

City of

MONROE

North Carolina

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Comprehensive Annual Financial Report



For The Fiscal Year Ended June 30, 2013



City of Monroe, North Carolina Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2013

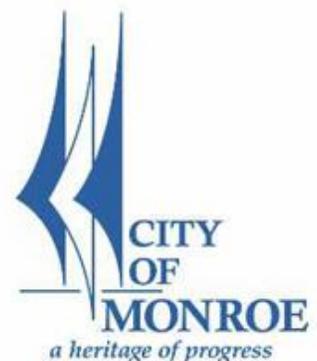
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Introductory Section

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 - Certificate of Achievement for Excellence in Financial Planning
 - List of Principal Officials
 - Organizational Chart
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CITY OF MONROE

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October 30, 2013

To the Honorable Mayor Bobby Kilgore, Members of the City Council,
and Citizens of the City of Monroe:

We are pleased to present to you the Comprehensive Annual Financial Report (“CAFR”) of the City of Monroe for the fiscal year ended June 30, 2013. North Carolina law requires that all general-purpose local governments publish within four months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (“GAAP”) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The independent certified public accounting firm of Potter & Company, P.A., has audited the financial statements and supplemental schedules contained herein, and issued an unqualified opinion on the City of Monroe’s financial statements for the year ended June 30, 2013. The independent auditor’s report is presented as the first component of the Financial Section of this report.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

The goal of the annual independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year are free from material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Monroe’s CAFR.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (“MD&A”). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the Report of the Independent Auditors.

The Reporting Entity and Services Provided

For financial reporting purposes, in accordance with the criteria in Governmental Accounting Standards Board (“GASB”) Statement No. 14, the City of Monroe includes all funds, agencies, boards, commissions and authorities that are controlled by or are financially dependent upon the City. Control by or financial dependence was determined on the basis of obligation of the City to finance deficits, guarantee debt, select the governing authority, approve the budget, have authority to make a public levy, and to have ownership of assets. As a result of implementing GASB Statement No. 14, the City of Monroe has included the City of Monroe ABC Board and the Monroe Tourism Development Authority as discretely presented component units. Additional information on these legally separate reporting entities can be found in the Notes to the Financial Statements.

The City provides numerous services for its citizens including airport operations, cultural and recreational activities, general administration, planning, zoning, economic development, building inspections, code enforcement, police, fire, sanitation, cemetery management, tourism, public works, stormwater, and street maintenance. The City also provides and maintains electric, natural gas, water, and sanitary sewer utilities for the benefit of its citizens and businesses. This report includes the fiscal activities of the City in the provision of these services.

The City also provides financial support to certain boards, agencies and commissions to assist their efforts in serving our citizens. Organizations that receive support from the City include the American Red Cross, HealthQuest, Monroe Athletic Association, Community Health Services of Union County, Union County Crisis Assistance Ministry, Union County Habitat for Humanity, Union County Community Arts Council, Council on Aging in Union County, the Monroe-Union County Community Development Corporation, the Union County Historic Preservation Commission, Turning Point, Union County Community Action, Inc., the Literacy Council of Union County, the Union County Community Shelter, Arc of Union County and the Police Athletic League.

Organization of Government

The City of Monroe was established in 1844, and is located near the center of Union County in the Southern Piedmont region of North Carolina. The City is a diverse community of over 33,000 residents, and has an incorporated area of over 29 square miles. Monroe serves as the County seat for Union County, and is the County’s largest municipality. Monroe’s corporate limits are approximately seven miles southeast of Charlotte. The City Council may involuntarily annex property into the corporate limits so long as requirements set forth in North Carolina general statutes are met. North Carolina legislation gives property owners the opportunity to petition to terminate an annexation action initiated by the municipality. Annexed areas are also required to be guaranteed fire, police, and solid waste services immediately upon annexation and provisions for water and sewer service within three and one-half years of annexation. Voluntary annexations may also be considered and approved at the discretion of City Council, following all statutory requirements.

The City is organized under a Council-Manager form of government, with a six-member City Council and Mayor serving as the governing body, and who are responsible for policy-making and establishing legislative authority. Council members are elected on a non-partisan basis to staggered four-year terms. The Mayor is elected to serve a two-year term, and is a full voting member on the City Council.

The City Council is responsible for passing ordinances, adopting the annual budget, appointing committees, and appointing the City Manager, City Attorney, City Clerk and Tax Collector. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the daily operations of the government, and for selecting the department heads to manage the various City departments.

The City takes pride in the services offered to our citizens, and the mission of City staff is to provide reliable, responsive, quality service to our customers at the lowest reasonable cost. We accomplish this through professional and courteous service consistent with making Monroe a vibrant and progressive

community. City staff strives to be proactive in addressing the various needs of the community, and adheres to the guiding principles of Teamwork, Customer Service, Respect, and Accountability.

Economic Condition and Outlook

Monroe has weathered the national recession well and is poised to capitalize on the current recovery. New and existing industries have announced millions of dollars in new capital investments in manufacturing equipment and facility expansions. Monroe's workforce is diversified, consisting of industrial, construction, agricultural, and retail employment. The City's economic base includes major employers involved in aerospace, plastics, food processing, professional services, and education. While serving as a regional employment and commercial center for surrounding communities, the City maintains a small town atmosphere and enjoys the benefits of being part of the Charlotte metropolitan region.

Monroe's corporate citizens continue to grow and prosper giving Monroe and Union County national and international recognition. In 2008, Monroe was named in the Top 5 in the United States for Excellence in Aerospace Recruitment by Expansion Solutions magazine. While in 2009, Union County was 10th in the nation in job creation from 2000 to 2008 by CNN/Money. April 2010, Monroe was named "Top 10 Aerospace Communities in the South You May Not Know About" by Southern Business Development magazine. For 2012, Monroe again received media coverage among international trade magazines and the Wall Street Journal. In 2013, Monroe was named one of the Top 10 communities for manufacturing in the Southeast. Because of our recruitment and retention efforts, Union County has maintained the lowest unemployment in the Charlotte Region for 13 consecutive years.

Monroe has evolved into a premier location for precision manufacturing. Nearly 15% of the industrial base and 26% of the manufacturing employment is deep-rooted in aerospace, resulting in the highest geographic concentration of aerospace companies in North Carolina (NC Department of Commerce – Sept 2008). Also, Monroe's industrial base is international with 10 countries represented among 15 companies. With recent investments from SCOTT Safety, ATI Allvac, Cyril Bath Company, United Technologies Aerospace Systems (UTAS) and SAFRAN Turbomeca Manufacturing, Monroe will sustain employment and utility customers during the current economic trough and is well positioned to prosper as the economy rebounds.

Major Initiatives

The City of Monroe has been involved in many significant initiatives during the past fiscal year. The City Council has identified and addressed key issues that are of importance to the future of the City, including utility planning for water, wastewater, electric, and natural gas demands brought on by system growth. The City has developed a fifteen year rate model for projecting water and wastewater rates to address the impact of future capital improvement projects on the City's rate structure. The goal is to achieve incremental single digit rate increases rather than large rate increases in the year infrastructure is financed.

The Water Resources Department continues to monitor economic condition and growth potential and adjust strategic capital project initiatives. Deferred projects include the Bearskin Sewer outfall upgrade and wastewater treatment plant expansion. Current initiatives are focusing on system sustainability and asset management programs. The renewal and replacement of aging water and wastewater pipeline infrastructure is a priority. A departmental staffing re-organization was completed to form a centralized electrical and mechanical maintenance group. Preventative maintenance programs for all equipment continue to be refined. Utility coordination/realignments for the Turnpike Authority Monroe Bypass have been funded, but the project is currently on hold pending revised environmental permitting. Work continues on the Stewart Creek sewer outfall and pump station replacement, with completion set for January 2014. This project is being funded via a \$10.3 million dollar State Revolving Fund loan from the North Carolina Department of Environment and Natural Resources Constructions Grants and Loans Division.

The City's Natural Gas Department operates a 43 mile natural gas transmission line providing a direct connection between Monroe's distribution system and the Transcontinental Pipeline. A distribution expansion project that will add approximately 80 miles of distribution piping and as many as 2,000 additional customers was started. Pipelines were extended to Mineral Springs and some additional areas

of Unionville. A focused effort to locate and inform potential customers about the benefits of natural gas that are located along existing pipelines is underway. Initial estimates show that approximately 4,000 new potential customers are located along our existing system. Direct mailings, door hangers, road signs, and direct visits will be used to inform these potential customers of the availability and benefits of natural gas.

The City's Electric Department completed the final section of a 12.8 mile 100 kilovolt transmission loop, which now provides a complete loop around the city and dual feed capabilities to each substation. This project greatly enhances the reliability and maintainability of the electric system. The department also completed work to add 13.2 kilovolt capacity to the Western side of the city. A 100 to 13.2 kilovolt transformer and substation equipment was added at the Goldmine road substation. The Goldmine Road substation addition gives tremendous flexibility and redundancy to our 13.2 kilovolt system.

Several electric system improvement projects were also completed. Conversion of 4 kilovolt circuits from our Cemetery Substation to 13.2 kilovolts was completed. Design for conversion of the remaining 4 kilovolt circuits is underway. The 4 kilovolt conversions allow for a reduction in warehouse inventory, and significant reductions in distribution line losses. Another significant system improvement project completed was reconductoring several main line feeders at the Camp Sutton substation. These projects provide for improved reliability, a reduction in system losses, and better system operating capabilities.

The City of Monroe implemented a stormwater utility program on January 1, 2009 to address the EPA's National Pollutant Discharge Elimination System, Phase II (NPDES) requirements and to provide a comprehensive stormwater maintenance program to improve the existing stormwater system. As part of the NPDES requirements, the Engineering Department has developed several stormwater public education and involvement programs. These programs include classroom presentations to area students and home owner associations using a portable, interactive watershed model known as an EnviroScope. Opportunities for public involvement include Adopt-a-Stream and a storm drain marker program. The Engineering Department also has developed an in-house pollution prevention and good housekeeping education program for city employees on spill prevention, vehicle/equipment maintenance and outdoor storage of materials and wastes. As part of the NPDES Illicit Discharge Detection and Elimination requirement, the Engineering Department has walked stream segments within the Stewarts, Bearskin and Richardson Creek Watersheds in an effort to identify illicit discharges.

As part of the stormwater maintenance program, the City of Monroe has a 6-person stormwater maintenance crew dedicated to the improvement and maintenance of the existing stormwater system. Responsibilities include repair, new construction and routine system maintenance on the stormwater infrastructure. The stormwater maintenance crew has completed over 825 work orders in addition to completing nine capital improvement projects. In the upcoming year, two capital improvement projects are proposed for the stormwater maintenance crew within the Country Club neighborhood and at the Monroe-Union County Chamber of Commerce. The Engineering Department is also in the final stages of completing a Stormwater Master Plan study for the entire city. The engineering consultant has completed the Stormwater Master Plan for the Stewart Creek Watershed, Bearskin Creek Watershed and Richardson Creek Watershed. By December 2013, the engineering consultant is scheduled to complete the environmental in-stream assessment and water quality monitoring and modeling all the watersheds. Beginning in 2014, Engineering Staff hopes to begin the Water Quality Improvement and Implement Phase for the Stewarts Creek Watershed.

The City continues to invest in its future with a major expansion project at the Charlotte-Monroe Executive Airport. The expansion will allow the City to continue to attract additional businesses. Completed improvements include hangar acquisition and construction, terminal expansion design, ramp area expansion, installation of new navigational aids/instruments, taxiway widening, and lengthening of the runway to 7,000 feet. The \$23+ million renovation and expansion is nearing completion. The final phase which includes the strengthening the runway, expanding the runway end safety area and replacing Glideslope and MALSR (runway lighting system) equipment are currently underway. The long-range master plan for the airport facility has the capacity for approximately \$800 million of new aircraft and hangar investment over the next 40 years. The community has opened its second industrial park, known as AeroPointe Industrial Centre, located adjacent to the airport. AeroPointe will compliment the airport and

the established 500-acre Monroe Corporate Center, offering housing to smaller companies that will support the local large manufacturing base.

City Council is supportive of the City's public safety departments and supports their efforts in making Monroe a better community. The Monroe Police Department police officers participated in the Police Athletic League, D.A.R.E Camp and Operation True Blue Christmas. These programs impacted the lives of over two hundred children in the City of Monroe.

The Monroe Police Department currently has officers assigned to three different Task Forces that partner with various Federal Law Enforcement Agencies. The Police Department's participation with the Drug Enforcement Administration, and the Bureau of Alcohol, Tobacco, Firearms and Explosives is a collaborative effort to investigate a variety of crimes that occur within the City of Monroe. Three of our officers are assigned to work on these task forces.

The Monroe Police Department Citizens Academy allows the residents to gain firsthand knowledge about the law enforcement profession. This program lasts for nine weeks and allows our citizens to tour the facilities, attend classroom lectures and participate in various practical exercises that law enforcement officers encounter on a daily basis.

The Monroe Fire Department earned accredited agency status through the Commission on Fire Accreditation International on August 2, 2012. This is a major achievement not only for the city and fire department but for our residents, business owners and visitors to Monroe. The fire department also received re-certification through the North Carolina Association of Rescue & EMS in the areas of heavy rescue, high angle rescue, confined space rescue and water rescue.

An Emergency Operations Drill, which involved city staff and department heads, was held to identify the readiness of the current City of Monroe Emergency Operations Plan (EOP) and to identify any proposed updates or changes that should be made. The drill was facilitated by the Fire Department and Union County Emergency Management. Pulse oxygen and glucose meters are now provided on fire department medical response vehicles. These meters aid crews in determining what type of treatment a sick or injured patient should receive. The department has also completed or made progress on various goals and objectives included in the department's community driven strategic plan, which was adopted in 2009 and continues to guide the Fire Department.

The city continues to hold a Class 3 fire insurance rating from the Insurance Services Office (ISO), which reflects well on the city's professional fire operations and water system infrastructure. This rating also allows the city's businesses and homes to enjoy lower fire insurance premiums.

The Fire Department held its second annual awards banquet to recognize the accomplishments of Monroe firefighters throughout the course of the year. In addition to other awards, five company citations were awarded to Monroe fire companies for performing outstanding levels of service.

The City of Monroe continues to aggressively seek funding for roadway improvements, and has been active in its support for the development and construction of the Monroe Connector/ Bypass Project as well as M. L. King Boulevard, which has recently been completed. Multiple projects that are associated with the Downtown Master Plan as well as the transportation solutions developed by a related transportation study to enhance the development of the Downtown area are waiting funding. In addition, the City has design and construction drawings prepared for the re-alignment of Concord Avenue with Charlotte Avenue to address congestion as vehicles move out of the Downtown Area and once funding is obtained, will be in position to bid and construct this much needed improvement. The City is constantly looking at methods and practices to adequately maintain existing infrastructure and extend our transportation dollars. Chip sealing is one such practice introduced recently that will enable the resurfacing of more miles of streets each year through significantly reduced cost when compared to the traditional asphalt overlay.

The City of Monroe, Mayor and Council and concerned citizens would like to give Downtown its own market niche. City Council has approved a Master Plan for the downtown area. Opening new businesses Downtown, thereby improving the business mix, attracting shoppers and residents, raising property values

and sales tax revenues are all elements of the plan. Restored buildings, attractive storefronts and pedestrian friendly walks and streets will gradually change and reinforce the public's perception that Downtown is the 'heart and soul' of Union County. Monroe which is designated a National Trust Main Street Community, uses the Main Street approach to Downtown revitalization, a comprehensive, incremental four-point approach. The revitalization effort will focus on the areas of design, organization, promotion, and economic restructuring: a practical Downtown management strategy, in combination with the Downtown Master Plan, will produce fundamental changes in the Downtown's economic base. The City has completed streetscape improvements on Windsor Street, made needed street tree replacement and sidewalk repairs, ADA ramps, hosted downtown special events and promotions of downtown as a destination and installed Downtown National Register Historic District Signage. Three business expansions occurred downtown; Home Instead, RW Price and Associates and CDS, Inc. Three properties were acquired by private investors for rehab and ten new businesses located downtown. The value of new public investment in downtown was \$440,286 and private investment was \$2,656,251 for a total public/private investment in downtown of approximately \$3,096,537, as reported to North Carolina Main Street.

The IT department is continuing to update the City's server hardware and software infrastructure. Over the past year IT has implemented a new backup system and anti-spam system and has started deploying tablet technology to field personnel. An integrated help-desk system is now being used for IT inventory, software deployment and work order tracking and a secure remote pc application is being used for client support. The Water filter plant is now on City of Monroe fiber replacing the former unreliable Wi-Fi connection. The IT department has been working with the Energy Services Department to implement an outage management system. IT has also been working with the Fire Department to assist in their new software implementation. The planned completion of these projects is January 2014.

The City of Monroe pursues grant funding to provide resources for the completion of various projects. The City has recently received funding from the Federal Aviation Administration and the NC Division of Aviation of nearly \$6 million, including \$2.6 million for the airport runway overlay and strengthening and apron pavement rehabilitation project and \$2 million for safety area improvements and installation of a new localizer. In late 2012, the City received a grant for \$1.1 million for the replacement of the Glideslope.

During the 2012-2013 year, the Police Department utilized the remainder of a previously awarded grant in the amount of \$131,793 to upgrade existing computer systems and in-car video systems. Two other grants totaling \$31,380 were obtained to be used on continued upgrades to in-car computers and video maintenance. The department also recently received a grant in the amount of \$14,322 to purchase a new traffic reconstruction laser system.

The City of Monroe, in partnership with Monroe-Union County Community Development Corporation on behalf of Union County administered a \$400,000 Community Development Block Grant. Funds were used to assist low-moderate income families with housing rehabilitation throughout the County.

Long-Term Financial Planning and Major Initiatives

The city seeks to maintain a strong financial position. This objective requires regular long-term planning of operating and capital requirements for its major general government and enterprise programs. In doing so, the City relies on key financial policies and procedures for dealing with future events in financially responsible ways.

Annually, the City adopts a 5-year Capital Improvement Program (CIP) that looks ahead to project and plan for capital needs. The program outlines each capital project, the estimated cost, description and funding source. This city takes into consideration and monitors CIP needs that require additional operating costs and personnel. Monroe City Council and management are committed to budgeting and managing all resources in the most cost-effective manner.

As part of the City's strategic plan, the Monroe City Council has formally assigned fund balance for use in future years for the airport and street resurfacing. It has also established a capital reserve fund to accumulate funds for greenway construction. The City is planning to update its Land Development Plan in the upcoming year. The City is focusing on re-development projects in two areas. The first is the Kerr

Street area where the City wishes to improve the aesthetics, safety, viability and appeal of the area through a comprehensive small area redevelopment plan. The second area is the Sutton Park area. A redevelopment plan is being designed to evaluate existing parcels and make recommendations to redevelop the area to attract new businesses and create business for the local park and surrounding community.

In order to grow and enhance the overall economy of the area, the City has formed a partnership with Union County to establish a county-wide economic development organization called Monroe-Union County Economic Development. After receiving input from a wide selection of Union County via municipal government meetings, a work plan was developed. The goals of this plan are to:

- Create more job opportunities
- Generate additional industrial/commercial capital investment
- Better define Union County for the various target audiences

Monroe-Union County Economic Development will seek to accomplish these goals through broad and focused marketing methods; aggressive recruitment missions; continued, enhanced existing industry programs; and new product development. The objective is to average \$60 million in new capital investment from both existing and new companies on an annual basis starting in 2014.

Relevant Financial Policies

The City regularly reviews revenues and expenditures throughout the fiscal year. During the course of the year, if actual revenues are expected to fall short of the budgeted amount, expenditures are reduced to ensure that a shortage of funds or a significant use of fund balance does not occur. City financial policy dictates that our current operating revenues be sufficient to support current operating expenditures.

The City administers a cash management and investment program that seeks to maximize, in order of priority, the preservation of funds, liquidity and interest earnings over its cash and investments. Cash resources of the individual funds are combined to form a pool of cash and investments. The average cash and investment pool balance during the year was \$107,067,358. Investment income includes the change in the fair value of investments. During the year monies were invested and secured in accordance with state law.

A key financial goal of the City for many years has been the maintenance of a fund balance policy in the General Fund. The City of Monroe restricts the use of the greater of \$7,500,000 or 25% of the next year's original adopted budget, net of Federal and State pass-through revenues. In addition, the City has desired to appropriate a portion of fund balance resulting from positive budget variances for one-time capital expenses. Council has the ability to accomplish this by formally assigning money for spending on specific capital projects. Other practices followed are designed to avoid the meeting of recurring expense needs with one-time revenue resources and to ensure an ongoing mix of pay-as-you-go funding of capital needs with long-term debt.

Awards and Acknowledgements

Awards. The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Monroe for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This was the 20th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

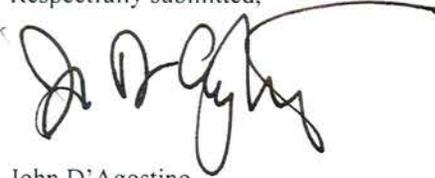
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements. The preparation of this report is a very intensive project, and could not have been accomplished without the assistance and dedication of the Finance Department staff and other personnel from various departments who assisted in its preparation. A particular thank you goes to Assistant Finance

Director Lisa Strickland, Senior Budget Analyst Mary Lou Clark and Accountant II Ashley Ivey who have provided valuable assistance with financial and accounting expertise this past year.

The Mayor and City Council continue to be very supportive of our efforts to produce the best financial reports possible for our citizens, and they provide leadership and support in maintaining the highest standards of professionalism in the fiscal management of the City. We appreciate their support in granting us the time and funding to generate this document, and allowing us to submit it to the GFOA for consideration. Lastly, we would like to express our appreciation to our independent auditing firm, Potter & Company, P.A., for their cooperation and assistance in these efforts.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John D'Agostino". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

John D'Agostino
City Manager

A handwritten signature in black ink, appearing to read "Greg Demko". The signature is cursive and somewhat stylized.

Greg Demko
Assistant City Manager/Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Monroe
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

**CITY OF MONROE,
NORTH CAROLINA**

**LIST OF PRINCIPAL OFFICIALS
June 30, 2013**

Elected Officials

Bobby G. Kilgore
Mayor

Lynn A. Keziah
Mayor Pro Tem

John B. Ashcraft, Jr.

Margaret Desio

Freddie Gordon

Billy A. Jordan

Dottie Nash

City Administration

Greg Demko
Interim City Manager/Assistant City Manager/ Director of Finance

Brian J. Borne
Assistant City Manager/Downtown Monroe Director/ Director of Parks & Recreation

Terry M. Sholar
City Attorney

Bridgette H. Robinson
City Clerk

Bruce Bounds
Director of Information Technology

Russell G. Colbath
Director of Water Resources

Debra C. Duncan
Police Chief

Ronald D. Fowler
Fire Chief

James N. Loyd, Jr.
Director of Engineering

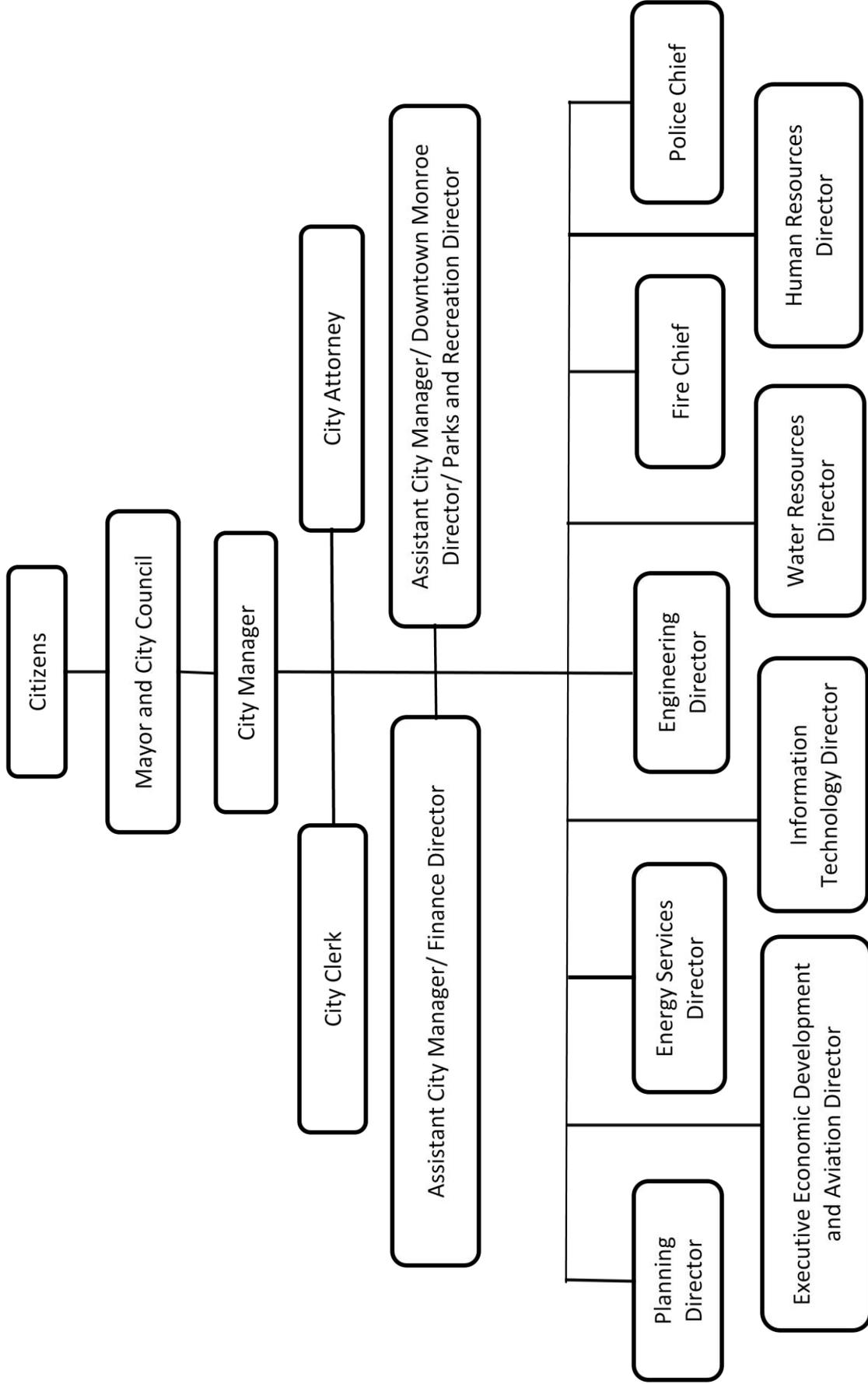
Don D. Mitchell
Director of Energy Services

R. Christopher Platé
*Executive Director of Economic
Development and Aviation*

Debra C. Reed
Director of Human Resources

Lisa W. Stiwinter
Director of Planning

**City of Monroe, North Carolina
Organizational Chart**







POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and The City Council
City of Monroe, North Carolina

Report on the Financial Statements

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 the City of Monroe, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. 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 financial statements are free of material misstatement. The financial statements of City of Monroe ABC Board and Monroe Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective 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 Monroe, North Carolina, as of June 30, 2013, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's and the Health Care Plan of the City of Monroe Schedules of Funding Progress and Schedules of Employer Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Monroe. The introductory section, the other supplementary information section, statistical section, and the 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 other supplementary information and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the other supplementary information section and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013 on our consideration of the City of Monroe's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Monroe's internal control over financial reporting and compliance.

October 30, 2013
Monroe, North Carolina

Potte & Company

Management's Discussion and Analysis

As management of the City of Monroe (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. 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.

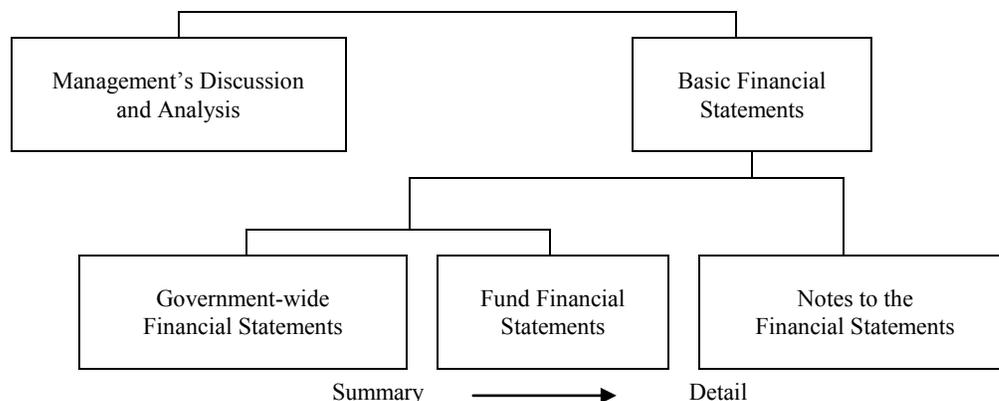
Financial Highlights

- The assets and deferred outflows of resources of the City of Monroe exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$344,573,019 (net position). Of this amount, \$108,835,484 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,749,533. This increase was the net of a decrease of \$1,798,492 from governmental activities and an increase of \$5,548,025 for business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,232,967, an increase of \$364,552 in comparison with the prior year. Approximately 22.1 percent of this total amount or \$5,124,550 is non spendable or restricted by state law.
- At the end of the current fiscal year, unrestricted fund balance (the total of the assigned and unassigned components of fund balance) for the General Fund was \$15,285,689 or 57.7 percent of total general fund expenditures for the fiscal year.
- The City's total debt not including compensated absences and OPEB liability, net of retirements, decreased \$504,996 (1%) during the current fiscal year. The elements of the decrease were the issuance of an installment financing loan totaling \$500,000 for the purchase of trash carts, the issuance of a state revolving fund loan which provided proceeds of \$4,676,987 and \$5,681,983 in debt retirements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to City of Monroe'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 (see Figure 1). 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 Monroe.

Required Components of Annual Financial Report
Figure 1



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 10) 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 position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and, 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer, electric, natural gas, stormwater maintenance, solid waste collection, aquatics and fitness, golf course and airport services offered by the City of Monroe. The final category is the component units. Although legally separate from the City, the ABC Board and the Tourism Development Authority are important to the City because the City exercises control over both Boards by appointing their members. The component units are also required to distribute a portion of their profits to the City.

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

Fund Financial Statements

The fund financial statements (see Figure 1) 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 Monroe, 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 North Carolina General Statutes or the City's budget ordinance. All of the funds of City of Monroe can be divided into two categories: Governmental Funds and Proprietary 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 Position 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 Monroe maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. These other seven governmental funds are made up of two capital projects funds and five special revenue funds including Community Development, Downtown Monroe, Occupancy Tax, State Grant Programs and Monroe-Union County Economic Development.

The City of Monroe adopts an annual budget for its General Fund, as required by North Carolina 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 Council 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 Council; 2) the final budget as amended by the Council; 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.

Proprietary Funds – The City of Monroe maintains two types of proprietary funds: enterprise and internal service. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, electric, natural gas, aquatics and fitness center and golf course, stormwater, sanitation and airport operations. These funds are the same as those functions shown in the business-type activities in the Statement of Activities.

Internal service funds are an accounting tool used to accumulate and allocate costs internally among various functions. The City utilizes an internal service fund for its health, worker's compensation and property and casualty insurance. Because services accounted for in the internal service fund predominately benefit governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

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 begin on page 32 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 Monroe's progress in

funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 67 of this report.

Interdependence with Other Entities - The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

The following is a summary of the City's net position for governmental and business-type activities for the current year as compared to the prior year. For more detail see the Statement of Net Position on page 15.

City of Monroe's Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$30,502,667	\$30,835,544	\$98,985,820	\$99,979,500	\$129,488,487	\$130,815,044
Capital assets	74,086,712	76,585,168	249,746,056	240,818,957	323,832,768	317,404,125
Deferred outflows of resources	-	-	451,247	-	451,247	-
Total assets and deferred outflows of resources	<u>104,589,379</u>	<u>107,420,712</u>	<u>349,183,123</u>	<u>340,798,457</u>	<u>453,772,502</u>	<u>448,219,169</u>
Long-term liabilities outstanding	8,728,574	9,031,547	84,360,126	82,385,415	93,088,700	91,416,962
Other liabilities	3,484,348	4,826,879	12,013,772	11,151,842	15,498,120	15,978,721
Deferred inflows of resources	612,663	-	-	-	612,663	-
Total liabilities and deferred inflows of resources	<u>12,825,585</u>	<u>13,858,426</u>	<u>96,373,898</u>	<u>93,537,257</u>	<u>109,199,483</u>	<u>107,395,683</u>
Net position:						
Net investment in capital assets	69,783,964	70,561,334	160,289,190	152,078,238	230,073,154	222,639,572
Restricted	5,664,381	6,739,650	-	-	5,664,381	6,739,650
Unrestricted	16,315,449	16,261,302	92,520,035	95,182,962	108,835,484	111,444,264
Total net position	<u>\$91,763,794</u>	<u>\$93,562,286</u>	<u>\$252,809,225</u>	<u>\$247,261,200</u>	<u>\$344,573,019</u>	<u>\$340,823,486</u>

The assets and deferred outflows of the City of Monroe exceeded liabilities and deferred inflows by \$344,573,019 as of June 30, 2013. Of the City's total net position \$230,073,154 (66.8%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

An additional portion of the City's net position (\$5,664,381) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$108,835,484 (31.6%) is unrestricted. This amount may be used at the City's discretion in meeting its ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Monroe is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's net position has increased by \$4,647,707 during the current fiscal year. During the current fiscal year, net position for governmental activities decreased \$1,798,492 from the prior fiscal year for an ending balance of \$91,763,794. The decrease in the overall net position of governmental activities is primarily the result of the transfer of capital assets for the City's golf course to the Monroe Aquatics and

Fitness Center business-type fund. The net position for business-type activities increased \$6,446,199. The biggest part of this increase was due to increased cash provided by operating activities in the City's electric, natural gas, and water and sewer operations in addition to the transfer of capital assets to the Monroe Aquatics and Fitness Center for the City's golf course.

The following is a summary of the City's governmental and business-type activities for fiscal year 2013, including revenues and expenses, with a comparison to the prior year. For more detail see the Statement of Activities on page 16-17.

**City of Monroe's Changes in Net Position
Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$5,164,736	\$5,978,156	\$91,647,333	\$87,143,809	\$96,812,069	\$93,121,965
Operating grants and contributions	1,777,052	2,150,466	-	-	1,777,052	2,150,466
Capital grants and contributions	438,240	477,840	-	-	438,240	477,840
General revenues:						
Property taxes	19,434,248	19,356,597	-	-	19,434,248	19,356,597
Other taxes	8,816,522	8,833,338	-	-	8,816,522	8,833,338
Grants and contributions not restricted to specific grant programs						
	173,125	178,396	-	-	173,125	178,396
Other	574,022	1,629,040	(301,191)	3,424,241	272,831	5,053,281
Total revenues	36,377,945	38,603,833	91,346,142	90,568,050	127,724,087	129,171,883
Expenses:						
General government	\$4,354,092	\$5,561,928	\$ -	\$ -	\$4,354,092	\$5,561,640
Transportation	4,800,898	5,108,567	-	-	4,800,898	4,609,377
Public safety	19,067,354	19,512,403	-	-	19,067,354	19,512,403
Culture and recreation	4,069,603	5,067,397	-	-	4,069,603	5,067,397
Economic and physical development	1,015,869	952,969	-	-	1,015,869	952,969
Interest in long-term debt	229,022	53,552	-	-	229,022	53,552
Water and sewer	-	-	12,356,543	11,686,930	12,356,543	11,686,930
Electrical	-	-	51,729,072	49,158,221	51,729,072	49,158,221
Natural Gas	-	-	12,710,031	11,131,374	12,710,031	11,131,374
Aquatics and Fitness Center and Golf Course	-	-	4,885,919	3,782,826	4,885,919	3,782,826
Stormwater	-	-	1,874,073	1,733,824	1,874,073	1,733,824
Solid waste	-	-	2,212,669	2,563,624	2,212,669	2,563,624
Airport	-	-	3,771,235	3,611,317	3,771,235	3,611,317
Total expenses	33,536,838	36,256,816	89,539,542	83,668,116	123,076,380	119,924,932
(Decrease) Increase in net position before transfers	2,841,107	2,347,017	1,806,600	6,899,934	4,647,707	9,246,951
Transfers	(4,639,599)	(2,126,491)	4,639,599	2,126,491	-	-
(Decrease) Increase in net position	(1,798,492)	220,526	6,446,199	9,026,425	4,647,707	9,246,951
Net position, beginning as previously stated	93,562,286	-	247,261,200	-	340,823,486	-
Prior Period Adjustment	-	-	(898,174)	-	(898,174)	-
Net position, beginning as restated	93,562,286	93,341,760	246,363,026	238,234,775	339,925,312	331,576,535
Net position, ending	\$91,763,794	\$93,562,286	\$252,809,225	\$247,261,200	\$344,573,019	\$340,823,486

Governmental activities – Governmental activities decreased the City of Monroe's net position by \$1,798,492. Key elements of this net decrease are as follows:

- Capital grants and contributions remained about the same because of the addition of Ashton Avenue and all of the streets in Woodlands Creek subdivision.
- The decrease of \$373,414 in operating grants and contributions was primarily due to one-time grants that were received in fiscal year 2012.
- A decrease of \$1,055,018 in other revenue was realized primarily because of lower than anticipated interest earnings on investments due to adjusting the investments to market value.
- Expenses decreased across most categories due to an extra pay run in FY12 which totaled approximately \$720,000. Expenses also decreased because of savings realized from decreased personnel and operating costs.

Business-type activities – Business-type activities increased the City of Monroe’s net position by \$6,446,199. Key elements of this increase are as follows:

- Charges for services increased slightly in the water and sewer fund due to a rate increase of 2.3%.
- The golf course activity was moved from the City’s general fund to the aquatics and fitness center fund. This increased the revenue and expense for the aquatic and fitness center fund.
- Charges for services decreased in the solid waste fund due to discontinuing commercial dumpster service.
- Electric revenue and expense increased significantly due to a rate increase of 6.1% to offset increased rates for the purchase of wholesale power.

Two prior period adjustments were made to business-type activities in the net amount of \$898,174 which resulted in a decrease to net position. The first adjustment was to implement GASB 65 resulting in a \$1,429,236 decrease and the second to adjust fixed assets in the electric fund resulting in a \$531,062 increase. For more detail please see Note X on page 66.

Financial Analysis of the City’s Funds

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

Governmental Funds – The focus of the City of Monroe’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’s financing requirements. Specifically, unassigned fund balance can be a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At June 30, 2013, the governmental funds of City of Monroe reported a combined fund balance of \$23,232,967, which is an increase of \$364,552 from last year’s total of \$22,868,415. Of the governmental funds combined ending fund balances, \$3,606,909 represents unassigned fund balance and is available for spending at the City’s discretion. The remainder of fund balance is classified in three categories:

- 1). Non spendable to indicate that it is not available for spending, as it is not in spendable form (\$256,634).
- 2). Restricted to indicate that it is restricted to specific purposes as imposed by law (\$5,664,381);
- 3). Assigned to indicate that it is intended to be used for a specific purpose (\$13,705,043).

More information about fund balance is available in section I.E.12 and section VIII. in the notes to the financial statements.

The general fund is the chief operating fund of the City of Monroe. As of June 30, 2013 the fund balance in the General Fund was \$21,205,628, a decrease of \$102,873 in comparison with the prior year. Of the total fund balance in the General Fund, \$3,606,909 (17.0%) was unassigned fund balance. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13.6% of total general fund expenditures, while total fund balance represents 80.0% of that same amount. In addition to this amount, \$7,500,000 is reserved by a minimum fund balance policy that has been adopted by City Council. Revenues exceeded expenditures prior to transfers by \$4,639,264 due to revenue exceeding projections and savings in expenditures. Transfers of available fund balance were primarily for airport capital projects, airport operations and airport debt retirement.

The Other Government Funds which consist of the Capital Projects Fund, Occupancy Tax Projects Fund and special revenue funds for Community Development, Downtown Monroe, Occupancy Tax, State

Grant Programs and Monroe-Union County Economic Development also impact the total fund balance for governmental funds. The reason for the increase of \$467,425 in this category is due primarily to transfers into the capital projects fund for the design of Fire Station #4, Charlotte Avenue sidewalk project and city hall renovations. \$201,360 was collected for a future occupancy tax capital project. The Monroe-Union County Economic Development fund was newly formed this year as a joint effort to provide county-wide economic development.

Proprietary Funds – The City of Monroe’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. The table below presents the unrestricted net position and the growth in total net position for all proprietary funds.

	Unrestricted Net Assets		Change in Total Net Position	
	2013	2012	2013	2012
Water and Sewer	\$25,715,765	\$24,784,221	\$1,871,303	\$2,694,379
Electric	44,401,015	48,534,614	672,698	4,041,084
Natural Gas	18,165,190	18,387,586	1,418,713	1,322,345
Airport	2,637,635	1,186,019	2,012,041	656,035
Aquatics and Fitness Center	1,123,632	1,512,937	325,031	183,603
Stormwater	467,443	454,432	137,960	119,503
Solid Waste	415,195	493,387	244,059	7,598

Proprietary Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City’s major proprietary funds are water and sewer, electric, natural gas and airport. Minor proprietary funds include Aquatics and Fitness Center and Golf Course, Stormwater and Solid Waste Funds.

As mentioned above, two prior period adjustments were made to business-type activities in the net amount of \$898,174 which resulted in a decrease to net position. The first adjustment was to implement GASB 65 resulting in a \$1,429,236 decrease and the second to adjust fixed assets in the electric fund resulting in a \$531,062 increase. For more detail please see Note X on page 66.

The Water and Sewer Fund accounts for the provision of potable water and sewer service to City and non-City residents. All activities necessary to the provision of these services are accounted for in this fund, including, but not limited to administration, plant and line maintenance. As of June 30, 2013, the City of Monroe’s water fund reported a total net position of \$77,192,802, an increase of \$1,871,303 in comparison with the prior year. This increase is primarily due to savings realized from operating expenses.

The Electric Fund accounts for the provision of electric service to City and non-City residents. All activities necessary to the provision of these services are accounted for in this fund, including, but not limited to administration, plant and line maintenance. As of June 30, 2013, the City of Monroe’s electric fund reported a total net position of \$103,676,194, an increase of \$672,698 in comparison with the prior year. Operating income and power purchases were both down 3% due to mild weather and continued conservation efforts of our customers but were offset by a rate increase and an increase in the price of purchased power. The increase is primarily due to savings realized from operating expenses.

The Natural Gas Fund accounts for the provision of natural gas service to City and non-City residents. All activities necessary to the provision of these services are accounted for in this fund, including, but not limited to administration, plant and line maintenance. As of June 30, 2013, the City of Monroe’s natural gas fund reported total net position of \$41,831,848, an increase of \$1,418,713 in comparison with the

prior year. A warm winter resulted in significantly lower gas sales and purchases, but did not affect the overall health of the natural gas utility. Focus to target potential customers along existing pipeline is underway. The increase in net position is primarily due to savings from operating expenses.

The Airport Fund accounts for the operation of the Charlotte-Monroe Executive Airport. As of June 30, 2013, the City of Monroe's airport fund reported a total net position of \$19,386,931, an increase of \$2,012,041 in comparison with the prior year. This increase is because of the receipt of transfers from the general fund totaling \$1,859,246 for perimeter security fencing, runway improvements and customs building construction. The airport is currently undergoing a major renovation and expansion.

General Fund Budgetary Highlights

During the fiscal year, the City of Monroe revised the budget on several occasions. Generally, budget amendments are either amendments made to adjust the estimates that are used to prepare the original budget ordinance once updated information is available or amendments made to recognize new funding amounts from external sources, such as federal and State grants.

Total amendments to the General Fund increased expenditures by \$2,602,340 or 9.8%. The key differences between the original budget and the final amended budget can be briefly summarized as follows:

- Funds were appropriated for prior year encumbrances in the amount of \$1,158,368 and unspent appropriations (various grants and police equitable sharing) in the amount of \$455,364.
- Donations to the police and fire department totaled \$14,827.
- Funds were appropriated to provide funding for police department firing range modifications \$10,000, police/fire department roof replacement \$125,000, demolition of the Scott Building \$360,000, Kerr Street re-development study \$55,000, pipeline safety grant \$45,000 and fire department radios \$97,500.
- Funds were appropriated to transfer out for solid waste carts \$175,755, Fire Station #4 design \$300,000, city hall renovations \$187,000, Charlotte Ave sidewalk \$115,225, joint economic development program \$150,000, and airport expansion \$1,874,246.

Revenues exceeded final budget by \$1,934,404. This was primarily due to increased collections for sales tax, vehicle property tax, utility franchise fees, building permit fees and privilege licenses.

Expenditures were under budget by \$2,692,918. Expenses were down primarily due to savings realized from vacant positions totaling approximately \$545,868, savings in incentive grants totaling \$230,000, capital budget not spent \$245,893 and Kerr Street re-development study contract not awarded during the fiscal year. Expenditures were 90.8% of the final amended expenditure budget.

Capital Assets

The following is a summary of the City of Monroe's capital assets, net of depreciation for governmental and business-type activities for the current year with a comparison to the prior year. Additional information on the City of Monroe's capital assets can be found in Note IV.A.5 on pages 43 - 48 of this report.

**City of Monroe's Capital Assets
(Net of Depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and land improvements	\$4,867,935	\$4,990,963	\$16,890,871	\$16,751,371	\$21,758,806	\$21,742,334
Buildings and improvements	11,981,130	12,989,298	31,028,385	31,477,781	43,009,515	44,467,079
Equipment	1,400,786	1,855,710	3,358,720	3,473,725	4,759,506	5,329,435
Vehicles and motorized equipment	3,416,908	2,875,483	2,938,574	2,644,657	6,355,482	5,520,140
Other Intangibles	121,593	198,923	773,889	-	895,482	198,923
Infrastructure	52,254,872	53,604,292	171,688,165	157,185,953	223,943,037	210,790,245
Construction in progress	43,488	70,499	23,067,452	29,285,470	23,110,940	29,355,969
Total	\$74,086,712	\$76,585,168	\$249,746,056	\$240,818,957	\$323,832,768	\$317,404,125

The City of Monroe's investment in capital assets for its governmental and business-type activities as of June 30, 2013, totals \$323,832,768 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, enterprise systems infrastructure, machinery and equipment, park facilities, and vehicles. The total increase in the City's investment in capital assets for the current fiscal year was \$6,428,643. Major capital asset events during the year included the following:

- Windsor Street sidewalk
- Charlotte Avenue sidewalk
- City hall renovation
- Completion of electric transmission loop
- Re-conductor Secrest Avenue
- Added security system and roof coating to Energy Services Building
- Completion of 6" natural gas feeder loop

Construction in progress totaling \$23,110,940 has decreased slightly from last year. Projects included in this amount are as follows:

- Water – Stewart Creek sewer outfall and pump station replacement.
- Electric – Construction of the speculative building and electric system renewal and replacement projects
- Natural Gas – system expansion.
- Airport – extension and strengthening of runway 5 and customs building construction.

Debt Administration

The following is a summary of the City's long-term debt for governmental and business-type activity for the current year with a comparison to the prior year. Additional information on long-term debt can be found in note IV.B.7 beginning on page 56 of this report.

**City of Monroe's Outstanding Debt
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Install purchase obligations	\$4,302,746	\$6,023,834	\$1,690,637	\$1,531,660	\$5,993,383	\$7,555,494
Revenue bonds	-	-	45,255,445	47,424,788	45,255,445	47,424,788
State revolving loans	-	-	8,504,208	4,654,298	8,504,208	4,654,298
Certificates of participation	-	-	30,515,513	31,138,965	30,515,513	31,138,965
Total	\$4,302,746	\$6,023,834	\$85,965,803	\$84,749,711	\$90,268,549	\$90,773,545

As of June 30, 2013, the City of Monroe had total debt outstanding of \$90,268,549. The City's bonded debt, \$45,255,445, represents bonds secured by the combined revenues of the major business-type funds

which include water and sewer, electric, natural gas and airport. The certificates of participation were issued to fund the construction of a natural gas pipeline. The City's total debt, net of retirements, decreased \$504,996 during the fiscal year. The primary elements of this change were issuance of an installment financing totaling \$500,000 for the purchase of trash carts, the issuance of a state revolving fund loan which provided proceeds of \$4,676,987 and \$5,681,983 in debt retirements.

The City of Monroe has an A2 bond rating from Moody's Investor Service and A+ rating from Standard & Poor's Rating Services for the Combined Enterprise Fund Revenue Bonds. Standard & Poor's Rating Services has raised its rating on the Certificates of Participation from AA to A+ based on a recent rating review. These ratings and rating upgrade are indications of the sound financial condition and stable outlook of the City of Monroe.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Monroe is \$244,120,237.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the City.

- The annual unemployment rate for City of Monroe has dropped to 8.5%, which is a decrease of 1.0% from last year. This rate is higher than Union County's rate of 8.0% but comparable to the State's average rate of 8.8%.
- The taxable value of commercial and residential property increased 1.3% from fiscal year 2012 to fiscal year 2013.
- Population decreased 0.1% from 33,238 in 2012 to 33,201 in 2013.

Governmental Activities – The City maintained the property tax rate of .555 for fiscal year 2014. The City of Monroe's fiscal year 2014 budget builds upon the foundation of balancing last year's budget and eliminating the general fund deficit. Doing more with less has become business commonplace and in the FY 2014 budget we have been able to preserve a high level of service, undertake capital investments like the replacement of Fire Station number 4, remodeling of the City Council Chambers and the addition of \$300,000 to our streets maintenance program. Improving existing facilities is priority. The much-needed replacement of unsafe and outdated playground equipment at several parks as well as repairing the grounds at the Winchester Recreation Center shows our continued investment in the community and our dedication to improve the overall appearance of our community.

Business-type Activities – Water and sewer rates were increased by 2.3% to plan for the significant anticipated cost of future capital projects and necessary system improvements. Electric rates were increased by 7% to cover the increased cost of wholesale power. Natural gas rates increased by 4.88% to cover lost revenue due to decreased demand resulting from warmer than usual winters. Solid waste and stormwater rates remained the same. With the extensive planning within our water, sewer, electric and natural gas services, Monroe stands alone in Union County to meet any and all residential and industrial development needs. Being ready and able to meet these needs puts Monroe in an excellent position to grow our City as the economic recovery progresses.

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 City of Monroe Department of Finance at 300 West Crowell Street, Monroe, North Carolina, 28112, or visit the City's website at www.monroenc.org.

Basic Financial Statements

The Basic Financial Statements provide a summary overview of the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information at June 30, and the respective changes in financial position and cash flows, where appropriate for the year then ended.

- Government-Wide Financial Statements
 - Fund Financial Statements
 - Governmental Fund Financial Statements
 - Proprietary Fund Financial Statements
 - Notes to Financial Statements
 - Required Supplemental Information
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CITY OF MONROE, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	City of Monroe ABC Board	Monroe Tourism Development Authority
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 24,479,137	\$ 82,585,184	\$ 107,064,321	\$ 698,966	\$ 30,868
Taxes receivable	1,171,798	-	1,171,798	-	-
Accounts receivable	584,115	7,474,192	8,058,307	-	29,881
Note receivable - short term	72,917	1,438,421	1,511,338	-	-
Internal balances - short term	310,950	(310,950)	-	-	-
Due from other governments	2,666,107	-	2,666,107	-	-
Due from component units	64,921	-	64,921	-	-
Inventories	221,782	4,158,145	4,379,927	216,124	1,241
Prepays	143,705	-	143,705	15,742	8,710
Loans receivable (net)	34,936	-	34,936	-	-
Total current assets	<u>29,750,368</u>	<u>95,344,992</u>	<u>125,095,360</u>	<u>930,832</u>	<u>70,700</u>
Restricted assets:					
Cash and cash equivalents	<u>471,862</u>	<u>621,761</u>	<u>1,093,623</u>	<u>-</u>	<u>-</u>
Noncurrent assets:					
Note receivable	1,177,083	2,122,421	3,299,504	-	-
Internal balances - long term	(896,646)	896,646	-	-	-
Capital assets					
Land, non-depreciable improvements, and construction in progress	4,911,423	39,958,323	44,869,746	317,013	-
Other capital assets, net of depreciation	<u>69,175,289</u>	<u>209,787,733</u>	<u>278,963,022</u>	<u>668,051</u>	<u>-</u>
Total capital assets	<u>74,086,712</u>	<u>249,746,056</u>	<u>323,832,768</u>	<u>985,064</u>	<u>-</u>
Total noncurrent assets	<u>74,367,149</u>	<u>252,765,123</u>	<u>327,132,272</u>	<u>985,064</u>	<u>-</u>
Total assets	<u>104,589,379</u>	<u>348,731,876</u>	<u>453,772,502</u>	<u>1,915,896</u>	<u>70,700</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>451,247</u>	<u>451,247</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	775,820	6,431,790	7,207,610	277,942	5,715
Due to primary government	-	-	-	45,000	19,921
Current portion of long-term liabilities	2,317,283	4,937,400	7,254,683	-	-
Unearned revenue	-	22,821	22,821	-	-
Payable from restricted assets	-	621,761	621,761	-	-
Property claims liability	9,286	-	9,286	-	-
Workers compensation claims	6,418	-	6,418	-	-
Health care benefits claims	375,541	-	375,541	-	-
Long-term liabilities:					
Pension obligation	34,024	-	34,024	-	-
OPEB liability	4,829,437	2,170,462	6,999,899	-	-
Due in more than one year	<u>3,865,113</u>	<u>82,189,664</u>	<u>86,054,777</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>12,212,922</u>	<u>96,373,898</u>	<u>108,586,820</u>	<u>322,942</u>	<u>25,636</u>
DEFERRED INFLOWS OF RESOURCES	<u>612,663</u>	<u>-</u>	<u>612,663</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	69,783,964	160,289,190	230,073,154	985,064	-
Restricted for:					
Streets	471,862	-	471,862	-	-
Stabilization by State Statute	4,867,916	-	4,867,916	-	-
Federal Equitable Sharing (DEA)	324,603	-	324,603	-	-
Other purposes	-	-	-	110,208	-
Unrestricted	<u>16,315,449</u>	<u>92,520,035</u>	<u>108,835,484</u>	<u>497,682</u>	<u>45,064</u>
Total net position	<u>\$ 91,763,794</u>	<u>\$ 252,809,225</u>	<u>\$ 344,573,019</u>	<u>\$ 1,592,954</u>	<u>\$ 45,064</u>

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

CITY OF MONROE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Primary government:			
Governmental activities:			
General government	\$ 4,354,092	\$ 2,079,313	\$ -
Transportation	4,800,898	202,541	977,982
Public safety	19,067,354	2,229,503	311,872
Culture and recreation	4,069,603	652,890	223,162
Economic and physical development	1,015,869	489	264,036
Interest on long-term debt	229,022	-	-
	<u>33,536,838</u>	<u>5,164,736</u>	<u>1,777,052</u>
Business-type activities:			
Water and sewer	12,356,543	14,000,005	-
Electric	51,729,072	53,044,385	-
Natural gas	12,710,031	14,261,088	-
Aquatics and Fitness Center and Golf Course	4,885,919	4,297,278	-
Stormwater	1,874,073	1,846,230	-
Solid waste	2,212,669	2,213,853	-
Airport	3,771,235	1,984,494	-
	<u>89,539,542</u>	<u>91,647,333</u>	<u>-</u>
Total primary government	<u>\$ 123,076,380</u>	<u>\$ 96,812,069</u>	<u>\$ 1,777,052</u>
Component units:			
ABC Board	\$ 3,740,038	\$ 3,738,231	\$ -
Tourism Development Authority	380,188	-	334,744
Total component units	<u>\$ 4,120,226</u>	<u>\$ 3,738,231</u>	<u>\$ 334,744</u>
General revenues:			
Taxes:			
Property taxes, levied for general purpose			
Local option sales tax			
Utility taxes			
Other taxes			
Grants and contributions not restricted to specific programs			
Unrestricted investment earnings (loss)			
Interest earnings on interfund loans			
Miscellaneous			
Gain on sale of capital assets			
Total general revenues			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position, beginning as previously stated			
Prior period adjustment - (See Note X)			
Net position, beginning as restated			
Net position, ending			

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

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Position					
Capital Grants and Contributions	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	City of Monroe ABC Board	Monroe Tourism Development Authority
\$ -	\$ (2,274,779)	\$ -	\$ (2,274,779)	\$ -	\$ -
438,240	(3,182,135)	-	(3,182,135)	-	-
-	(16,525,979)	-	(16,525,979)	-	-
-	(3,193,551)	-	(3,193,551)	-	-
-	(751,344)	-	(751,344)	-	-
-	(229,022)	-	(229,022)	-	-
<u>438,240</u>	<u>(26,156,810)</u>	<u>-</u>	<u>(26,156,810)</u>	<u>-</u>	<u>-</u>
408,120	-	2,051,582	2,051,582	-	-
-	-	1,315,313	1,315,313	-	-
-	-	1,551,057	1,551,057	-	-
-	-	(588,641)	(588,641)	-	-
162,048	-	134,205	134,205	-	-
75,000	-	76,184	76,184	-	-
234,898	-	(1,551,843)	(1,551,843)	-	-
<u>880,066</u>	<u>-</u>	<u>2,987,857</u>	<u>2,987,857</u>	<u>-</u>	<u>-</u>
<u>\$ 1,318,306</u>	<u>\$ (26,156,810)</u>	<u>\$ 2,987,857</u>	<u>\$ (23,168,953)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ (1,807)	\$ -
-	-	-	-	-	(45,444)
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,807)</u>	<u>(45,444)</u>
	19,434,248	-	19,434,248	-	-
	4,906,052	-	4,906,052	-	-
	1,723,238	-	1,723,238	-	-
	2,187,232	-	2,187,232	-	-
	173,125	-	173,125	-	-
	(544,265)	(1,698,597)	(2,242,862)	2,687	-
	-	113,153	113,153	-	-
	1,002,314	390,321	1,392,635	-	31,605
	115,973	13,866	129,839	-	-
	<u>28,997,917</u>	<u>(1,181,257)</u>	<u>27,816,660</u>	<u>2,687</u>	<u>31,605</u>
	(4,639,599)	4,639,599	-	-	-
	<u>24,358,318</u>	<u>3,458,342</u>	<u>27,816,660</u>	<u>2,687</u>	<u>31,605</u>
	(1,798,492)	6,446,199	4,647,707	880	(13,839)
	93,562,286	247,261,200	340,823,486	1,592,074	58,903
	-	(898,174)	(898,174)	-	-
	<u>93,562,286</u>	<u>246,363,026</u>	<u>339,925,312</u>	<u>-</u>	<u>-</u>
	<u>\$ 91,763,794</u>	<u>\$ 252,809,225</u>	<u>\$ 344,573,019</u>	<u>\$ 1,592,954</u>	<u>\$ 45,064</u>

CITY OF MONROE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 19,880,840	\$ 1,988,741	\$ 21,869,581
Receivables:			
Taxes	1,133,586	38,212	1,171,798
Accounts	500,273	44,916	545,189
Due from other governments	2,666,107	-	2,666,107
Due from component unit	45,000	19,921	64,921
Inventories	221,782	-	221,782
Prepays	33,776	1,076	34,852
Loans receivable (net)	-	34,936	34,936
Cash and cash equivalents - restricted	471,862	-	471,862
	<u>471,862</u>	<u>-</u>	<u>471,862</u>
 Total assets	 <u>\$ 24,953,226</u>	 <u>\$ 2,127,802</u>	 <u>\$ 27,081,028</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 748,531	\$ 27,289	\$ 775,820
Due to other funds	94,890	-	94,890
Advances from other funds	896,646	-	896,646
	<u>896,646</u>	<u>-</u>	<u>896,646</u>
 Total liabilities	 <u>1,740,067</u>	 <u>27,289</u>	 <u>1,767,356</u>
 DEFERRED INFLOWS OF RESOURCES	 2,007,531	 73,174	 2,080,705
Fund balances:			
Non Spendable			
Inventories	221,782	-	221,782
Prepays	33,776	1,076	34,852
Restricted			
Stabilization by State Statute	4,867,916	-	4,867,916
Federal Equitable Sharing (DEA)	324,603	-	324,603
Transportation	471,862	-	471,862
Assigned			
Minimum fund balance requirement	7,500,000	-	7,500,000
Airport grant acceptance	970,473	-	970,473
Airport operations - 5 year subsidy	1,250,000	-	1,250,000
Street resurfacing - 5 year program	1,500,000	-	1,500,000
Subsequent year's expenditures	458,307	-	458,307
Community Development	-	56,562	56,562
Downtown Monroe	-	38,323	38,323
Monroe Union Economic Development	-	60,944	60,944
Capital Projects	-	287,550	287,550
Occupancy Tax Capital Projects	-	1,582,884	1,582,884
Unassigned	3,606,909	-	3,606,909
	<u>3,606,909</u>	<u>-</u>	<u>3,606,909</u>
 Total fund balances	 <u>21,205,628</u>	 <u>2,027,339</u>	 <u>23,232,967</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 24,953,226</u>	 <u>\$ 2,127,802</u>	 <u>\$ 27,081,028</u>

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

CITY OF MONROE, NORTH CAROLINA
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2013

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

Fund balances - total governmental funds (Exhibit 3)	\$ 23,232,967
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	\$ 132,238,805
Accumulated depreciation	<u>(58,152,093)</u>
	74,086,712
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Pension obligation	(34,024)
Note receivable from outside party	1,250,000
Internal service funds are used by management to charge the costs of health and dental insurance to individual funds. The current assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	1,046,433
Internal service funds are used by management to charge the costs of workers' compensation to individual funds. The current assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	780,966
Internal service funds are used by management to charge the costs of property and liability insurance to individual funds. The current assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	538,705
Internal balance due from Business Type Activities to Governmental Activities.	405,841
Liabilities for earned but deferred revenues in fund statements.	1,468,027
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds (Note II.A.).	<u>(11,011,833)</u>
Net position of governmental activities (Exhibit 1)	<u>\$ 91,763,794</u>

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

CITY OF MONROE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -- GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 19,392,376	\$ 51,042	\$ 19,443,418
Other taxes and licenses	1,213,186	345,097	1,558,283
Unrestricted intergovernmental	7,566,875	-	7,566,875
Restricted intergovernmental	1,358,630	487,198	1,845,828
Program income	-	(11)	(11)
Sales and services	1,419,594	-	1,419,594
Investment earnings	(542,862)	(1,403)	(544,265)
Miscellaneous	742,630	4,670	747,300
Total revenues	<u>31,150,429</u>	<u>886,593</u>	<u>32,037,022</u>
EXPENDITURES			
Current:			
General government	3,171,947	-	3,171,947
Transportation	2,475,793	-	2,475,793
Public safety	16,208,243	-	16,208,243
Culture and recreation	3,114,895	-	3,114,895
Economic and physical development	-	1,015,086	1,015,086
Capital outlay	-	421,649	421,649
Debt service:			
Principal retirement	1,311,265	-	1,311,265
Interest and other charges	229,022	-	229,022
Total expenditures	<u>26,511,165</u>	<u>1,436,735</u>	<u>27,947,900</u>
Revenues over (under) expenditures	<u>4,639,264</u>	<u>(550,142)</u>	<u>4,089,122</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	10,353	1,027,920	1,038,273
Transfers to other funds	(4,752,490)	(10,353)	(4,762,843)
Total other financing sources (uses)	<u>(4,742,137)</u>	<u>1,017,567</u>	<u>(3,724,570)</u>
Net change in fund balances	(102,873)	467,425	364,552
Fund balance:			
Beginning of year	21,308,501	1,559,914	22,868,415
End of year	<u>\$ 21,205,628</u>	<u>\$ 2,027,339</u>	<u>\$ 23,232,967</u>

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

CITY OF MONROE, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds (Exhibit 5)		\$ 364,552
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. This is the amount by which depreciation exceeded capital outlays in the current period (Note II.B.).		(2,070,895)
Governmental funds report the proceeds from the sale of capital assets as an increase in financial resources. In the statement of activities, only the gain (loss) on the sale of capital assets is reported. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.		(17,737)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred revenue		(115,780)
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 position in the government-wide statements. 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 (Note II.B.).		1,311,265
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	108,101	
Net pension obligation	(60,618)	
OPEB liability	<u>(1,055,955)</u>	
		(1,008,472)
The internal service fund, determined to be governmental fund type, is used by management to charge the costs, net of investment earnings, of health and dental insurance program.		(120,866)
The internal service fund, determined to be governmental fund type, is used by management to charge the costs, net of investment earnings, of workers' compensation program.		(128,980)
The internal service fund, determined to be governmental fund type, is used by management to charge the costs, net of investment earnings, of property and liability insurance program.		<u>(11,579)</u>
Change in net position of governmental activities (Exhibit 2)		<u>\$ (1,798,492)</u>

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



CITY OF MONROE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -- BUDGET AND ACTUAL --
GENERAL FUND
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Ad valorem taxes	18,811,893	\$ 18,811,893	\$ 19,392,376	\$ 580,483
Other taxes and licenses	921,778	921,778	1,213,186	291,408
Unrestricted intergovernmental	6,435,203	6,517,256	7,566,875	1,049,619
Restricted intergovernmental	1,007,705	1,272,862	1,358,630	85,768
Sales and services	977,798	989,788	1,419,594	429,806
Investment earnings	103,300	103,300	(542,862)	(646,162)
Miscellaneous	684,221	599,148	742,630	143,482
Total revenues	<u>28,941,898</u>	<u>29,216,025</u>	<u>31,150,429</u>	<u>1,934,404</u>
EXPENDITURES				
Current:				
General government	3,816,803	4,349,152	3,171,947	1,177,205
Transportation	2,576,534	2,820,748	2,475,793	344,955
Public safety	15,377,990	17,000,856	16,208,243	792,613
Culture and recreation	3,199,290	3,402,201	3,114,895	287,306
Debt service:				
Principal retirement	1,311,265	1,311,265	1,311,265	-
Interest and other charges	319,861	319,861	229,022	90,839
Total expenditures	<u>26,601,743</u>	<u>29,204,083</u>	<u>26,511,165</u>	<u>2,692,918</u>
Revenues over (under) expenditures	<u>2,340,155</u>	<u>11,942</u>	<u>4,639,264</u>	<u>4,627,322</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	9,000	9,000	10,353	1,353
Transfers to other funds	(2,370,300)	(4,996,192)	(4,752,490)	243,702
Total other financing sources (uses)	<u>(2,361,300)</u>	<u>(4,987,192)</u>	<u>(4,742,137)</u>	<u>245,055</u>
FUND BALANCE APPROPRIATED	<u>21,145</u>	<u>4,975,250</u>	<u>-</u>	<u>(4,975,250)</u>
Net change in fund balance	<u>-</u>	<u>\$ -</u>	<u>(102,873)</u>	<u>\$ (102,873)</u>
Fund balance:				
Beginning of year			<u>21,308,501</u>	
End of year			<u>\$ 21,205,628</u>	

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

CITY OF MONROE, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Major Enterprise Funds		
	Water and Sewer	Electric	Natural Gas
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 25,691,838	\$ 37,421,090	\$ 14,655,317
Accounts receivable	2,103,149	4,032,590	770,273
Due from other funds	-	1,142,646	-
Note receivable	-	415,382	1,023,039
Prepaid expenses	-	-	-
Inventories	281,283	3,540,271	183,662
Total current assets	<u>28,076,270</u>	<u>46,551,979</u>	<u>16,632,291</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents:			
Customer deposits	88,889	383,975	148,897
Advance to other funds	-	2,888,706	-
Long-term note receivable	-	-	2,122,421
Capital assets:			
Land and other non-depreciable assets	8,029,296	9,868,270	2,406,137
Other capital assets, net of depreciation	60,680,512	71,404,103	58,874,187
Capital assets (net)	<u>68,709,808</u>	<u>81,272,373</u>	<u>61,280,324</u>
Total noncurrent assets	<u>68,798,697</u>	<u>84,545,054</u>	<u>63,551,642</u>
Total assets	<u>96,874,967</u>	<u>131,097,033</u>	<u>80,183,933</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>84,654</u>	<u>83,148</u>	<u>36,746</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	1,249,119	4,558,462	357,733
Unearned revenue	-	-	-
Due to other funds	-	-	1,009,460
Compensated absences	195,974	113,719	45,738
Installment purchase obligations	20,563	238,969	36,141
Certificates of participation	-	-	643,452
Revenue bonds payable	589,231	896,555	216,057
State revolving loans payable	827,077	-	-
Total current liabilities	<u>2,881,964</u>	<u>5,807,705</u>	<u>2,308,581</u>
Liabilities payable from restricted assets:			
Customer deposits	88,889	383,975	148,897
Noncurrent liabilities:			
Advance from other funds	-	-	1,992,060
Compensated absences	96,525	56,011	22,528
Installment purchase obligations	-	210,320	15,071
Certificates of participation - net of unamortized discounts	-	-	29,872,061
Revenue bonds payable - net unamortized premium	8,118,769	20,651,350	3,829,364
State revolving loans payable	7,677,131	-	-
Other postemployment benefits payable	903,541	394,626	200,269
Total noncurrent liabilities	<u>16,884,855</u>	<u>21,696,282</u>	<u>36,080,250</u>
Total liabilities	<u>19,766,819</u>	<u>27,503,987</u>	<u>38,388,831</u>
Net investment in capital assets	51,477,037	59,275,179	23,666,658
Unrestricted	25,715,765	44,401,015	18,165,190
Total net position	<u>\$ 77,192,802</u>	<u>\$ 103,676,194</u>	<u>\$ 41,831,848</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			
Net position of business-type activities			

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

		Nonmajor Enterprise Funds			Governmental Activities -	
Airport	Aquatics and Fitness Center and Golf Course	Stormwater	Solid Waste	Total	Internal Service Funds	
\$ 2,230,834	\$ 1,617,964	\$ 565,759	\$ 402,382	\$ 82,585,184	\$ 2,609,556	
280,267	-	120,994	166,919	7,474,192	38,926	
-	-	-	-	1,142,646	-	
-	-	-	-	1,438,421	-	
-	-	-	-	-	108,867	
117,785	35,144	-	-	4,158,145	-	
<u>2,628,886</u>	<u>1,653,108</u>	<u>686,753</u>	<u>569,301</u>	<u>96,798,588</u>	<u>2,757,349</u>	
-	-	-	-	621,761	-	
-	-	-	-	2,888,706	-	
-	-	-	-	2,122,421	-	
18,589,526	1,065,094	-	-	39,958,323	-	
<u>9,667,480</u>	<u>7,610,711</u>	<u>776,851</u>	<u>773,889</u>	<u>209,787,733</u>	<u>-</u>	
<u>28,257,006</u>	<u>8,675,805</u>	<u>776,851</u>	<u>773,889</u>	<u>249,746,056</u>	<u>-</u>	
<u>28,257,006</u>	<u>8,675,805</u>	<u>776,851</u>	<u>773,889</u>	<u>255,378,944</u>	<u>-</u>	
<u>30,885,892</u>	<u>10,328,913</u>	<u>1,463,604</u>	<u>1,343,190</u>	<u>352,177,532</u>	<u>2,757,349</u>	
<u>246,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>451,247</u>	<u>-</u>	
50,480	48,952	25,541	141,503	6,431,790	391,245	
-	22,821	-	-	22,821	-	
-	-	38,296	-	1,047,756	-	
13,599	71,629	33,359	1,691	475,709	-	
50,650	101,873	132,968	97,796	678,960	-	
-	-	-	-	643,452	-	
610,359	-	-	-	2,312,202	-	
-	-	-	-	827,077	-	
<u>725,088</u>	<u>245,275</u>	<u>230,164</u>	<u>240,990</u>	<u>12,439,767</u>	<u>391,245</u>	
-	-	-	-	621,761	-	
-	-	-	-	1,992,060	-	
6,697	35,280	16,430	834	234,305	-	
51,694	191,220	189,530	353,842	1,011,677	-	
-	-	-	-	29,872,061	-	
10,795,007	-	-	-	43,394,490	-	
-	-	-	-	7,677,131	-	
<u>167,174</u>	<u>350,794</u>	<u>143,980</u>	<u>10,078</u>	<u>2,170,462</u>	<u>-</u>	
<u>11,020,572</u>	<u>577,294</u>	<u>349,940</u>	<u>364,754</u>	<u>86,973,947</u>	<u>-</u>	
<u>11,745,660</u>	<u>822,569</u>	<u>580,104</u>	<u>605,744</u>	<u>99,413,714</u>	<u>391,245</u>	
16,749,296	8,382,712	416,057	322,251	160,289,190	-	
<u>2,637,635</u>	<u>1,123,632</u>	<u>467,443</u>	<u>415,195</u>	<u>92,925,875</u>	<u>2,366,104</u>	
<u>\$ 19,386,931</u>	<u>\$ 9,506,344</u>	<u>\$ 883,500</u>	<u>\$ 737,446</u>	<u>253,215,065</u>	<u>\$ 2,366,104</u>	
				(405,841)		
				<u>\$ 252,809,224</u>		

CITY OF MONROE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION -- PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Major Enterprise Funds		
	Water and Sewer	Electric	Natural Gas
OPERATING REVENUES			
Charges for services	\$ 13,696,290	\$ 52,807,188	\$ 14,057,987
Interfund charges and employee contributions	-	-	-
Other operating revenues	303,715	237,197	3,928
Total operating revenues	<u>14,000,005</u>	<u>53,044,385</u>	<u>14,061,915</u>
OPERATING EXPENSES			
Distribution systems	4,936,922	3,654,774	3,379,177
Water filter plant	2,627,994	-	-
Waste treatment plant	2,400,775	-	-
Electric power purchases	-	44,228,728	-
Natural gas purchases	-	-	5,959,511
Aquatics and Fitness Center and Golf Course operations	-	-	-
Airport operations	-	-	-
Stormwater operations	-	-	-
Solidwaste operations	-	-	-
Operating expenses	211,191	93,964	47,688
Workers compensation claims and premiums	-	-	-
Health benefit claims and premiums	-	-	-
Property and liability claims and premiums	-	-	-
Depreciation and amortization	1,967,459	2,696,030	1,457,690
Total operating expenses	<u>12,144,341</u>	<u>50,673,496</u>	<u>10,844,066</u>
Operating income (loss)	<u>1,855,664</u>	<u>2,370,889</u>	<u>3,217,849</u>
NONOPERATING REVENUES (EXPENSES)			
Gain (loss) on sale of capital assets	7,735	1,866	-
Availability fees	332,329	-	199,173
Other nonoperating revenues	209,862	103,731	76,728
Investment earnings	(543,788)	(819,417)	(278,975)
Interest income interfund loans	-	113,153	-
Interest and other charges	(441,541)	(1,011,677)	(1,838,985)
Total nonoperating revenues (expenses)	<u>(435,403)</u>	<u>(1,612,344)</u>	<u>(1,842,059)</u>
Income (loss) before transfers	1,420,261	758,545	1,375,790
CAPITAL GRANTS AND CONTRIBUTIONS			
	408,120	-	-
TRANSFERS (TO) FROM OTHER FUNDS			
	42,922	(85,847)	42,923
Change in net position	1,871,303	672,698	1,418,713
Total net position, beginning as previously stated	75,483,971	102,855,108	41,095,063
Prior period adjustment - (See Note X)	(162,472)	148,388	(681,928)
Total net position, beginning as restated	<u>75,321,499</u>	<u>103,003,496</u>	<u>40,413,135</u>
Total net position, ending	<u>\$ 77,192,802</u>	<u>\$ 103,676,194</u>	<u>\$ 41,831,848</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			
Change in net position of business-type activities			

		Nonmajor Enterprise Funds			Governmental Activities - Internal	
Airport	Aquatics and Fitness Center and Golf Course	Stormwater	Solid Waste	Total	Service Funds	
\$ 1,955,214	\$ 4,038,521	\$ 1,831,655	\$ 2,213,853	\$ 90,600,708	\$ -	
-	-	-	-	-	5,887,290	
29,280	258,757	14,575	-	847,452	364,722	
<u>1,984,494</u>	<u>4,297,278</u>	<u>1,846,230</u>	<u>2,213,853</u>	<u>91,448,160</u>	<u>6,252,012</u>	
-	-	-	-	11,970,873	-	
-	-	-	-	2,627,994	-	
-	-	-	-	2,400,775	-	
-	-	-	-	44,228,728	-	
-	-	-	-	5,959,511	-	
-	4,361,431	-	-	4,361,431	-	
2,618,213	-	-	-	2,618,213	-	
-	-	1,682,891	-	1,682,891	-	
-	-	-	2,010,900	2,010,900	-	
40,876	98,783	34,063	3,406	529,971	250,161	
-	-	-	-	-	194,992	
-	-	-	-	-	5,561,258	
-	-	-	-	-	691,164	
<u>659,160</u>	<u>386,420</u>	<u>128,553</u>	<u>193,472</u>	<u>7,488,784</u>	<u>-</u>	
<u>3,318,249</u>	<u>4,846,634</u>	<u>1,845,507</u>	<u>2,207,778</u>	<u>85,880,071</u>	<u>6,697,575</u>	
<u>(1,333,755)</u>	<u>(549,356)</u>	<u>723</u>	<u>6,075</u>	<u>5,568,089</u>	<u>(445,563)</u>	
-	4,265	-	-	13,866	-	
-	-	-	-	531,502	-	
-	-	-	-	390,321	-	
0	(34,949)	(12,372)	(9,096)	(1,698,597)	(51,460)	
-	-	-	-	113,153	-	
<u>(437,917)</u>	<u>(9,960)</u>	<u>(12,439)</u>	<u>(3,675)</u>	<u>(3,756,194)</u>	<u>-</u>	
<u>(437,917)</u>	<u>(40,644)</u>	<u>(24,811)</u>	<u>(12,771)</u>	<u>(4,405,949)</u>	<u>(51,460)</u>	
<u>(1,771,672)</u>	<u>(590,000)</u>	<u>(24,088)</u>	<u>(6,696)</u>	<u>1,162,140</u>	<u>(497,023)</u>	
234,898	915,031	162,048	75,000	1,795,097	-	
<u>3,548,815</u>	<u>-</u>	<u>-</u>	<u>175,755</u>	<u>3,724,568</u>	<u>-</u>	
2,012,041	325,031	137,960	244,059	6,681,805	(497,023)	
17,577,052	9,181,313	745,540	493,387		2,863,127	
<u>(202,162)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>17,374,890</u>	<u>9,181,313</u>	<u>745,540</u>	<u>493,387</u>	<u>-</u>	<u>2,863,127</u>	
<u>\$ 19,386,931</u>	<u>\$ 9,506,344</u>	<u>\$ 883,500</u>	<u>\$ 737,446</u>	<u>(235,606)</u>	<u>\$ 2,366,104</u>	
				<u>\$ 6,446,199</u>		

CITY OF MONROE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Major Enterprise Funds			
	Water and Sewer	Electric	Natural Gas	Airport
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 13,206,314	\$ 52,755,703	\$ 13,982,252	\$ 1,719,806
Cash paid for goods and services	(5,371,434)	(46,744,381)	(8,724,312)	(2,157,809)
Cash paid to or on behalf of employees for services	(3,879,902)	(1,239,933)	(675,984)	(473,380)
Customer deposits received	62,687	233,161	101,414	-
Customer deposits returned	(52,021)	(226,299)	(99,212)	-
Other operating revenues	513,577	340,928	80,656	29,280
Net cash provided (used) by operating activities	<u>4,479,221</u>	<u>5,119,179</u>	<u>4,664,814</u>	<u>(882,103)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Net advances (to) from other funds	-	1,118,095	(989,488)	-
Transfers (to) from other funds	42,922	(85,847)	42,923	3,548,815
Net cash provided (used) by noncapital financing activities	<u>42,922</u>	<u>1,032,248</u>	<u>(946,565)</u>	<u>3,548,815</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from issuance of long-term debt	4,676,987	-	-	-
Proceeds from sale of capital assets	7,735	1,866	-	-
Acquisition and construction of capital assets	(5,655,711)	(6,068,658)	(568,224)	(660,846)
Note receivable collected (granted)	-	1,207,353	969,183	-
Capital contributions - Federal Grants	-	-	-	234,898
Principal paid on bond maturities and equipment obligation	(1,421,285)	(1,117,784)	(904,645)	(564,367)
Interest paid on bond maturities and equipment obligations	(462,812)	(1,028,035)	(1,830,243)	(476,825)
Availability fees	332,329	-	199,173	-
Net cash used by capital and related financing activities	<u>(2,522,757)</u>	<u>(7,005,258)</u>	<u>(2,134,756)</u>	<u>(1,467,140)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income for interfund loans	-	113,153	-	-
Earnings on investments	(543,788)	(819,417)	(278,975)	-
Net increase (decrease) in cash and cash equivalents	1,455,598	(1,560,095)	1,304,518	1,199,572
Balances, beginning	<u>24,325,129</u>	<u>39,365,160</u>	<u>13,499,696</u>	<u>1,031,262</u>
Balances, ending	<u>\$ 25,780,727</u>	<u>\$ 37,805,065</u>	<u>\$ 14,804,214</u>	<u>\$ 2,230,834</u>

Noncash investing, capital and financing activities:

The Stormwater and the Water and Sewer funds received \$162,048 and \$408,120 in capital contributions during the year. Additionally, the Aquatic Center fund received \$915,031 in capital asset transfers from the General Fund during the year.

**EXHIBIT 10,
Continued**

Aquatics and Fitness Center and Golf Course	Nonmajor Enterprise Funds			Total	Governmental Activities - Internal
	Stormwater	Solid Waste			Service Funds
\$ 4,038,521	\$ 1,826,921	\$ 2,218,947	\$ 89,748,464	\$ 5,889,151	
(2,541,813)	(1,085,021)	(1,993,161)	(68,617,931)	(6,756,350)	
(1,784,333)	(586,326)	(65,181)	(8,705,039)	-	
-	-	-	397,262	-	
-	-	-	(377,532)	-	
<u>258,757</u>	<u>14,575</u>	<u>-</u>	<u>1,237,773</u>	<u>133,804</u>	
<u>(28,868)</u>	<u>170,149</u>	<u>160,605</u>	<u>13,682,997</u>	<u>(478,395)</u>	
-	(37,094)	-	91,513	-	
<u>-</u>	<u>-</u>	<u>175,755</u>	<u>3,724,568</u>	<u>-</u>	
<u>-</u>	<u>(37,094)</u>	<u>175,755</u>	<u>3,816,081</u>	<u>-</u>	
-	-	500,000	5,176,987	-	
4,265	-	-	13,866	-	
(68,995)	-	(967,361)	(13,989,795)	-	
-	-	-	2,176,536	-	
-	-	75,000	309,898	-	
(116,730)	(129,750)	(48,362)	(4,302,923)	-	
(9,960)	(12,439)	(3,675)	(3,823,989)	-	
<u>-</u>	<u>-</u>	<u>-</u>	<u>531,502</u>	<u>-</u>	
<u>(191,420)</u>	<u>(142,189)</u>	<u>(444,398)</u>	<u>(13,907,918)</u>	<u>-</u>	
-	-	-	113,153	-	
<u>(34,949)</u>	<u>(12,372)</u>	<u>(9,097)</u>	<u>(1,698,598)</u>	<u>(51,460)</u>	
(255,237)	(21,506)	(117,135)	2,005,715	(529,855)	
<u>1,873,201</u>	<u>587,265</u>	<u>519,517</u>	<u>81,201,230</u>	<u>3,139,411</u>	
<u>\$ 1,617,964</u>	<u>\$ 565,759</u>	<u>\$ 402,382</u>	<u>\$ 83,206,945</u>	<u>\$ 2,609,556</u>	

CITY OF MONROE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Major Enterprise Funds			
	Water and Sewer	Electric	Natural Gas	Airport
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 1,855,664	\$ 2,370,889	\$ 3,217,849	\$ (1,333,755)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,967,459	2,696,030	1,457,690	659,160
Other revenues	209,862	103,731	76,728	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(489,976)	(51,485)	(75,735)	(235,408)
(Increase) decrease in inventories	28,415	(73,438)	17,603	(31,057)
(Increase) decrease in prepaid expenses	1,111	1,630	595	54
Increase (decrease) in accounts payable and accrued liabilities	656,432	(38,400)	(80,570)	11,553
Increase (decrease) in customer deposits	10,667	6,862	2,202	-
Increase (decrease) in net OPEB liability	211,190	91,970	47,688	40,876
Increase (decrease) in compensated absences	28,397	11,390	764	6,474
Total adjustments	<u>2,623,557</u>	<u>2,748,290</u>	<u>1,446,965</u>	<u>451,652</u>
Net cash provided (used) by operating activities	<u>\$ 4,479,221</u>	<u>\$ 5,119,179</u>	<u>\$ 4,664,814</u>	<u>\$ (882,103)</u>

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

EXHIBIT 10

<u>Aquatics and Fitness Center</u>	<u>Nonmajor Enterprise Funds</u>		<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Stormwater</u>	<u>Solid Waste</u>		
\$ (549,356)	\$ 723	\$ 6,075	\$ 5,568,089	\$ (445,563)
386,420	128,553	193,472	7,488,784	-
-	-	-	390,321	-
-	(4,734)	5,094	(852,244)	44,014
(26,444)	-	-	(84,921)	-
128	59	92	3,669	-
10,666	3,146	(48,688)	514,139	(58,773)
-	-	-	19,731	-
98,783	34,063	3,406	527,976	-
<u>50,935</u>	<u>8,339</u>	<u>1,154</u>	<u>107,453</u>	<u>-</u>
<u>520,488</u>	<u>169,426</u>	<u>154,530</u>	<u>8,114,908</u>	<u>(32,832)</u>
\$ (28,868)	\$ 170,149	\$ 160,605	\$ 13,682,997	\$ (478,395)

CITY OF MONROE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Monroe and its discretely presented component units 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 Monroe is a municipal corporation that is governed by an elected mayor and a six-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 column in the City's financial statements in order to emphasize that they are legally separate from the City.

City of Monroe ABC Board

The members of the City of Monroe ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute a portion of 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 (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Monroe ABC Board, 1771 Dickerson Boulevard, Monroe, North Carolina 28110.

City of Monroe Tourism Development Authority

The members of the City of Monroe Tourism Development Authority's governing board are appointed by the Monroe City Council. The Authority must expend revenues as established in N.C. Session Law 2001-439. Specifically, for the first ten years at least two-thirds of the proceeds shall be used for tourism-related purposes including tourism-related capital expenditures. The remainder of the funds shall be used to promote travel and tourism as defined by session law. After ten years, two-thirds of the proceeds shall be expended to promote travel and tourism, and one-third expended for tourism-related purposes. The Tourism Development Authority, which has a June 30 year end, is presented as if it were a general government fund (discrete presentation). Complete financial statements for the Authority may be obtained from the entity's administrative offices at City of Monroe Tourism Development Authority, 300 West Crowell Street, Monroe, North Carolina 28112.

B. Basis of Presentation

Government-wide Statements: The statement of net position 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.

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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The City reports the following major governmental fund:

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, federal and State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, culture and recreation activities, and general government services.

The City reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for the activities associated with the production, distribution and transmission of potable water and the activities associated with operating and maintaining the City's sewer system.

Electric Fund. This fund is used to account for the activities associated with the distribution and transmission of electricity by the City to its users.

Natural Gas Fund. This fund is used to account for the activities associated with the distribution of natural gas by the City to its users.

Airport Fund. This fund is used to account for the activities associated with the operation of the City's Airport.

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 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. Non-exchange 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 non-operating 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 of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of fees intended to recover the cost of connecting new or reconnecting current customers to the water and sewer system. Operating expenses for enterprise funds and internal service

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 non-operating revenues and expenses.

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 capital leases 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, Union 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 Monroe. For these 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 Union County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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 position 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.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for all funds except those which operate under project ordinances. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Capital Projects Funds, Special Revenue Project Fund, and the Enterprise Capital Projects Funds which are consolidated with their respective 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. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Manager. The legal level of budgetary control is at the functional level for all annually budgeted funds, and any transfers of appropriations between functions require the approval of the City Council. The legal level of budgetary control is at the object level for the funds budgeted by project ordinance, and any transfers of appropriations between objects require the approval of the City Council. 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, Deferred Outflows/Inflows of Resources and Fund Equity

1. Deposits and Investments

All deposits of the City, the ABC Board, and the Tourism Development Authority are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City, ABC Board, and the Tourism Development Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City, the ABC Board, and the Tourism Development Authority 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 ABC Board, and the Tourism Development Authority 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's 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 values, which is the NCCMT's share price. The NCCMT – Term Portfolio's securities are valued at fair value.

The City, the ABC Board, and the Tourism Development Authority'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. Non-participating interest earning investment contracts are reported at cost.

In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

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 ABC Board and the Tourism Development Authority consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. *Restricted Assets*

The unexpended bond proceeds of various enterprise fund serial bonds and unexpended installment financing obligations received by the City are classified as restricted for the enterprise fund and the general fund because their use is completely restricted to the purpose for which the bonds and installment obligations were issued. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

4. *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 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2012. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund ad valorem tax revenues are reported net of such discounts.

5. *Other Taxes and Licenses*

The City also levies a tax of five dollars per motor vehicle residing in the City of Monroe. The revenue relating to this is accounted for under "Other Taxes and Licenses" in the General Fund. Union County is responsible for billing and collecting this special vehicle tax in addition to the property taxes on registered motor vehicles residing in the City of Monroe.

6. *Allowance for Doubtful Accounts*

Virtually all ad valorem taxes and accounts receivable are collected, and accordingly, an allowance for

uncollectible receivables is not considered material or necessary. An allowance for doubtful accounts has been established for certain loans receivable that historically experience uncollectible accounts. The allowance is estimated by analyzing the percentage of receivables that were written off in prior years.

7. Inventories and Prepaid Items

The inventories of the City and the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventories of the City's general fund and enterprise funds and those of the ABC Board consist of materials and supplies held for subsequent use. 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 government-wide and fund financial statements and expensed as the items are used.

8. 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. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$100,000; furniture and equipment, \$5,000; computer software, \$5,000 and vehicles, \$5,000. 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 date of donation. General infrastructure assets acquired prior to July 1, 2003 consist of the road network assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. 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.

During the year, the Solid Waste fund purchased garbage carts totaling \$967,361. Individually their cost is under the City's capitalization threshold of \$5,000 for intangible assets. However, the City considers these to be capital assets because the costs incurred will be used in operations of the Solid Waste fund for the benefit of multiple periods. Also, as stated under GASB Statement 51, the assets are identifiable and arise from a contractual agreement and should be recognized as an intangible asset. The contract between the City and Waste Pro requires the City to provide the garbage carts to customers.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	30 - 50
Buildings and Improvements	20 - 45
Dams and Reservoirs	45
Plants and Distributions Systems	30 - 60
Vehicles and Motorized Equipment	6 - 12
Computer Software	5
Other Equipment	5 - 15

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Buildings	40
Furniture/Equipment	5 - 7
Vehicles	5

The Tourism Development Authority had no capital assets at June 30, 2013.

9. ***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, an unamortized loss on a bond defeasance for Water and Sewer Refunding bonds. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has only two items that meet the criterion for this category – prepaid taxes and property taxes receivable.

10. ***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 position. 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, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the 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.

11. ***Compensated Absences***

The vacation policy of the City provides for the accumulation of earned vacation leave with such leave being fully vested when earned as follows:

Employees hired before July 1, 1992

Vacation leave may be accumulated without any applicable maximum until June 30 each year. However, if the employee separates from service, payment for accumulated vacation leave shall not exceed sixty (60) days. On June 30 of each year, any employee with more than (60) days of accumulated leave shall have the excess accumulation removed so that only sixty (60) days are carried forward to July 1 of the next fiscal year. The remaining excess amount will be converted to sick leave and added to the employee's sick leave balance.

Employees hired after July 1, 1992

Vacation leave may be accumulated without any applicable maximum until June 30 of each year. However, if the employee separates from service, payment for accumulated vacation leave shall not exceed two times the employee's annual accrual rate (i.e. if the accrual rate is 15 days per year, the employee may only be paid for 30 days). On June 30 of each year, each employee may only carry over into the new fiscal year two times the employee's annual accrual rate. The remaining excess amount will be converted to sick leave and added to the employee's sick leave balance.

Employees of the City of Monroe ABC Board earn two weeks paid vacation each year. Employees must take vacation leave in the year earned and are not allowed to carry forward any vacation time to subsequent years.

The Tourism Development Authority had one employee during the year ended June 30, 2013 and falls under the City's vacation policy.

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 City's, the ABC Board's, and the Tourism Development Authority's sick leave policies provide 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 neither the City, the ABC Board, nor the Tourism Development Authority has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

12. *Net Position/Fund Balances*

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Inventories – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – Portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Public Safety – Portion of fund balance that is restricted by revenue source for certain law enforcement operations.

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Committed Fund Balance – Portion of fund balance that can only be used for specific purposes by majority vote by quorum of the City Council (highest level of decision-making authority). The City Council can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Any changes or removal of a commitment requires majority action by the City Council to adopt another ordinance to revise or remove the limitation.

Assigned Fund Balance – Portion of fund balance that the City of Monroe intends to use for specific purposes that are neither considered restricted or committed. City Council has the responsibility for assigning fund balance by majority vote.

Minimum Fund Balance Requirement – The Monroe City Council has adopted a minimum fund balance policy.

Airport Grant Acceptance – The Monroe City Council has approved money to be spent at the Charlotte-Monroe Executive Airport to match federal and state grants during the airport expansion project.

Airport Operations – 5 Year Subsidy – The Monroe City Council has approved an assignment to be used over five years to subsidize airport operations.

Street Resurfacing – 5 Year Program – The Monroe City Council has approved an assignment to be used over five years to provide funding for additional resurfacing projects.

Subsequent Year’s Expenditures – The Monroe City Council has approved a budget ordinance to use fund balance as a resource in next year’s budget to cover a projected excess of expected expenditures over expected revenues.

Unassigned Fund Balance – The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The City of Monroe has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

The City of Monroe has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the City in such a manner that assigned fund balance is the greater of \$7,500,000 or 25% of the next year’s original adopted budget, net of Federal and State pass-through revenues. Any portion of the general fund unassigned fund balance in excess of the \$7,500,000 or 25% minimum requirement may be appropriated by City Council in a subsequent fiscal year to fund capital or debt service expenditures as determined by the City Council during the budget process. If during a fiscal year an excess over the stipulated \$7,500,000 or 25% exists, the City Council may request an appropriation to fund unforeseen needs.

13. **Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

14. **Other Resources**

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as “Transfers – to other funds” in the General Fund and “Transfers – from other funds” in the receiving fund.

II. **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

A. **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including installment purchase obligations, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$11,011,833 difference are as follows:

Installment purchase obligations	\$ 4,302,746
Compensated absences	1,879,650
Net OPEB liability	<u>4,829,437</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ <u><u>11,011,833</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The government fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net change in fund balances - total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$(2,070,895) difference are as follows:

Capital outlay	\$ 2,805,517
Assets transferred to business-type activities	(915,031)
Depreciation expense	<u>(3,961,381)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ <u><u>(2,070,895)</u></u>

Another element of that reconciliation states that “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 position.” The details of this \$1,311,265 are as follows:

Debt issued or incurred:	
Principal payments:	
Installment purchase obligations	<u>1,311,265</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ <u><u>1,311,265</u></u>

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the deposits of the City, the ABC Board, and the Tourism Development Authority 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 ABC Board's, or the Tourism Development Authority'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 ABC Board, and the Tourism Development Authority, these deposits are considered to be held by the City's, the ABC Board's, and the Tourism Development Authority's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest 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 ABC Board, the Tourism Development Authority, or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City, the ABC Board, and the Tourism Development Authority under the Pooling Method, the potential exists for under-collateralization, 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, the ABC Board

and the Tourism Development Authority do not have formal policies regarding custodial credit risk for deposits, but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City, the ABC Board and the Tourism Development Authority comply with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2013 the City's deposits had a carrying amount of \$3,854,168 and a bank balance of \$4,333,848. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The City's petty cash fund totaled \$5,875.

At June 30, 2013 the ABC Board's deposits had a carrying amount of \$695,066 and a bank balance of \$604,848. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$354,848 was covered by collateral held under the Pooling Method. The ABC Board had an additional \$3,900 in the drawers and petty cash to cover operating needs on a daily basis.

At June 30, 2013, the Tourism Development Authority's deposits had a carrying amount of \$30,868 and a bank balance of \$30,868. The entire balance was covered by federal depository insurance.

2. *Investments*

As of June 30, 2013, the City had the following investments and maturities:

Investment Type	Fair Value	1 Year	1 – 3 Years	5 + Years
U.S. Government Agencies	\$ 60,723,802	\$ -	-	\$ 60,723,802
NC Capital Management Trust - Cash Portfolio	40,570,076	N/A	N/A	N/A
NC Capital Management Trust - Term Portfolio	<u>3,004,023</u>	3,004,023	-	-
Total	<u>\$ 104,297,901</u>			

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The investment in U.S. Government Agencies (Federal Home Loan Bank and Federal Farm Credit Bank) is rated AA+ by Standard and Poor's and Aaa by Moody's Investors Service. The City's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAA by Standard and Poor's as of June 30, 2013. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

Custodial Credit Risk. For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no policy on custodial credit risk.

Concentration of Credit Risk. The City's Board places no limit on the amount that the City may invest in any one issuer. More than 60 percent of the City's investments are in Federal Farm Bank securities. This investment is 23.5% of the City's total investments. In addition, the City had 38.9% of its investment portfolio in the NCCMT – cash portfolio at June 30, 2013.

3. *Note Receivable*

The City granted promissory notes to an electric customer to reimburse the cost and installation of equipment. The remaining balances of the promissory notes are payable in monthly installments. Due to the nature of the terms agreed upon the payment amounts will vary and are unpredictable. The monthly payment amounts are determined as follows:

Each month electric charges will be calculated based on the LICPNC rate (LICPNC Bill) and electric charges will be calculated based on the LICPNC rate assuming peak generation had not been used (LICPNC Bill No Generation). The difference in these rate calculations (i.e. LICPNC Bill No Generation – LICPNC Bill) will be used to fund the City’s recovery of one half of the installed cost of the generator. The customer’s monthly bill will equal the LICPNC Bill plus one half of the difference in the LICPNC Bill No Generation and the LICPNC Bill.

The first promissory note was granted during fiscal year 2007 for \$1,730,070. The note was repaid in full during fiscal year 2013. The agreement was non interest bearing and was secured by equipment. Principal collections on the note receivable for the fiscal year ended totaled \$2,940.

The second promissory note was granted during fiscal year 2010 for \$2,300,000. At the current rate of payment it is estimated that the note will be repaid in full during fiscal year 2014. The agreement is interest bearing at a rate of 4.5% and is secured by equipment. Principal collections on the note receivable for the fiscal year ended totaled \$1,204,413. Future payments of the note receivable can vary based on the customers electricity usage. The current portion has been calculated based on payments received during the year ended June 30, 2013.

	2013
Total receivable	\$ 415,382
Less current portion	415,382
Total Note Receivable – Noncurrent	\$ -

Scheduled future maturities of the note receivable are as follows:

2014	\$ 415,382
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The City granted a promissory note in the amount of \$6,000,000 to a natural gas supplier for capacity charges related to the leased capacity of a natural gas line. The remaining balance of the promissory note is payable in monthly installments of \$97,363 through June 2016. The note calls for interest to be paid monthly at the annual rate of 5.42%. Principal collections for the fiscal year ended June 30, 2013 totaled \$969,183.

	2013
Total receivable	\$ 3,145,460
Less current portion	1,023,039
Total Note Receivable – Noncurrent	\$ 2,122,421

Scheduled future maturities of the note receivable are as follows:

2014	\$ 1,023,039
2015	1,079,884
2016	1,042,537
	\$ 3,145,460

The City granted a promissory note in December 2010 in the amount of \$1,250,000 to a developer as an incentive agreement to undertake an economic development project to renovate and rehabilitate a downtown historic structure. The note allows for no interest and is secured by property. No payments are required for the first three years. Beginning in December 2013, the promissory note will be repaid through monthly installments of \$10,417 through November 2023.

	2013
Total receivable	\$ 1,250,000
Less current portion	72,917
Total Note Receivable – Noncurrent	\$ 1,177,083

Scheduled future maturities of the note receivable are as follows:

2014	\$	72,917
2015		125,000
2016		125,000
2017		125,000
2018		125,000
Thereafter		677,083
	\$	<u>1,250,000</u>

4. **Receivables and Allowances for Doubtful Accounts**

Receivables as of year end for the governmental activities and the business-type activities are as follows:

	Governmental Activities	Business-type Activities
Accounts receivable, net	\$ 424,046	\$ 6,471,081
Other, net	160,069	1,003,111
	<u>\$ 584,115</u>	<u>\$ 7,474,192</u>

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

Special Revenue Fund	
Loans Receivable	\$ <u>34,936</u>

5. **Capital Assets**

Primary Government

Capital asset activity for the primary government for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
General Fund					
Capital assets not being depreciated:					
Land and land improvements	\$ 4,910,814	\$ 16,472	\$ -	\$ (139,500)	\$ 4,787,786
Construction in progress	70,499	413,475	440,486	-	43,488
Total capital assets not being depreciated	<u>4,981,313</u>	<u>429,947</u>	<u>440,486</u>	<u>(139,500)</u>	<u>4,831,274</u>
Capital assets being depreciated:					
Buildings and improvements	21,094,621	263,624	-	(1,718,649)	19,639,596
Equipment	4,826,216	189,635	236,993	(407,987)	4,370,871
Vehicles and motorized equipment	14,046,724	1,561,022	1,017,888	(467,363)	14,122,495
Other intangibles	426,489	-	-	-	426,489
Infrastructure	87,699,585	793,600	-	-	88,493,185
Total capital assets being depreciated	<u>128,093,635</u>	<u>2,807,881</u>	<u>1,254,881</u>	<u>(2,593,999)</u>	<u>127,052,636</u>
Less accumulated depreciation for:					
Buildings and improvements	8,105,323	482,541	-	(921,314)	7,666,550
Equipment	3,242,950	332,478	226,000	(219,342)	3,130,086
Vehicles and motorized equipment	11,096,879	887,840	1,011,144	(267,988)	10,705,587
Other intangibles	227,566	77,330	-	-	304,896
Infrastructure	34,095,293	2,143,020	-	-	36,238,313
Total accumulated depreciation	<u>\$ 56,768,011</u>	<u>\$ 3,923,209</u>	<u>\$ 1,237,144</u>	<u>\$ (1,408,644)</u>	<u>\$ 58,045,432</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Total capital assets being depreciated, net	<u>71,325,624</u>				<u>69,007,204</u>
General Fund capital assets, net	<u>76,306,937</u>				<u>73,838,478</u>
Downtown Monroe Fund					
Capital assets not being depreciated:					
Land and land improvements	<u>80,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,149</u>
Total capital assets not being depreciated	<u>80,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,149</u>
Capital assets being depreciated:					
Equipment	<u>98,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,071</u>
Total capital assets being depreciated	<u>98,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,071</u>
Less accumulated depreciation for:					
Equipment	<u>35,025</u>	<u>14,010</u>	<u>-</u>	<u>-</u>	<u>49,035</u>
Total accumulated depreciation	<u>35,025</u>	<u>14,010</u>	<u>-</u>	<u>-</u>	<u>49,035</u>
Total capital assets being depreciated, net	<u>63,046</u>				<u>49,036</u>
Downtown Monroe Fund capital assets, net	<u>143,195</u>				<u>129,185</u>
Occupancy Tax Fund					
Capital assets being depreciated:					
Buildings and improvements	<u>-</u>	<u>8,175</u>	<u>-</u>	<u>-</u>	<u>8,175</u>
Equipment	<u>168,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,500</u>
Total capital assets being depreciated	<u>168,500</u>	<u>8,175</u>	<u>-</u>	<u>-</u>	<u>176,675</u>
Less accumulated depreciation for:					
Buildings and improvements	<u>-</u>	<u>91</u>	<u>-</u>	<u>-</u>	<u>91</u>
Equipment	<u>33,464</u>	<u>24,701</u>	<u>-</u>	<u>-</u>	<u>57,535</u>
Total accumulated depreciation	<u>33,464</u>	<u>\$ 24,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>57,626</u>
Total capital assets being depreciated, net	<u>135,036</u>				<u>119,049</u>
Occupancy Tax Fund capital assets, net	<u>135,036</u>				<u>119,049</u>
Governmental activities capital assets, net	<u>\$ 76,585,168</u>				<u>\$ 74,086,712</u>

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

General Fund:

General government	\$ 348,015
Transportation	2,358,976
Public safety	825,498
Culture and recreation	382,795
Economic and physical development	<u>7,925</u>
Total General Fund	<u>3,923,209</u>

Downtown Monroe Fund:

General government	<u>14,010</u>
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Occupancy Tax Fund:

Economic and physical development	<u>24,162</u>
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Total governmental activities	<u>\$ 3,961,381</u>
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	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Business-type activities:					
Water and Sewer Fund					
Capital assets not being depreciated:					
Land and land improvements	\$ 829,827	\$ -	\$ -	\$ -	\$ 829,827
Construction in progress	2,348,339	4,851,130	-	-	7,199,469
Total capital assets not being depreciated	3,178,166	4,851,130	-	-	8,029,296
Capital assets being depreciated:					
Buildings and improvements	22,944,184	29,500	-	-	22,973,684
Equipment	3,571,466	477,390	6,500	-	4,042,356
Vehicles and motorized equipment	2,970,746	297,692	48,970	-	3,219,468
Infrastructure	61,079,636	408,120	-	-	61,487,756
Total capital assets being depreciated	90,566,032	1,212,702	55,470	-	91,723,264
Less accumulated depreciation for:					
Buildings and improvements	10,848,897	479,416	-	-	11,328,313
Equipment	2,143,203	308,663	6,500	-	2,445,366
Vehicles and motorized equipment	2,524,572	97,448	48,970	-	2,573,050
Infrastructure	13,614,090	1,081,933	-	-	14,696,023
Total accumulated depreciation	29,130,762	1,967,460	55,470	-	31,042,752
Total capital assets being depreciated, net	61,435,270				60,680,512
Water and Sewer Fund capital assets, net	64,613,436				68,709,808
Electric Fund					
Capital assets not being depreciated:					
Land and land improvements	4,418,383	-	-	-	4,418,383
Construction in progress	13,373,526	3,946,745	11,870,384	-	5,449,887
Total capital assets not being depreciated	17,791,909	3,946,745	11,870,384	-	9,868,270
Capital assets being depreciated:					
Buildings and improvements	5,514,604	66,475	-	-	5,581,079
Equipment	4,580,990	30,375	-	-	4,611,365
Vehicles and motorized equipment	2,844,805	272,685	17,914	-	3,099,576
Infrastructure	78,933,385	14,153,826	-	-	93,087,211
Total capital assets being depreciated	91,873,784	14,523,361	17,914	-	106,379,231
Less accumulated depreciation for:					
Buildings and improvements	159,793	124,115	-	-	283,908
Equipment	3,009,546	329,403	-	-	3,338,949
Vehicles and motorized equipment	1,808,722	268,953	17,914	-	2,059,761
Infrastructure	27,318,950	1,973,559	-	-	29,292,509
Total accumulated depreciation	32,297,011	2,696,030	17,914	-	34,975,127
Total capital assets being depreciated, net	59,576,773				71,404,104
Electric Fund capital assets, net	77,368,682				81,272,374
Natural Gas Fund					
Capital assets not being depreciated:					
Land and land improvements	780,785	-	-	-	780,785
Construction in progress	5,345,143	114,089	3,833,880	-	1,625,352
Total capital assets not being depreciated	6,125,928	114,089	3,833,880	-	2,406,137

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets being depreciated:					
Buildings and improvements	569,484	-	-	-	569,484
Equipment	558,160	-	-	-	558,160
Vehicles and motorized equipment	776,668	114,529	-	-	891,197
Infrastructure	61,391,272	4,173,490	-	-	65,564,762
Total capital assets being depreciated	63,295,584	4,288,019	-	-	67,583,603
Less accumulated depreciation for:					
Buildings and improvements	153,382	13,258	-	-	166,640
Equipment	313,450	51,710	-	-	365,160
Vehicles and motorized equipment	502,851	70,600	-	-	573,451
Infrastructure	6,282,041	1,322,124	-	-	7,604,165
Total accumulated depreciation	7,251,724	1,457,692	-	-	8,709,416
Total capital assets being depreciated, net	56,043,860				58,874,187
Natural Gas Fund capital assets, net	62,169,788				61,280,324
Airport Fund					
Capital assets not being depreciated:					
Land and land improvements	9,796,782	-	-	-	9,796,782
Construction in progress	8,218,462	629,675	55,393	-	8,792,744
Total capital assets not being depreciated	18,015,244	629,675	55,393	-	18,589,526
Capital assets being depreciated:					
Buildings and improvements	14,130,273	19,073	-	-	14,149,346
Equipment	456,339	13,446	-	-	469,785
Vehicles and motorized equipment	450,304	7,764	-	-	458,068
Infrastructure	3,092,587	46,280	-	-	3,138,867
Total capital assets being depreciated	18,129,503	86,563	-	-	18,216,066
Less accumulated depreciation for:					
Buildings and improvements	7,223,063	491,885	-	-	7,714,948
Equipment	300,598	56,169	-	-	356,767
Vehicles and motorized equipment	269,921	48,791	-	-	318,712
Infrastructure	95,846	62,313	-	-	158,159
Total accumulated depreciation	7,889,428	659,158	-	-	8,548,586
Total capital assets being depreciated, net	10,240,075				9,667,480
Airport Fund capital assets, net	28,255,319				28,257,006
Aquatics and Fitness Center and Golf Course Fund					
Capital assets not being depreciated:					
Land and land improvements	925,594	-	-	139,500	1,065,094
Total capital assets not being depreciated	925,594	-	-	139,500	1,065,094
Capital assets being depreciated:					
Buildings and improvements	9,527,522	50,072	-	1,718,649	11,296,243
Equipment	111,467	18,924	-	360,405	490,796
Vehicles and motorized equipment	29,817	-	-	514,945	544,762
Total capital assets being depreciated	9,668,806	68,996	-	2,593,999	12,331,801
Less accumulated depreciation for:					
Buildings and improvements	2,843,418	302,722	-	921,314	4,067,454
Equipment	61,642	48,104	-	217,359	327,105
Vehicles and motorized equipment	20,964	35,596	-	269,971	326,531

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Total accumulated depreciation	2,926,024	386,422	-	1,408,644	4,721,090
Total capital assets being depreciated, net	6,742,782				7,610,711
Aquatics and Fitness and Golf Course Fund capital assets, net	<u>7,668,376</u>				<u>8,675,805</u>
Stormwater Fund					
Capital assets being depreciated:					
Buildings and improvements	20,495	-	-	-	20,495
Equipment	34,448	-	-	-	34,448
Vehicles and motorized equipment	917,978	-	-	-	917,978
Infrastructure	-	162,048	-	-	162,048
Total capital assets being depreciated	<u>972,921</u>	<u>162,048</u>	<u>-</u>	<u>-</u>	<u>1,134,969</u>
Less accumulated depreciation for:					
Buildings and improvements	228	455	-	-	683
Equipment	9,923	4,920	-	-	14,843
Vehicles and motorized equipment	219,414	121,556	-	-	340,970
Infrastructure	-	1,622	-	-	1,622
Total accumulated depreciation	<u>229,565</u>	<u>128,552</u>	<u>-</u>	<u>-</u>	<u>358,118</u>
Total capital assets being depreciated, net	<u>743,356</u>				<u>776,851</u>
Stormwater Fund capital assets, net	<u>743,356</u>				<u>776,851</u>
Solid Waste Fund					
Capital assets being depreciated:					
Other intangibles	-	967,361	-	-	967,361
Total capital assets being depreciated	<u>-</u>	<u>967,361</u>	<u>-</u>	<u>-</u>	<u>967,361</u>
Less accumulated depreciation for:					
Other intangibles	-	193,472	-	-	193,472
Total accumulated depreciation	<u>-</u>	<u>193,472</u>	<u>-</u>	<u>-</u>	<u>193,472</u>
Total capital assets being depreciated, net	<u>-</u>				<u>773,889</u>
Solid Waste Fund capital assets, net	<u>-</u>				<u>773,889</u>
Business-type activities capital assets, net	<u>\$ 240,818,957</u>				<u>\$ 249,746,056</u>

Discretely presented component units

Capital asset activity for the ABC Board for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land and land improvements	\$ 317,013	\$ -	\$ -	\$ 317,013
Capital assets being depreciated:				
Buildings and improvements	1,037,379	-	-	1,037,379
Equipment	120,967	245	-	121,212
Vehicles and motorized equipment	15,830	-	-	15,830

Total capital assets being depreciated	1,174,176	245	-	1,174,421
Less accumulated depreciation for:				
Buildings and improvements	363,531	28,371	-	391,902
Equipment	89,070	9,568	-	98,638
Vehicles and motorized equipment	15,830	-	-	15,830
Total accumulated depreciation	468,431	\$ 38,410	\$ -	506,370
Total capital assets being depreciated, net	705,745			668,051
ABC Board capital assets, net	\$ 1,022,758			\$ 985,064

The Tourism Development Authority had no capital assets.

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Payables at the government-wide level at June 30, 2013, were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental activities:				
General Fund	\$ 748,531	\$ -	\$ -	\$ 748,531
Nonmajor Funds	27,289	-	-	27,289
Total-governmental activities	\$ 775,820	\$ -	\$ -	\$ 775,820
Business-type activities:				
Enterprise Funds	\$ 6,431,790	\$ -	\$ -	\$ 6,431,790

Component units' payables at June 30, 2013, were as follows:

	Vendors	Salaries and Benefits	Other	Total
ABC Board	\$ 232,942	\$ -	\$ 90,000	\$ 322,942
Tourism Development Authority	\$ 4,530	\$ -	\$ 1,185	\$ 5,715

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Monroe 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) 707-0753.

Funding Policy. Plan members are required to contribute 6.00% of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 6.50% of annual covered payroll. The contribution requirements of members and of the City of Monroe and the ABC Board are established and may be amended by the North Carolina General Assembly.

The City's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011, were \$1,525,289,

\$1,606,917, and \$1,394,051, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$16,653, \$15,409, and \$15,340, respectively. The contributions made by the City and the ABC Board equaled the required contributions for each year.

b. *Law Enforcement Officers' Special Separation Allowance*

Plan Description. The City of Monroe 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.

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	10
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>88</u>
Total	<u><u>98</u></u>

A separate report was not issued for the plan.

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.

Contributions. The City is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2011 was 19 years.

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

Annual required contribution	\$ 208,770
Interest on net pension obligation	(1,330)
Adjustment to annual required contribution	<u>1,655</u>
Annual pension cost	209,095
Contributions made	<u>148,477</u>
Increase in net pension obligation	60,618
Net prepaid pension obligation, beginning of year	<u>(26,594)</u>
Net pension obligation, end of year	<u><u>\$ 34,024</u></u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Prepayment)
2011	\$ 226,393	73.50%	\$ (69,332)
2012	199,047	78.53%	(26,594)
2013	209,095	71.01%	34,024

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,885,736. The covered payroll (annual payroll of active employees covered by the plan) was \$4,507,055, and the ratio of the UAAL to the covered payroll was 41.84%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. *Supplemental Retirement Income Plan*

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 law enforcement officers employed by 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 each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013, were \$327,092 which consisted of \$231,903 from the City and \$95,189 from the law enforcement officers.

General Employees

The City has elected to contribute to the Supplemental Retirement Income Plan for general employees as well as for law enforcement officers. Participation begins after six months of employment. The City has elected to contribute each month an amount equal to three percent of each employee’s salary, the employee contribution will be matched two percent by the City and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013, were \$1,308,697, which consisted of \$524,662 in regular contributions and \$291,729 in matching contributions from the City and \$492,306 from the employees.

d. *Firemen’s and Rescue Squad Workers’ Pension Fund*

Plan Description. The State of North Carolina contributes, on behalf of the City of Monroe, to the Firemen’s and Rescue Squad Workers’ Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen’s and Rescue Squad Workers’ Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 707-0753.

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.

On-Behalf Payments. For the fiscal year ended June 30, 2013, the City of Monroe has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$18,081 for the 49 employed firemen who perform firefighting duties for the City’s fire department. The employees elected to be members of the Firemen and Rescue Squad Worker’s Pension Fund.

e. *Other Post-employment Benefits*

Healthcare Benefits

Plan Description

Under the terms of a City resolution, the City administers a single employer Health and Dental Care Plan. This plan provides postemployment healthcare and dental benefits to retirees of the City provided they participate in the North Carolina Local Government Employees’ Retirement System and have twenty (20) years of creditable service with the City. The amount the City pays towards these benefits is based on years of service with the City. The City pays the full cost of coverage for these benefits through private insurers. A stand-alone financial report is not issued.

Funding Policy

Employees with 20 to 25 years of service – the City pays 50% and 75% of the cost of health and dental insurance, respectively.

Employees with 30 years of service – the City pays 100% of the cost of health and dental insurance. In addition, retirees with 30 years of service receive \$5,500 of life insurance coverage.

When a retiree reaches age 65, they are transferred to the Medicare Supplement Group Plan and Part D Group Plan at the above referenced percentage of cost based on years of service. At that time, any dependents covered are offered COBRA coverage.

Membership of the Health Care Plan consisted of the following at December 31, 2011:

	<u>All Employees</u>
Retirees and dependents receiving benefits	77
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>422</u>
Total	<u><u>499</u></u>

The current ARC rate is 8.41% of annual covered payroll. For the current year, the City contributed \$421,266 or 2.20% of annual covered payroll. For the year ended June 30, 2013, the City made payments for postretirement health benefit premiums of \$637,398. The City’s obligation to contribute to Health Care Plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies

Postemployment expenditures are made from the Health and Dental Self-Insurance Fund. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 1,995,517
Interest on net obligation	216,639
Adjustment to annual required contribution	<u>(206,957)</u>
Annual OPEB cost (expense)	2,005,199
Contributions made	<u>(421,266)</u>
Increase (decrease) in net OPEB obligation	1,583,933
Net OPEB obligation, beginning of year	<u>5,415,967</u>
Net OPEB obligation, end of year	<u>\$ 6,999,900</u>

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 1,837,058	13.8%	\$ 3,852,659
2012	2,043,816	23.5%	5,415,967
2013	2,005,199	21.0%	6,999,900

Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits, and, thus the unfunded actuarial accrued liability (UAAL) was \$20,626,771. The covered payroll (annual payroll of active employees covered by the plan) was \$21,838,049, and the ratio of the UAAL to the covered payroll was 94.5%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include factors such as changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status) and changes in the plan provisions or applicable law. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past experiences and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations. In the December 31, 2011 actuarial valuation, the projected unit credit cost method was used. The actuarial

assumptions included a 4.00% investment rate of return, which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.50 to 5.00% annually. Both rates included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using market value of investments. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011 was 30 years.

3. *Other Employment Benefits*

The City 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. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2013, the City made no contributions to the State for death benefits. Due to a surplus, a decision was made to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. There will, therefore, be a temporary relief period based on the number of years the employer has contributed to the Death Benefit Plan as of December 31, 2010: 1) One Year Relief – for employers contributing for less than 10 years, 2) Two Years Relief – for employers contribution for 10 or more (but less than 20) years, 3) Three Years Relief – for employers contributing for 20 or more years.

4. *Deferred Outflows and Inflows of Resources*

Deferred outflows of resources is the deferred amount for loss on defeasance of debt. Deferred inflows of resources at year-end is comprised of the following:

	Unavailable Revenue	Unearned Revenue
Property taxes receivable:		
General	\$ 1,133,586	\$ -
Nonmajor governmental	7,433	-
Occupancy tax receivable:		
Nonmajor governmental	30,805	-
Privilege license receivable:		
General	109,038	-
Loans receivable:		
Nonmajor governmental	34,936	-
Special vehicle tax receivable:		
General	23,282	-
Code enforcement liens receivable:		
General	128,951	-
Prepaid taxes and licenses:		
General	-	612,663
Total	\$ <u>1,468,031</u>	\$ <u>612,663</u>

5. *Construction and other significant commitments*

Construction commitments

The government has active construction projects as of June 30, 2013. These projects include sidewalk improvements, Stewart Creek sewer outfall and pump station replacement, electric transmission line loop, natural gas area expansion, airport runway strengthening, customs building design and runway safety area improvements. At year end, the government's commitments with contractors are as follows:

<u>Projects</u>	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
Governmental		
Capital Projects	\$ 43,488	\$ 196,886
Enterprise		
Water and Sewer	7,199,470	2,914,141
Electric	5,449,886	858,195
Natural Gas	1,625,353	24,313
Airport	8,792,745	2,781,734
Total	<u>\$ 23,110,942</u>	<u>\$ 6,775,269</u>

Encumbrances

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At June 30, 2013 the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental activities:		
General Fund	\$	522,953
Non-Major Funds		220,128
Total governmental activities	\$	<u>743,081</u>
Business-type activities:		
Water and Sewer Fund	\$	3,675,663
Electric Fund		1,076,630
Natural Gas Fund		59,808
Airport Fund		2,783,453
Non-Major Funds		144,292
Total business-type activities	\$	<u>7,739,846</u>

6. *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 is self-funded with regard to group health and workers' compensation insurance coverages. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

Flood Insurance

The City carries flood insurance for properties located in Flood Zones B, C and X through participation in the North Carolina League of Municipalities Interlocal Risk Financing Fund of North Carolina. The City does not have properties of significant value in these Flood Zones.

Self-Funded Insurance

The City has established three Internal Service Funds to account for self-insured risk financing. Funding of the Health Benefit Fund is based upon an analysis of historical and projected medical and dental claims paid by the third party administrator and the availability of unrestricted net position to fund projected claims. Funding of the Workers' Compensation Fund is based upon payroll rates established by the State of North Carolina and the availability of unrestricted net position to fund projected claims. Funding of the Property and Casualty Fund is based upon experience and exposure risks associated with City operations and the availability of unrestricted net position to fund projected claims.

Group Health Insurance

Effective July 1, 2002, the City established an employee medical benefit plan to self-insure claims up to \$70,000 per year for each individual covered; claims above \$70,000 and aggregate claims exceeding 125% of expected incurred and paid claims are covered by a stop loss insurance policy.

Workers' Compensation Insurance

The City has a self-funded workers' compensation insurance plan. Through this plan the City has workers' compensation coverage of up to the statutory limits. The self-insurance plan has a \$400,000 retained risk per occurrence for firefighters, police officers, and electrical line workers. All other employees have a \$350,000 retained risk per occurrence with a \$1,000,000 aggregate limit. The City also carries employer's liability coverage with similar retention and limit amounts.

Due to the degree of turnover of the outstanding claims, the claims payable as of June 30, 2013 are considered to be current liabilities. Changes in the balance of claims liabilities during the year ended June 30, 2013 are as follows:

	Health Benefit Fund	Workers' Compensation Fund	Property & Casualty Fund
Unpaid claims as of June 30, 2011	159,801	-	5,974
Claims and premiums paid	\$ 5,663,028	\$ 124,903	\$ 557,618
Incurred claims and premiums	(5,391,824)	(124,903)	(544,579)
Unpaid claims as of June 30, 2012	431,005	-	19,013
Claims and premiums paid	5,561,258	194,992	741,074
Incurred claims and premiums	(5,616,722)	(188,574)	(750,801)
Unpaid claims as of June 30, 2013	\$ 375,541	\$ 6,418	\$ 9,286

The City protects itself from potential loss through participation in the North Carolina League of Municipalities Interlocal Risk Financing Fund of North Carolina for general liability, automobile liability, public officials and law enforcement liability. The City maintains coverage of \$5,000,000 for comprehensive general liability, automobile liability, public officials and law enforcement liability. The City's potential loss for liability coverage is limited to the deductible amount of \$50,000 per claim for all coverage except for real and personal property which has a deductible of \$25,000 per claim.

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 \$250,000 each. The deputy tax collector is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

The City of Monroe ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, automobile liability, workers compensation, and employee health coverage. The ABC Board also

has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Tourism Development Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority does not carry commercial insurance to cover these risks of loss. All risk management activities are reported in the Authority's General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Based on available information, the Authority had no liability claims at June 30, 2013.

7. Claims, Judgments, and Contingent Liabilities

The City was a defendant in various matters of litigation as of June 30, 2013. While any litigation contains an element of uncertainty, City officials believe that the outcome of any lawsuit or claim which is pending, or all of them combined, will not have a materially adverse effect on the City's financial condition or operations. In addition, there are known incidents that may result in the assertion of claims, as well as claims from unknown incidents that may be asserted for which the City could be liable for a material amount. However, since such claims have not been asserted and are not determinable or measurable, no provision for loss has been included in the financial statements. Also, City officials believe the City's insurance is adequate for the actual or pending lawsuits or claims mentioned above.

8. Long-Term Obligations

a. Installment Purchase Obligations

The City has entered into various installment purchase obligations to acquire certain equipment and to finance building improvements:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Executed September 22, 1999, and refinanced on May 19, 2004, to finance acquisition, renovation, and furnishing of a police headquarters, requiring 21 semi-annual installments of \$73,429 plus interest at 2.80%.	\$ 220,285	-	\$ 220,285
Executed August 12, 2004, to finance construction of a street maintenance building, requiring 30 semi-annual installments of \$34,533 plus interest at 3.89%.	448,933	-	448,933
Executed February 8, 2008, to finance facility improvements, requiring 20 semi-annual installments of \$95,000 plus interest at 3.827%.	883,500	66,500	950,000
Executed June 15, 2009 to finance equipment, 10 semi-annual installments of \$201,937 including interest at 2.8378%.	234,854	154,319	389,174
Executed January 30, 2009 to finance construction of a recreation center, requiring 30 semi-annual installments of \$79,724. Interest Rate Modified June 2013 to 2.67%.	1,753,928	-	1,753,928
Executed June 11, 2010, to finance equipment, requiring 10 semi-annual installments of \$181,609 including interest at 2.585%.	196,856	506,699	703,555
Executed June 24, 2011, to finance equipment, requiring 10 semi-annual installments of \$82,034 including interest at 2.29%.	-	473,212	473,212

Executed June 25, 2012, to finance equipment, to semi-annual installments of \$78,005 including interest at .78%.	564,390	38,269	602,658
Executed July 20, 2013, to finance equipment to semi-annual installments of \$52,037 including interest at 1.47%.	-	451,638	451,638
	<u>\$ 4,302,746</u>	<u>\$ 1,690,637</u>	<u>\$ 5,993,383</u>

Annual debt service payments of the installment purchase obligations as of June 30, 2013, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 1,021,871	\$ 117,738	\$ 678,960	\$ 34,007
2015	718,288	90,088	536,288	18,559
2016	547,374	71,211	285,084	7,665
2017	549,709	55,170	125,283	2,888
2018	405,215	39,853	65,023	696
2019-2023	900,840	83,854	-	-
2024-2025	159,449	3,193	-	-
Total	<u>\$ 4,302,746</u>		<u>\$ 1,690,637</u>	
Total interest payments		<u>\$ 461,107</u>		<u>\$ 63,815</u>

At June 30, 2013, the City had a legal debt margin of \$244,120,237.

b. *Revenue Bonds*

The City also issues bonds where it pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year end are as follows:

Serviced by the Water and Sewer Fund, Electric Fund, Airport Fund and Natural Gas Fund:

\$30,920,000 Combined Enterprise System Revenue Bonds, Series 2008A, due annually in amounts ranging from \$795,000 to \$2,055,000 through March 1, 2033, interest rate varying between 4.0% and 5.0%. The amount shown includes \$262,682 in unamortized bond premiums associated with the bonds. \$ 27,937,682

\$19,620,000 Combined Enterprise System Revenue Bonds, Series 2011, due annually in amounts ranging from \$945,000 to \$1,460,000 through March 1, 2028, interest rate varying between 2.0% and 5.0%. The amount shown includes \$839,010 in unamortized bond premiums and \$451,247 of unamortized deferred loss on defeasance associated with the bonds. 17,317,763
\$ 45,255,445

The future payments of the revenue bonds for the years ending June 30, are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2014	\$ 2,175,000	\$ 1,959,719
2015	2,265,000	1,872,719
2016	2,355,000	1,782,119
2017	2,470,000	1,677,019
2018	2,575,000	1,563,569
2019 – 2023	11,530,000	6,358,196
2024 – 2028	11,855,000	3,855,140
2029 – 2033	9,380,000	1,380,675
Total	\$ <u>44,605,000</u>	\$ <u>20,449,156</u>

The future payments as presented above, have not been reduced by the \$1,101,692 in unamortized bond premiums.

The City has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 704 of the Bond Order Authorizing the Issuance of Combined Enterprise System Revenue Bonds (Bond Order) since its adoption on May 3, 1994. Section 704(a) of the Bond Order requires the debt service coverage ratio to be no less than 125% parity indebtedness and 100% of the long term debt service requirement for subordinated indebtedness for the fiscal year. The debt service coverage ratio calculation for the year ended June 30, 2013, is as follows:

Operating revenues	\$ 83,090,799
Operating expenses (1)	70,199,813
Operating income	12,890,986
Nonoperating revenues (2)	<u>(1,642,180)</u>
Income available for debt service	11,248,806
Parity debt service	<u>5,049,257</u>
Debt service coverage ratio	<u>223%</u>
Income available for debt service	11,248,806
Subordinated debt service	<u>7,727,231</u>
Debt service coverage ratio	<u>146%</u>

(1) Per rate covenants, this does not include the depreciation expense of \$6,780,339.

(2) Per rate covenants, this includes investment earnings only.

The City has pledged future water and sewer, electric, airport, and natural gas customer revenues, net of specified operating expenses, to repay \$50.5 million in revenue bonds issued in 2008 and 2011. Proceeds from the bonds provided financing for various capital projects and refunded prior issues. The bonds are payable solely from the revenue sources of the enterprise funds noted above and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 5% of net revenues. The total principal and interest remaining to be paid on the bonds is \$65,054,156. Principal and interest paid for the current year and total customer net revenues were \$4,133,319 and \$82.5 million, respectively.

c. *Advance Refundings*

On June 30, 2011, the City issued \$19,620,000 in Combined Enterprise System Revenue Refunding Bonds with interest rates ranging from 2.0% to 5.0% and retired Series 1998 and Series 2008B Combined Enterprise System Revenue Bonds. As a result, the refunded bonds are considered to be defeased and the liabilities have been removed from the financial statements.

The advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$564,153. This difference is reported in the accompanying financial statements as a deduction from bonds payable and is being charged to operations through the year 2028 using the effective interest method over the life of the new debt which is the same as the life of the refunded debt. The bond issuance costs associated with the advance refunding were expensed during the period incurred because they were not considered to be material. The City completed the advance refundings to reduce its total debt service payments over the life of the bonds by \$1,618,744 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,289,799.

d. *State Revolving Loans*

The City has entered into seven State Revolving Loans to finance water and sewer improvements. All State Revolving Loans are being serviced by revenues from the Water and Sewer Fund:

Loan payable to the State of North Carolina Water Pollution Control Revolving Loan Fund with a maximum limit of \$7,382,765 payable over 20 years with interest at 3.385%.	\$ 738,277
Loan payable to the State of North Carolina Water Pollution Control Revolving Loan Fund with a maximum limit of \$3,735,210 payable over 20 years with interest at 2.89%.	186,761
Loan payable to the State of North Carolina Water Bond Loan Fund with a maximum limit of \$1,515,662 payable over 20 years with interest at 5.85%.	227,349
Loan payable to the State of North Carolina Water Bond Loan Fund with a maximum limit of \$1,484,338 payable over 20 years with a revised interest rate of 3.43% effective May 1, 2003 (previous rate was 5.30%).	222,651
Loan payable to the State of North Carolina Water Pollution Control Revolving Loan Fund with a maximum limit of \$1,159,030 payable over 20 years with interest at 3.035%.	231,806
Loan payable to the State of North Carolina Water Pollution Control Revolving Loan Fund with a maximum limit of \$1,270,105 payable over 20 years with interest at 2.89%.	189,680
Loan payable to the State of North Carolina Water Pollution Control Revolving Fund with a maximum limit of \$10,334,605 payable over 20 years with interest at 2.22%. As of June 30, 2013 total drawdowns on the loan were \$6,707,684. Payments are scheduled to begin November 2014.	6,707,684
	\$ <u><u>8,504,208</u></u>

Annual debt service requirements to maturity for the State Revolving Loans are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2014	\$ 827,077	\$ 60,441
2015	883,964	209,977
2016	547,782	153,903
2017	340,759	140,526
2018	289,150	132,425
2019-2023	1,545,982	561,893
2024-2028	1,727,295	380,580
2029-2033	1,929,873	178,002
2034	412,326	9,248
Total	\$ 8,504,208	\$ 1,826,995

e. *Certificates of Participation*

The City has entered into a Certification of Participation agreement to finance natural gas improvements. All Certificates of Participation are being serviced by revenues from the Natural Gas Fund.

On March 1, 2009 the City issued \$32,665,000 in Certificates of Participation (COPS) Installment Contracts to finance the construction of natural gas improvements. These 30 year COPS have interest rates of 3.00%. Annual payments of principal and interest range from approximately \$1,900,000 to \$1,744,429. Total principal and interest over a 30-year period will be \$65,490,748. The amount shown is net of the unamortized bond discount of \$294,487.

\$ 30,515,513

Annual debt service requirements for Certificates of Participation are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2014	\$ 655,000	\$ 1,542,300
2015	675,000	1,522,650
2016	695,000	1,500,713
2017	720,000	1,476,388
2018	750,000	1,449,388
2019 – 2023	4,230,000	6,763,938
2024 – 2028	5,295,000	5,699,306
2029 – 2033	6,810,000	4,179,413
2034 – 2038	8,895,000	2,093,300
2039	2,085,000	114,675
Total	\$ 30,810,000	\$ 26,342,071

The future payments presented above, have not been reduced by \$294,485 the unamortized bond discount incurred as a result of the issuance.

f. *Changes in Long-term Liabilities*

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion of Balance
Governmental activities:					
Installment purchase obligations	\$ 5,614,011	\$ -	\$ 1,311,265	\$ 4,302,746	\$ 1,028,136
Compensated absences	1,987,751	1,469,028	1,577,129	1,879,650	1,289,147
OPEB liability	3,773,482	1,055,955	-	4,829,437	-
Total governmental activities	\$ 11,375,244	\$ 2,524,983	\$ 2,888,394	\$ 11,011,833	\$ 2,317,283

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion of Balance
Business-type activities:					
Water & Sewer Fund:					
Compensated absences	\$ 264,102	\$ 255,096	\$ 226,699	\$ 292,499	\$ 195,974
OPEB liability	692,350	211,191	-	903,541	-
Installment purchase obligations	78,693	-	58,130	20,563	20,563
Revenue bonds	8,996,172	-	536,078	8,460,094	557,541
Plus bond premium	281,669	-	33,763	247,906	31,690
Total revenue bonds	9,277,841	-	569,841	8,708,000	589,231
State revolving loans	4,654,298	4,676,987	827,077	8,504,208	827,077
Total Water & Sewer Fund	\$ 14,967,284	\$ 5,143,274	\$ 1,681,747	\$ 18,428,811	\$ 1,632,845
Electric Fund:					
Compensated absences	\$ 158,340	\$ 152,941	\$ 141,551	\$ 169,730	\$ 113,719
OPEB liability	302,656	91,970	-	394,626	-
Installment purchase obligations	728,726	-	279,437	449,289	238,969
Revenue bonds	22,111,994	-	838,347	21,273,647	869,192
Plus bond premium	302,886	-	28,628	274,258	27,363
Total revenue bonds	22,414,880	-	866,975	21,547,905	896,555
Total Electric Fund	\$ 23,604,602	\$ 244,911	\$ 1,287,963	\$ 22,561,550	\$ 1,249,243
Natural Gas Fund:					
Compensated absences	\$ 67,502	\$ 65,200	\$ 64,436	\$ 68,266	\$ 45,738
OPEB liability	152,581	47,688	-	200,269	-
Installment purchase obligations	120,282	-	69,070	51,212	36,141
Certificates of participation	31,445,000	-	635,000	30,810,000	655,000
Less unamortized discounts	(306,035)	-	(11,548)	(294,487)	(11,548)
Total certificates of participation	31,138,965	-	623,452	30,515,513	643,452
Revenue bonds	4,176,830	-	200,575	3,976,255	208,267
Plus bond premium	77,394	-	8,228	69,166	7,790
Total revenue bonds	4,254,224	-	208,803	4,045,421	216,057
Total Natural Gas Fund	\$ 35,733,554	\$ 112,888	\$ 965,761	\$ 34,880,681	\$ 941,388
Airport Fund:					
Compensated absences	\$ 13,822	\$ 13,351	\$ 6,877	\$ 20,296	\$ 13,599
OPEB liability	126,298	40,876	-	167,174	-
Installment purchase obligations	151,711	-	49,367	102,344	50,650
Revenue bonds	11,410,000	-	515,000	10,895,000	540,000
Plus bond premium	585,678	-	75,312	510,366	70,359

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion of Balance
Total revenue bonds	11,995,678	-	590,312	11,405,366	610,359
Total Airport Fund	<u>\$ 12,287,509</u>	<u>\$ 54,227</u>	<u>\$ 646,556</u>	<u>\$ 11,695,180</u>	<u>\$ 674,608</u>
Aquatics & Fitness Center & Golf Course Fund:					
Compensated absences	\$ 55,974	\$ 54,065	\$ 3,130	\$ 106,909	\$ 71,629
OPEB liability	252,011	98,783	-	350,794	-
Installment purchase obligations	409,823	-	116,730	293,093	101,873
Total Aquatics & Fitness Center & Golf Course Fund	<u>\$ 717,808</u>	<u>\$ 152,848</u>	<u>\$ 119,860</u>	<u>\$ 750,796</u>	<u>\$ 173,502</u>
Stormwater Fund:					
Compensated absences	\$ 41,450	\$ 40,037	\$ 31,698	\$ 49,789	\$ 33,359
OPEB liability	109,917	34,063	-	143,980	-
Installment purchase obligations	452,248	-	129,750	322,498	132,968
Total Stormwater Fund	<u>\$ 603,615</u>	<u>\$ 74,100</u>	<u>\$ 161,448</u>	<u>\$ 516,267</u>	<u>\$ 166,327</u>
Solid Waste Fund:					
Compensated absences	\$ 1,371	\$ 1,324	\$ 170	\$ 2,525	\$ 1,691
OPEB liability	6,672	3,406	-	10,078	-
Installment purchase obligations	-	500,000	48,362	451,638	97,794
Total Solid Waste Fund	<u>\$ 8,043</u>	<u>\$ 504,730</u>	<u>\$ 48,532</u>	<u>\$ 464,241</u>	<u>\$ 99,485</u>
Total business-type activities	<u>\$ 87,922,415</u>	<u>\$ 6,286,978</u>	<u>\$ 4,911,867</u>	<u>\$ 89,297,526</u>	<u>\$ 4,937,398</u>

For governmental activities, compensated absences, net pension obligation, and other post-employment benefit liabilities are liquidated by the General Fund. For business-type activities, compensated absences and other post-employment benefit liabilities are liquidated by the respective business-type fund.

C. Interfund Balances and Activity

Interfund balances at June 30, 2013, consist of the following:

Due to	Due from		
	General Fund	Natural Gas Fund	Stormwater Fund
Electric Fund	\$ <u>991,536</u>	\$ <u>3,001,520</u>	\$ <u>38,296</u>

The balance of \$991,536 due to the Electric fund from the General fund resulted from financing of the Propel and Allvac land for economic development incentives. The promissory note is for \$1,494,020 payable annually over 15 years with interest accruing at 3.69%. The current portion of this note is \$94,890 and the balance of \$896,646 is not scheduled to be collected in the subsequent year.

The balance of \$3,001,520 due to the Electric fund from the Natural Gas fund is to cover the costs of the Public Service Company of North Carolina's share of the natural gas pipeline project to be repaid in

anticipation of receipt of payments from the Public Service Company pursuant to a Joint Venture agreement. The promissory note is for \$6,000,000 payable monthly over 6 years with interest accruing at 5.42%. The current portion of this note is \$1,009,460 and the balance of \$1,992,060 is not scheduled to be collected in the subsequent year.

The balance of \$38,296 due to the Electric fund from the Stormwater fund is for the startup of the stormwater utility and improvements to the stormwater system in the City to meet the NPDES, Phase II permit requirements. The promissory note is for \$180,000 payable annually over 5 years with interest accruing at 3.19%. The current portion of this note is \$38,296 and is scheduled to be collected during the year ended June 30, 2014.

Balances due to/from component units at June 30, 2013, consist of the following:

Due to the Primary Government for profit distributions from:

Monroe ABC Board	\$	28,000
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Due to the Primary Government for Occupancy Tax:

Monroe Tourism Development Authority		18,273
	\$	<u>46,273</u>

Transfers to/from other funds at June 30, 2013, consist of the following:

From the General Fund to the Airport Fund for current operating needs and construction projects	\$	1,689,569
From the General Fund to the Downtown Monroe Special Revenue Fund for general operations		271,911
From the Occupancy Tax Special Revenue Fund to the General Fund for administrative fees		10,353
From the General Fund to the Monroe-Union County Economic Development Special Revenue Fund for county-wide economic development		150,000
From the General Fund to the Airport Capital Project Fund for airport improvements		1,859,246
From the General Fund to the Capital Project Fund for Fire Station #4 design, Charlotte Avenue sidewalk project and city hall renovations		606,009
From the General Fund to the Solid Waste Fund for the purchase of garbage carts		175,755
From the Electric Capital Project Fund to the Water Fund for the reimbursement of excess funds from construction project		42,923
From the Electric Capital Project Fund to the Natural Gas Fund for the reimbursement of excess funds from construction project		42,923

On the government-wide statements, an additional transfer of \$915,031 from the governmental activities to the business-type activities is shown. This transfer represents the book value of assets and the debt transferred from governmental activities to business-type activities during the year.

D. Revenues, Expenditures, and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2013, the City of Monroe has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$18,081 for the 49 employed firemen who perform firefighting duties for the City's fire department. The employees elected to be members of the Firemen and Rescue Squad 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.

Also, the City has recognized as a revenue and an expenditure on-behalf of payments for fringe benefits and salaries of \$29,383 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2013. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their departments.

IV. JOINTLY GOVERNED ORGANIZATIONS

The City, in conjunction with eighteen other local governments, is a member of the North Carolina 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 nineteen 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, 2013 were \$42,876,356.

Also, the City, in conjunction with nine Central North Carolina counties and sixty-six other municipalities established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$7,707 to the Council during the fiscal year ended June 30, 2013.

V. JOINT VENTURE

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2013, the City reported revenues and expenditures for the payments of \$29,383 made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2013. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

The City has entered into a joint venture agreement with Public Service Company of North Carolina, Incorporated, a South Carolina corporation d/b/a PSNC Energy ("PSNC"). The City has agreed to design, construct and install natural gas pipeline, a control station, an emergency connector, various valves and electronic data control equipment in Iredell and Cabarrus Counties which is located in PSNC's service area. These facilities will be "joint facilities" to be owned by the City subject to PSNC's right to lease capacity in these facilities. PSNC has agreed to pay the City capacity charges in the amount of \$6,000,000 payable in monthly installments over a period of six (6) years commencing June 30, 2010. The City will be responsible for providing all operation, maintenance, inspection and repair of the joint facilities. PSNC has agreed to reimburse the City for its share of the costs of operation and maintenance in proportion to the

percentage of PSNC's capacity in the joint facilities, which initially will be 25%. PSNC files SCANA's annual SEC Form 10-K with the North Carolina Utilities Commission. A full copy of this report can be obtained from the Commission's website in Docket No. G-5, Sub 400A or on SCANA's website at: <http://www.scana.com/en/investor-relations/financial-reports/>. In addition, PSNC's financial statements can be found on PSNC's website at: <http://www.psnenergy.com/en/financial-statements/>.

VI. RELATED ORGANIZATION

The seven-member board of the Monroe Housing Authority is appointed by the City Council and Mayor of the City of Monroe. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Monroe is also disclosed as a related organization in the notes to the financial statements for the Monroe Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Authority's offices at Post Office Box 805, Monroe, North Carolina 28111.

VII. RELATED PARTY TRANSACTIONS

The City and its discretely presented component units engaged in the following transactions during the year ended June 30, 2013:

City of Monroe ABC Board:

Payments to the City for profit distributions	\$ 142,500
Payments to the City for law enforcement	<u>78,620</u>
Total	<u>\$ 221,120</u>

Monroe Tourism Development Authority:

Payment of a pro-rata portion of the occupancy tax by the City to the Authority	<u>\$ 334,744</u>
Payment by the Authority to the City for the Occupancy Tax Project	<u>\$ 223,162</u>

VIII. FUND BALANCE

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

Total fund balance – General Fund	\$ 21,205,628
Less:	
Inventories	221,782
Prepays	33,776
State Statute reserve	4,867,916
Public Safety -	
Federal Equitable Sharing – Drug Enforcement Administration:	70,206
State of North Carolina	19,744
U.S. Department of the Treasury	234,653
U.S. Department of Justice	
Streets –	
Powell Bill Reserves	471,862
Minimum fund balance requirement	7,500,000
Airport grant acceptance	970,473
Airport operations – 5 year subsidy	1,250,000
Street Resurfacing – 5 year program	1,500,000
Subsequent year's expenditures	458,307
Remaining Fund Balance	<u>\$ 3,606,909</u>

The City of Monroe has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the City in such a manner that assigned fund balance is the greater of \$7,500,000 or 25% of the next year's original adopted budget, net of Federal and State pass-through revenues. Any portion of the general fund unassigned fund balance in excess of the \$7,500,000 or 25% minimum requirement may be appropriated by City Council in a subsequent fiscal year to fund capital or debt service expenditures as determined by the City Council during the budget process. If during a fiscal year an excess over the stipulated \$7,500,000 or 25% exists, the City Council may request an appropriation to fund unforeseen needs.

IX. 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 monies 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 monies.

X. PRIOR PERIOD ADJUSTMENTS

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position.

The City implemented GASB 65 which requires the deferred costs from the refunding of debt, which were previously deferred and amortized, must be included in current expenditures. Previously deferred bond issuance costs of \$1,429,236 for Business Type Activities, were recognized as an expenditure in the current year. The restatement of beginning net position of the enterprise funds and net position of the governmental and business-type activities is summarized as follows.

	Water & Sewer Fund	Electric Fund	Natural Gas Fund	Airport Fund
Net position at July 1, 2012, as originally stated	\$75,483,971	\$102,855,108	\$41,095,063	\$17,577,052
Restatement	(162,472)	(382,674)	(681,928)	(202,162)
Net position at July 1, 2012, as restated	<u>\$75,321,499</u>	<u>\$102,472,434</u>	<u>\$40,413,135</u>	<u>\$17,374,890</u>

Additionally, the City's beginning net assets in the Electric fund were adjusted to reflect \$531,062 in the construction in progress expenditures that were not previously capitalized. These expenditures are still in construction in progress at June 30, 2013.

XI. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were issued and has determined that no significant events have occurred that would alter the City's financial position.

CITY OF MONROE, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/03	-	\$ 1,295,336	\$ 1,295,336	0.00	\$ 2,910,965	44.50
12/31/04	-	1,406,395	1,406,395	0.00	2,865,536	49.08
12/31/05	-	1,400,593	1,400,593	0.00	3,368,588	41.58
12/31/06	-	1,442,095	1,442,095	0.00	3,623,857	39.79
12/31/07	-	1,650,670	1,650,670	0.00	3,761,162	43.89
12/31/08	-	1,703,401	1,703,401	0.00	3,933,354	43.31
12/31/09	-	2,184,631	2,184,631	0.00	4,461,289	48.97
12/31/10	-	1,852,860	1,852,860	0.00	4,406,310	42.05
12/31/11	-	1,868,661	1,868,661	0.00	4,513,819	41.40
12/31/12	-	1,885,736	1,885,736	0.00	4,507,055	41.84

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

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	\$ 111,195	99.37
2004	116,909	106.01
2005	121,658	113.76
2006	137,815	119.31
2007	138,373	149.68
2008	143,756	122.24
2009	164,695	127.34
2010	174,367	131.97
2011	225,936	174.70
2012	198,378	286.13
2013	208,770	71.01

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, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay closed
Remaining amortization period	18 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
Cost-of-living adjustments	none

*Includes inflation at 3.00%

CITY OF MONROE, NORTH CAROLINA
THE HEALTH CARE PLAN OF THE CITY OF MONROE
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 Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	\$ -	\$ 15,877,000	\$ 15,877,000	0.00%	\$ 18,700,000	84.9%
July 1, 2009	-	19,201,000	19,201,000	0.00	19,927,000	93.4
December 31, 2010	-	20,670,010	20,670,010	0.00	21,957,134	94.1
December 31, 2011	-	20,626,771	20,626,771	0.00	21,838,049	94.5

CITY OF MONROE, NORTH CAROLINA
THE HEALTH CARE PLAN OF THE CITY OF MONROE
SUPPLEMENTAL INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2013

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 1,502,000	23.2%
2010	1,513,000	26.2
2011	1,837,058	13.8
2012	2,043,813	23.5
2013	1,995,517	21.0

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay open
Remaining amortization period	30 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	9.50%-5.00%
Post-Medicare trend rate	7.00%-5.00%
Year of ultimate trend rate	2018
*Includes inflation at	3.00%
Cost-of-living adjustments	none

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes.

Community Development - This fund is used to account for specific revenues that are restricted to fund continuing rehabilitation of housing within certain targeted areas of the City.

Downtown Monroe - This fund is used to account for specific revenues that are restricted for the purpose of downtown revitalization.

Occupancy Tax - This fund is used to account for specific revenues that are restricted for the purpose of tourism development.

State Grant Programs - This fund is used to account for specific state grant revenues that are restricted for housing development in designated areas of the City.

Monroe Union County Economic Development – This fund is used to account for specific revenues that is restricted for the purpose of county-wide economic development.

Capital Projects Funds

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Capital Projects - This fund is used to account for the purchase, renovation, furnishing, or construction of roadway and facility improvements.

Occupancy Tax Projects - This fund is used to account for tourism related capital expenditures.

CITY OF MONROE, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue Funds			
	Community Development	Downtown Monroe	Occupancy Tax	State Grant Programs
ASSETS				
Cash and cash equivalents	\$ 56,142	\$ 44,296	\$ -	\$ -
Taxes receivable	-	7,407	30,805	-
Accounts receivable	420	166	-	-
Prepaid expenses	-	1,076	-	-
Due from component unit	-	-	-	-
Loans receivable	34,936	-	-	-
	<u>34,936</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 91,498</u>	<u>\$ 52,945</u>	<u>\$ 30,805</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 6,113	\$ -	\$ -
	<u>-</u>	<u>6,113</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>6,113</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>34,936</u>	<u>7,433</u>	<u>30,805</u>	<u>-</u>
Fund balances:				
Non Spendable:				
Prepays	-	1,076	-	-
Restricted:				
Assigned	56,562	38,323	-	-
	<u>56,562</u>	<u>38,323</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>56,562</u>	<u>39,399</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 91,498</u>	<u>\$ 52,945</u>	<u>\$ 30,805</u>	<u>\$ -</u>

STATEMENT 1

Monroe Union		Capital Project Funds			Total Nonmajor Governmental Funds
Economic Development	Total	Capital Projects	Occupancy Tax Projects	Total	
\$ 37,790	\$ 138,228	\$ 287,550	\$ 1,562,963	\$ 1,850,513	\$ 1,988,741
-	38,212	-	-	-	38,212
44,330	44,916	-	-	-	44,916
-	1,076	-	-	-	1,076
-	-	-	19,921	19,921	19,921
-	<u>34,936</u>	-	-	-	<u>34,936</u>
<u>\$ 82,120</u>	<u>\$ 257,368</u>	<u>\$ 287,550</u>	<u>\$ 1,582,884</u>	<u>\$ 1,870,434</u>	<u>\$ 2,127,802</u>
\$ 21,176	\$ 27,289	\$ -	\$ -	\$ -	\$ 27,289
<u>21,176</u>	<u>27,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,289</u>
<u>-</u>	<u>73,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,174</u>
-	1,076	-	-	-	1,076
<u>60,944</u>	<u>155,829</u>	<u>287,550</u>	<u>1,582,884</u>	<u>1,870,434</u>	<u>2,026,263</u>
<u>60,944</u>	<u>156,905</u>	<u>287,550</u>	<u>1,582,884</u>	<u>1,870,434</u>	<u>2,027,339</u>
<u>\$ 82,120</u>	<u>\$ 257,368</u>	<u>\$ 287,550</u>	<u>\$ 1,582,884</u>	<u>\$ 1,870,434</u>	<u>\$ 2,127,802</u>

CITY OF MONROE, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	Special Revenue Funds			
	Community Development	Downtown Monroe	Occupancy Tax	State Grant Programs
REVENUES				
Ad valorem taxes	\$ -	\$ 51,042	\$ -	\$ -
Other taxes and licenses	-	-	345,097	-
Restricted intergovernmental	-	-	-	20,120
Miscellaneous	-	500	-	-
Program income	(11)	-	-	-
Investment earnings	-	-	-	-
Total revenues	<u>(11)</u>	<u>51,542</u>	<u>345,097</u>	<u>20,120</u>
EXPENDITURES				
Current:				
Economic and physical development:				
Administration	48	310,808	-	-
Program costs	-	-	-	20,120
Tourism	-	-	334,744	-
Capital outlay	-	-	-	-
Total expenditures	<u>48</u>	<u>310,808</u>	<u>334,744</u>	<u>20,120</u>
Revenues over (under) expenditures	<u>(59)</u>	<u>(259,266)</u>	<u>10,353</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	271,911	-	-
Transfers to other funds	-	-	(10,353)	-
Total other financing sources (uses)	<u>-</u>	<u>271,911</u>	<u>(10,353)</u>	<u>-</u>
Net change in fund balances	(59)	12,645	-	-
Fund balances, beginning	<u>56,621</u>	<u>26,754</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ 56,562</u>	<u>\$ 39,399</u>	<u>\$ -</u>	<u>\$ -</u>

Monroe Union		Capital Project Funds			Total Nonmajor Governmental Funds
Economic Development	Total	Capital Projects	Occupancy Tax Projects	Total	
\$ -	\$ 51,042	\$ -	\$ -	\$ -	\$ 51,042
-	345,097	-	-	-	345,097
243,916	264,036	-	223,162	223,162	487,198
4,170	4,670	-	-	-	4,670
-	(11)	-	-	-	(11)
(1,403)	(1,403)	-	-	-	(1,403)
<u>246,683</u>	<u>663,431</u>	<u>-</u>	<u>223,162</u>	<u>223,162</u>	<u>886,593</u>
335,739	646,595	-	13,627	13,627	660,222
-	20,120	-	-	-	20,120
-	334,744	-	-	-	334,744
<u>-</u>	<u>-</u>	<u>413,474</u>	<u>8,175</u>	<u>421,649</u>	<u>421,649</u>
<u>335,739</u>	<u>1,001,459</u>	<u>413,474</u>	<u>21,802</u>	<u>435,276</u>	<u>1,436,735</u>
<u>(89,056)</u>	<u>(338,028)</u>	<u>(413,474)</u>	<u>201,360</u>	<u>(212,114)</u>	<u>(550,142)</u>
150,000	421,911	606,009	-	606,009	1,027,920
<u>-</u>	<u>(10,353)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,353)</u>
<u>150,000</u>	<u>411,558</u>	<u>606,009</u>	<u>-</u>	<u>606,009</u>	<u>1,017,567</u>
60,944	73,530	192,535	201,360	393,895	467,425
<u>-</u>	<u>83,375</u>	<u>95,015</u>	<u>1,381,524</u>	<u>1,476,539</u>	<u>1,559,914</u>
<u>\$ 60,944</u>	<u>\$ 156,905</u>	<u>\$ 287,550</u>	<u>\$ 1,582,884</u>	<u>\$ 1,870,434</u>	<u>\$ 2,027,339</u>

CITY OF MONROE, NORTH CAROLINA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2013

	Health and Dental	Workers' Compensation	Property and Liability	Total
ASSETS				
Current assets:				
Cash and investments	\$ 1,284,181	\$ 777,384	\$ 547,991	\$ 2,609,556
Accounts receivable (net)	38,926	-	-	38,926
Prepays	97,867	-	-	97,867
Deposits	1,000	10,000	-	11,000
Total current assets	1,421,974	787,384	547,991	2,757,349
 LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	375,541	6,418	9,286	391,245
Total current liabilities	375,541	6,418	9,286	391,245
 NET POSITION				
Unrestricted	\$ 1,046,433	\$ 780,966	\$ 538,705	\$ 2,366,104

CITY OF MONROE, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2013

	Health and Dental Fund	Workers' Compensation Fund	Property and Liability Fund	Total
OPERATING REVENUES				
Interfund charges and employee contributions	\$ 5,242,290	\$ -	\$ 645,000	\$ 5,887,290
Receipts for interfund charges	195,000	60,000	-	255,000
Other operating revenue	44,930	-	64,792	109,722
	<u>5,482,220</u>	<u>60,000</u>	<u>709,792</u>	<u>6,252,012</u>
Total operating revenues				
OPERATING EXPENSES				
Operating expenses	69,222	51,730	49,909	170,861
Workers compensation claims and premiums	-	194,992	-	194,992
Health care clinic	79,300	-	-	79,300
Health benefit claims and premiums	5,561,258	-	-	5,561,258
Property and liability claims and premiums	-	-	691,164	691,164
	<u>5,709,780</u>	<u>246,722</u>	<u>741,073</u>	<u>6,697,575</u>
Total operating expenses				
Operating income	(227,560)	(186,722)	(31,281)	(445,563)
NON OPERATING REVENUES				
Investment earnings	(29,965)	(17,189)	(4,306)	(51,460)
	<u>(29,965)</u>	<u>(17,189)</u>	<u>(4,306)</u>	<u>(51,460)</u>
Total non operating revenues				
Change in net position	(257,525)	(203,911)	(35,587)	(497,023)
NET POSITION				
Beginning	1,303,958	984,877	574,292	2,863,127
Ending	<u>\$ 1,046,433</u>	<u>\$ 780,966</u>	<u>\$ 538,705</u>	<u>\$ 2,366,104</u>

CITY OF MONROE, NORTH CAROLINA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2013

	<u>Health and Dental Fund</u>	<u>Workers' Compensation Fund</u>	<u>Property and Liability Fund</u>	<u>Total</u>
OPERATING ACTIVITIES				
Cash received for services	\$ 5,242,290	\$ -	\$ 646,861	\$ 5,889,151
Other operating revenue	69,012	-	64,792	133,804
Receipts for interfund charges	195,000	60,000	-	255,000
Cash paid for goods and services	<u>(5,765,244)</u>	<u>(240,306)</u>	<u>(750,800)</u>	<u>(6,756,350)</u>
 Net cash provided (used) by operating activities	 <u>(258,942)</u>	 <u>(180,306)</u>	 <u>(39,147)</u>	 <u>(478,395)</u>
 INVESTING ACTIVITIES				
Investment earnings	<u>(29,965)</u>	<u>(17,189)</u>	<u>(4,306)</u>	<u>(51,460)</u>
 Net cash provided (used) by investing activities	 <u>(29,965)</u>	 <u>(17,189)</u>	 <u>(4,306)</u>	 <u>(51,460)</u>
 Net increase (decrease) in cash and investments	 (288,907)	 (197,495)	 (43,453)	 (529,855)
 CASH AND INVESTMENTS				
Beginning of year	<u>1,573,088</u>	<u>974,879</u>	<u>591,444</u>	<u>3,139,411</u>
End of year	<u>\$ 1,284,181</u>	<u>\$ 777,384</u>	<u>\$ 547,991</u>	<u>\$ 2,609,556</u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	<u>\$ (227,560)</u>	<u>\$ (186,722)</u>	<u>\$ (31,281)</u>	<u>\$ (445,563)</u>
 Adjustments to reconcile operating income(loss) to net cash provided (used) by operating activities:				
Change in assets and liabilities				
(Increase) decrease in accounts receivable	42,155	(2)	1,861	44,014
(Increase) decrease in prepaid expenses	(18,073)	-	-	(18,073)
Increase (decrease) in accounts payable and accrued liabilities	<u>(55,464)</u>	<u>6,418</u>	<u>(9,727)</u>	<u>(58,773)</u>
Total adjustments	<u>(31,382)</u>	<u>6,416</u>	<u>(7,866)</u>	<u>(32,832)</u>
 Net cash provided (used) by operating activities	 <u>\$ (258,942)</u>	 <u>\$ (180,306)</u>	 <u>\$ (39,147)</u>	 <u>\$ (478,395)</u>

CITY OF MONROE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Taxes	\$ 18,742,948	\$ 19,280,134	\$ 537,186
Penalties and interest	68,945	112,242	43,297
Total	<u>18,811,893</u>	<u>19,392,376</u>	<u>580,483</u>
Other taxes and licenses:			
Privilege licenses	720,900	969,236	248,336
Gross receipts tax on short-term rental property	48,400	55,631	7,231
Local franchise fees	40,300	58,919	18,619
Motor vehicle tax	112,178	129,400	17,222
Total	<u>921,778</u>	<u>1,213,186</u>	<u>291,408</u>
Unrestricted intergovernmental:			
Local option sales taxes	3,997,303	4,906,052	908,749
Telecommunications sales tax	489,300	429,967	(59,333)
Utility franchise tax	1,504,000	1,723,238	219,238
Cablevision franchise fees	290,800	227,617	(63,183)
Beer and wine tax	47,000	134,197	87,197
State fire fees	3,853	3,304	(549)
ABC profit distribution	185,000	142,500	(42,500)
Total	<u>6,517,256</u>	<u>7,566,875</u>	<u>1,049,619</u>
Restricted intergovernmental:			
Powell Bill allocation	920,855	948,748	27,893
Public safety reimbursement grants	107,757	59,693	(48,064)
On-behalf payments - Fire and Rescue	-	47,464	47,464
ABC Revenue for law enforcement	67,100	78,620	11,520
Resource officer reimbursement	99,900	141,149	41,249
Fire reimbursement grants	45,000	-	(45,000)
Economic development grants	12,500	-	(12,500)
Equitable sharing of federally forfeited property	-	63,566	63,566
Transportation reimbursement grant	19,750	19,390	(360)
Total	<u>1,272,862</u>	<u>1,358,630</u>	<u>85,768</u>
Sales and services:			
Recreational fees	143,053	157,464	14,411
Utilities collection fees	422,590	428,784	6,194
Building permit fees	211,000	462,874	251,874
Cemetery revenues	30,600	52,650	22,050
Sale of fixed assets	7,500	133,710	126,210
Rentals	36,650	41,918	5,268
Other fees	138,395	142,194	3,799
Total	<u>989,788</u>	<u>1,419,594</u>	<u>429,806</u>

- Continued -

CITY OF MONROE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Investment earnings	\$ 103,300	\$ (542,862)	\$ (646,162)
Miscellaneous:			
Payment in lieu of taxes	489,628	550,108	60,480
Donations	25,527	30,625	5,098
Other	83,993	161,897	77,904
Total	599,148	742,630	143,482
Total revenues	29,216,025	31,150,429	1,934,404
EXPENDITURES			
Current:			
General government:			
Administration			
Salaries and employee benefits	2,042,295	1,835,341	206,954
Operating expenditures	2,216,385	1,594,447	621,938
Capital outlay	228,275	180,388	47,887
Interdepartmental charges	(1,941,596)	(1,941,596)	-
	2,545,359	1,668,580	876,779
Planning and zoning			
Salaries and employee benefits	529,152	513,605	15,547
Operating expenditures	102,907	40,906	62,001
Interdepartmental charges	-	-	-
	632,059	554,511	77,548
Engineering			
Salaries and employee benefits	800,117	798,192	1,925
Operating expenditures	64,602	54,581	10,021
Capital Outlay	78,000	76,970	1,030
Interdepartmental charges	(279,565)	(279,565)	-
	663,154	650,178	12,976
Finance			
Salaries and employee benefits	1,877,582	1,818,785	58,797
Operating expenditures	390,190	319,008	71,182
Capital outlay	25,000	20,313	4,687
Interdepartmental charges	(2,072,187)	(2,072,186)	(1)
	220,585	85,920	134,665

- Continued -

**CITY OF MONROE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

	Budget	Actual	Variance Positive (Negative)
Operations Center			
Salaries and employee benefits	\$ 520,398	\$ 514,819	\$ 5,579
Operating expenditures	118,225	99,769	18,456
Interdepartmental charges	(607,194)	(619,216)	12,022
	31,429	(4,628)	36,057
Special appropriations			
Operating expenditures	256,566	217,386	39,180
Total	4,349,152	3,171,947	1,177,205
Transportation:			
Streets and highways			
Salaries and employee benefits	1,043,682	1,013,109	30,573
Operating expenditures	1,561,922	1,464,104	97,818
Capital outlay	663,702	505,867	157,835
Interdepartmental charges	(448,558)	(507,287)	58,729
Total	2,820,748	2,475,793	344,955
Public safety:			
Police			
Salaries and employee benefits	7,290,885	7,290,761	124
Operating expenditures	1,619,860	1,191,708	428,152
Capital outlay	436,573	341,884	94,689
	9,347,318	8,824,353	522,965
Fire			
Salaries and employee benefits	5,531,582	5,432,229	99,353
Operating expenditures	736,507	729,216	7,291
Capital outlay	859,747	718,916	140,831
	7,127,836	6,880,361	247,475
Building standards and code enforcement			
Salaries and employee benefits	440,250	441,138	(888)
Operating expenditures	85,452	62,391	23,061
Total	525,702	503,529	22,173
Total	17,000,856	16,208,243	792,613

- Continued -

CITY OF MONROE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Culture and recreation:			
Salaries and employee benefits	\$ 2,175,153	\$ 2,055,411	\$ 119,742
Operating expenditures	1,387,435	1,237,602	149,833
Capital outlay	114,695	96,964	17,731
Interdepartmental charges	(275,082)	(275,082)	-
Total	3,402,201	3,114,895	287,306
Debt service:			
Principal retirement	1,311,265	1,311,265	-
Interest and other charges	319,861	229,022	90,839
Total	1,631,126	1,540,287	90,839
Total expenditures	29,204,083	26,511,165	2,692,918
Revenues over (under) expenditures	11,942	4,639,264	4,627,322
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds:			
Special Revenue Funds			
Occupancy Tax Fund	9,000	10,353	1,353
Monroe Union County Economic Development	(150,000)	(150,000)	-
Capital Projects Funds			
Capital Projects	(606,009)	(606,009)	-
Downtown Monroe	(338,721)	(271,911)	66,810
Airport	(1,859,246)	(1,859,246)	-
Airport Fund	(1,866,461)	(1,689,569)	176,892
Solid Waste Fund	(175,755)	(175,755)	-
Total other financing sources (uses)	(4,987,192)	(4,742,137)	245,055
FUND BALANCE APPROPRIATED	4,975,250	-	(4,975,250)
Net change in fund balance	\$ -	(102,873)	\$ (102,873)
Fund balance:			
Beginning of year		21,308,501	
End of year		\$ 21,205,628	

CITY OF MONROE, NORTH CAROLINA
SPECIAL REVENUE FUNDS
COMMUNITY DEVELOPMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES -- BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Program income	\$ 2,000	\$ (11)	\$ (2,011)
EXPENDITURES			
Current:			
Economic and physical development:			
Administration	200	48	152
Revenues over (under) expenditures	1,800	(59)	(1,859)
APPROPRIATION TO FUND BALANCE	(1,800)	-	1,800
Net change in fund balance	\$ -	(59)	\$ (59)
Fund balance, beginning		56,621	
Fund balance, ending		\$ 56,562	

CITY OF MONROE, NORTH CAROLINA
SPECIAL REVENUE FUNDS
DOWNTOWN MONROE
FUND BALANCES -- BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes	\$ 48,034	\$ 51,042	\$ 3,008
Miscellaneous	370	500	130
Investment earnings	2,900	-	(2,900)
Total	51,304	51,542	238
EXPENDITURES			
Current:			
Economic and physical development:			
Administration	382,302	310,808	71,494
Total	382,302	310,808	71,494
Revenues over (under) expenditures	(330,998)	(259,266)	71,732
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds:			
General Fund	338,721	271,911	(66,810)
Total other financing sources (uses)	338,721	271,911	(66,810)
APPROPRIATION FROM FUND BALANCE	(7,723)	-	7,723
Net change in fund balance	\$ -	12,645	\$ 12,645
Fund balance, beginning		26,754	
Fund balance, ending		\$ 39,399	

CITY OF MONROE, NORTH CAROLINA
SPECIAL REVENUE FUNDS
OCCUPANCY TAX
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES -- BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Other taxes and licenses:			
Occupancy tax	\$ 300,000	\$ 345,097	\$ 45,097
EXPENDITURES			
Current:			
Economic and physical development:			
Tourism	291,000	334,744	(43,744)
Revenues over expenditures	9,000	10,353	1,353
OTHER FINANCING USES			
Transfers to other funds:			
General Fund	(9,000)	(10,353)	(1,353)
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

CITY OF MONROE, NORTH CAROLINA
SPECIAL REVENUE FUNDS
STATE GRANT PROGRAMS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES -- BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental (09-C-1999)	\$ 400,000	\$ 314,856	\$ 20,120	\$ 334,976	\$ (65,024)
Total Revenues	<u>400,000</u>	<u>314,856</u>	<u>20,120</u>	<u>334,976</u>	<u>(65,024)</u>
EXPENDITURES					
Current:					
Economic and physical development:					
Program costs (09-C-1999)	400,000	314,856	20,120	334,976	65,024
Total expenditures	<u>400,000</u>	<u>314,856</u>	<u>20,120</u>	<u>334,976</u>	<u>65,024</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ -</u>		

CITY OF MONROE, NORTH CAROLINA
SPECIAL REVENUE FUNDS
MONROE UNION COUNTY ECONOMIC DEVELOPMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES -- BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Interlocal agreement	\$ 270,000	\$ 243,916	\$ (26,084)
Miscellaneous	-	4,170	4,170
Investment earnings	-	(1,403)	(1,403)
Total	270,000	246,683	(23,317)
EXPENDITURES			
Current:			
Economic and physical development:			
Administration	420,000	335,739	84,261
Total	420,000	335,739	84,261
Revenues over (under) expenditures	(150,000)	(89,056)	60,944
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds:			
General Fund	150,000	150,000	-
Total other financing sources (uses)	150,000	150,000	-
APPROPRIATION FROM FUND BALANCE	-	-	-
Net change in fund balance	\$ -	60,944	\$ 60,944
Fund balance, beginning		-	
Fund balance, ending		\$ 60,944	

CITY OF MONROE, NORTH CAROLINA
CAPITAL PROJECTS FUNDS
CAPITAL PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -- BUDGET AND ACTUAL
From Inception And For The Fiscal Year Ended June 30, 2013

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Miscellaneous	\$ -	\$ 153	\$ -	\$ 153	\$ 153
Investment earnings	-	980	-	980	980
Total revenues	-	1,133	-	1,133	1,133
EXPENDITURES					
Capital outlay:					
Construction costs capitalized	2,088,042	1,695,859	372,278	2,068,137	19,905
Construction in progress	310,000	2,292	41,196	43,488	266,512
Other costs	600	600	-	600	-
Total expenditures	2,398,642	1,698,751	413,474	2,112,225	286,417
Revenues over (under) expenditures	(2,398,642)	(1,697,618)	(413,474)	(2,111,092)	287,550
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds:					
General Fund	865,572	309,563	556,009	865,572	-
Parks & Recreation Fund	50,000	-	50,000	50,000	-
Installment purchase obligations issued	1,483,070	1,483,070	-	1,483,070	-
Total other financing sources (uses)	2,398,642	1,792,633	606,009	2,398,642	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 95,015	192,535	\$ 287,550	\$ 287,550
Fund balance, beginning			95,015		
Fund balance, ending			\$ 287,550		

CITY OF MONROE, NORTH CAROLINA
CAPITAL PROJECT FUNDS
OCCUPANCY TAX CAPITAL PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES -- BUDGET AND ACTUAL

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental	\$ 1,616,362	\$ 1,564,331	\$ 223,162	\$ 1,787,493	\$ 171,131
Total Revenues	<u>1,616,362</u>	<u>1,564,331</u>	<u>223,162</u>	<u>1,787,493</u>	<u>171,131</u>
EXPENDITURES					
Current:					
Construction costs capitalized	178,727	168,500	8,175	176,675	2,052
Other costs	<u>216,156</u>	<u>129,137</u>	<u>13,627</u>	<u>142,764</u>	<u>73,392</u>
Total expenditures	<u>394,883</u>	<u>297,637</u>	<u>21,802</u>	<u>319,439</u>	<u>75,444</u>
Revenues under expenditures	<u>1,221,479</u>	<u>1,266,694</u>	<u>201,360</u>	<u>1,468,054</u>	<u>246,575</u>
OTHER FINANCING SOURCES					
Transfers from other funds:					
Performing Arts Center	<u>101,814</u>	<u>114,830</u>	<u>-</u>	<u>114,830</u>	<u>13,016</u>
Revenues and other financing sources over (under) expenditures	<u>\$ 1,323,293</u>	<u>\$ 1,381,524</u>	201,360	<u>\$ 1,582,884</u>	<u>\$ 259,591</u>
Fund balance, beginning			<u>1,381,524</u>		
Fund balance, ending			<u>\$ 1,582,884</u>		

CITY OF MONROE, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Charges for services:			
Water sales	\$ 5,897,545	\$ 5,786,213	\$ (111,332)
Sewer charges	7,119,895	7,199,684	79,789
Water and sewer taps	63,687	39,162	(24,525)
County waste water charges	575,000	671,231	96,231
	13,656,127	13,696,290	40,163
Other operating revenues	315,692	303,715	(11,977)
Total operating revenues	13,971,819	14,000,005	28,186
Nonoperating revenues:			
Availability fees	344,665	332,329	(12,336)
Other nonoperating revenues	14,712	217,597	202,885
Investment earnings	453,245	(543,788)	(997,033)
Total nonoperating revenues	812,622	6,138	(806,484)
Total revenues	14,784,441	14,006,143	(778,298)
OTHER FINANCING SOURCES			
Transfers from other funds			
Electric Capital Project Fund	42,923	42,923	-
Total other financing sources	42,923	42,923	-
APPROPRIATION FROM FUND BALANCE	(497,201)	-	497,201
Total revenues	\$ 14,330,163	\$ 14,049,066	\$ (281,097)

- Continued -

CITY OF MONROE, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
Distribution system:			
Salaries and employee benefits	\$ 2,354,139	\$ 2,289,132	\$ 65,007
Repairs and maintenance	627,659	535,533	92,126
Operating expenditures	2,182,749	2,083,860	98,889
Total	5,164,547	4,908,525	256,022
Water filter plant:			
Salaries and employee benefits	783,316	738,572	44,744
Operating expenditures	2,269,096	1,889,422	379,674
Total	3,052,412	2,627,994	424,418
Waste treatment plant:			
Salaries and employee benefits	966,331	880,595	85,736
Operating expenditures	1,844,755	1,520,181	324,574
Total	2,811,086	2,400,776	410,310
Debt service:			
Principal retirement	1,529,643	1,421,285	108,358
Interest and other charges	357,195	462,812	(105,617)
Total	1,886,838	1,884,097	2,741
Capital outlay	1,115,280	804,581	310,699
Total expenditures	14,030,163	12,625,973	1,404,190
OTHER FINANCING USES			
Transfers to other funds:			
Water and Sewer Capital Projects	300,000	300,000	-
Total other financing uses	300,000	300,000	-
Total expenditures and other financing uses	\$ 14,330,163	\$ 12,925,973	\$ 1,404,190

- Continued -

**CITY OF MONROE, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013**

Reconciliation from budgetary basis (modified accrual) to full accrual:

Total revenues	\$ 14,049,066
Total expenditures and other financing uses	<u>12,925,973</u>
Revenues over expenditures and other financing uses	<u>1,123,093</u>
 Reconciling items:	
Debt principal	1,421,285
Amortization of deferred loss on refunding	(12,493)
Amortization of bond premium	33,763
Amortization of bond issuance costs	0
Contributed capital	408,120
Capital outlay	804,581
Transfer to Water and Sewer Capital Projects Funds	300,000
Proceeds from state revolving loan	(4,676,987)
Net expense from capital projects consolidation	4,676,987
Increase in compensated absences	(28,397)
Increase in OPEB liability	(211,190)
Depreciation and amortization	<u>(1,967,459)</u>
Total reconciling items	<u>748,210</u>
 Change in net position	 <u>\$ 1,871,303</u>

CITY OF MONROE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUNDS
CAPITAL RESERVE
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
Water and Sewer Capital Projects Funds	\$ -	\$ -	\$ -
Increase in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
 Total other financing sources (uses)	 <u>\$ -</u>	 <u>-</u>	 <u>\$ -</u>
 Fund balance, beginning		 <u>3,318,739</u>	
 Fund balance, ending		 <u>\$ 3,318,739</u>	

CITY OF MONROE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUNDS
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2013

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
REVENUES					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Construction costs capitalized	-	-	-	-	-
Construction in progress	18,155,000	2,349,257	4,851,130	7,200,387	10,954,613
Other costs	-	-	-	-	-
Total expenditures	<u>18,155,000</u>	<u>2,349,257</u>	<u>4,851,130</u>	<u>7,200,387</u>	<u>10,954,613</u>
Revenues over (under) expenditures	<u>(18,155,000)</u>	<u>(2,349,257)</u>	<u>(4,851,130)</u>	<u>(7,200,387)</u>	<u>10,954,613</u>
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds:					
Water and Sewer Fund	4,670,000	4,370,000	300,000	4,670,000	-
Water and Sewer Capital Reserve Fund	50,000	50,000	-	50,000	-
Electric Capital Project Fund	(65,000)	(65,000)	-	(65,000)	-
Proceeds from state revolving loan fund	<u>13,500,000</u>	<u>2,030,699</u>	<u>4,676,987</u>	<u>6,707,686</u>	<u>(6,792,314)</u>
Total other financing sources (uses)	<u>18,155,000</u>	<u>6,385,699</u>	<u>4,976,987</u>	<u>11,362,686</u>	<u>(6,792,314)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 4,036,442</u>	<u>\$ 125,857</u>	<u>\$ 4,162,299</u>	<u>\$ 4,162,299</u>

CITY OF MONROE, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Charges for services:			
Electric power sales	\$ 53,258,160	\$ 51,803,303	\$ (1,454,857)
Sales tax	1,361,040	969,207	(391,833)
Total	54,619,200	52,772,510	(1,846,690)
Other operating revenues	80,000	271,874	191,874
Total operating revenues	54,699,200	53,044,384	(1,654,816)
Nonoperating revenues:			
Other nonoperating revenues	723,722	1,312,950	589,228
Investment earnings	604,500	(819,417)	(1,423,917)
Total nonoperating revenues	1,328,222	493,533	(834,689)
Total revenues	56,027,422	53,537,917	(2,489,505)
Interest income from other funds:			
General Fund	131,477	39,964	(91,513)
Stormwater Fund	39,518	2,405	(37,113)
Natural Gas Fund	1,060,272	70,784	(989,488)
Total	1,231,267	113,153	(1,118,114)
Total revenues	\$ 57,258,689	\$ 53,651,070	\$ (3,607,619)

- Continued -

CITY OF MONROE, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
Operations:			
Salaries and employee benefits	\$ 1,366,452	\$ 1,251,323	\$ 115,129
Operating expenditures	<u>2,743,459</u>	<u>2,392,061</u>	<u>351,398</u>
Total	<u>4,109,911</u>	<u>3,643,384</u>	<u>466,527</u>
Electric power purchases	<u>45,761,040</u>	<u>44,228,728</u>	<u>1,532,312</u>
Debt service:			
Principal retirement	1,117,784	1,117,784	-
Interest and other charges	<u>1,029,194</u>	<u>1,028,035</u>	<u>1,159</u>
Total	<u>2,146,978</u>	<u>2,145,819</u>	<u>1,159</u>
Capital outlay	<u>2,419,459</u>	<u>2,123,909</u>	<u>295,550</u>
Total expenditures	<u>54,437,388</u>	<u>52,141,840</u>	<u>2,295,548</u>
OTHER FINANCING USES			
Transfers to other funds			
Electric Capital Projects Funds	<u>4,445,481</u>	<u>4,445,481</u>	<u>-</u>
Total other financing uses	<u>4,445,481</u>	<u>4,445,481</u>	<u>-</u>
APPROPRIATION TO FUND BALANCE	<u>(1,624,180)</u>	<u>-</u>	<u>(1,624,180)</u>
Total expenditures and other financing uses	<u>\$ 57,258,689</u>	<u>\$ 56,587,321</u>	<u>\$ 671,368</u>

- Continued -

**CITY OF MONROE, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013**

Reconciliation from budgetary basis (modified accrual) to full accrual:

Total revenues and other financing sources	\$ 53,651,070
Total expenditures and other financing uses	<u>56,587,321</u>
Revenues and other financing sources under expenditures and other financing uses	<u>(2,936,251)</u>
Reconciling items:	
Debt principal	1,117,784
Amortization of deferred loss on refunding	(12,270)
Amortization of bond premium	28,628
Capital outlay	2,123,909
Payments received on note receivable	(1,207,353)
Transfer to Electric Capital Projects Funds	4,445,481
Net revenue from capital projects consolidation	(87,840)
Increase in compensated absences	(11,390)
Increase in OPEB liability	(91,970)
Depreciation and amortization	<u>(2,696,030)</u>
Total reconciling items	<u>3,608,949</u>
Change in net position	<u>\$ 672,698</u>

CITY OF MONROE, NORTH CAROLINA
ELECTRIC CAPITAL PROJECTS FUNDS
CAPITAL PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2013

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive (Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
REVENUES					
Power agency funding	\$ 5,805,850	\$ 5,592,648	\$ -	\$ 5,592,648	\$ (213,202)
Investment earnings	-	360,250	-	360,250	360,250
	<u>5,805,850</u>	<u>5,952,898</u>	<u>-</u>	<u>5,952,898</u>	<u>147,048</u>
EXPENDITURES					
Construction costs capitalized	30,414,574	29,707,406	270,292	29,977,698	436,876
Construction in progress	11,379,943	1,775,427	3,674,460	5,449,887	5,930,056
Other costs	<u>6,447,596</u>	<u>275,293</u>	<u>1,994</u>	<u>277,287</u>	<u>6,170,309</u>
Total expenditures	<u>48,242,113</u>	<u>31,758,126</u>	<u>3,946,746</u>	<u>35,704,872</u>	<u>12,537,241</u>
Revenues over (under) expenditures	<u>(42,436,263)</u>	<u>(25,805,228)</u>	<u>(3,946,746)</u>	<u>(29,751,974)</u>	<u>12,684,289</u>
OTHER FINANCING SOURCES					
Transfers from (to) other funds:					
Electric Fund	21,716,756	17,271,270	4,445,481	21,716,751	(5)
Water and Sewer Capital Project Fund	492,010	534,933	(42,923)	492,010	-
Natural Gas Fund	2,840,261	2,883,184	(42,923)	2,840,261	-
Proceeds from refunding revenue bond:	<u>17,387,236</u>	<u>17,387,236</u>	<u>-</u>	<u>17,387,236</u>	<u>-</u>
	<u>42,436,263</u>	<u>38,076,623</u>	<u>4,359,635</u>	<u>42,436,258</u>	<u>(5)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 12,271,395</u>	<u>\$ 412,889</u>	<u>\$ 12,684,284</u>	<u>\$ 12,684,284</u>

CITY OF MONROE, NORTH CAROLINA
NATURAL GAS FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Charges for services:			
Natural gas sales	\$ 18,602,938	\$ 14,057,987	\$ (4,544,951)
Other operating revenues	-	3,010	3,010
Total operating revenues	18,602,938	14,060,997	(4,541,941)
Nonoperating revenues:			
Availability fees	1,168,356	1,168,356	-
Other nonoperating revenues	-	76,728	76,728
Investment earnings	307,300	(278,975)	(586,275)
Total nonoperating revenues	1,475,656	966,109	(509,547)
Total revenues	20,078,594	15,027,106	(5,051,488)
OTHER FINANCING SOURCES			
Transfers from other funds			
Electric Capital Project Fund	42,923	42,923	-
Total other financing sources	42,923	42,923	-
Total revenues	\$ 20,121,517	\$ 15,070,029	\$ (5,051,488)

- Continued -

CITY OF MONROE, NORTH CAROLINA
NATURAL GAS FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
Operations:			
Salaries and employee benefits	\$ 958,860	\$ 676,748	\$ 282,112
Operating expenditures	2,838,762	2,619,447	219,315
Total	3,797,622	3,296,195	501,427
Natural gas purchases	9,400,000	5,959,511	3,440,489
Debt service:			
Principal retirement	907,513	904,645	2,868
Interest and other charges	2,816,080	1,830,243	985,837
Total	3,723,593	2,734,888	988,705
Capital outlay	821,859	536,359	285,500
Total expenditures	17,743,074	12,526,953	5,216,121
OTHER FINANCING USES			
Transfers to other funds:			
Natural Gas Capital Project Fund	75,000	75,000	-
Total other financing uses	75,000	75,000	-
APPROPRIATION TO FUND BALANCE	2,303,443	-	2,303,443
Total expenditures and other financing uses	\$ 20,121,517	\$ 12,601,953	\$ 7,519,564

CITY OF MONROE, NORTH CAROLINA
NATURAL GAS FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

Reconciliation from budgetary basis (modified accrual) to full accrual:

Total revenues and other financing sources	\$ 15,070,029
Total expenditures and other financing uses	<u>12,601,953</u>
Revenues and other financing sources over expenditures and other financing uses	<u>2,468,076</u>
Reconciling items:	
Debt principal	904,645
Amortization of deferred loss on refunding	(5,422)
Amortization of bond premium	8,228
Amortization of bond discount	(11,548)
Capital outlay	536,359
Payment from outside party on note receivable	(969,183)
Transfer to Natural Gas Capital Projects Fund	75,000
Net income from capital projects consolidation	(81,300)
Increase in compensated absences	(764)
Increase in OPEB liability	(47,688)
Depreciation and amortization	<u>(1,457,690)</u>
Total reconciling items	<u>(1,049,363)</u>
Change in net position	<u><u>\$ 1,418,713</u></u>

CITY OF MONROE, NORTH CAROLINA
NATURAL GAS CAPITAL PROJECTS FUNDS
CAPITAL PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Miscellaneous	\$ -	\$ 7,379	\$ 919	\$ 8,298	\$ 8,298
Investment earnings	-	160,033	-	160,033	160,033
Total revenues	-	167,412	919	168,331	168,331
EXPENDITURES					
Construction costs capitalized	51,849,370	50,313,287	1,000	50,314,287	1,535,083
Construction in progress	6,449,481	1,563,083	62,270	1,625,353	4,824,128
Other costs	82,218	31,399	50,819	82,218	-
Total expenditures	58,381,069	51,907,769	114,089	52,021,858	6,359,211
Revenues over (under) expenditures	(58,381,069)	(51,740,357)	(113,170)	(51,853,527)	6,527,542
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds:					
Natural Gas Fund	19,771,630	19,696,630	75,000	19,771,630	-
Electric Fund	3,330,000	3,330,000	-	3,330,000	-
Certificates of Participation	31,628,998	31,628,998	-	31,628,998	-
Proceeds from refunding revenue bonds	3,650,441	3,650,441	-	3,650,441	-
Total other financing sources (uses)	58,381,069	58,306,069	75,000	58,381,069	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 6,565,712	\$ (38,170)	\$ 6,527,542	\$ 6,527,542

CITY OF MONROE, NORTH CAROLINA
AQUATICS AND FITNESS CENTER AND GOLF COURSE FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Charges for services:			
Recreational fees	\$ 4,278,050	\$ 4,038,521	\$ (239,529)
Other operating revenues	<u>238,700</u>	<u>258,757</u>	<u>20,057</u>
Total operating revenues	<u>4,516,750</u>	<u>4,297,278</u>	<u>(219,472)</u>
Nonoperating revenues:			
Other nonoperating revenues	-	4,265	4,265
Investment earnings	<u>44,600</u>	<u>(34,949)</u>	<u>(79,549)</u>
Total nonoperating revenues	<u>44,600</u>	<u>(30,684)</u>	<u>(75,284)</u>
 Total revenues	 <u>4,561,350</u>	 <u>4,266,594</u>	 <u>(294,756)</u>
 APPROPRIATION FROM FUND BALANCE	 <u>342,263</u>	 <u>-</u>	 <u>(342,263)</u>
 Total revenues	 <u>\$ 4,903,613</u>	 <u>\$ 4,266,594</u>	 <u>\$ (637,019)</u>

- Continued -

CITY OF MONROE, NORTH CAROLINA
AQUATICS AND FITNESS CENTER AND GOLF COURSE FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
Operations:			
Aquatics and Fitness Center:			
Salaries and employee benefits	\$ 1,879,931	\$ 1,784,333	\$ 95,598
Operating expenditures	<u>1,804,805</u>	<u>1,657,119</u>	<u>147,686</u>
Total	<u>3,684,736</u>	<u>3,441,452</u>	<u>243,284</u>
Golf Course:			
Salaries and employee benefits	583,725	569,441	14,284
Operating expenditures	<u>396,228</u>	<u>299,603</u>	<u>96,625</u>
Total	<u>979,953</u>	<u>869,044</u>	<u>110,909</u>
Debt service:			
Principal retirement	120,424	116,730	3,694
Interest and other charges	<u>10,000</u>	<u>9,960</u>	<u>40</u>
Total	<u>130,424</u>	<u>126,690</u>	<u>3,734</u>
Capital outlay - Aquatics and Fitness Center	<u>108,500</u>	<u>68,996</u>	<u>39,504</u>
Total expenditures	<u>4,903,613</u>	<u>4,506,182</u>	<u>397,431</u>
 Total expenditures and other financing uses	 <u>\$ 4,903,613</u>	 <u>\$ 4,506,182</u>	 <u>\$ 397,431</u>

- Continued -

**CITY OF MONROE, NORTH CAROLINA
AQUATICS AND FITNESS CENTER AND GOLF COURSE FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013**

Reconciliation from budgetary basis (modified accrual) to full accrual:

Total revenues	\$ 4,266,594
Total expenditures and other financing uses	<u>4,506,182</u>
Revenues under expenditures and other financing uses	<u>(239,588)</u>
Reconciling items:	
Capital outlay	68,996
Debt principal	116,730
Contributed capital	915,031
Increase in compensated absences	(50,935)
Increase in OPEB liability	(98,783)
Depreciation and amortization	<u>(386,420)</u>
Total reconciling items	<u>564,619</u>
Change in net position	<u>\$ 325,031</u>

CITY OF MONROE, NORTH CAROLINA
AIRPORT FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Charges for services:			
Leases	\$ 288,905	\$ 324,792	\$ 35,887
Sales of fuel	<u>1,466,600</u>	<u>1,513,111</u>	<u>46,511</u>
Total	<u>1,755,505</u>	<u>1,837,903</u>	<u>82,398</u>
Other operating revenues	<u>253,853</u>	<u>146,591</u>	<u>(107,262)</u>
Total operating revenues	<u>2,009,358</u>	<u>1,984,494</u>	<u>(24,864)</u>
Nonoperating revenues:			
Investment earnings	<u>14,200</u>	<u>-</u>	<u>(14,200)</u>
Total nonoperating revenues	<u>14,200</u>	<u>-</u>	<u>(14,200)</u>
Total revenues	<u>2,023,558</u>	<u>1,984,494</u>	<u>(39,064)</u>
OTHER FINANCING SOURCES			
Transfers from other funds:			
General Fund	<u>1,866,461</u>	<u>1,689,569</u>	<u>(176,892)</u>
Total other financing sources	<u>1,866,461</u>	<u>1,689,569</u>	<u>(176,892)</u>
Total revenues and other financing sources	<u>\$ 3,890,019</u>	<u>\$ 3,674,063</u>	<u>\$ (215,956)</u>

- Continued -

CITY OF MONROE, NORTH CAROLINA
AIRPORT FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
Operations:			
Salaries and employee benefits	\$ 492,677	\$ 479,854	\$ 12,823
Operating expenditures	2,336,782	2,122,772	214,010
Total	2,829,459	2,602,626	226,833
Debt service:			
Principal retirement	597,908	564,367	33,541
Interest and other charges	442,813	476,825	(34,012)
Total	1,040,721	1,041,192	(471)
Capital outlay	7,764	40,285	(32,521)
Total expenditures	3,877,944	3,684,103	193,841
APPROPRIATION TO FUND BALANCE	12,075	-	12,075
Total expenditures and other financing sources	\$ 3,890,019	\$ 3,684,103	\$ 205,916

- Continued -

CITY OF MONROE, NORTH CAROLINA
AIRPORT FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

Reconciliation from budgetary basis (modified accrual) to full accrual:

Total revenues and other financing sources	\$ 3,674,063
Total expenditures and other financing sources	<u>3,684,103</u>
Revenues and other financing sources under expenditures and other financing uses	<u>(10,040)</u>
Reconciling items:	
Debt principal	564,367
Amortization of bond premium	75,312
Amortization of deferred loss on defeasance	(36,404)
Capital outlay	40,285
Net revenue from capital projects consolidation	2,085,031
Increase in compensated absences	(6,474)
Increase in OPEB liability	(40,876)
Depreciation and amortization	<u>(659,160)</u>
Total reconciling items	<u>2,022,081</u>
Change in net position	<u>\$ 2,012,041</u>

CITY OF MONROE, NORTH CAROLINA
AIRPORT CAPITAL PROJECTS FUNDS
CAPITAL PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Authorization	Actual			Variance
		Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES					
Restricted intergovernmental	\$ 8,164,217	\$ 2,150,000	\$ 234,898	\$ 2,384,898	\$ (5,779,319)
Investment earnings	-	189,186	-	189,186	189,186
Total revenues	<u>8,164,217</u>	<u>2,339,186</u>	<u>234,898</u>	<u>2,574,084</u>	<u>(5,590,133)</u>
EXPENDITURES					
Construction costs capitalized	4,309,061	3,098,566	46,280	3,144,846	1,164,215
Construction in progress	15,795,350	8,218,463	574,282	8,792,745	7,002,605
Other costs	11,183	2,070	9,113	11,183	-
Total expenditures	<u>20,115,594</u>	<u>11,319,099</u>	<u>629,675</u>	<u>11,948,774</u>	<u>8,166,820</u>
Revenues over (under) expenditures	<u>(11,951,377)</u>	<u>(8,979,913)</u>	<u>(394,777)</u>	<u>(9,374,690)</u>	<u>2,576,687</u>
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds:					
General Fund	2,988,952	1,129,706	1,859,246	2,988,952	-
Airport Fund	332,849	332,849	-	332,849	-
Proceeds from refunding revenue bonds	<u>8,629,576</u>	<u>8,629,576</u>	<u>-</u>	<u>8,629,576</u>	<u>-</u>
Total other financing sources (uses)	<u>11,951,377</u>	<u>10,092,131</u>	<u>1,859,246</u>	<u>11,951,377</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing us	<u>\$ -</u>	<u>\$ 1,112,218</u>	<u>\$ 1,464,469</u>	<u>\$ 2,576,687</u>	<u>\$ 2,576,687</u>

CITY OF MONROE, NORTH CAROLINA
STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Charges for services:			
Storm water receipts	\$ 1,816,730	\$ 1,831,655	\$ 14,925
Other operating revenues	2,700	14,575	11,875
Total operating revenues	1,819,430	1,846,230	26,800
Nonoperating revenues:			
Investment earnings	10,470	(12,372)	(22,842)
Total nonoperating revenues	10,470	(12,372)	(22,842)
Total revenues	1,829,900	1,833,858	3,958
 APPROPRIATION FROM FUND BALANCE	 88,043	 -	 (88,043)
 Total revenues	 \$ 1,917,943	 \$ 1,833,858	 \$ (84,085)

- Continued -

CITY OF MONROE, NORTH CAROLINA
STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
Operations:			
Salaries and employee benefits	\$ 604,964	\$ 594,665	\$ 10,299
Reimbursements	565,908	584,269	(18,361)
Operating expenditures	567,785	495,618	72,167
Total	1,738,657	1,674,552	64,105
Debt service:			
Principal retirement	129,768	129,750	18
Interest and other charges	49,518	12,439	37,079
Total	179,286	142,189	37,097
Total expenditures	1,917,943	1,816,741	101,202
Total expenditures and other financing uses	\$ 1,917,943	\$ 1,816,741	\$ 101,202

- Continued -

CITY OF MONROE, NORTH CAROLINA
STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

Reconciliation from budgetary basis (modified accrual) to full accrual:

Total revenues and other financing sources	\$ 1,833,858
Total expenditures and other financing uses	<u>1,816,741</u>
Revenues over expenditures and other financing uses	<u>17,117</u>
 Reconciling items:	
Debt principal	129,750
Capital contributions	162,048
Increase in compensated absences	(8,339)
Increase in OPEB liability	(34,063)
Depreciation and amortization	<u>(128,553)</u>
Total reconciling items	<u>120,843</u>
 Change in net position	 <u><u>\$ 137,960</u></u>

CITY OF MONROE, NORTH CAROLINA
SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Charges for services:			
Refuse collection fees	\$ 2,124,746	\$ 2,188,081	\$ 63,335
Total	2,124,746	2,188,081	63,335
Other operating revenues	23,200	25,772	2,572
Total operating revenues	2,147,946	2,213,853	65,907
Nonoperating revenues:			
Capital grants	75,000	75,000	-
Investment earnings	12,275	(9,096)	(21,371)
Total nonoperating revenues	87,275	65,904	(21,371)
Total revenues	2,235,221	2,279,757	44,536
OTHER FINANCING SOURCES			
Transfers from other funds:			
General fund	175,755	175,755	-
Proceeds from installment purchase agreement	500,000	500,000	-
Total other financing sources	675,755	675,755	-
Total revenues and other financing sources	2,910,976	2,955,512	44,536
APPROPRIATION FROM FUND BALANCE	281,733	-	(281,733)
Total revenues	\$ 3,192,709	\$ 2,955,512	\$ (237,197)

- Continued -

CITY OF MONROE, NORTH CAROLINA
SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
Operations:			
Salaries and employee benefits	\$ 66,602	\$ 66,335	\$ 267
Operating expenditures	1,984,252	1,943,411	40,841
Total	2,050,854	2,009,746	41,108
Debt service:			
Principal retirement	48,669	48,362	307
Interest and other charges	3,675	3,675	-
Total	52,344	52,037	307
Capital outlay	1,089,511	967,361	122,150
Total expenditures	\$ 3,192,709	\$ 3,029,144	\$ 163,565

- Continued -

CITY OF MONROE, NORTH CAROLINA
SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2013

Reconciliation from budgetary basis (modified accrual) to full accrual:

Total revenues		\$ 2,955,512
Total expenditures		<u>3,029,144</u>
Revenues under expenditures		<u>(73,632)</u>
Reconciling items:		
Debt principal		48,362
Capital outlay		967,361
Depreciation		(193,472)
Proceeds from installment purchase agreements		(500,000)
Increase in compensated absences		(1,154)
Increase in OPEB liability		<u>(3,406)</u>
Total reconciling items		<u>317,691</u>
Change in net position		<u>\$ 244,059</u>

CITY OF MONROE, NORTH CAROLINA
HEALTH AND DENTAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES
For the Year Ended June 30, 2013

	Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES			
Operating revenues			
Interfund charges and employee contributions	\$ 5,189,710	\$ 5,242,290	\$ 52,580
Receipts for interfund charges	194,570	194,570	-
Other operating revenue	-	44,930	44,930
Total operating revenues	5,384,280	5,481,790	97,510
Nonoperating revenues			
Investment earnings	1,395	(29,965)	(31,360)
Contribution from component unit	430	430	-
Total nonoperating revenues	1,825	(29,535)	(31,360)
Total revenues	5,386,105	5,452,255	66,150
EXPENDITURES			
Operating expenditures			
Other operating expenses	69,226	69,222	4
Health care clinic	97,000	79,300	17,700
Health benefit claims and premiums	5,469,879	5,561,258	(91,379)
Total operating expenditures	5,636,105	5,709,780	(73,675)
APPROPRIATION TO FUND BALANCE	250,000	-	250,000
Revenues over expenditures	\$ -	\$ (257,525)	\$ (257,525)

CITY OF MONROE, NORTH CAROLINA
WORKERS' COMPENSATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES
For the Year Ended June 30, 2013

	Budget	Actual	Variance - Favorable (Unfavorable)
	Budget	Actual	(Unfavorable)
REVENUES			
Operating revenues			
Interfund charges	\$ 60,000	\$ 60,000	\$ -
Total operating revenues	60,000	60,000	-
Nonoperating revenues			
Investment earnings	4,530	(17,189)	(21,719)
Total nonoperating revenues	4,530	(17,189)	(21,719)
Total revenues	64,530	42,811	(21,719)
EXPENDITURES			
Operating expenditures			
Other operating expenses	51,731	51,730	1
Workers' compensation claims and premiums paid	258,400	194,992	63,408
Total operating expenditures	310,131	246,722	63,409
Total expenditures	310,131	246,722	63,409
APPROPRIATION FROM FUND BALANCE	245,601	-	(245,601)
Revenues under expenditures	\$ -	\$ (203,911)	\$ (203,911)

CITY OF MONROE, NORTH CAROLINA
PROPERTY AND CASUALTY FUND
SCHEDULE OF REVENUES AND EXPENDITURES
For the Year Ended June 30, 2013

	Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES			
Operating revenues			
Interfund charges and employee contributions	\$ 645,000	\$ 645,000	\$ -
Other operating revenue	56,862	64,792	7,930
Total operating revenues	701,862	709,792	7,930
 Nonoperating revenues			
Investment earnings	410	(4,306)	(4,716)
Total nonoperating revenues	410	(4,306)	(4,716)
 Total revenues	702,272	705,486	3,214
 EXPENDITURES			
Operating expenditures			
Other operating expenses	49,910	49,909	1
Property and liability claims and premiums	727,362	691,164	36,198
Total expenditures	777,272	741,073	36,199
 Revenues under expenditures	\$ (75,000)	\$ (35,587)	\$ 39,413

CITY OF MONROE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2013

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2012</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012 - 2013	\$ -	\$ 19,334,500	\$ 18,836,370	\$ 498,130
2011 - 2012	506,064	-	304,381	201,683
2010 - 2011	215,267	-	58,052	157,215
2009 - 2010	170,819	-	69,200	101,619
2008 - 2009	76,461	-	32,483	43,978
2007 - 2008	46,122	-	4,321	41,801
2006 - 2007	40,675	-	1,815	38,860
2005 - 2006	21,455	-	2,027	19,428
2004 - 2005	16,971	-	670	16,301
2003 - 2004	14,714	-	143	14,571
2002 - 2003	17,761	-	17,761	-
	<u>\$ 1,126,309</u>	<u>\$ 19,334,500</u>	<u>\$ 19,327,223</u>	

Ad valorem taxes receivable \$ 1,133,586

<u>Reconciliation with revenues:</u>	<u>General Fund</u>
Ad valorem taxes - General fund	\$ 19,392,376
Amounts written off per statute of limitations	17,607
Refunds, releases of prior years' taxes	29,482
Interest and advertising cost recovery	<u>(112,242)</u>
Total collections and credits	<u>\$ 19,327,223</u>

CITY OF MONROE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
For the Fiscal Year Ended June 30, 2013

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	excluding registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current year's rate	\$ 3,328,431,321	0.555	\$ 18,431,615	\$ 17,707,865	\$ 723,750
Registered motor vehicles taxed at prior year's rate	<u>83,263,794</u>		<u>501,468</u>	<u>-</u>	<u>501,468</u>
Total	<u>3,411,695,115</u>		<u>18,933,083</u>	<u>17,707,865</u>	<u>1,225,218</u>
Public Utility Allocation:	64,448,669	0.555	357,685	357,685	-
Discoveries	22,091,205	0.555	122,513	108,180	14,333
Adjustments	-	0.555	7,621	7,621	-
Abatements	<u>(16,892,904)</u>	<u>0.555</u>	<u>(86,402)</u>	<u>(41,739)</u>	<u>(44,663)</u>
Total property valuation	<u>\$ 3,481,342,085</u>				
Net levy			19,334,500	18,139,612	1,194,888
Uncollected taxes at June 30, 2013			<u>(498,130)</u>	<u>(354,327)</u>	<u>(143,803)</u>
Current year's taxes collected			<u>\$ 18,836,370</u>	<u>\$ 17,785,285</u>	<u>\$ 1,051,085</u>
Current levy collection percentage			<u>97.42%</u>	<u>98.05%</u>	<u>87.97%</u>
<u>Secondary Market Disclosures:</u>					
	Property Valuation	Rate	Levy		
Assessed Valuation:					
Assessment Ratio ¹	<u>100%</u>				
Real property	\$ 2,458,662,482				
Personal property	739,475,627				
Public Service Companies ²	<u>64,448,669</u>				
	3,262,586,778	0.555	18,139,612		
Motor Vehicle Property	<u>218,755,307</u>	0.555	<u>1,194,888</u>		
Total levy (includes discoveries, releases and abatements) ³	<u>\$ 3,481,342,085</u>		<u>\$ 19,334,500</u>		
Distribution of levy:					
General Fund			\$ 19,334,500		

¹Percentage of appraised value has been established by statute.

²Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

³The levy includes interest and penalties.

CITY OF MONROE, NORTH CAROLINA
SCHEDULE OF MUNICIPAL SERVICE DISTRICT TAXES RECEIVABLE
June 30, 2013

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2012</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012 - 2013	\$ -	\$ 53,274	\$ 50,593	\$ 2,681
2011 - 2012	2,278	-	108	2,170
2010 - 2011	788	-	-	788
2009 - 2010	592	-	-	592
2008 - 2009	265	-	-	265
2007 - 2008	144	-	-	144
2006 - 2007	409	-	-	409
2005 - 2006	99	-	-	99
2004 - 2005	4	-	-	4
2003 - 2004	255	-	-	255
2002 - 2003	66	-	66	-
	<u>\$ 4,900</u>	<u>\$ 53,274</u>	<u>\$ 50,767</u>	

Ad valorem taxes receivable

\$ 7,407

Reconciliation with revenues:

Ad valorem taxes - General fund	\$ 51,042
Amounts written off per statute of limitations	66
Refunds, releases of prior years' taxes	(1)
Interest and advertising cost recovery	<u>(340)</u>
Total collections and credits	<u>\$ 50,767</u>

**CITY OF MONROE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
MUNICIPAL SERVICE DISTRICT LEVY
For the Fiscal Year Ended June 30, 2013**

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	excluding registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current year's rate	\$ 24,445,112	0.200	\$ 49,126	\$ 48,243	\$ 883
Registered motor vehicles taxed at prior year's rate	<u>232,750</u>		<u>466</u>	<u>-</u>	<u>466</u>
Total	<u>24,677,862</u>		<u>49,592</u>	<u>48,243</u>	<u>1,349</u>
Public Utility Allocation	1,863,985	0.200	3,728	3,728	-
Discoveries	440	0.200	1	1	-
Abatements	<u>(19,310)</u>	<u>0.200</u>	<u>(47)</u>	<u>(36)</u>	<u>(11)</u>
Total property valuation	<u>\$ 26,522,977</u>				
Net levy			53,274	51,936	1,338
Uncollected taxes at June 30, 2012			<u>(2,681)</u>	<u>(2,471)</u>	<u>(210)</u>
Current year's taxes collected			<u>\$ 50,593</u>	<u>\$ 49,465</u>	<u>\$ 1,128</u>
Current levy collection percentage			<u>94.97%</u>	<u>95.24%</u>	<u>84.30%</u>
<u>Secondary Market Disclosures:</u>					
	Property Valuation	Rate	Levy		
Assessed Valuation:					
Assessment Ratio ¹	<u>100%</u>				
Real property	\$ 22,655,230				
Personal property	1,335,153				
Public Service Companies ²	<u>1,863,985</u>				
	25,854,368	0.200	51,936		
Motor Vehicle Property	<u>668,609</u>	0.200	<u>1,338</u>		
Total levy (includes discoveries, releases and abatements) ³	<u>\$ 26,522,977</u>		<u>\$ 53,274</u>		
Distribution of levy:					
Municipal Service District - Downtown Monroe Fund			\$ 53,274		

¹Percentage of appraised value has been established by statute.

²Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

³The levy includes interest and penalties.

Statistical Section

This part of the City of Monroe’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

	<u>Page</u>
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Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports to the relevant year.



TABLE 1

CITY OF MONROE, NORTH CAROLINA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(in thousands of dollars)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 73,696	\$ 74,193	\$ 73,177	\$ 71,568	\$ 73,467	\$ 74,438	\$ 73,296	\$ 71,692	\$ 70,561	\$ 69,784
Restricted	538	624	239	144	45	2	255	670	6,740	5,665
Unrestricted	19,658	19,717	18,683	20,924	20,718	20,739	20,359	20,979	16,261	16,315
Total governmental activities net position	\$ 93,872	\$ 94,534	\$ 92,099	\$ 92,636	\$ 94,229	\$ 95,179	\$ 93,910	\$ 93,341	\$ 93,562	\$ 91,764
Business-type activities										
Net investment in capital assets	\$ 92,356	\$ 101,382	\$ 109,561	\$ 118,219	\$ 127,957	\$ 127,104	\$ 141,269	\$ 144,182	\$ 152,078	\$ 160,289
Unrestricted	62,274	63,956	68,479	77,350	84,078	91,595	86,319	94,053	95,183	92,520
Total business-type activities net position	\$ 154,630	\$ 165,338	\$ 178,040	\$ 195,569	\$ 212,035	\$ 218,699	\$ 227,588	\$ 238,235	\$ 247,261	\$ 252,809
Primary government										
Net investment in capital assets	\$ 166,052	\$ 175,575	\$ 182,738	\$ 189,787	\$ 201,424	\$ 201,542	\$ 214,565	\$ 215,874	\$ 222,639	\$ 230,073
Restricted	538	624	239	144	45	2	255	670	6,740	5,665
Unrestricted	81,912	83,673	87,162	98,274	104,796	112,334	106,678	115,032	111,444	108,835
Total primary government net position	\$ 248,502	\$ 259,872	\$ 270,139	\$ 288,205	\$ 306,264	\$ 313,878	\$ 321,498	\$ 331,576	\$ 340,823	\$ 344,573

Notes:
Fiscal year 2012 reflects implementation of GASB Statement 54. Prior year amounts have not been restated.
The classification of restricted net position amounts is discussed in the notes to the financial statements section I.E.12.

TABLE 2

CITY OF MONROE, NORTH CAROLINA
 CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS
 (accrual basis of accounting)
 (in thousands of dollars)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EXPENSES										
Governmental activities:										
General government	\$ 4,243	\$ 4,133	\$ 4,600	\$ 4,176	\$ 4,945	\$ 4,725	\$ 4,952	\$ 5,294	\$ 5,562	\$ 4,354
Transportation	4,409	4,119	4,482	4,444	4,966	5,441	5,667	4,699	5,109	4,801
Public safety	10,291	10,776	12,069	13,557	14,247	17,974	17,775	18,224	19,512	19,067
Environmental protection	1,894	1,903	2,007	2,349	2,551	-	-	-	-	-
Culture and recreation	3,462	3,197	3,483	3,802	3,922	4,914	4,906	4,545	5,067	4,069
Economic and physical development	791	898	1,404	2,140	948	859	1,784	1,119	953	1,016
Interest on long-term debt	232	158	187	205	238	312	161	107	54	229
Total governmental activities expenses	25,322	25,184	28,232	30,673	31,817	34,225	35,245	33,988	36,257	33,536
Business-type activities:										
Water and sewer	9,202	8,826	8,525	8,907	11,381	11,543	11,520	11,955	11,687	12,356
Electric	32,369	33,990	35,491	37,042	39,703	41,629	43,588	46,840	49,158	51,729
Natural gas	20,171	19,305	20,791	16,037	16,942	16,867	17,585	13,913	11,131	12,710
Aquatics and Fitness Center	2,335	2,779	2,881	2,934	3,187	3,725	3,436	3,549	3,783	4,886
Stormwater	-	-	-	-	-	795	1,351	1,709	1,734	1,874
Solid Waste	-	-	-	-	-	2,698	2,702	2,697	2,564	2,213
Airport	595	596	1,272	2,187	2,865	3,232	3,498	3,553	3,611	3,771
Total business-type activities expenses	64,672	65,496	68,960	67,107	74,077	80,489	83,680	84,216	83,668	89,539
Total primary government expenses	\$ 89,994	\$ 90,680	\$ 97,192	\$ 97,780	\$ 105,894	\$ 114,714	\$ 118,925	\$ 118,204	\$ 119,925	\$ 123,075
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	\$ 864	\$ 1,118	\$ 1,279	\$ 1,261	\$ 1,132	\$ 2,029	\$ 1,979	\$ 1,955	\$ 1,978	\$ 2,079
Transportation	-	-	-	-	-	243	236	202	218	203
Public safety	78	84	96	65	51	2,065	2,213	2,312	2,491	2,230
Environmental protection	1,855	1,914	2,062	2,761	2,795	43	-	-	-	-
Culture and recreation	747	708	761	814	844	1,239	1,194	1,232	1,289	653
Economic and physical development	12	8	4	13	3	2	8	3	2	-
Operating grants and contributions:										
General government	314	32	69	85	8	-	-	-	-	-
Transportation	872	986	998	1,004	1,154	1,082	986	1,032	930	978
Public safety	270	206	246	897	1,017	604	732	616	786	312
Environmental protection	26	2	4	2	2	1	-	-	-	-
Culture and recreation	124	172	243	197	216	223	195	204	214	223
Economic and physical development	210	236	93	83	7	194	326	135	220	264
Capital grants and contributions:										
Transportation	3,488	1,147	647	45	2,435	3,460	1,187	-	478	438
Public safety	-	-	-	-	-	-	-	49	-	-
Culture and recreation	-	-	-	-	-	-	785	304	-	-
Total governmental activities program revenues	\$ 8,860	\$ 6,613	\$ 6,502	\$ 7,227	\$ 9,665	\$ 11,184	\$ 9,841	\$ 8,044	\$ 8,606	\$ 7,380

TABLE 3

CITY OF MONROE, NORTH CAROLINA
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)
 (in thousands of dollars)

	FISCAL YEAR									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 4,963	\$ 5,601	\$ 5,590	\$ 4,251	\$ 4,972	\$ 4,058	\$ 4,012	\$ -	\$ -	\$ -
Unreserved	14,668	13,375	12,582	13,803	15,635	13,808	15,614	-	-	-
Nonspendable								\$ 331	\$ 339	\$ 256
Restricted								4,130	6,009	5,664
Assigned								2,975	9,134	11,679
Unassigned								13,042	5,827	3,607
Total General Fund	\$ 19,631	\$ 18,976	\$ 18,172	\$ 18,054	\$ 20,607	\$ 17,866	\$ 19,626	\$ 20,478	\$ 21,309	\$ 21,206
All Other Governmental Funds										
Reserved	\$ 1,217	\$ 825	\$ 286	\$ 430	\$ 3	\$ 93	\$ 233	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue Funds	201	307	433	1,552	1,418	1,600	1,609	-	-	-
Capital Projects Funds	245	1,101	1,076	1,884	1,179	3,328	(114)	-	-	-
Nonspendable										
Assigned								\$ 1,281	\$ 1,560	\$ 2,026
Total all other governmental funds	\$ 1,663	\$ 2,233	\$ 1,795	\$ 3,866	\$ 2,600	\$ 5,021	\$ 1,728	\$ 1,281	\$ 1,560	\$ 2,027

Notes:

Fiscal year 2011 reflects implementation of GASB Statement 54. Prior year amounts have not been restated.
 The classification of fund balance amounts is discussed in the notes to the financial statements section I.E.12.

TABLE 4

CITY OF MONROE, NORTH CAROLINA
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

(modified accrual basis of accounting)
 (in thousands of dollars)

	FISCAL YEAR									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
REVENUES										
Ad valorem taxes	\$ 11,043	\$ 11,578	\$ 12,049	\$ 13,655	\$ 15,265	\$ 16,134	\$ 16,909	\$ 19,217	\$ 19,426	\$ 19,443
Other taxes and licenses	5,643	912	1,040	1,044	1,227	1,220	874	1,249	1,313	1,558
Unrestricted intergovernmental	1,749	6,490	6,332	7,176	7,177	6,360	6,044	6,586	7,408	7,567
Restricted intergovernmental	2,279	2,505	2,240	2,195	2,378	2,826	3,274	2,399	2,217	1,846
Program income	41	10	6	84	6	2	7	2	2	-
Sales and services (1)	4,513	3,742	4,292	5,012	5,137	1,961	1,740	1,708	1,766	1,420
Investment earnings	24	553	381	1,141	1,259	495	273	64	822	(544)
Miscellaneous	498	563	396	522	650	611	548	747	793	747
Total revenues	25,790	26,353	26,736	30,829	33,099	29,609	29,669	31,972	33,747	32,037
EXPENDITURES										
General government	3,967	4,207	4,273	3,801	4,578	4,086	4,170	3,410	3,327	3,172
Transportation	1,984	1,858	2,144	2,162	2,426	2,452	1,727	1,484	1,802	2,476
Public safety	9,939	9,957	10,996	12,593	13,304	13,864	14,385	14,332	15,654	16,208
Environmental protection (1)	1,761	1,784	1,896	2,349	2,551	-	-	-	-	-
Culture and recreation	2,827	2,924	3,037	3,426	3,536	3,902	3,554	3,894	3,896	3,115
Economic and physical development	792	610	585	1,460	830	986	1,909	2,045	951	1,015
Capital outlay	2,992	5,131	3,878	2,446	5,487	2,619	2,832	1,091	2,298	422
Debt service:										
Principal retirement	2,761	1,555	1,659	1,617	1,660	1,828	1,922	1,962	1,685	1,311
Interest and other charges	232	158	187	205	182	310	337	61	54	229
Total expenditures	27,255	28,184	28,655	30,059	34,554	30,047	30,836	28,279	29,667	27,948
Excess (deficiency) of revenues over (under) expenditures	(1,465)	(1,831)	(1,919)	770	(1,456)	(438)	(1,167)	3,693	4,080	4,089
OTHER FINANCING SOURCES (USES)										
Transfers from (to) others	(383)	(745)	(1,035)	237	(573)	(3,430)	(710)	(3,419)	(2,548)	(3,725)
Repayment of advance from other funds	3,142	2,492	1,713	945	3,317	3,661	475	(131)	-	-
Installment purchase obligations issued	2,759	1,747	678	1,182	2,744	231	(366)	263	748	-
Total other financing sources (uses)	\$ 1,294	\$ (84)	\$ (1,241)	\$ 1,952	\$ 1,288	\$ (207)	\$ (1,533)	\$ 406	\$ 2,280	\$ 364
Net change in fund balances										
Debt service as a percentage of noncapital expenditures	12.34%	7.43%	7.45%	6.60%	6.34%	7.79%	8.07%	7.44%	6.35%	5.59%

Note:

(1) The Solid Waste Fund was established in 2009. Previously, these revenues and expenditures were included in the General Fund.

TABLE 5

CITY OF MONROE, NORTH CAROLINA
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year	Real Property		Personal Property			Public Service Companies	Total Assessed Value	Total Direct Tax Rate (1)
	Commercial	Residential	Motor Vehicle	Other	Other			
2004	\$ 839,762	\$ 650,721	\$ 170,653	\$ 451,967	\$ 41,854	\$ 2,154,957	0.500	
2005	861,358	830,018	198,995	444,329	41,408	2,376,108	0.480	
2006	739,892	957,402	238,446	459,106	43,934	2,438,780	0.490	
2007	769,343	1,009,984	226,844	521,941	43,261	2,571,373	0.530	
2008	810,780	1,067,270	227,535	583,078	49,984	2,738,647	0.550	
2009	1,081,987	1,264,542	207,793	659,913	49,487	3,263,722	0.495	
2010	1,097,648	1,288,641	186,439	765,537	60,724	3,398,989	0.495	
2011	1,133,184	1,296,350	189,559	777,420	69,218	3,465,731	0.555	
2012	1,151,666	1,298,253	197,410	761,938	66,714	3,475,981	0.555	
2013	1,172,544	1,308,774	219,424	740,811	66,312	3,507,865	0.555	

Notes: (1) Property is assessed at actual value; therefore, the assessed value is equal to actual value.
 Tax Rates are per \$100 of assessed value.

Sources: Union County Tax Assessor's Office and North Carolina Property Tax Commission.

CITY OF MONROE, NORTH CAROLINA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(rate per \$100 of assessed value)

Fiscal Year	City of Monroe			Total Weighted Average Rate ⁽¹⁾	Overlapping Rates			Total Direct and Overlapping Rates
	General Fund Basic Rate	Municipal Service District Basic Rate			Union County Basic Rate	Monroe School District		
2004	0.5000	0.2000		0.5042	0.5300	0.0700	1.1042	
2005	0.4800	0.2000		0.4794	0.5250	0.0700	1.0744	
2006	0.4900	0.2000		0.4938	0.5600	0.0700	1.1238	
2007	0.5300	0.2000		0.5338	0.6367	-	1.1705	
2008	0.5500	0.2000		0.5491	0.7111	-	1.2602	
2009	0.4950	0.2000		0.4955	0.6650	-	1.1605	
2010	0.4950	0.2000		0.4964	0.6650	-	1.1614	
2011	0.5550	0.2000		0.5547	0.6650	-	1.2197	
2012	0.5550	0.2000		0.5549	0.6650	-	1.2199	
2013	0.5550	0.2000		0.5527	0.6650	-	1.2177	

Notes: (1) Total City tax rate is a weighted average of all types of City of Monroe tax rates.
 Union County rate is a direct rate.

Source: Union County, Tax Assessment Division

**CITY OF MONROE, NORTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(in thousands of dollars)**

Taxpayer	2004			2013		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Allegheny Technologies (Allvac)	\$ 58,251	2	2.7%	\$ 298,194	1	8.5%
Charlotte Pipe & Foundry Co.	110,353	1	5.1%	96,901	2	2.8%
Tyson Farms, Inc. (Tyson Foods, Inc.)	44,159	3	2.0%	38,015	3	1.1%
Turboomeca	-	-	-	37,353	4	1.1%
Inland American Monroe Poplin	-	-	-	27,050	5	0.8%
Yale Security (Assa Abloy - Door Security)	17,385	6	0.8%	24,547	6	0.7%
Consolidated Metco, Inc.	25,757	4	1.2%	24,188	7	0.7%
Greiner Bio-One	-	-	-	23,372	8	0.7%
Monroe Mall (Madison)	18,281	5	0.8%	20,843	9	0.6%
Wal-Mart	-	-	-	20,294	10	0.6%
IMO Delaval, Inc.	14,599	8	0.7%	-	-	-
Goulston Technologies	13,371	10	0.6%	-	-	-
Cooper Industries	15,717	7	0.7%	-	-	-
Westdale Insterstate Properties	13,476	9	0.6%	-	-	-
Total	\$ 331,349		15.4%	\$ 610,757		17.4%

Source: City of Monroe Tax System

TABLE 8

CITY OF MONROE, NORTH CAROLINA
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS
 (in thousands of dollars)

Fiscal Year	Taxes Levied for the Fiscal Year	Public Utility Allocation	Discoveries	Abatements	Taxes Levied for the Fiscal Year (Adjusted)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
						Amount	Percentage of Levy		Amount	Percentage of Adjusted Levy
2004	\$ 10,682	\$ 209	\$ 107	\$ 90	\$ 10,908	\$ 10,644	97.58%	\$ 249	\$ 10,893	99.86%
2005	10,869	199	472	106	11,434	11,178	97.77	240	11,418	99.85
2006	11,959	215	17	100	12,091	11,754	97.22	317	12,071	99.82
2007	13,429	229	407	137	13,928	13,290	96.45	599	13,889	99.71
2008	14,647	275	278	107	15,093	14,607	96.78	444	15,051	99.70
2009	16,100	245	45	159	16,231	15,669	96.54	518	16,187	99.53
2010	16,490	300	160	78	16,872	16,292	96.56	478	16,770	98.99
2011	18,859	384	69	88	19,224	18,646	96.99	420	19,066	98.88
2012	18,962	362	299	335	19,288	18,780	97.37	304	19,084	97.37
2013	18,983	361	130	86	19,388	18,887	97.42	-	18,887	97.42

Source: City of Monroe Tax System

TABLE 9

CITY OF MONROE, NORTH CAROLINA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities		Business-type Activities				Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
	Installment Purchase Obligations	General Obligation Bonds	Revenue Bonds	State Revolving Loans	Installment Purchase Obligations				
2004	\$ 5,840	\$ 3,525	\$ 12,000	\$ 9,240	\$ 8,033	\$ 38,638	\$ 1,271	0.88%	
2005	6,777	2,815	11,485	8,413	7,453	36,943	1,183	0.74	
2006	6,832	2,125	10,950	7,586	6,793	34,286	1,056	0.61	
2007	6,150	1,450	10,385	6,759	5,770	30,514	900	0.49	
2008	7,821	790	53,810	5,932	5,061	73,414	2,041	1.13	
2009	9,656	140	53,185	5,105	36,011	104,097	2,792	1.58	
2010	8,209	-	51,320	4,278	36,291	100,098	2,626	1.45	
2011	6,736	-	48,980	3,451	35,134	94,301	2,857	1.29	
2012 (2)	6,024	-	47,425	4,654	32,671	90,774	2,731	-	
2013 (2)	4,303	-	45,707	8,504	32,206	90,720	2,732	-	

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 14 for personal income and population data. These ratios are calculated using personal income and population for prior calendar year. Calendar year 2011 and 2012 personal income not available to calculate fiscal year 2012 and 2013.

(2) Personal income not available for 2012 and 2013.

CITY OF MONROE, NORTH CAROLINA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(dollars in thousands, except per capita)

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
	(1)	(2)	(1)
2004	\$ 3,525	0.16%	\$ 116
2005	2,815	0.12	90
2006	2,125	0.09	65
2007	1,450	0.06	43
2008	790	0.03	22
2009	140	0.004	4
2010	-	N/A	N/A
2011	-	N/A	N/A
2012	-	N/A	N/A
2013	-	N/A	N/A

Notes : Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 14 for population data.

(2) See Table 5 for total assessed value of property.

CITY OF MONROE, NORTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2013
(in thousands of dollars)

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Union County, overlapping debt	\$ 472,863	14.8%	\$ 70,179
Total direct debt	<u>4,303</u>	100%	<u>4,303</u>
Total direct and overlapping debt	<u>\$ 477,166</u>		<u>\$ 74,482</u>

Notes: (1) Includes governmental activities debt only.
(2) Determined by ratio of assessed value of property subject to taxation in Union County (\$23,635,819,299) and City of Monroe (\$3,507,865,062).

Source: Union County Finance Department

TABLE 12

CITY OF MONROE, NORTH CAROLINA
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS
 (in thousands of dollars)

	FISCAL YEAR									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit (8% of assessed value)	\$ 172,397	\$ 190,088	\$ 195,102	\$ 205,710	\$ 219,092	\$ 261,098	\$ 271,919	\$ 277,258	\$ 278,078	\$ 280,629
Total net debt applicable to limit	13,874	14,229	13,624	11,920	12,882	46,667	44,500	41,871	38,500	36,509
Legal debt margin	\$ 158,523	\$ 175,859	\$ 181,478	\$ 193,790	\$ 206,210	\$ 214,431	\$ 227,419	\$ 135,387	\$ 238,578	\$ 244,120
Total net debt applicable to the limit as a percentage of debt limit	8.05%	7.49%	6.98%	5.79%	5.88%	17.87%	16.37%	15.10%	14.20%	13.01%

Legal Debt Margin
 Calculation for Fiscal Year 2013

Assessed value		<u>\$3,507,865</u>
Debt limit (8% of total assessed value)		280,629
Bonded debt	\$ -	
Debt not evidenced by bonds	<u>36,509</u>	
Gross debt	\$ 36,509	
Less: deductions allowed by North Carolina General Statutes:		
Bonded debt incurred for water purposes	-	
Bonded debt incurred for sewer purposes	-	
Total deductions	<u>-</u>	
Net debt applicable to limit		<u>36,509</u>
Legal debt margin		<u>\$ 244,120</u>

Note: NC Statute GS 159-55 limits the City's debt to 8% of the appraised value of property subject to taxation. The following deductions are made from gross to arrive at net debt applicable to the limit: money held for payment of principal; debt incurred for water, sewer, gas, or electric purposes; uncollected special assessments, funding and refunding bonds not yet issued; and revenue bonds. The legal debt margin is the difference between the debt limit and the City's net debt outstanding applicable to the limit, and represents the City's legal borrowing authority.

CITY OF MONROE, NORTH CAROLINA
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year	Operating Revenues	Less Operating Expenses (1)	Operating Income	Nonoperating Revenues (2)	Income Available for Debt Service	Debt Service		Coverage
						Principal	Interest	
2004	\$ 67,065	\$ 59,705	\$ 7,360	\$ 52	\$ 7,412	\$ 1,220	\$ 743	378%
2005	68,492	60,408	8,084	1,585	9,669	1,225	692	504
2006	74,557	63,809	10,748	834	11,582	1,225	641	621
2007	72,718	61,629	11,088	3,343	14,431	1,240	588	789
2008	76,489	67,113	9,376	4,683	14,059	1,250	815	681
2009	74,807	66,727	8,081	2,884	10,964	1,275	2,456	294
2010	75,197	67,175	8,022	939	8,961	2,005	2,399	203
2011	80,045	66,284	13,761	277	14,038	2,772	2,461	268
2012	78,729	65,795	12,935	2,808	15,742	3,112	1,966	310
2013	83,091	70,200	12,891	(1,642)	11,249	2,917	2,132	223

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(1) Per rate covenants, this does not include the annual depreciation expense.
(2) Per rate covenants, this includes investment earnings only.

CITY OF MONROE, NORTH CAROLINA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

Fiscal Year	(City) Population (2)	(County) Personal Income (thousands of dollars) (3)	(County) Per Capita Personal Income (3)	(County) Public School Enrollment (4)	(County) Unemployment Rate (5)
2004	30,392	\$ 4,414,129	\$ 29,194	27,031	5.20
2005	31,234	4,987,416	31,064	28,815	4.50
2006	32,454	5,617,550	32,626	31,580	3.80
2007	33,908	6,207,640	33,650	34,564	4.30
2008	35,966	6,512,312	33,673	37,110	5.60
2009	37,280	6,602,954	33,240	38,554	10.80
2010	38,120	6,912,014	34,184	39,366	9.50
2011	33,007	7,304,614	35,552	39,900	9.40
2012	(1)	-	-	40,359	8.60
2013	(1)	-	-	40,958	8.00

Note: (1) Personal income not available for 2012 and 2013.

Sources: (2) North Carolina Office of State Budget and Management
 (3) US Department of Commerce - Bureau of Economic Analysis
 (4) Union County Schools
 (5) Employment Security Commission of North Carolina

CITY OF MONROE, NORTH CAROLINA
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO

Employer	2004		2013	
	Employees (1)	Percentage of Total City Employment	Employees (1)	Percentage of Total City Employment (2)
Tyson Foods	-	-	1,580	10.1%
Carolinas Medical Center-Union	-	-	1,400	9.0%
ATI Allvac	-	-	1,140	7.3%
Union County	-	-	573	3.7%
SCOTT Safety	-	-	550	3.5%
Charlotte Pipe	-	-	450	2.9%
City of Monroe	-	-	446	2.9%
Wal-Mart Stores, Inc.	-	-	350	2.2%
United Technologies Aerospace Systems	-	-	275	1.8%
Colfax Corporation (IMO Pump)	-	-	260	1.7%
Total	-	-	7,024	45.1%

Notes: (1) Data for 2004 not available.

(2) Percentage of total city employment based on North Carolina Employment Security Commission labor force estimate of 15,591 as of June 30, 2013.

Sources: City of Monroe Economic Development Department

TABLE 16

CITY OF MONROE, NORTH CAROLINA
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government:										
Administration	25	25	24	31	30	32	28	27	28	29
Planning and zoning	12	12	12	11	11	11	11	8	8	7
Engineering	10	11	10	11	10	10	10	10	10	9
Utility/tax billing and collection	17	17	14	17	18	18	18	19	17	17
Operations center	10	9	12	12	12	8	9	9	9	9
Transportation	23	22	24	25	24	21	24	19	19	19
Police	75	80	87	90	91	95	101	104	104	98
Fire	58	61	70	82	78	82	84	82	82	79
Building standards and code enforcement	10	10	10	9	9	10	11	4	6	6
Culture and recreation	46	48	49	50	50	49	39	38	40	41
Water and sewer:										
Distribution system	32	31	31	29	31	33	34	34	34	34
Water filter plant	10	10	10	10	10	11	11	11	12	12
Waste treatment plant	14	14	15	15	15	14	14	14	14	14
Stormwater (2)	-	-	-	-	-	8	9	11	10	10
Electric	18	21	22	22	25	24	27	28	28	29
Natural gas	14	14	13	13	14	13	14	13	14	14
Solid Waste (3)	-	-	-	-	-	-	1	-	1	1
Aquatics and Fitness Center	21	20	20	20	20	20	10	10	11	11
Airport (1)	-	-	7	7	7	8	9	9	9	7
Total	395	405	430	454	455	467	464	450	456	446

- Note:
- (1) The City of Monroe assumed direct management of aviation services at the Monroe Regional Airport in March of 2006. In prior years, the FBO (Fixed Base Operation) had been managed by a private enterprise under contract to the City.
 - (2) City of Monroe established a Stormwater utility program in 2009
 - (3) In 2011, a full time position was added to Solid Waste. Previously, the function was the responsibility of the Planning Department.

Source: City of Monroe payroll system.

TABLE 17

CITY OF MONROE, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(if available or unless otherwise noted)

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Transportation										
Street reclamation (tons)	-	552	2,232	4,052	6,545	8,065	2,858	2,295	2,720	2,503
Street repair (tons)	2,511	2,131	1,057	1,765	2,100	1,219	595	456	915	929
Utility repair (tons)	552	368	119	314	296	321	527	780	1,019	868
Sidewalk repair (cubic yards concrete)	405	565	444	646	451	25	66	116	271	178
Pipe repair and replacement (linear feet)	768	247	956	440	911	2,016	2,132	2,526	2,151	1,300
Police										
Physical arrests (calendar year)	4,309	4,443	4,335	4,596	4,094	3,468	3,204	3,132	3,025	-
Parking violations (calendar year)	2,091	1,263	3,707	3,686	3,918	3,408	3,510	3,558	3,074	-
Traffic violations (calendar year)	6,929	5,571	8,433	7,282	6,672	4,889	6,368	9,179	6,704	-
Fire										
Calls for service (calendar year)	4,315	4,169	4,329	4,626	4,664	4,993	5,514	5,699	5,714	-
Fire code inspections (calendar year)	586	1,633	1,974	1,348	1,860	1,860	1,220	1,244	1,343	-
Civilian fire injuries (calendar year)	12	1	1	1	8	6	2	2	4	-
Building standards & code enforcement										
Building permits issued	3,357	4,943	5,129	3,943	3,951	3,845	2,876	2,701	3,901	3,771
Building inspections	10,697	11,728	13,750	13,817	11,381	8,642	7,553	7,009	7,300	7,411
Code enforcement inspections	2,573	3,398	1,431	1,341	2,565	5,518	6,422	1,750	2,415	1,938
Environmental protection (2)										
Solid waste collected (annual tonnage)	40,787	42,660	44,533	44,917	42,352	35,928	34,155	31,968	24,405	8,609
Recyclables collected (annual tonnage)	739	747	756	973	925	707	788	748	626	1,467
Culture and recreation										
Rounds of golf played (calendar year)	31,388	30,888	35,364	32,988	28,667	30,075	26,556	26,565	27,105	-
Aquatics and fitness center members	13,468	16,138	17,546	18,200	20,824	20,889	20,444	19,972	19,628	19,814
Youth athletic program participants (calendar year)	630	750	800	775	775	486	400	335	467	-
Water										
Average daily production (millions of gallons per day)	6.9	6.3	6.6	6.0	5.7	5.5	5.8	6.0	6.2	5.8
Maximum daily production (millions of gallons per day)	9.7	8.9	9.2	10.0	8.7	8.1	9.1	9.1	9.1	8.5
Customers	10,158	10,532	10,919	11,405	11,534	11,436	11,462	11,478	11,630	11,700
Gallons Billed (in thousands)	1,987,100	2,018,600	2,149,000	2,096,600	1,973,800	1,796,500	1,748,800	1,803,119	1,817,981	1,778,535
Sewer										
Average daily treatment (millions of gallons per day)	7.1	7.2	6.8	7.0	6.1	6.5	6.8	5.8	5.7	6.6
Customers	8,804	9,002	9,400	9,861	10,025	9,948	9,959	9,970	10,099	10,171
Gallons Billed (in thousands)	2,259,400	2,436,000	2,433,000	2,407,200	2,264,600	2,126,800	2,016,900	2,005,753	2,012,091	2,063,159
Electric										
Sales (megawatt hours)	550,615	524,129	585,253	587,377	620,185	595,689	591,112	655,358	656,485	648,350
Customers	9,710	9,892	10,142	10,452	10,467	10,331	10,324	10,307	10,425	10,483
Natural gas										
Sales/deliveries (thousand cubic feet)	268,447	257,326	261,484	279,446	275,840	264,370	273,909	308,852	288,498	297,961
Customers	8,932	9,167	9,533	10,113	10,340	10,287	10,216	10,233	10,345	10,575
Airport (1)										
Fuel sales (thousands of gallons)	327	367	377	390	421	324	345	339	291	297
Based aircraft	65	76	84	103	111	114	95	96	90	105

Notes (1) The City of Monroe assumed direct management of aviation services at the Monroe Regional Airport in March of 2006. In prior years, the FBO (Fixed Base Operation) had been managed by a private enterprise under contract to the City.
(2) The City of Monroe stopped providing commercial dumpster collection services in 2012. The City of Monroe now provides 95 gallon recycling carts versus 18 gallon bins.

Sources: Various City departments.

CITY OF MONROE, NORTH CAROLINA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
(unless otherwise noted)

TABLE 18

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Transportation										
Municipal Boundary (square miles)	28.71	28.75	29.09	29.45	29.60	29.63	29.63	29.63	29.63	29.63
Streets (miles)	158	158	158	158	161	164	166	166	167	169
Sidewalks (miles)	43	44	44	45	50	54	61	61	62	63
Curb and gutter (miles)	109	110	110	111	119	124	127	127	128	130
Stormwater (miles)	29	29	29	30	32	33	34	34	35	35
Bridges (square feet)	15,468	15,468	15,468	15,884	15,884	15,884	15,884	15,884	15,884	15,884
Speed humps/cushions (each)	166	184	204	232	232	242	279	286	301	309
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	79	85	89	89	89	92	92	92	92	92
Fire stations	5	5	5	5	5	5	5	5	5	5
Fire apparatus (line and reserve)	13	14	14	14	14	14	14	14	15	15
Culture and recreation										
Acreage (city limits)	552	552	552	552	552	552	552	552	552	552
Aquatics and Fitness Center	1	1	1	1	1	1	1	1	1	1
Playgrounds	8	8	8	8	8	8	8	8	8	8
Gymnasiums (1)	3	3	3	3	3	3	4	4	4	4
Basketball courts	8	8	8	8	8	8	8	8	8	8
Tennis courts	10	10	10	10	10	10	10	10	10	10
Playing fields (baseball/soccer/football) (2)	15	15	20	20	20	20	20	20	20	20
Swimming pools	3	3	3	3	3	3	3	3	3	3
Golf course	1	1	1	1	1	1	1	1	1	1
Driving range	1	1	1	1	1	1	1	1	1	1
Greenway (miles)	-	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Water and sewer										
Water mains (miles)	279	289	292	293	291	291	291	291	291	291
Treatment capacity (millions of gallons per day)	11	11	11	11	11	11	11	11	11	11
Sewer										
Sanitary sewers (miles) (3)	270	285	287	283	294	294	295	295	295	295
Treatment capacity (millions of gallons per day)	9.0	10.4	10.4	10.4	10.4	10.4	10.4	10.4	10.4	10.4
Electric										
Substations (4)	7	7	7	7	8	9	9	9	9	9
Lines (miles per calendar year)	227	235	243	246	269	281	293	293	285	-
Natural gas										
Lines (miles per calendar year)	370	373	375	379	383	399	443	449	455	-
Airport										
Runway (feet) (6)	5,500	5,500	5,500	5,500	5,500	5,500	5,500	7,000	7,000	7,000
Hangars (square feet) (5)	42,659	42,659	53,134	53,134	77,292	85,865	85,865	85,865	85,865	85,865

- Notes:
- (1) A new gymnasium was built at the J Ray Shute recreation center in 2010.
 - (2) In 2006, the City received a Parks and Recreation Trust Fund (PARTF) grant for Phase II development of the Parks Williams Athletic Complex. The complex increased the number of soccer and softball fields.
 - (3) In 2007, miles reported were lower than the prior year, as a result of GIS mapping corrections and refinements.
 - (4) In 2009, a city purchased an existing T-hangar from the Maxwell Group and built a new one. In 2009, the City bought the Southern Cross hangar.
 - (5) In 2008, the City purchased an existing T-hangar from the Maxwell Group and built a new one. In 2009, the City bought the Southern Cross hangar. In addition to City owned hangars, there are private hangars on airport property. When these leases expire 20 years from initiation, they become property of the City. Currently, there is 17,530 square feet of private hangar space.
 - (6) In 2011, an extension of runway 5 was completed.

Sources: Various City departments.





POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**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**

Independent Auditors' Report

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

We have audited, in accordance with the 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 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 Monroe, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the City of Monroe's basic financial statements, and have issued our report thereon dated October 30, 2013. The financial statements of the City of Monroe ABC Board and the City of Monroe Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Monroe's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Monroe's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Monroe's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 30, 2013
Monroe, North Carolina

Potts & Company



POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL
CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH
OMB CIRCULAR A-133; AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Monroe, North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Monroe's major federal programs for the year ended June 30, 2013. The City of Monroe's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Monroe's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Monroe'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Monroe's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Monroe complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City of Monroe is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Monroe's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

October 30, 2013
Monroe, North Carolina

Potte & Company



POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH OMB CIRCULAR A-133; AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the City of Monroe, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Monroe's major state programs for the year ended June 30, 2013. The City of Monroe's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Monroe's major state programs based on our audit of the types of compliance requirements referred to above. 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, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, 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 state program occurred. An audit includes examining, on a test basis, evidence about the City of Monroe'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 on compliance for each major state program. However, our audit does not provide a legal determination of the City of Monroe's compliance.

Opinion on Each Major State Program

In our opinion, the City of Monroe complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

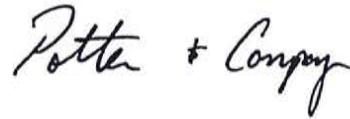
Management of the City of Monroe is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Monroe's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not

for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose

A handwritten signature in cursive script that reads "Potter & Company". The signature is written in dark ink and is positioned to the right of the date and location information.

October 30, 2013
Monroe, North Carolina

CITY OF MONROE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2013

Type of auditors' report issued on compliance for major State programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act _____ yes X no

Identification of major State programs:

Program Name
Powell Bill

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Awards Findings and Questioned Costs

None reported.

*CITY OF MONROE, NORTH CAROLINA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2013*

Section II - Financial Statement Findings

None reported.

*CITY OF MONROE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2013*

Findings: None reported

CITY OF MONROE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2013

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
Federal Grants:				
Cash Programs:				
<u>U.S. Department of Justice:</u>				
<u>Direct Programs:</u>				
Drug Enforcement Administration	16.579	\$ 71,783	\$ 26,915	\$ 8,900
COPS Technology Grant	16.710	3,269	-	-
ARRA - Recovery Act Edward Byrne Memorial Justice Assistance Grant	16.808	29,631	-	-
<u>U.S. Department of Transportation:</u>				
<u>Direct Programs:</u>				
Airport Improvement Program	20.106	234,898	-	26,100
<u>U.S. Environmental Protection Agency</u>				
<u>Passed-through:</u>				
NC Dept. of Environmental and Natural Resources Division of Water Quality Clean Water State Revolving Fund: Capitalization Grant for State Revolving Fund (SRF) Stewart Creek Project	66.458	4,676,987	-	-
Total Assistance - Federal Programs		<u>5,016,568</u>	<u>26,915</u>	<u>35,000</u>
State Grants:				
Cash Assistance:				
<u>N.C. Department of Transportation:</u>				
Powell bill		-	948,748	-
<u>N.C. Department of Environment and Natural Resources</u>				
Recycling Rollout Cart Grant Program		-	75,000	-
<u>N.C. Department of Community Assistance:</u>				
Scattered Site Housing		-	40,670	-
Total Assistance - State Programs		-	<u>1,064,418</u>	-
Total Federal and State Assistance		<u>\$ 5,016,568</u>	<u>\$ 1,091,333</u>	<u>\$ 35,000</u>

-Continued

**CITY OF MONROE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2013**

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

1. Basis of presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of the City of Monroe 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.

2. Inception to Date Information

<u>Grant</u>	<u>Project</u>	<u>CFDA Number</u>	<u>Grant/ Contract Number</u>	<u>Total Grant Commitment</u>	<u>Federal</u>	<u>Total</u>
SRF	Stewart Creek Sanitary Sewer Upgrades	66.458	CS370564-06	\$ 10,334,605	\$ 6,707,686	\$ 6,707,686





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