Fund	Governor's Highway Safety Grant Fund	Recreation Grant Fund	Grants Fund			
Revenues							
Restricted intergovernmental	\$ -	\$ 17,903	\$ 28,064	\$ 42,904	\$ 166,221	\$ 166,221	\$ 255,092
Investment earnings	21,368	-	1,543	-	-	-	22,911
Total revenues	21,368	17,903	29,607	42,904	166,221	166,221	278,003
Expenditures							
Public safety	-	28,764	-	44,513	-	-	73,277
Economic and physical development	-	-	50,428	-	74,806	74,806	74,806
Capital outlay	-	-	-	-	10,268	10,268	60,696
Total expenditures	-	28,764	50,428	44,513	85,074	85,074	208,779
Revenues over (under) expenditures	21,368	(10,861)	(20,821)	(1,609)	81,147	81,147	69,224
Other financing sources (uses)							
Transfers from other funds							
From General Fund	-	2,233	3,208	3,887	-	-	9,328
Water and Sewer Fund	-	-	-	-	-	-	-
Law Enforcement Block Grant	-	-	-	-	-	-	-
Transfers to other funds							
To General Fund	-	-	-	-	-	-	-
City Hall Project	(922,712)	-	-	-	-	-	(922,712)
To Governors Highway Safety Fund	-	-	-	-	-	-	-
Total other financing sources (uses)	(922,712)	2,233	3,208	3,887	-	-	(913,384)
Net change in fund balances	(901,344)	(8,628)	(17,613)	2,278	81,147	81,147	844,160
Fund Balances							
Beginning of year, July 1	901,344	8,628	88,030	1,609	-	-	999,611
End of year, June 30	-	-	70,417	3,887	81,147	81,147	155,451

CITY OF ALBEMARLE, NORTH CAROLINA
CITY HALL CONSTRUCTION CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2008

Exhibit B-3

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Investment earnings	\$ 471,500	\$ 471,500	\$ 21,368	\$ 492,868	\$ 21,368
Other financing sources (uses)					
Transfers from other funds					
General Fund	3,128,500	659,165	-	659,165	(2,469,335)
Debt Service Fund	200,000	109,784	-	109,784	(90,216)
Water and Sewer Fund	100,000	66,242	-	66,242	(33,758)
Electric Fund	100,000	94,653	-	94,653	(5,347)
Transfers to other funds					
General Fund	(2,500,000)	(150,000)	-	(150,000)	2,350,000
City Hall Project Fund	(1,000,000)	-	(922,712)	(922,712)	77,288
Stiller Capital Reserved Fund	(500,000)	(350,000)	-	(350,000)	150,000
Total other financing sources (uses)	(471,500)	429,844	(922,712)	(492,868)	(21,368)
Net change in fund balance	\$ -	\$ 901,344	(901,344)	\$ -	\$ -
Fund balance					
Beginning of year, July 1			901,344		
End of year, June 30			\$ -		

CITY OF ALBEMARLE, NORTH CAROLINA
GOVERNOR'S HIGHWAY SAFETY GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2008

Exhibit B-4

	<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					
Governor's Highway Safety Grant	\$ 272,393	\$ 250,155	\$ 17,903	\$ 268,058	\$ (4,335)
Expenditures					
Public safety					
Operating expenditures	311,859	279,419	28,764	308,183	3,676
Capital outlay	70,000	69,714	-	69,714	286
Total expenditures	381,859	349,133	28,764	377,897	3,962
Revenues (under) expenditures	(109,466)	(98,978)	(10,861)	(109,839)	(373)
Other financing sources					
Transfers from other funds					
General fund	109,466	107,600	2,233	109,833	367
Law Enforcement Block Grant	-	6	-	6	6
Total other financing sources	-	107,606	2,233	109,839	373
Net change in fund balance	\$ -	\$ 8,622	(8,628)	\$ -	\$ -
Fund balance					
Beginning of year, July 1			8,628		
End of year, June 30			\$ -		

CITY OF ALBEMARLE, NORTH CAROLINA
RECREATION GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2008

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	37,666	28,064	65,730	(126,270)
DOT - Enhancement Grant - Phase II	176,000	-	-	-	(176,000)
Investment earnings	12,462	23,904	1,543	25,447	12,985
Miscellaneous	56,700	67,600	-	67,600	10,900
Total revenues	936,080	647,775	29,607	677,382	(258,698)
Expenditures					
Economic and physical development					
Leasehold improvements	77,262	75,984	-	75,984	1,278
Capital outlay	1,468,636	1,126,611	50,428	1,177,039	291,597
Total expenditures	1,545,898	1,202,595	50,428	1,253,023	292,875
Revenues over (under) expenditures	(609,818)	(554,820)	(20,821)	(575,641)	34,177
Other financing sources					
Transfers from other funds					
General Fund	609,818	642,850	3,208	646,058	36,240
Net change in fund balance	\$ -	\$ 88,030	(17,613)	\$ 70,417	\$ 70,417
Fund balance					
Beginning of year, July 1					
			88,030		
End of year, June 30					
			\$ 70,417		

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

From Inception and for the Fiscal Year Ended June 30, 2008

	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	\$ 273,541	\$ 42,904	\$ 316,445	\$ (30,959)
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	236,718	44,513	281,231	34,452
Total expenditures	381,683	302,324	44,513	346,837	34,846
Revenues (under) expenditures	(34,279)	(28,783)	(1,609)	(30,392)	3,887
Other financing sources					
Transfers from other funds					
General fund	34,279	30,392	3,887	34,279	-
Net change in fund balance	\$ -	\$ 1,609	2,278	\$ 3,887	\$ 3,887
Fund balance					
Beginning of year, July 1			1,609		
End of year, June 30			\$ 3,887		

CITY OF ALBEMARLE, NORTH CAROLINA
CDBG CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2008

Exhibit B-7

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental revenues					
CDBG Grant	\$ 1,578,906	\$ 894,674	\$ 166,221	\$ 1,060,895	\$ (518,011)
Miscellaneous	455,000	-	-	-	(455,000)
Total revenues	<u>2,033,906</u>	<u>894,674</u>	<u>166,221</u>	<u>1,060,895</u>	<u>(973,011)</u>
Expenditures					
Economic and physical development					
Operating expenditures	2,120,709	991,745	74,806	1,066,551	1,054,158
Capital outlay	10,268	-	10,268	10,268	-
Total expenditures	<u>2,130,977</u>	<u>991,745</u>	<u>85,074</u>	<u>1,076,819</u>	<u>1,054,158</u>
Revenues over (under) expenditures	<u>(97,071)</u>	<u>(97,071)</u>	<u>81,147</u>	<u>(15,924)</u>	<u>81,147</u>
Other financing sources					
Transfers from other funds					
General Fund	97,071	97,071	-	97,071	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>81,147</u>	<u>\$ 81,147</u>	<u>\$ 81,147</u>
Fund balance					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ 81,147</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, 2008

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Water sales	\$ 3,658,400	\$ 3,691,637	\$ 33,237
Sewer charges	2,519,100	2,531,121	12,021
Water and sewer taps	75,000	58,466	(16,534)
Miscellaneous	-	65,743	65,743
Total operating revenues	<u>6,252,500</u>	<u>6,346,967</u>	<u>94,467</u>
Nonoperating revenues			
Interest earned on investments	74,000	68,878	(5,122)
Sale of assets	1,000	-	(1,000)
Total nonoperating revenues	<u>75,000</u>	<u>68,878</u>	<u>(6,122)</u>
Total revenues	<u>6,327,500</u>	<u>6,415,845</u>	<u>88,345</u>
Expenditures			
Water and Sewer Administraton			
Salaries and employees benefits	-	290,495	-
Postage	-	37,743	-
Contracted services	-	185,470	-
Insurance	-	116,472	-
Uniforms	-	19,012	-
Other operating expenditures	-	54,940	-
Total	<u>627,300</u>	<u>704,132</u>	<u>(76,832)</u>
Water Treatment Plant			
Salaries and employees benefits	-	750,490	-
Supplies	-	290,012	-
Repairs	-	111,297	-
Contracted services	-	36,455	-
Utilities	-	256,546	-
Fuel	-	7,632	-
Other operating expenditures	-	73,730	-
Total	<u>1,450,400</u>	<u>1,526,162</u>	<u>(75,762)</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, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued)			
Sewer Treatment Plant			
Salaries and employees benefits	-	712,691	-
Supplies	-	91,726	-
Repairs	-	97,881	-
Contracted service	-	31,153	-
Utilities	-	148,802	-
Fuel	-	5,304	-
Other operating expenditures	-	28,697	-
Total	<u>1,080,200</u>	<u>1,116,254</u>	<u>(36,054)</u>
System Division			
Salaries and employee benefits	-	1,023,774	-
Supplies	-	183,738	-
Repairs	-	31,823	-
Utilities	-	3,941	-
Other operating expenditures	-	14,367	-
Total	<u>1,261,300</u>	<u>1,257,643</u>	<u>3,657</u>
Debt Service			
Principal on bonds	630,000	630,000	-
Principal on installment purchases	112,200	49,116	63,084
Interest and fees	70,600	45,524	25,076
Total	<u>812,800</u>	<u>724,640</u>	<u>88,160</u>
Capital Outlay			
Water and sewer administration	8,500	3,677	4,823
Water treatment plant	93,000	5,799	87,201
Sewer treatment plant	100,000	94,620	5,380
Systems division	563,400	323,927	239,473
Total	<u>764,900</u>	<u>428,023</u>	<u>336,877</u>
Total expenditures	<u>5,996,900</u>	<u>5,756,854</u>	<u>240,046</u>
Revenues over (under) expenditures	<u>330,600</u>	<u>658,991</u>	<u>328,391</u>
Other financing sources (uses)			
Proceeds from installment financing	-	1,050,000	-
Transfers to other funds			
To General Fund	(285,000)	(285,000)	-
To Electric Fund	(188,000)	(188,000)	-
To City Hall Capital Project Fund	(125,000)	(125,000)	-
Total financing sources (uses) - net	<u>(598,000)</u>	<u>452,000</u>	<u>1,050,000</u>
Appropriated fund balance	<u>267,400</u>	<u>-</u>	<u>(267,400)</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, 2008**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues and other sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,110,991</u>	<u>\$ 1,110,991</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ 1,110,991</u>	
Payment on bond principal		630,000	
Payment on installment purchases		49,116	
Capital outlay		428,023	
Depreciation		(1,391,976)	
Increase in accrued compensated absences		(197)	
Capital lease proceeds		<u>(1,050,000)</u>	
Total reconciling items		<u>(1,335,034)</u>	
Change in net assets		<u>\$ (224,043)</u>	

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, 2008

	<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	<u>24,500</u>	<u>11,815</u>	<u>-</u>	<u>11,815</u>	<u>(12,685)</u>
Total revenues	<u>124,500</u>	<u>111,815</u>	<u>-</u>	<u>111,815</u>	<u>(12,685)</u>
Expenditures					
Engineering	22,800	22,594	-	22,594	206
Construction costs	311,300	311,181	-	311,181	119
Other professional services	<u>11,797</u>	<u>11,683</u>	<u>-</u>	<u>11,683</u>	<u>114</u>
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>-</u>	<u>(233,643)</u>	<u>(12,246)</u>
Other financing sources (uses)					
Transfers from other funds					
From water and sewer fund	<u>221,397</u>	<u>233,643</u>	<u>-</u>	<u>233,643</u>	<u>12,246</u>
Revenues and other sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ALBEMARLE, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2008

Exhibit C-3
Page 1 of 2

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Residential sales	\$ 12,300,000	\$ 12,781,784	\$ 481,784
Commercial and industrial sales	12,550,000	13,650,789	1,100,789
Sales to City Departments	585,000	668,735	83,735
Total charges for services	<u>25,435,000</u>	<u>27,101,308</u>	<u>1,666,308</u>
Other operating revenues	<u>828,900</u>	<u>796,024</u>	<u>(32,876)</u>
Total operating revenues	<u>26,263,900</u>	<u>27,897,332</u>	<u>1,633,432</u>
Nonoperating revenues			
Interest earned on investments	140,000	156,343	16,343
Sale of assets	-	5,000	5,000
Total nonoperating revenues	<u>140,000</u>	<u>161,343</u>	<u>21,343</u>
Total revenues	<u>26,403,900</u>	<u>28,058,675</u>	<u>1,654,775</u>
Expenditures			
Administrative and Finance			
Salaries and employees benefits	-	625,801	-
Postage	-	37,380	-
Travel	-	11,213	-
Contracted services	-	149,025	-
Insurance	-	19,288	-
Other operating expenditures	-	83,470	-
Total	<u>902,850</u>	<u>926,177</u>	<u>(23,327)</u>
Customer Service			
Salaries and employees benefits	-	154,517	-
Materials and supplies	-	23,710	-
Repairs and maintenance	-	13,617	-
Other operating expenditures	-	8,125	-
Total	<u>306,900</u>	<u>199,969</u>	<u>106,931</u>
Electric Operations			
Salaries and employees benefits	-	1,240,284	-
Materials and supplies	-	865,634	-
Repairs	-	85,962	-
Contract labor	-	584,557	-
Electric power purchases	-	22,229,846	-
Other operating expenditures	-	174,670	-
Total	<u>24,318,950</u>	<u>25,180,953</u>	<u>(862,003)</u>

CITY OF ALBEMARLE, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2008

Exhibit C-3
Page 2 of 2

	Budget	Actual	Variance Positive (Negative)
Expenditures (continued)			
Debt Service			
Interest and other charges	-	18,008	-
Principal retirement	-	35,000	-
Total debt service	<u>70,000</u>	<u>53,008</u>	<u>16,992</u>
Capital Outlay			
Administrative and finance	5,000	4,019	981
Customer service	30,000	28,065	1,935
Electric operations	<u>512,800</u>	<u>295,947</u>	<u>216,853</u>
Total	<u>547,800</u>	<u>328,031</u>	<u>219,769</u>
Total expenditures	<u>26,146,500</u>	<u>26,688,138</u>	<u>(541,638)</u>
Revenues over (under) expenditures	<u>257,400</u>	<u>1,370,537</u>	<u>1,113,137</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	(1,475,000)	(1,475,000)	-
Capital lease proceeds	<u>-</u>	<u>2,100,000</u>	<u>2,100,000</u>
Total other financing sources (uses)	<u>(1,262,000)</u>	<u>838,000</u>	<u>2,100,000</u>
Appropriated fund balance	<u>1,004,600</u>	<u>-</u>	<u>(1,004,600)</u>
Revenues and other sources over (under) expenditures, other (uses) and appropriated fund balances	<u>\$ -</u>	<u>\$ 2,208,537</u>	<u>\$ 2,208,537</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ 2,208,537</u>	
Principal retirement		35,000	
Capital outlay		328,031	
Depreciation		(423,540)	
Increase in accrued compensated absences		(7,482)	
Capital lease proceeds		<u>(2,100,000)</u>	
Total reconciling items		<u>(2,167,991)</u>	
Change in net assets		<u>\$ 40,546</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, 2008**

*Exhibit C-4
Page 1 of 2*

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Disposal fees	\$ 1,950,000	\$ 1,751,859	\$ (198,141)
Sales of mulch and scrap	30,000	49,276	19,276
Scrap tire and white goods fees	90,000	116,685	26,685
Total charges for services	<u>2,070,000</u>	<u>1,917,820</u>	<u>(152,180)</u>
Other operating revenues	-	170	170
Total operating revenues	<u>2,070,000</u>	<u>1,917,990</u>	<u>(152,010)</u>
Nonoperating revenues			
Interest earned on investments	20,000	44,962	24,962
Sale of assets	-	12,160	12,160
Total nonoperating revenues	<u>20,000</u>	<u>57,122</u>	<u>37,122</u>
Total revenues	<u>2,090,000</u>	<u>1,975,112</u>	<u>(114,888)</u>
Expenditures			
Landfill Operations			
Salaries and employees benefits	-	518,723	-
Postage	-	531	-
Materials and supplies	-	252,409	-
Repairs	-	135,387	-
Utilities	-	6,540	-
Contracted services	-	169,271	-
Insurance	-	29,245	-
Other operating expenditures	-	69,850	-
Total	<u>1,191,750</u>	<u>1,181,956</u>	<u>9,794</u>
Debt Service			
Principal on installment purchases	477,000	198,136	278,864
Interest and fees	117,500	23,245	94,255
Total	<u>594,500</u>	<u>221,381</u>	<u>373,119</u>
Capital Outlay	<u>881,806</u>	<u>705,110</u>	<u>176,696</u>
Total expenditures	<u>2,668,056</u>	<u>2,108,447</u>	<u>559,609</u>
Revenues over expenditures	<u>(578,056)</u>	<u>(133,335)</u>	<u>444,721</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, 2008**

*Exhibit C-4
Page 2 of 2*

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Other financing (uses) sources			
Transfers to other funds			
To City Hall Capital Project Fund	(125,000)	(125,000)	-
To General Fund	(335,000)	(335,000)	-
Capital Lease Proceeds	<u>621,806</u>	<u>1,921,806</u>	<u>1,300,000</u>
Total other financing (uses)	<u>161,806</u>	<u>1,461,806</u>	<u>1,300,000</u>
Appropriated fund balance	<u>416,250</u>	<u>-</u>	<u>(416,250)</u>
Revenues and other sources over (under) expenditures, other (uses) and appropriated fund balances	<u>\$ -</u>	<u>\$ 1,328,471</u>	<u>\$ 1,328,471</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ 1,328,471</u>	
Payment on installment purchases		198,136	
Capital outlay		705,110	
Depreciation		(179,331)	
Increase in accrued compensated absences		(7,335)	
Interest income from Landfill Capital Reserve Fund		19,150	
Interest income from Landfill Capital Project Fund		42,049	
Capital contributions		28,402	
Adjustment to accrued landfill closure and postclosure costs		(3,969,252)	
Capital lease proceeds		<u>(1,921,806)</u>	
Total reconciling items		<u>(5,084,877)</u>	
Change in net assets		<u>\$ (3,756,406)</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, 2008

Exhibit C-5

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Investment earnings	\$ 100,000	\$ 118,559	\$ 42,049	\$ 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)	(81,205)	(2,139,878)	(2,221,083)	1,778,917
Total other finances sources (uses)	(100,000)	1,966,770	(2,139,878)	(173,108)	(73,108)
Net change in fund balance	\$ -	\$ 2,085,329	(2,097,829)	\$ (12,500)	\$ (12,500)
Fund balance					
Beginning of year, July 1			2,085,329		
End of year, June 30			\$ (12,500)		

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

Exhibit C-6

From Inception and for the Fiscal Year Ended June 30, 2008

	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	\$ 210,918	\$ 28,402	\$ 239,320	\$ (114,325)
Expenditures					
Motor vehicles	140,000	114,059	-	114,059	25,941
Other equipment	51,945	40,769	4,940	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	273,618	4,940	278,558	137,787
Revenues (under) expenditures	(62,700)	(62,700)	23,462	(39,238)	(23,462)
Other financing sources (uses)					
Transfers from other funds					
From Landfill Fund	62,700	62,700	-	62,700	-
Revenues and other sources over (under) expenditures and other (uses)	\$ -	\$ -	\$ 23,462	\$ 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, 2008**

Exhibit C-7

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Investment earnings	<u>50,000</u>	<u>-</u>	<u>19,150</u>	<u>19,150</u>	<u>(30,850)</u>
Total revenues	<u>50,000</u>	<u>-</u>	<u>19,150</u>	<u>19,150</u>	<u>(30,850)</u>
Expenditures					
Capital outlay	<u>3,930,500</u>	<u>81,205</u>	<u>2,568,154</u>	<u>2,649,359</u>	<u>1,281,141</u>
Revenues (under) expenditures	<u>(3,880,500)</u>	<u>(81,205)</u>	<u>(2,549,004)</u>	<u>(2,630,209)</u>	<u>1,250,291</u>
Other financing sources					
Transfers from other funds					
From Landfill Capital Reserve Fund	<u>1,900,000</u>	<u>81,205</u>	<u>2,139,878</u>	<u>2,221,083</u>	<u>321,083</u>
Proceeds from installment financing	<u>1,980,500</u>	<u>-</u>	<u>1,300,000</u>	<u>1,300,000</u>	<u>(680,500)</u>
Total other financing sources	<u>3,880,500</u>	<u>81,205</u>	<u>3,439,878</u>	<u>3,521,083</u>	<u>(359,417)</u>
Revenues and other sources over (under) expenditures and other (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>890,874</u>	<u>\$ 890,874</u>	<u>\$ 890,874</u>
Fund balance					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ 890,874</u>		

CITY OF ALBEMARLE, NORTH CAROLINA
COMBINING BALANCE SHEET
DEPARTMENT OF PUBLIC HOUSING
June 30, 2008

Exhibit C-8

	Department of Public Housing			Totals
	Conventional	Section 8	Capital Fund	
ASSETS				
Current Assets				
Cash and investments	\$ 947,537	\$ 577,922	\$ 345	\$ 1,525,804
Accounts receivable - net	10,737	900	-	11,637
Prepaid expenses	4,448	1,290	-	5,738
Due to (from) other funds	3,307	-	(3,307)	-
Due from other governments	-	-	3,577	3,577
Total current assets	966,029	580,112	615	1,546,756
Noncurrent Assets				
Capital Assets				
Land	163,505	-	-	163,505
Construction in progress	-	-	583,054	583,054
Other capital assets, net of accumulated depreciation	4,641,128	78,763	-	4,719,891
Total noncurrent assets	4,804,633	78,763	583,054	5,466,450
Total Assets	\$ 5,770,662	\$ 658,875	\$ 583,669	\$ 7,013,206
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 36,926	\$ 5,538	\$ 615	\$ 43,079
Customer deposits	37,941	-	-	37,941
Deferred revenues	453	-	-	453
Current portion of compensated absences	500	100	-	600
Total current liabilities	75,820	5,638	615	82,073
Other liabilities				
Accrued compensated absences	20,870	651	-	21,521
Total liabilities	96,690	6,289	615	103,594
Net Assets				
Invested in capital assets, net of debt	4,804,663	78,763	583,054	5,466,480
Unrestricted	869,309	573,823	-	1,443,132
Total net assets	5,673,972	652,586	583,054	6,909,612
Total Liabilities and Net Assets	\$ 5,770,662	\$ 658,875	\$ 583,669	\$ 7,013,206

CITY OF ALBEMARLE, NORTH CAROLINA
COMBINING SCHEDULE OF REVENUES AND EXPENSES
DEPARTMENT OF PUBLIC HOUSING
For the Fiscal Year Ended June 30, 2008

Exhibit C-9

	Department of Public Housing			Totals
	Conventional	Section 8	Capital Fund	
Operating Revenues				
Rental income	\$ 414,734	\$ -	\$ -	\$ 414,734
Other	15,743	-	-	15,743
Total operating revenues	430,477	-	-	430,477
Operating expenses				
Administrative	197,096	141,589	-	338,685
Tenant services	13,710	-	-	13,710
Utilities	329,411	-	-	329,411
Ordinary maintenance and operation	238,661	-	-	238,661
General expenses	133,931	3,047	-	136,978
Housing assistance payments	-	1,129,687	-	1,129,687
Nonroutine maintenance	72,162	-	-	72,162
Depreciation	208,953	6,627	-	215,580
Total operating expenses	1,193,924	1,280,950	-	2,474,874
Operating (loss)	(763,447)	(1,280,950)	-	(2,044,397)
Nonoperating revenues (expenses)				
Operating subsidies	536,277	1,453,702	-	1,989,979
Interest earned on investments	27,925	13,643	-	41,568
Nonoperating revenue	33,920	-	-	33,920
Nonoperating expenses	-	-	-	-
Total nonoperating revenues	598,122	1,467,345	-	2,065,467
Net income before contributions and transfers	(165,325)	186,395	-	21,070
Capital grants	-	-	488,250	488,250
Transfers	-	-	-	-
	-	-	488,250	488,250
Change in net assets	(165,325)	186,395	488,250	509,320
Net assets, July 1	5,839,297	466,191	94,804	6,400,292
Net assets, June 30	\$ 5,673,972	\$ 652,586	\$ 583,054	\$ 6,909,612

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, 2008

Exhibit C-10

	Conventional		Variance Favorable (Unfavorable)
	Original and Final Budget	Actual	
Operating Revenues			
Rental income	\$ 434,000	\$ 414,734	\$ (19,266)
Other	10,000	15,743	5,743
Total operating revenues	444,000	430,477	(13,523)
Operating expenditures			
Administrative	197,835	197,096	739
Tenant services	17,000	13,710	3,290
Utilities	311,000	329,411	(18,411)
Ordinary maintenance and operation	215,322	238,146	(22,824)
General expenses	116,706	13,931	102,775
Nonroutine maintenance	40,000	72,151	(32,151)
Total operating expenditures	897,863	864,445	33,418
Operating revenues (under) operating expenditures	(453,863)	(433,968)	19,895
Nonoperating revenues			
Operating subsidies	479,531	536,277	56,746
Other income	-	33,920	33,920
Interest income	25,000	27,925	2,925
Total nonoperating revenues	504,531	598,122	93,591
Nonoperating expenditures			
Capital outlay	-	515	515
Nonoperating revenues over nonoperating expenditures	504,531	597,607	94,106
Deficiency of revenues (under) expenditures	50,668	163,639	114,001
Appropriated fund balance	-	-	-
Excess of revenues and appropriated fund balance (under) expenditures - modified accrual	\$ 50,668	163,639	\$ 114,001
Reconciliation to the accrual basis:			
Depreciation		(208,953)	
Capital fund expense		(515)	
Accrual of compensated balances		(6,476)	
Capital fund transfer to Conventional		-	
Change in net income before capital contributions and transfers Schedule 24		\$ (52,305)	

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, 2008

Exhibit C-11

	Section 8		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Operating subsidiaries	\$ 1,257,084	\$ 1,453,702	\$ 196,618
Total operating revenues	<u>1,257,084</u>	<u>1,453,702</u>	<u>196,618</u>
Operating expenditures			
Administrative	148,332	144,636	3,696
General expenditures	-	-	-
Housing assistance payments	<u>1,122,852</u>	<u>1,129,687</u>	<u>(6,835)</u>
Total operating expenditures	<u>1,271,184</u>	<u>1,274,323</u>	<u>(3,139)</u>
Operating revenues (under) operating expenditures	(14,100)	179,379	193,479
Nonoperating revenues			
Interest income	<u>14,100</u>	<u>13,643</u>	<u>(457)</u>
Excess (deficiency) of revenues under expenditures modified accrual	<u>\$ -</u>	193,022	<u>\$ 193,022</u>
Reconciliation to the accrual basis:			
Depreciation		<u>(6,627)</u>	
Change in net assets Schedule 24		<u>\$ 186,395</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, 2008

Exhibit C-12

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

	<u>Total</u>
Funds approved	\$ 340,191
Funds expended	<u>340,191</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced - HUD Grants	\$ 340,191
Funds expended	<u>340,191</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$245,377.

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, 2008

Exhibit C-13

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

	<u>Total</u>
Funds approved	\$ 31,900
Funds expended	<u>-</u>
Excess of funds approved	<u>\$ 31,900</u>
Funds advanced - HUD Grants	\$ 239,286
Funds expended	<u>239,286</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$239,286.

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, 2008

Exhibit C-14

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

	<u>Total</u>
Funds approved	\$ 363,045
Funds expended	<u>-</u>
Excess of funds approved	<u>\$ 363,045</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, 2008

Exhibit C-15

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

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

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

CITY OF ALBEMARLE, NORTH CAROLINA
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND COSTS - UNCOMPLETED
DEPARTMENT OF PUBLIC HOUSING - CONVENTIONAL
ANNUAL CONTRIBUTIONS CONTRACT A-1974
For the Fiscal Year Ended June 30, 2008

Exhibit C-16

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-.

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, 2008

Exhibit D-1

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
ASSETS				
Cash and cash equivalents	\$ 241	\$ 40,365	\$ 40,007	\$ 599
	<u>\$ 241</u>	<u>\$ 40,365</u>	<u>\$ 40,007</u>	<u>\$ 599</u>
LIABILITIES				
Due to agencies	241	40,365	40,007	599
	<u>\$ 241</u>	<u>\$ 40,365</u>	<u>\$ 40,007</u>	<u>\$ 599</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, 2008

Exhibit E-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2007</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2008</u>
2007-2008	\$ 49,000	\$ 5,518,376	\$ 5,371,399	\$ 195,977
2006-2007	212,554	426	134,899	78,081
2005-2006	89,526	389	35,862	54,053
2004-2005	64,602	-	18,424	46,178
2003-2004	38,951	-	11,592	27,359
2002-2003	43,622	-	8,130	35,492
2001-2002	21,545	-	2,084	19,461
2000-2001	17,373	-	1,492	15,881
1999-2000	14,130	-	1,703	12,427
1998-1999	12,701	-	1,431	11,270
1997-1998	22,760	-	22,760	-
	<u>\$ 586,764</u>	<u>\$ 5,519,191</u>	<u>\$ 5,609,776</u>	496,179
Less: Allowance for uncollectible accounts Ad valorem taxes receivable				(168,000)
Ad valorem taxes receivable - net				<u>\$ 328,179</u>
Reconcilement with revenues				
Ad valorem taxes collected - General Fund				<u>\$ 5,569,443</u>
Discounts allowed				60,172
Releases and adjustments				4,887
Taxes written off				22,443
Interest collected				<u>(47,169)</u>
Total collections and credits				<u>\$ 5,609,776</u>

CITY OF ALBEMARLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
For the Fiscal Year Ended June 30, 2008

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	\$ 987,047,143	.56	\$ 5,527,464	\$ 4,991,395	\$ 536,069
Penalties	-		2,929	2,929	-
Total	<u>987,047,143</u>		<u>5,530,393</u>	<u>4,994,324</u>	<u>536,069</u>
Discoveries:					
Current year taxes	18,131,429	.56	101,536	100,477	1,059
Penalties	-		-	-	-
Total	<u>18,131,429</u>		<u>101,536</u>	<u>100,477</u>	<u>1,059</u>
Abatements:	(11,527,321)	.56	(64,553)	(50,532)	(14,021)
Total valuation	<u>\$ 993,651,251</u>				
Net levy			5,567,376	5,044,269	523,107
Uncollected taxes at June 30, 2008			<u>(195,977)</u>	<u>(132,740)</u>	<u>(63,237)</u>
Current year's taxes collected			<u>\$ 5,371,399</u>	<u>\$ 4,911,529</u>	<u>\$ 459,870</u>
Current levy collection percentage			<u>96.48%</u>	<u>97.37%</u>	<u>87.91%</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, 2008, which collectively comprises the City of Albemarle, North Carolina's basic financial statements, and have issued our report thereon dated September 16, 2008. 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* and which are described in the accompanying schedule of findings and responses as finding 2008-1.

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's response and accordingly, we express no opinion on it.

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.


September 16, 2008



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, 2008. 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, 2008.

Internal Control Over Compliance

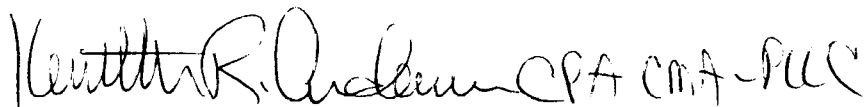
The management of the City of Albemarle is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Albemarle's internal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



September 16, 2008



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, 2008. 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, 2008.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

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

A handwritten signature in black ink, reading "Vincent R. Boehm CPA CMA - PLLC". The signature is written in a cursive style.

September 16, 2008

CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted *Yes*

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal program:

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

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

Auditee qualified as low-risk auditee? *No*

**CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008**

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

Finding 2008-1

MATERIAL NONCOMPLIANCE

- Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.
- Condition: The City of Albemarle had numerous budget over-expenditures at June 30, 2008 (See note 7).
- Effect: Moneys were spent that had not been appropriated.
- Cause: The City expended more than had been budgeted for in the budget ordinance and a budget amendment was not adopted.
- Recommendation: Budget amendments should be adopted before expenditures exceed budgeted expenditures in the budget ordinance.
- Views of responsible officials and planned corrective actions: The City agrees with this finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – State Award Findings and Questioned Costs

None reported.

Section II – Financial Statement Findings

Finding 2008-1

Name of contact person: Colleen Conroy, Finance Officer

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

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

CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2008

Finding 2007-1

Status: Corrected

Finding 2007-2

Status: Similar comment found in current year. See Finding 2008-1

Finding 2007-3

Status: Corrected

CITY OF ALBEMARLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<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					
Governors Highway Safety Program	20.600	PT-07-04-04-01	28,764	-	-
Enhancement Agreement - Greenway Phase I	20.205	E-4129	28,786	-	-
Enhancement Agreement - Greenway Phase II	20.205	E-4129	16,287	-	-
<u>Federal Emergency Management Administration</u>					
Fire Grant	97.044		44,513	-	-
<u>U.S. Department of Housing & Urban Development</u>					
<u>Direct Grant:</u>					
Low Income Housing:					
Public and Indian Housing Operating Subsidies Section 8:	14.850		536,277	-	-
Housing Choice Vouchers	14.871		1,453,702	-	-
Public Housing Capital Fund:					
NC19PO7550106	14.872		239,286	-	-
NC19PO7550105	14.872		245,377	-	-
Passed-through the N.C. Department of Commerce					
CDBG/5 Points Redevelopment Project	14.228	03-U-1161	48,801	-	-
CDBG/Alfred Street Concentrated needs	14.228	05-C-1397	36,273	-	-
Total assistance federal programs			<u>2,678,066</u>	<u>-</u>	<u>-</u>
STATE GRANTS					
Cash Assistance					
<u>N.C. Rural Economic Development Center</u>					
Rural Development Grant	N/A		-	150,000	-
<u>N.C. Department of Environmental & Natural Resources</u>					
<u>Division of Waste Management</u>					
White Goods Management Program	N/A		-	4,940	-
<u>N.C. Parks and Recreation Authority:</u>					
N.C. Parks and Recreation Trust Fund	N/A		-	6,877	-
N.C. Department of Transportation Powell Bill	N/A	9.9000	-	617,496	-
Total assistance state programs			<u>-</u>	<u>779,313</u>	<u>-</u>
Total assistance			<u>\$ 2,678,066</u>	<u>\$ 779,313</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.