

Comprehensive Annual Financial Report



City of
MONROE
North Carolina
a heritage of progress



For The Fiscal Year Ended June 30, 2012

Front Cover (top picture)
“The Tinker Belle”

This C-46 transport aircraft built in 1944 was purchased through the City of Monroe’s Tourism Development Authority hotel occupancy tax collections and serves as a living history museum used to promote the strong aerospace presence throughout the city. The aircraft travels to air shows across the east coast and is used as a tourism tool to generate interest and promote the City of Monroe.

Front Cover (bottom picture)

The Monroe High School Marching Band participating in the annual Union County Christmas Parade. The parade is held in Historic Downtown Monroe and culminates with a pass before the grandstands situated in front of the Historic Union County Courthouse.

Back Cover

The annual Warbirds Over Monroe Air Show, held the first weekend in November at the Charlotte-Monroe Executive Airport. The show serves as a means to honor the Monroe and Union County Veterans, but also serves to showcase the City of Monroe’s strong aviation and aerospace ties.

City of Monroe, North Carolina

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2012

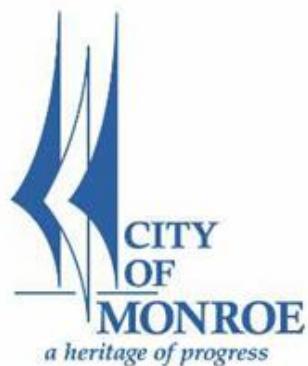
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Introductory Section

- Letter of Transmittal
- Certificate of Achievement for Excellence in Financial Planning
- List of Principal Officials
- Organizational Chart





CITY OF MONROE

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October 18, 2012

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, 2012. 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 (“clean”) opinion on the City of Monroe’s financial statements for the year ended June 30, 2012. 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, Union Smart Start, 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

In spite of the national recession, 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 industrial citizens continue to grow and prosper giving Monroe and Union County national 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 we were 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. Because of our recruitment and retention efforts, Union County has maintained the lowest unemployment in the Charlotte Region for 12 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, Goodrich Corporation, and 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 has completed a 43 mile natural gas transmission line providing a direct connection between Monroe's distribution system and the Transcontinental Pipeline. This transmission line was placed in service in May 2010. The new pipeline provides Monroe with the ability to move more than 69,000 decatherms per day which is more than 2.5 times the amount allowed under our former contract with a local investor owned utility. In addition the debt service on the pipeline is less than

previous demand charges. With the additional capacity a distribution expansion study has been completed and expansion projects that will add approximately 80 miles of distribution piping are being considered. The expansion projects should add 2,000 or more customers over the next 5 to 10 years. Construction of the expansion projects will cost approximately \$4,000,000. A portion of the expansion project, which included Mineral Springs and some areas of Unionville were funded from fund balance and have been completed. Financing of the remaining expansion projects along with a compressed natural gas fueling facility is being evaluated.

The City's Electric Department continues work on the final section of a 12.8 mile 100 kilovolt transmission loop, which when completed will provide a complete loop around the city and dual feed capabilities to each substation. This project will greatly enhance reliability and maintainability of the electric system. Work is also under way to add 13.2 kilovolt capacity to the Western side of the city by installing a 100 to 13.2 kilovolt transformer at the Goldmine road substation. This project should be completed in early 2013.

Several electric system improvement projects are also under way. Conversion of 4 kilovolt circuits from our Cemetery Substation to 13.2 kilovolts is underway and scheduled for completion during late 2012. Conversion of all remaining 4 kilovolt circuits is a long term goal which once completed will allow for a reduction in warehouse inventory, and significant reductions in distribution line losses. Another significant system improvement project under construction is a project to reconductor several main line feeders at the Camp Sutton substation. These projects should be completed during the spring of 2013 and will improve reliability, reduce system losses, and provide more 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 EnviroScape. 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 Bearskin and Richardson Creek Watersheds in an effort to identify illicit discharges. The Engineering Department has completed about 50% of the Stewarts Creek Watershed and is scheduled to finish walking the stream channel by the end of 2012.

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 680 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 Parker Street and the East Park Drive neighborhoods. 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 and Bearskin Creek Watershed. By December 2012, the engineering consultant is scheduled to complete the Stormwater Master Plan for the Richardson Creek watershed. The final phase of the Stormwater Master Plan involves an environmental in-stream assessment and water quality monitoring and modeling all the watersheds. Stormwater Master Planning for the entire city to identify and prioritize future stormwater capital improvements is scheduled to be completed by the beginning of 2014.

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, taxiway widening, and lengthening of the runway to 7,000 feet. The \$21+ million renovation and expansion is nearing completion. The final phase which includes the strengthening the runway,

expanding the runway end safety area and replacing localizer 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 developed a Standard of Response Coverage Document, which has been adopted by City Council. The Standard of Coverage identifies various risks located in the City along with response standards for these risks. The department has met the criteria established through the Commission on Fire Accreditation International program and was awarded Accredited Agency status 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 acquired an aircraft firefighting apparatus for response to airport emergencies. The apparatus, a \$305,000 dollar value, was acquired at no cost through the federal surplus property program. A training pavilion was built at the department's training center with a donation from Scott Safety and labor by Scott and fire department employees. Smaller medical response vehicles were placed in service at three fire stations, bringing all five stations to the utilization of this concept which saves operating resources.

The Fire Department has 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. Mutual aid agreements were established between Monroe and all Union County Volunteer Fire Departments. The City's fire department holds a Class 3 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 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 awaiting 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 Hayne and Windsor Streets and is undertaking street tree replacement and sidewalk repairs. Four business expansions occurred downtown; Home Instead, J. Burns Attorney, Raymond James/Morgan Keegan and K-Wigs. K-Wigs purchased 109 S Hayne and completely renovated the building for its retail space, formerly a dry cleaner. Four properties were acquired by private investors for rehab and nine new businesses located downtown. The total value of new public/private investment in downtown was approximately \$1,975,527.

The IT department is continuing to update the City's server hardware and software infrastructure. The IT department has been updating the Wi-Fi infrastructure at several City facilities over the past year. We have been able to provide better bandwidth and public access to the Internet, as well as significant improvements to the management of the system.

IT has installed a new VOIP telephone system. The majority of the telephone system is hosted on VM-Ware servers providing more redundancy and reliability. With the recently completed fiber loop to the Energy Services building, the IT department will start building a disaster recovery site at that location. The IT department will be working with the Energy Services Department to implement an outage management system. IT will also be working with the Fire Department to assist in their software implementation. It is planned to have both of these projects completed by January 2013.

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 \$4.7 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.

During the 2011-2012 year, the Police Department utilized a previously awarded grant in the amount of \$600,000 to transition the department's radio system to the 800 MHz system and upgrade in-car video systems. The first \$300,000 was used to purchase hand held 800 MHz radios for officers. The second phase of this grant was used to purchase mobile radios and upgrade the in-car cameras. Two additional grants totaling over \$46,000 were also used to upgrade technology. During the fiscal year, the department received a grant for a speed measuring device and a DUI enforcement trailer. The Department also received the final year of funding from the US Department of Justice for a three-year grant for two police officers.

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 10 low-moderate income families with housing rehabilitation throughout the County.

Long-Term Financial Planning

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.

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 \$105,470,374. 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 25% undesignated fund balance level in the General Fund. In addition, the City has desired to appropriate a consistent level of fund balance each year resulting from positive budget variances. These goals are met in the fiscal year 2012 results that are built into the 2012-13 operating budgets. 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.

Response to Current Economic Conditions

The declining economy and national fiscal credit problems have impacted Monroe, as they have all local governments. In response to this condition, the City has taken actions to offset possible budget shortfalls. In fiscal year 2012, these actions included hiring only essential personnel and transferring employees from within whenever possible and constant monitoring of operating expenses. In fiscal year 2012 all operations were evaluated to establish cost/benefit analysis of all programs that are provided to our community. Through this analysis, twenty vacant positions were eliminated. The City has adopted the fiscal year 2013 budget that is within current operating revenues. City Council, management and staff are committed to providing the citizens of Monroe the highest quality of essential services throughout the economic decline and maintain the financial integrity our community expects.

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, 2011. This was the 19th 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.

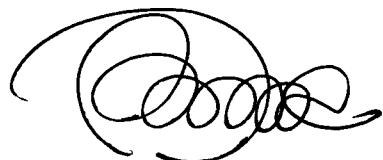
Acknowledgements. The preparation of this report is a very intensive project, and could not have been accomplished without the assistance and dedication of the Finance Department staff and other personnel from various departments who assisted in its preparation. A particular thank you goes to Assistant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



Greg Demko
Interim City Manager/Director of Finance



Brian Borne
Assistant City Manager

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danson

President

Jeffrey P. Evans

Executive Director

**CITY OF MONROE,
NORTH CAROLINA**

**LIST OF PRINCIPAL OFFICIALS
As of June 30, 2012**

Elected Officials

Bobby G. Kilgore
Mayor

Lynn A. Keziah
Mayor Pro Tem

John B. Ashcraft, Jr.

Freddie Gordon

Margaret Desio

Billy A. Jordan

Dottie Nash

City Administration

H. Wayne Herron, Jr.
City Manager

Brian J. Borne
Assistant City Manager/Downtown Monroe
Director

Greg Demko
Assistant City Manager/Finance Director

Terry M. Sholar
City Attorney

Bridgette H. Robinson
City Clerk

R. Christopher Platé
Executive Director of Economic
Development and Aviation

James N. Loyd, Jr.
Director of Engineering

Debra C. Reed
Director of Human Resources

Lisa W. Stiwinter
Director of Planning

Don D. Mitchell
Director of Energy Services

Debra C. Duncan
Police Chief

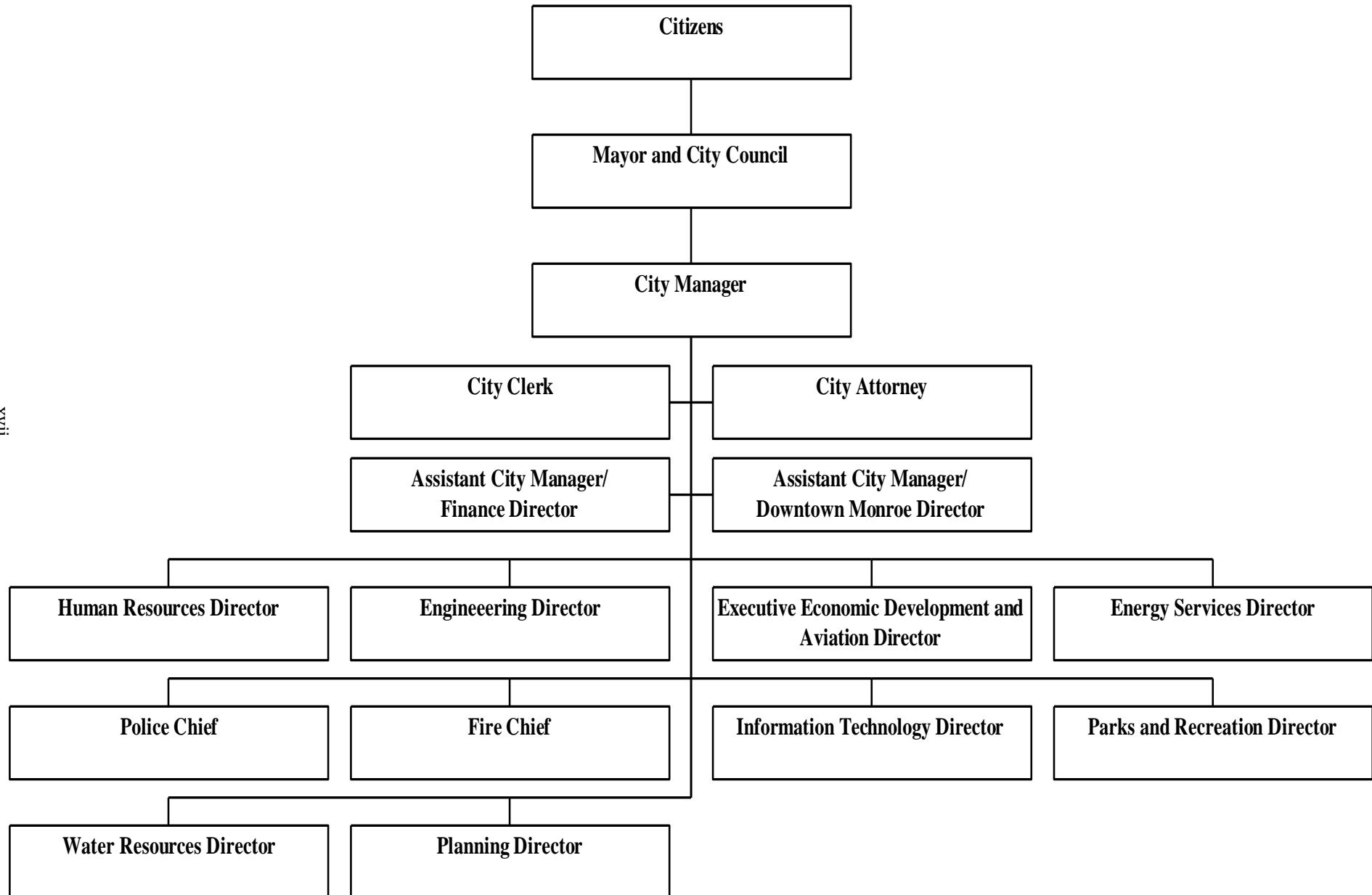
Ronald D. Fowler
Fire Chief

Bruce Bounds
Director of Information Technology

C. Michael Courtney
Director of Parks & Recreation

Russell G. Colbath
Director of Water Resources

City Of Monroe, North Carolina Organizational Chart





INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the City of Monroe's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Monroe's management. Our responsibility is to express an opinion on these 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 basic 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, North Carolina, as of June 30, 2012, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2012 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions be presented to supplement the basic financial statements. Such information, although not a 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 generally 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monroe's basic financial statements. The introductory section, the other supplementary information section, and the statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying schedule of expenditures of federal and State awards is presented as for purposes of additional analysis 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, and is also not a required part of the basic financial statements. The other supplementary information and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and 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. In our opinion, the other supplementary information and the schedule of expenditures of federal and state awards are 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 by us in the audit of basic financial statements and, accordingly, we express no opinion on them.

October 18, 2012
Monroe, North Carolina

Potter & 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, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

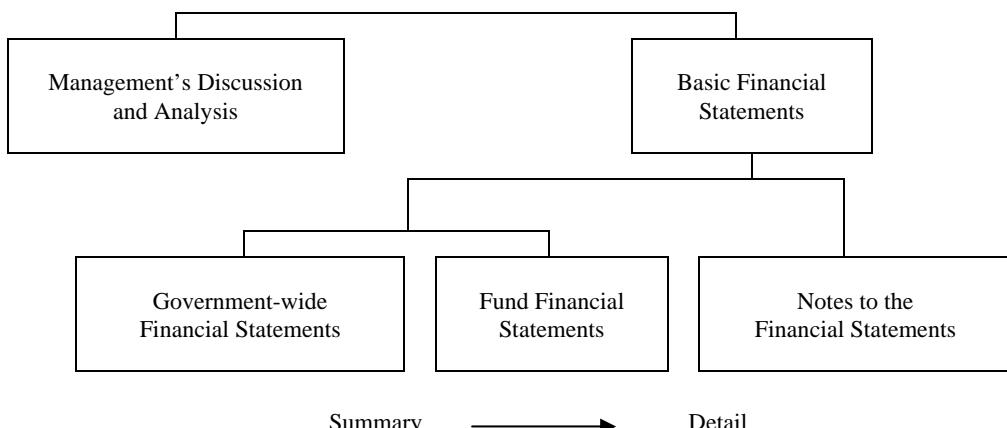
Financial Highlights

- The assets of the City of Monroe exceeded its liabilities at the close of the fiscal year by \$340,823,486 (net assets). Of this amount, \$117,453,343 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$9,246,951. This increase was the net of an increase of \$220,526 from governmental activities and an increase of \$9,026,425 for business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,868,415, an increase of \$2,280,213 in comparison with the prior year. Approximately 19.5 percent of this total amount or \$4,467,678 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 \$14,960,475 or 52.1 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 \$3,951,501 (4%) during the current fiscal year. The elements of the decrease were the issuance of an installment financing loan totaling \$747,500 for equipment purchases, the issuance of a state revolving fund loan which provided proceeds of \$2,030,699 and \$6,729,700 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 assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and, 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer, electric, natural gas, aquatics and fitness, 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 Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Monroe maintains seven 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 six 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 six governmental funds are made up of two capital projects funds and four special revenue funds including Community Development, Downtown Monroe, Occupancy Tax and State Grant Programs.

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, 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 assets for governmental and business-type activities for the current year as compared to the prior year. For more detail see the Statement of Net Assets on page 15.

City of Monroe's Net Assets
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets						
Capital assets	\$30,835,544	\$27,431,035	\$99,979,500	\$102,712,509	\$130,815,044	\$130,143,544
	76,585,168	78,428,606	240,818,957	231,667,778	317,404,125	310,096,384
Total assets	107,420,712	105,859,641	340,798,457	334,380,287	448,219,169	440,239,928
Long-term liabilities outstanding	9,031,547	8,520,184	82,385,415	84,571,338	91,416,962	93,091,522
Other liabilities	4,826,879	3,997,697	11,151,842	11,574,174	15,978,721	15,571,871
Total liabilities	13,858,426	12,517,881	93,537,257	96,145,512	107,395,683	108,663,393
Net assets:						
Invested capital assets, net of related debt	70,561,334	71,692,266	152,078,238	144,181,497	222,639,572	215,873,763
Restricted	730,571	670,113	-	-	730,571	670,113
Unrestricted	22,270,381	20,979,381	95,182,962	94,053,278	117,453,343	115,032,659
Total net assets	\$93,562,286	\$93,341,760	\$247,261,200	\$238,234,775	\$340,823,486	\$331,576,535

The total net assets of the City of Monroe were \$340,823,486 as of June 30, 2012. Of the City's total net assets \$222,639,572 (65.3%) 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 assets (\$730,571) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$117,453,343 (34.5%) is unrestricted. These assets may be used at the City's discretion in meeting its ongoing obligations to citizens and creditors.

The City's net assets have increased by \$9,246,951 during the current fiscal year. 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. Restricted reserves represent the accumulation of funds from the state street aid allocation to be used for street maintenance. Unrestricted reserves represent increases due to savings in anticipated expenses and actual revenue exceeding anticipated revenue.

The following is a summary of the City's governmental and business-type activities for fiscal year 2012, 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 Assets
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$5,978,156	\$5,703,361	\$87,143,809	\$88,886,893	\$93,121,965	\$94,590,254
Operating grants and contributions	2,150,466	1,987,614	-	-	2,150,466	1,987,614
Capital grants and contributions	477,840	353,382	-	2,150,000	477,840	2,503,382
General revenues:						
Property taxes	19,356,597	19,314,219	-	-	19,356,597	19,314,219
Other taxes	8,833,338	7,661,345	-	-	8,833,338	7,661,345
Grants and contributions not restricted to specific grant programs	178,396	218,044	-	-	178,396	218,044
Other	1,629,040	801,036	3,424,241	1,206,904	5,053,281	2,007,940
Total revenues	38,603,833	36,039,001	90,568,050	92,243,797	129,171,883	128,282,798
Expenses:						
General government	\$5,561,928	\$5,294,074	\$ -	\$ -	\$5,561,640	\$5,294,074
Transportation	5,108,567	4,699,347	-	-	4,609,377	4,699,347
Public safety	19,512,403	18,223,483	-	-	19,512,403	18,223,483
Culture and recreation	5,067,397	4,545,094	-	-	5,067,397	4,545,094
Economic and physical development	952,969	1,118,615	-	-	952,969	1,118,615
Interest in long-term debt	53,552	107,325	-	-	53,552	107,325
Water and sewer	-	-	11,686,930	11,955,438	11,686,930	11,955,438
Electrical	-	-	49,158,221	46,839,672	49,158,221	46,839,672
Natural Gas	-	-	11,131,374	13,912,769	11,131,374	13,912,769
Aquatics and Fitness Center	-	-	3,782,826	3,548,935	3,782,826	3,548,935
Stormwater	-	-	1,733,824	1,709,000	1,733,824	1,709,000
Solid waste	-	-	2,563,624	2,696,873	2,563,624	2,696,873
Airport	-	-	3,611,317	3,553,138	3,611,317	3,553,138
Total expenses	36,256,816	33,987,938	83,668,116	84,215,825	119,924,932	118,203,763
(Decrease) Increase in net assets before transfers	2,347,017	2,051,063	6,899,934	8,027,972	9,246,951	10,079,035
Transfers	(2,126,491)	(2,619,132)	2,126,491	2,619,132	-	-
(Decrease) Increase in net assets	220,526	(568,069)	9,026,425	10,647,104	9,246,951	10,079,035
Net assets – beginning	93,341,760	93,909,829	238,234,775	227,587,671	331,576,535	321,497,500
Net assets – ending	\$93,562,286	\$93,341,760	\$247,261,200	\$238,234,775	\$340,823,486	\$331,576,535

Governmental activities – Governmental activities increased the City of Monroe's net assets by \$220,526. Key elements of this net increase are as follows:

- Capital grants and contributions increased by \$124,458 because of the addition of streets in Metro Medical Park and Glendalough subdivision.
- The increase of \$1,171,993 in other taxes was primarily due to increased sales tax collections in the amount of \$863,744 and increased privilege licenses in the amount of \$288,779.
- An increase of \$828,004 in other revenue was realized primarily because of higher than anticipated interest earnings on investments totaling \$757,811.
- Expenses increased across most categories due to an extra pay run in FY12 which totaled approximately \$720,000 and due to the reinstatement of the City's capital purchase program.

Business-type activities – Business-type activities increased the City of Monroe's net assets by \$9,026,425 accounting for 97.6% of the total net growth in the government's net assets. Key elements of this increase are as follows:

- Charges for services increased slightly in the water and sewer, stormwater, solid waste, airport and aquatics and fitness center funds.
- Electric revenue increased significantly due to a rate increase of 5% to offset increased rates for the purchase of wholesale power.

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, 2012, the governmental funds of City of Monroe reported a combined fund balance of \$22,868,415, which is an increase of \$2,280,213 from last year's total of \$20,588,202. \$1,171,306 of this change is due to a prior period adjustment to the ending fund balance at June 30, 2011. This adjustment was made to be in compliance with governmental accounting standards as they relate to the presentation of inter-fund debt. Of the governmental funds combined ending fund balances, \$5,826,932 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 (\$338,947).
- 2). Restricted to indicate that it is restricted to specific purposes as imposed by law (\$6,020,056);
- 3). Assigned to indicate that it is intended to be used for a specific purpose (\$10,682,480).

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, 2012, the fund balance in the General Fund was \$21,308,501, an increase of \$2,001,426 in comparison with the prior year. As mentioned above, \$1,171,306 of this increase was due to a prior period adjustment. Of the total fund balance in the General Fund, \$5,826,932 (27.4%) 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 20.3% of total general fund expenditures, while total fund balance represents 74.3% of that same amount. In addition to this amount, \$6,288,824 is reserved by a minimum fund balance policy that has been adopted by City Council. The increase in fund balance is the net effect of several components including revenue exceeding projections, savings in expenditures and transfers of available fund balance for projects and 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 and State Grant Programs also impact the total fund balance for governmental funds. The reason for the increase of \$278,787 in this category is due primarily to transfers into the capital projects funds. Funding in the amount of \$140,000 was provided for the Windsor Street sidewalk project that was only 67% complete at fiscal year end and \$195,973 was collected for a future occupancy tax capital project.

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 assets and the growth in total net assets for all proprietary funds.

	Unrestricted Net Assets		Growth in Total Net Assets	
	2012	2011	2012	2011
Water and Sewer	\$24,784,221	\$22,353,418	\$2,694,379	\$503,526
Electric	48,534,614	50,530,631	4,041,084	5,370,319
Natural Gas	18,387,586	16,455,381	1,322,345	1,306,514
Airport	1,186,019	1,860,716	656,035	2,935,584

Aquatics and Fitness Center	1,512,937	2,072,050	183,603	401,263
Stormwater	454,432	467,405	119,503	81,918
Solid Waste	493,387	485,789	7,598	127,979

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, Stormwater and Solid Waste Funds.

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, 2012, the City of Monroe's water fund reported total net assets of \$75,483,971, an increase of \$2,694,379 in comparison with the prior year. This increase is primarily due to an increase in operating income and higher than anticipated interest earnings on investments.

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, 2012, the City of Monroe's electric fund reported total net assets of \$102,855,108, an increase of \$4,041,084 in comparison with the prior year. Most of this increase, \$3.2 million, is due to an increase in operating income, of which \$1 million was budgeted to establish savings for future renewal and replacement projects. Electric rates were increased by 7% to offset an 8.4% wholesale power rate increase. The other portion of this increase, \$.7 million was due to higher than anticipated interest earnings on investments.

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, 2012, the City of Monroe's natural gas fund reported total net assets of \$41,095,063, an increase of \$1,322,345 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. In an effort to make sure that operations were not hurt by the lack of sales, expansion projects were slowed. The increase in net assets is primarily due to an increase in operating income as a result of savings from delayed expansion.

The Airport Fund accounts for the operation of the Charlotte-Monroe Executive Airport. As of June 30, 2012, the City of Monroe's airport fund reported total net assets of \$17,577,052, an increase of \$656,035 in comparison with the prior year. This increase is because of the receipt of transfers from the general fund totaling \$754,870 for runway improvements and customs building design. 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 \$1,774,617 or 5.7%. 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 \$540,681 and unspent appropriations (various grants and police equitable sharing) in the amount of \$505,644.
- Police grants awarded during the year totaled \$350,202.
- Donations to the police and fire department totaled \$7,074.
- Funds were appropriated to purchase land downtown in the amount of \$223,823.
- Funds in the amount of \$133,841 were reimbursed to the fire department for mutual aid assistance and were budgeted to replenish supplies and cover additional expenses.

Revenues exceeded final budget by \$2,485,669. This was primarily due to increased collections for property taxes and sales tax and higher than anticipated interest earnings on investments.

Expenditures were under budget by \$4,014,517. Expenses were down primarily due to savings realized from vacant positions due to a hiring freeze totaling approximately \$1,015,698, savings in operating expenses totaling approximately \$1,715,129, and savings for unspent drug seizure money and incentive grants totaling \$457,863. Expenditures were 87.7% 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 - 47 of this report.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$4,990,963	\$4,760,642	\$16,751,371	\$16,364,736	\$21,742,334	\$21,125,378
Buildings and improvements	12,989,298	13,471,076	31,477,781	27,793,427	44,467,079	41,264,503
Equipment	1,855,710	1,671,162	3,473,725	4,163,083	5,329,435	5,834,245
Vehicles and motorized equipment	2,875,483	2,989,438	2,644,657	2,351,471	5,520,140	5,340,909
Other Intangibles	198,923	276,253	-	-	198,923	276,253
Infrastructure	53,604,292	55,254,943	157,185,953	155,467,165	210,790,245	210,722,108
Construction in progress	70,499	5,092	29,285,470	25,527,896	29,355,969	25,532,988
Total	\$76,585,168	\$78,428,606	\$240,818,957	\$231,667,778	\$317,404,125	\$310,096,384

The City of Monroe's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totals \$317,404,125 (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 \$7,307,741. Major capital asset events during the year included the following:

- Completion of new Energy Services Building
- Completion of new Customer Service Building
- Upsized and replaced transformers at electric substation
- Extended electric lines to serve new Metro Medical offices
- Installed and extended fiber optic lines along Rocky River Road, Fowler Road and Sanford Road to service DukeNet cell towers sites. Once complete, these connections will be leased by DukeNet.
- Relocated and extended both electric and natural gas lines along newly constructed Martin Luther King Jr. Blvd.
- Additional costs associated with gas pipeline to connect to the transcontinental pipeline
- Land acquisition for airport expansion

Construction in progress totaling \$29,355,969 has increased slightly from last year. Projects included in this amount are as follows:

- Water – Stewart Creek sewer outfall and pump station replacement.
- Electric – construction of approximately 12.8 miles of transmission loop around the City.
- Natural Gas – system expansion.
- Airport – extension and strengthening of runway 5 and customs building design.

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 55 of this report.

**City of Monroe's Outstanding Debt
General Obligation and Revenue Bonds**
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Install purchase obligations	\$6,023,834	\$6,736,340	\$1,531,660	\$3,069,273	\$7,555,494	\$9,805,613
Revenue bonds	-	-	46,694,996	48,980,000	46,694,996	48,980,000
State revolving loans	-	-	4,654,298	3,450,676	4,654,298	3,450,676
Certificates of participation	-	-	31,445,000	32,065,000	31,445,000	32,065,000
Total	<u>\$6,023,834</u>	<u>\$6,736,340</u>	<u>\$84,325,954</u>	<u>\$87,564,949</u>	<u>\$90,349,788</u>	<u>\$94,301,289</u>

As of June 30, 2012, the City of Monroe had total debt outstanding of \$90,349,788. The City's bonded debt, \$46,694,996, 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 \$3,951,501 during the fiscal year. The primary elements of this change were issuance of an installment financing totaling \$747,500 for equipment purchases, the issuance of a state revolving fund loan which provided proceeds of \$2,030,699 and \$6,729,700 in debt retirements.

The City of Monroe has an A2 bond rating from Moody's Investor Service and AA- rating from Standard and Poor's Corporation. These bond ratings 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 \$238,577,988.

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 9.5%, which is a decrease of 0.2% from last year. This rate is higher than Union County's rate of 8.6% but comparable to the State's average rate of 9.4%.
- The taxable value of commercial and residential property increased 0.3% from fiscal year 2011 to fiscal year 2012.
- Population increased 0.7% from 33,007 in 2011 to 33,238 in 2012.

Monroe is experiencing the same downturn in the economy as our industrial, commercial and residential sectors. Revenues have declined and yet operating expenses have continued to rise as the costs of goods and services to the City have increased.

Governmental Activities – The City maintained the property tax rate of .555 for fiscal year 2013. Twenty vacant positions were eliminated in the general and recreation funds in order to eliminate the deficit in expenses over revenues.

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 also increased by 6.1% to cover the increased cost of wholesale power. Solid waste rates increased by \$1 per month per household. Natural gas and stormwater rates remained the same.

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



CITY OF MONROE, NORTH CAROLINA

STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government			Component Units	
				Monroe	
	Governmental Activities		Business-type Activities	Total	Development
	Activities		Total	ABC Board	Authority
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 23,939,819	\$ 80,599,200	\$ 104,539,019	\$ 631,387	\$ 47,809
Taxes receivable	1,159,466	-	1,159,466	-	-
Accounts receivable	708,017	6,621,947	7,329,964	-	27,409
Note receivable	-	1,642,123	1,642,123	-	-
Internal balances - short term	78,721	(78,721)	-	-	-
Due from other governments	2,738,108	-	2,738,108	-	-
Due from component units	46,273	-	46,273	-	-
Inventories	308,481	4,073,223	4,381,704	229,140	1,787
Prepays	124,699	3,669	128,368	16,546	12,964
Loans receivable (net)	16,332	-	16,332	-	-
Total current assets	<u>29,119,916</u>	<u>92,861,441</u>	<u>121,981,357</u>	<u>877,073</u>	<u>89,969</u>
Restricted assets:					
Cash and cash equivalents	<u>1,430,571</u>	<u>602,030</u>	<u>2,032,601</u>	<u>-</u>	<u>-</u>
Noncurrent assets:					
Note receivable	1,250,000	4,095,255	5,345,255	-	-
Internal balances - long term	(991,537)	991,537	-	-	-
Deferred charges	-	1,429,237	1,429,237	-	-
Prepaid pension obligation	26,594	-	26,594	-	-
Capital assets					
Land, non-depreciable improvements, and construction in progress	5,061,462	46,036,841	51,098,303	317,013	-
Other capital assets, net of depreciation	<u>71,523,706</u>	<u>194,782,116</u>	<u>266,305,822</u>	<u>705,745</u>	<u>-</u>
Total capital assets	<u>76,585,168</u>	<u>240,818,957</u>	<u>317,404,125</u>	<u>1,022,758</u>	<u>-</u>
Total noncurrent assets	<u>76,870,225</u>	<u>247,334,986</u>	<u>324,205,211</u>	<u>1,022,758</u>	<u>-</u>
Total assets	<u>107,420,712</u>	<u>340,798,457</u>	<u>448,219,169</u>	<u>1,899,831</u>	<u>89,969</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	866,691	5,889,322	6,756,013	279,757	12,793
Unearned revenue	756,650	51,148	807,798	-	-
Due to primary government	-	-	-	28,000	18,273
Current portion of long-term liabilities	2,753,520	4,609,342	7,362,862	-	-
Payable from restricted assets	-	602,030	602,030	-	-
Property claims liability	19,013	-	19,013	-	-
Health care benefits claims	431,005	-	431,005	-	-
Long-term liabilities:					
OPEB liability	3,773,482	1,642,485	5,415,967	-	-
Due in more than one year	<u>5,258,065</u>	<u>80,742,930</u>	<u>86,000,995</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>13,858,426</u>	<u>93,537,257</u>	<u>107,395,683</u>	<u>307,757</u>	<u>31,066</u>
NET ASSETS					
Invested in capital assets, net of related debt	70,561,334	152,078,238	222,639,572	1,022,758	-
Restricted for:					
Streets	730,571	-	730,571	-	-
Stabilization by State Statute	4,117,754	-	4,117,754	-	-
Creditors (through debt covenants)	700,000	-	700,000	-	-
Grantors - Public Safety	107,756	-	107,756	-	-
Federal Equitable Sharing (DEA)	342,685	-	342,685	-	-
Contributors	10,313	-	10,313	-	-
Transportation	730,571	-	730,571	-	-
Other purposes	-	-	-	126,098	-
Unrestricted	<u>16,261,302</u>	<u>95,182,962</u>	<u>111,444,264</u>	<u>443,218</u>	<u>58,903</u>
Total net assets	<u>\$ 93,562,286</u>	<u>\$ 247,261,200</u>	<u>\$ 340,823,486</u>	<u>\$ 1,592,074</u>	<u>\$ 58,903</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, 2012

Functions/Programs	Program Revenues			
			Operating	
			Grants	Capital Grants
	Charges for	and		
	Expenses	Services	Contributions	Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,561,928	\$ 1,978,200	\$ -	\$ -
Transportation	5,108,567	217,954	930,231	477,840
Public safety	19,512,403	2,490,873	786,127	-
Culture and recreation	5,067,397	1,289,057	214,473	-
Economic and physical development	952,969	2,072	219,635	-
Interest on long-term debt	53,552	-	-	-
Total governmental activities	<u>36,256,816</u>	<u>5,978,156</u>	<u>2,150,466</u>	<u>477,840</u>
Business-type activities:				
Water and sewer	11,686,930	13,642,211	-	-
Electric	49,158,221	51,333,855	-	-
Natural gas	11,131,374	11,906,606	-	-
Aquatics and Fitness Center	3,782,826	3,877,378	-	-
Stormwater	1,733,824	1,820,174	-	-
Solid waste	2,563,624	2,551,538	-	-
Airport	3,611,317	2,012,047	-	-
Total business-type activities	<u>83,668,116</u>	<u>87,143,809</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 119,924,932</u>	<u>\$ 93,121,965</u>	<u>\$ 2,150,466</u>	<u>\$ 477,840</u>
Component units:				
ABC Board	\$ 4,209,180	\$ 4,289,855	\$ -	\$ -
Tourism Development Authority	432,801	-	321,709	-
Total component units	<u>\$ 4,641,981</u>	<u>\$ 4,289,855</u>	<u>\$ 321,709</u>	<u>\$ -</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				
Miscellaneous				
Gain on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning				
Net assets, ending				

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

Net (Expense) Revenue and Changes in Net Assets						
Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	City of Monroe	Development	ABC Board	Authority
\$ (3,583,728)	\$ -	\$ (3,583,728)	\$ -	\$ -	\$ -	\$ -
(3,482,542)	-	(3,482,542)	-	-	-	-
(16,235,403)	-	(16,235,403)	-	-	-	-
(3,563,867)	-	(3,563,867)	-	-	-	-
(731,262)	-	(731,262)	-	-	-	-
(53,552)	-	(53,552)	-	-	-	-
<u>(27,650,354)</u>	<u>-</u>	<u>(27,650,354)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
- 1,955,281	1,955,281	1,955,281	-	-	-	-
- 2,175,634	2,175,634	2,175,634	-	-	-	-
- 775,232	775,232	775,232	-	-	-	-
- 94,552	94,552	94,552	-	-	-	-
- 86,350	86,350	86,350	-	-	-	-
- (12,086)	(12,086)	(12,086)	-	-	-	-
- (1,599,270)	(1,599,270)	(1,599,270)	-	-	-	-
- 3,475,693	3,475,693	3,475,693	-	-	-	-
<u>\$ (27,650,354)</u>	<u>\$ 3,475,693</u>	<u>\$ (24,174,661)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ - \$ -	\$ -	\$ -	\$ 80,675	\$ -	\$ (111,092)	
<u>-</u>	<u>-</u>	<u>-</u>	<u>80,675</u>	<u>-</u>	<u>(111,092)</u>	
19,356,597	-	19,356,597	-	-	-	-
4,769,675	-	4,769,675	-	-	-	-
1,627,363	-	1,627,363	-	-	-	-
2,436,300	-	2,436,300	-	-	-	-
178,396	-	178,396	-	-	-	-
822,097	2,936,283	3,758,380	1,584	134		
806,943	442,558	1,249,501	-	16,537		
- 45,400	45,400	45,400	-	-		
(2,126,491)	2,126,491	-	-	-		
<u>27,870,880</u>	<u>5,550,732</u>	<u>33,421,612</u>	<u>1,584</u>	<u>16,671</u>		
220,526	9,026,425	9,246,951	82,259	(94,421)		
<u>93,341,760</u>	<u>238,234,775</u>	<u>331,576,535</u>	<u>1,509,815</u>	<u>153,324</u>		
<u>\$ 93,562,286</u>	<u>\$ 247,261,200</u>	<u>\$ 340,823,486</u>	<u>\$ 1,592,074</u>	<u>\$ 58,903</u>		

CITY OF MONROE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 19,190,115	\$ 1,610,292	\$ 20,800,407
Cash due (to) from other funds	27,550	(27,550)	-
Receivables:			
Taxes	1,126,309	33,157	1,159,466
Accounts	627,384	1,141	628,525
Due from other governments	2,710,558	27,550	2,738,108
Due from component unit	28,000	18,273	46,273
Inventories	308,481	-	308,481
Prepays	30,466	-	30,466
Loans receivable (net)	-	16,332	16,332
Cash and cash equivalents - restricted	1,430,571	-	1,430,571
Total assets	<u>\$ 25,479,434</u>	<u>\$ 1,679,195</u>	<u>\$ 27,158,629</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 796,911	\$ 69,792	\$ 866,703
Deferred revenue	1,534,322	49,489	1,583,811
Unearned revenue	756,650	-	756,650
Due to other funds	91,513	-	91,513
Advances from other funds	991,537	-	991,537
Total liabilities	<u>4,170,933</u>	<u>119,281</u>	<u>4,290,214</u>
Fund balances:			
Non Spendable			
Inventories	308,481	-	308,481
Prepays	30,466	-	30,466
Restricted			
Stabilization by State Statute	4,117,754	10,977	4,128,731
Creditors (through debt covenants)	700,000		700,000
Grantors - Public Safety	107,756		107,756
Federal Equitable Sharing (DEA)	342,685		342,685
Contributors	10,313		10,313
Transportation	730,571	-	730,571
Assigned			
25% minimum fund balance requirement	6,288,824		6,288,824
Airport grant acceptance	1,844,719		1,844,719
Airport facilities construction	1,000,000		1,000,000
Community Development	-	55,621	55,621
Downtown Monroe	-	16,777	16,777
Capital Projects	-	95,015	95,015
Occupancy Tax Capital Projects	-	1,381,524	1,381,524
Unassigned	5,826,932	-	5,826,932
Total fund balances	<u>21,308,501</u>	<u>1,559,914</u>	<u>22,868,415</u>
Total liabilities and fund balances	<u>\$ 25,479,434</u>	<u>\$ 1,679,195</u>	<u>\$ 27,158,629</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 ASSETS
June 30, 2012

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

Fund balances - total governmental funds (Exhibit 3)	\$ 22,868,415
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	\$ 133,421,672
Accumulated depreciation	<u>(56,836,500)</u>
	76,585,172
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Prepaid pension obligation	26,594
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 assets.	
	1,303,958
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 assets.	
	984,877
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 assets.	
	574,292
Internal balance due from Business Type Activities to Governmental Activities.	170,234
Liabilities for earned but deferred revenues in fund statements.	
	1,583,811
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds (Note II.A.).	
	<u>(11,785,067)</u>
Net assets of governmental activities (Exhibit 1)	<u>\$ 93,562,286</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, 2012

	General	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 19,381,325	\$ 44,420	\$ 19,425,745
Other taxes and licenses	981,623	331,659	1,313,282
Unrestricted intergovernmental	7,408,506	-	7,408,506
Restricted intergovernmental	1,782,970	434,108	2,217,078
Program income	-	2,072	2,072
Sales and services	1,765,906	-	1,765,906
Investment earnings	821,720	377	822,097
Miscellaneous	792,307	500	792,807
Total revenues	<u>32,934,357</u>	<u>813,136</u>	<u>33,747,493</u>
EXPENDITURES			
Current:			
General government	4,141,857	-	4,141,857
Transportation	2,498,474	-	2,498,474
Public safety	16,333,583	-	16,333,583
Culture and recreation	3,985,393	-	3,985,393
Economic and physical development	-	881,736	881,736
Capital outlay	-	87,307	87,307
Debt service:			
Principal retirement	1,685,045	-	1,685,045
Interest and other charges	53,552	-	53,552
Total expenditures	<u>28,697,904</u>	<u>969,043</u>	<u>29,666,947</u>
Revenues over (under) expenditures	<u>4,236,453</u>	<u>(155,907)</u>	<u>4,080,546</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	9,950	318,561	328,511
Transfers to other funds	(2,992,477)	116,133	(2,876,344)
Installment purchase obligations issued	747,500	-	747,500
Total other financing sources (uses)	<u>(2,235,027)</u>	<u>434,694</u>	<u>(1,800,333)</u>
Net change in fund balances	2,001,426	278,787	2,280,213
Fund balance:			
Beginning of year, as previously stated	20,478,381	1,281,127	21,759,508
Prior period adjustment (See Note X)	(1,171,306)	-	(1,171,306)
Beginning of year, as restated	19,307,075	1,281,127	20,588,202
End of year	<u>\$ 21,308,501</u>	<u>\$ 1,559,914</u>	<u>\$ 22,868,415</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, 2012

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

Net change in fund balances - total governmental funds (Exhibit 5)	\$ 2,280,213
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.).	(1,798,250)
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 assets differs from the change in fund balance by the net book value of the capital assets sold.	(45,186)
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	211,798
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets 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.).	712,506
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	(323,856)
Net pension obligation	(42,738)
OPEB liability	<u>(1,078,716)</u>
	(1,445,310)
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.	355,855
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.	(81,028)
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>29,928</u>
Change in net assets of governmental activities (Exhibit 2)	<u>\$ 220,526</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, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget -	
	Original	Final			
	Positive (Negative)				
REVENUES					
Ad valorem taxes	18,909,195	\$ 18,909,195	\$ 19,381,325	\$ 472,130	
Other taxes and licenses	906,678	906,678	981,623	74,945	
Unrestricted intergovernmental	6,110,523	6,166,619	7,408,506	1,241,887	
Restricted intergovernmental	1,086,702	1,674,651	1,782,970	108,319	
Sales and services	1,762,050	1,762,050	1,765,906	3,856	
Investment earnings	303,500	303,500	821,720	518,220	
Miscellaneous	683,498	725,995	792,307	66,312	
Total revenues	<u>29,762,146</u>	<u>30,448,688</u>	<u>32,934,357</u>	<u>2,485,669</u>	
EXPENDITURES					
Current:					
General government	4,777,217	5,256,850	4,141,857	1,114,993	
Transportation	2,684,288	2,958,943	2,498,474	460,469	
Public safety	17,219,561	18,196,503	16,333,583	1,862,920	
Culture and recreation	4,428,431	4,471,818	3,985,393	486,425	
Debt service:					
Principal retirement	1,685,047	1,685,047	1,685,045	2	
Interest and other charges	<u>143,260</u>	<u>143,260</u>	<u>53,552</u>	<u>89,708</u>	
Total expenditures	<u>30,937,804</u>	<u>32,712,421</u>	<u>28,697,904</u>	<u>4,014,517</u>	
Revenues over (under) expenditures	<u>(1,175,658)</u>	<u>(2,263,733)</u>	<u>4,236,453</u>	<u>6,500,186</u>	
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	9,000	9,000	9,950	950	
Transfers to other funds	(2,571,468)	(3,504,285)	(2,992,477)	511,808	
Installment purchase obligations issued	<u>763,000</u>	<u>763,000</u>	<u>747,500</u>	<u>(15,500)</u>	
Total other financing sources (uses)	<u>(1,799,468)</u>	<u>(2,732,285)</u>	<u>(2,235,027)</u>	<u>497,258</u>	
FUND BALANCE APPROPRIATED					
	<u>2,975,126</u>	<u>4,996,018</u>	<u>-</u>	<u>(4,996,018)</u>	
Net change in fund balance	<u>-</u>	<u>\$ -</u>	<u>2,001,426</u>	<u>\$ 2,001,426</u>	
Fund balance:					
Beginning of year, as previously stated	20,478,381				
Prior period adjustment (See Note X)	<u>(1,171,306)</u>				
Beginning of year, as restated	<u>19,307,075</u>				
End of year	<u>\$ 21,308,501</u>				

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

CITY OF MONROE, NORTH CAROLINA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2012

Major Enterprise Funds

	Water and Sewer	Electric	Natural Gas	Airport
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 24,246,907	\$ 38,988,047	\$ 13,353,001	\$ 1,031,262
Accounts receivable	1,613,173	3,981,105	694,538	44,859
Due from other funds	-	1,118,113	-	-
Note receivable	-	672,940	969,183	-
Prepaid expenses	1,111	1,630	595	54
Inventories	309,697	3,466,833	201,265	86,728
Total current assets	<u>26,170,888</u>	<u>48,228,668</u>	<u>15,218,582</u>	<u>1,162,903</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents:				
Customer deposits	78,222	377,113	146,695	-
Bond issuance costs	162,472	382,674	681,928	202,163
Advance to other funds	-	4,031,335	-	-
Long-term note receivable	-	949,795	3,145,460	-
Capital assets:				
Land and other non-depreciable assets	3,178,166	17,791,909	6,125,928	18,015,244
Other capital assets, net of depreciation	<u>61,435,270</u>	<u>59,576,773</u>	<u>56,043,860</u>	<u>10,240,075</u>
Capital assets (net)	<u>64,613,436</u>	<u>77,368,682</u>	<u>62,169,788</u>	<u>28,255,319</u>
Total noncurrent assets	<u>64,854,130</u>	<u>83,109,599</u>	<u>66,143,871</u>	<u>28,457,482</u>
Total assets	<u>91,025,018</u>	<u>131,338,267</u>	<u>81,362,453</u>	<u>29,620,385</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	592,687	4,570,641	438,301	38,927
Unearned revenue	-	26,221	-	-
Due to other funds	-	-	989,488	-
Compensated absences	176,949	106,087	45,227	9,261
Installment purchase obligations	58,130	279,436	69,070	49,367
Certificates of participation	-	-	623,452	-
Revenue bonds payable	557,349	854,705	203,381	553,908
State revolving loans payable	<u>827,077</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>2,212,192</u>	<u>5,837,090</u>	<u>2,368,919</u>	<u>651,463</u>
Liabilities payable from restricted assets:				
Customer deposits	78,222	377,113	146,695	-
Noncurrent liabilities:				
Advance from other funds	-	-	3,001,520	-
Compensated absences	87,153	52,253	22,275	4,561
Installment purchase obligations	20,563	449,290	51,212	102,344
Certificates of participation - net of unamortized discounts	-	-	30,515,513	-
Revenue bonds payable - net of deferred amount on refunding and unamortized premium	8,623,346	21,464,757	4,008,675	11,158,667
State revolving loans payable	3,827,221	-	-	-
Other postemployment benefits payable	<u>692,350</u>	<u>302,656</u>	<u>152,581</u>	<u>126,298</u>
Total noncurrent liabilities	<u>13,328,855</u>	<u>22,646,069</u>	<u>37,898,471</u>	<u>11,391,870</u>
Total liabilities	<u>15,541,047</u>	<u>28,483,159</u>	<u>40,267,390</u>	<u>12,043,333</u>
NET ASSETS				
Invested in capital assets, net of related debt	50,699,750	54,320,494	22,707,477	16,391,033
Unrestricted	<u>24,784,221</u>	<u>48,534,614</u>	<u>18,387,586</u>	<u>1,186,019</u>
Total net assets	<u>\$ 75,483,971</u>	<u>\$ 102,855,108</u>	<u>\$ 41,095,063</u>	<u>\$ 17,577,052</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Net assets of business-type activities

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

EXHIBIT 8

Nonmajor Enterprise Funds					Governmental Activities - Internal Service Funds	
Aquatics and Fitness Center		Stormwater	Solid Waste	Total		
\$ 1,873,201	\$ 587,265	\$ 519,517	\$ 80,599,200	\$ 3,139,411		
-	116,260	172,012	6,621,947	79,492		
-	-	-	1,118,113	-		
-	-	-	1,642,123	-		
128	59	92	3,669	94,242		
8,700	-	-	4,073,223	-		
<u>1,882,029</u>	<u>703,584</u>	<u>691,621</u>	<u>94,058,275</u>	<u>3,313,145</u>		
-	-	-	602,030	-		
-	-	-	1,429,237	-		
-	-	-	4,031,335	-		
-	-	-	4,095,255	-		
925,594	-	-	46,036,841	-		
6,742,782	743,356	-	194,782,116	-		
<u>7,668,376</u>	<u>743,356</u>	<u>-</u>	<u>240,818,957</u>	<u>-</u>		
7,668,376	743,356	-	250,976,814	-		
<u>9,550,405</u>	<u>1,446,940</u>	<u>691,621</u>	<u>345,035,089</u>	<u>3,313,145</u>		
36,180	22,395	190,191	5,889,322	450,018		
24,927	-	-	51,148	-		
-	37,112	-	1,026,600	-		
37,503	27,772	918	403,717	-		
-	129,750	-	585,753	-		
-	-	-	623,452	-		
-	-	-	2,169,343	-		
-	-	-	827,077	-		
<u>98,610</u>	<u>217,029</u>	<u>191,109</u>	<u>11,576,412</u>	<u>450,018</u>		
-	-	-	602,030	-		
-	38,278	-	3,039,798	-		
18,471	13,678	453	198,844	-		
-	322,498	-	945,907	-		
-	-	-	30,515,513	-		
-	-	-	45,255,445	-		
-	-	-	3,827,221	-		
<u>252,011</u>	<u>109,917</u>	<u>6,672</u>	<u>1,642,485</u>	<u>-</u>		
<u>270,482</u>	<u>484,371</u>	<u>7,125</u>	<u>86,027,243</u>	<u>-</u>		
<u>369,092</u>	<u>701,400</u>	<u>198,234</u>	<u>97,603,655</u>	<u>450,018</u>		
7,668,376	291,108	-	152,078,238	-		
1,512,937	454,432	493,387	95,353,196	2,863,127		
<u>\$ 9,181,313</u>	<u>\$ 745,540</u>	<u>\$ 493,387</u>	<u>\$ 247,431,434</u>	<u>\$ 2,863,127</u>		
			(170,234)			
			<u>\$ 247,261,200</u>			

CITY OF MONROE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS -- PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Major Enterprise Funds			
	Water and Sewer	Electric	Natural Gas	Airport
OPERATING REVENUES				
Charges for services	\$ 13,310,455	\$ 51,081,591	\$ 11,648,937	\$ 1,977,884
Interfund charges and employee contributions	-	-	-	-
Other operating revenues	331,756	252,264	7,476	34,163
Total operating revenues	<u>13,642,211</u>	<u>51,333,855</u>	<u>11,656,413</u>	<u>2,012,047</u>
OPERATING EXPENSES				
Distribution systems	4,755,978	3,317,085	3,164,198	-
Water filter plant	2,503,945	-	-	-
Waste treatment plant	2,175,787	-	-	-
Electric power purchases	-	42,198,544	-	-
Natural gas purchases	-	-	4,632,128	-
Aquatics and Fitness Center operations	-	-	-	-
Airport operations	-	-	-	2,611,321
Stormwater operations	-	-	-	-
Solidwaste operations	-	-	-	-
Operating expenses	199,148	89,616	46,468	36,510
Health benefit claims and premiums	-	-	-	-
Property and liability claims and premiums	-	-	-	-
Depreciation and amortization	<u>1,976,955</u>	<u>2,528,323</u>	<u>1,408,667</u>	<u>683,763</u>
Total operating expenses	<u>11,611,813</u>	<u>48,133,568</u>	<u>9,251,461</u>	<u>3,331,594</u>
Operating income (loss)	<u>2,030,398</u>	<u>3,200,287</u>	<u>2,404,952</u>	<u>(1,319,547)</u>
NONOPERATING REVENUES (EXPENSES)				
Gain (loss) on sale of capital assets	9,056	8,330	6,567	1,392
Availability fees	355,872	-	250,193	-
Other nonoperating revenues	21,225	359,682	61,651	-
Investment earnings	836,454	1,450,325	482,982	38,037
Interest and other charges	(438,628)	(1,017,372)	(1,871,882)	(302,198)
Total nonoperating revenues (expenses)	<u>783,979</u>	<u>800,965</u>	<u>(1,070,489)</u>	<u>(262,769)</u>
Income (loss) before transfers	<u>2,814,377</u>	<u>4,001,252</u>	<u>1,334,463</u>	<u>(1,582,316)</u>
TRANSFERS (TO) FROM OTHER FUNDS	<u>(119,998)</u>	<u>39,832</u>	<u>(12,118)</u>	<u>2,238,351</u>
Change in net assets	2,694,379	4,041,084	1,322,345	656,035
Total net assets, beginning	<u>72,789,592</u>	<u>98,814,024</u>	<u>39,772,718</u>	<u>16,921,017</u>
Total net assets, ending	<u>\$ 75,483,971</u>	<u>\$ 102,855,108</u>	<u>\$ 41,095,063</u>	<u>\$ 17,577,052</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				
Change in net assets of business-type activities				

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

EXHIBIT 9

Nonmajor Enterprise Funds			Governmental Activities - Internal Service Funds	
Aquatics and Fitness Center	Stormwater	Solid Waste	Total	
\$ 3,734,700	\$ 1,815,749	\$ 2,551,538	\$ 86,120,854	\$ -
-	-	-	-	6,116,427
142,678	4,425	-	772,762	146,712
<u>3,877,378</u>	<u>1,820,174</u>	<u>2,551,538</u>	<u>86,893,616</u>	<u>6,263,139</u>
			11,237,261	-
			2,503,945	-
			2,175,787	-
			42,198,544	-
			4,632,128	-
3,375,589	-	-	3,375,589	-
-	-	-	2,611,321	-
-	1,593,699	-	1,593,699	-
-	-	2,560,056	2,560,056	-
76,340	33,191	3,319	484,592	202,293
-	-	-	-	5,663,028
-	-	-	-	557,618
267,193	85,325	-	6,950,226	-
<u>3,719,122</u>	<u>1,712,215</u>	<u>2,563,375</u>	<u>80,323,148</u>	<u>6,422,939</u>
<u>158,256</u>	<u>107,959</u>	<u>(11,837)</u>	<u>6,570,468</u>	<u>(159,800)</u>
1,897	18,158	-	45,400	-
-	-	-	606,065	-
-	-	-	442,558	932
89,572	19,478	19,435	2,936,283	44,159
(55,868)	(16,770)	-	(3,702,718)	-
<u>35,601</u>	<u>20,866</u>	<u>19,435</u>	<u>327,588</u>	<u>45,091</u>
<u>193,857</u>	<u>128,825</u>	<u>7,598</u>	<u>6,898,056</u>	<u>(114,709)</u>
<u>(10,254)</u>	<u>(9,322)</u>	<u>-</u>	<u>2,126,491</u>	<u>421,343</u>
183,603	119,503	7,598	9,024,547	306,634
8,997,710	626,037	485,789		2,556,493
<u>\$ 9,181,313</u>	<u>\$ 745,540</u>	<u>\$ 493,387</u>		<u>\$ 2,863,127</u>
			1,878	
			<u>\$ 9,026,425</u>	

CITY OF MONROE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Major Enterprise Funds			
	Water and Sewer	Electric	Natural Gas	Airport
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 12,729,827	\$ 50,775,981	\$ 11,746,582	\$ 2,367,957
Cash paid for goods and services	(5,207,462)	(43,902,763)	(7,236,274)	(2,179,252)
Cash paid to or on behalf of employees for services	(3,976,462)	(1,265,994)	(623,516)	(514,321)
Customer deposits received	55,358	248,913	101,414	-
Customer deposits returned	(52,021)	(226,299)	(95,329)	-
Other operating revenues	352,981	611,946	69,127	34,163
Net cash provided (used) by operating activities	<u>3,902,221</u>	<u>6,241,784</u>	<u>3,962,004</u>	<u>(291,453)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Net advances (to) from other funds	-	1,094,082	(969,912)	-
Transfers (to) from other funds	<u>(119,998)</u>	<u>39,832</u>	<u>(12,118)</u>	<u>2,238,351</u>
Net cash provided (used) by noncapital financing activities	<u>(119,998)</u>	<u>1,133,914</u>	<u>(982,030)</u>	<u>2,238,351</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from issuance of long-term debt	2,030,699	-	-	-
Proceeds from sale of capital assets	9,056	8,330	186,627	1,392
Acquisition and construction of capital assets	(2,625,480)	(7,408,650)	(4,066,473)	(1,460,663)
Note receivable collected (granted)	-	683,794	918,163	-
Principal paid on bond maturities and equipment obligation	(1,640,766)	(1,127,703)	(888,366)	(572,843)
Interest paid on bond maturities and equipment obligations	(454,660)	(1,033,944)	(1,863,153)	(329,261)
Availability fees	<u>355,872</u>	<u>-</u>	<u>250,193</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(2,325,279)</u>	<u>(8,878,173)</u>	<u>(5,463,009)</u>	<u>(2,361,375)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	<u>836,454</u>	<u>1,450,325</u>	<u>482,982</u>	<u>38,037</u>
Net increase (decrease) in cash and cash equivalents	<u>2,293,398</u>	<u>(52,150)</u>	<u>(2,000,053)</u>	<u>(376,440)</u>
Balances, beginning	<u>22,031,731</u>	<u>39,417,310</u>	<u>15,499,749</u>	<u>1,407,702</u>
Balances, ending	<u>\$ 24,325,129</u>	<u>\$ 39,365,160</u>	<u>\$ 13,499,696</u>	<u>\$ 1,031,262</u>

Noncash investing, capital and financing activities:

The net book value of assets disposed in the Natural Gas Fund amounted to \$180,060.

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

EXHIBIT 10,
Continued

Nonmajor Enterprise Funds			Governmental Activities - Internal Service Funds	
Aquatics and Fitness Center	Stormwater	Solid Waste	Total	
\$ 3,734,700	\$ 2,270,855	\$ 2,575,116	\$ 86,201,018	\$ 6,114,628
(1,514,962)	(959,424)	(2,730,752)	(63,730,889)	(6,138,695)
(1,867,247)	(618,202)	(65,644)	(8,931,386)	-
-	-	-	405,685	-
-	-	-	(373,649)	-
<u>142,678</u>	<u>4,425</u>	<u>-</u>	<u>1,215,320</u>	<u>104,132</u>
<u>495,169</u>	<u>697,654</u>	<u>(221,280)</u>	<u>14,786,099</u>	<u>80,065</u>
-	(35,914)	-	88,256	-
<u>(10,254)</u>	<u>(9,322)</u>	<u>-</u>	<u>2,126,491</u>	<u>-</u>
<u>(10,254)</u>	<u>(45,236)</u>	<u>-</u>	<u>2,214,747</u>	<u>-</u>
-	-	-	2,030,699	-
1,898	18,158	-	225,461	-
(96,513)	(549,203)	-	(16,206,982)	-
-	-	-	1,601,957	-
(913,397)	(126,616)	-	(5,269,691)	-
(55,868)	(16,770)	-	(3,753,656)	-
-	-	-	<u>606,065</u>	<u>-</u>
<u>(1,063,880)</u>	<u>(674,431)</u>	<u>-</u>	<u>(20,766,147)</u>	<u>-</u>
89,572	19,478	19,434	2,936,282	44,159
(489,393)	(2,535)	(201,846)	(829,019)	546,499
<u>2,362,594</u>	<u>589,800</u>	<u>721,363</u>	<u>82,030,249</u>	<u>2,592,912</u>
<u>\$ 1,873,201</u>	<u>\$ 587,265</u>	<u>\$ 519,517</u>	<u>\$ 81,201,230</u>	<u>\$ 3,139,411</u>

CITY OF MONROE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Major Enterprise Funds			
	Water and Sewer	Electric	Natural Gas	Airport
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 2,030,398	\$ 3,200,287	\$ 2,404,952	\$ (1,319,547)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,976,955	2,528,323	1,408,667	683,763
Other revenues	21,225	359,682	61,651	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(580,628)	(305,610)	97,645	390,073
(Increase) decrease in inventories	(24,579)	102,937	(5,509)	(11,018)
(Increase) decrease in prepaid expenses	(1,111)	(1,630)	(595)	(54)
Increase (decrease) in accounts payable and accrued liabilities	246,562	220,995	(78,439)	(70,311)
Increase (decrease) in customer deposits	3,337	22,614	6,085	-
Increase (decrease) in net OPEB liability	199,148	89,616	46,468	36,510
Increase (decrease) in compensated absences	30,914	24,570	21,079	(869)
Total adjustments	<u>1,871,823</u>	<u>3,041,497</u>	<u>1,557,052</u>	<u>1,028,094</u>
Net cash provided (used) by operating activities	<u>\$ 3,902,221</u>	<u>\$ 6,241,784</u>	<u>\$ 3,962,004</u>	<u>\$ (291,453)</u>

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

EXHIBIT 10

Nonmajor Enterprise Funds		Governmental Activities - Internal Service Funds		
Aquatics and Fitness Center	Stormwater	Solid Waste	Total	
\$ 158,256	\$ 107,959	\$ (11,837)	\$ 6,570,468	\$ (159,800)
267,193	85,325	-	6,950,226	-
-	-	-	442,558	-
-	455,106	23,578	80,164	35,416
2,844	-	-	64,675	-
(128)	(59)	(92)	(3,669)	-
(21,832)	12,980	(237,222)	72,733	284,243
-	-	-	32,036	-
76,340	33,191	3,319	484,592	-
12,496	<u>3,152</u>	<u>974</u>	<u>92,316</u>	<u>-</u>
<u>336,913</u>	<u>589,695</u>	<u>(209,443)</u>	<u>8,215,631</u>	<u>239,865</u>
<u>\$ 495,169</u>	<u>\$ 697,654</u>	<u>\$ (221,280)</u>	<u>\$ 14,786,099</u>	<u>\$ 80,065</u>

CITY OF MONROE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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 assets and the statement of activities display information about the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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 nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies result from non-exchange transactions. Other nonoperating 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. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues 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 nonoperating 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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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

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

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for 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, 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.

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, 2011. 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*

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.

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.

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, 2012.

9. ***Deferred/Unearned Revenues***

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources received but not yet earned.

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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, 2012 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 Assets/Fund Balances*

Net Assets

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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 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). Any changes or removal of specific purpose requires majority action by the City Council.

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.

Subsequent Year's Expenditures – Portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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 available fund balance is at least equal to or greater than 25% of the next year's budget, net of Federal and State pass-through revenues. Any portion of the general fund balance in excess of the 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 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 assets***

The governmental fund balance sheet includes reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in government-wide statement of net assets. 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 \$11,785,067 difference are as follows:

Installment purchase obligations	\$ 6,023,834
Compensated absences	1,987,751
Net OPEB liability	<u>3,773,482</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ <u>11,785,067</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 assets 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 \$(1,798,250) difference are as follows:

Capital outlay	\$ 2,297,662
Depreciation expense	<u>(4,095,912)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	\$ <u>(1,798,250)</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 assets.” The details of this \$712,506 are as follows:

Debt issued or incurred:	
Installment purchase obligations	\$ (747,500)
Principal payments:	
Installment purchase obligations	<u>1,460,006</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ 712,506</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, 2012 the City's deposits had a carrying amount of \$7,343,228 and a bank balance of \$8,202,180. In addition, there was \$700,000 in an escrow account with a trustee of unspent installment financing proceeds. Of the bank balance, \$500,000 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 \$5,975.

At June 30, 2012 the ABC Board's deposits had a carrying amount of \$627,487 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, 2012, the Tourism Development Authority's deposits had a carrying amount of \$47,809 and a bank balance of \$47,809. The entire balance was covered by federal depository insurance.

2. Investments

As of June 30, 2012, the City had the following investments and maturities:

Investment Type	Fair Value	1 Year	1 – 3 Years	5 + Years
U.S. Government Agencies	\$ 61,575,002	\$ -	\$ -	\$ 61,575,002
NC Capital Management Trust – Cash Portfolio	36,947,413	N/A	N/A	N/A
Total	\$ 98,522,415			

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) is rated AAA 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 AAAM by Standard and Poor's as of June 30, 2012. 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 69 percent of the City's investments are in Federal Home Loan Bank securities. This investment is 44% of the City's total investments. In addition, the City had 37.6% of its investment portfolio in the NCCMT – cash portfolio at June 30, 2012.

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. At the current rate of payment it is estimated that the note will be repaid in full during fiscal year 2013. The agreement is non interest bearing and is secured by equipment. Principal collections on the note receivable for the fiscal year ended totaled \$308,828. Future payments of the note receivable can vary based on the customers electricity usage. The current portion has been calculated based on the amount left to be paid as of June 30, 2012.

	2012
Total receivable	\$ 2,940
Less current portion	2,940
Total Note Receivable – Noncurrent	\$ -

Scheduled future maturities of the note receivable are as follows:

2013	\$ 2,940
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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 2015. 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 \$374,966. 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, 2012.

	2012
Total receivable	\$ 1,619,795
Less current portion	<u>670,000</u>
Total Note Receivable – Noncurrent	<u><u>\$ 949,795</u></u>

Scheduled future maturities of the note receivable are as follows:

2013	\$ 670,000
2014	670,000
2015	279,795
	<u><u>\$ 1,619,795</u></u>

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, 2012 totaled \$918,163.

	2012
Total receivable	\$ 4,114,643
Less current portion	<u>969,183</u>
Total Note Receivable – Noncurrent	<u><u>\$ 3,145,460</u></u>

Scheduled future maturities of the note receivable are as follows:

2013	\$ 969,183
2014	1,023,039
2015	1,079,884
2016	1,042,537
	<u><u>\$ 4,114,643</u></u>

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.

	2012
Total receivable	\$ 1,250,000
Less current portion	-
Total Note Receivable – Noncurrent	<u><u>\$ 1,250,000</u></u>

Scheduled future maturities of the note receivable are as follows:

2013	\$ -
2014	72,916
2015	125,000
2016	125,000
2017	125,000
Thereafter	802,804
	<u><u>\$ 1,250,000</u></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	\$ 201,370	\$ 6,077,666
Other, net	506,647	544,281
	<u>\$ 708,017</u>	<u>\$ 6,621,947</u>

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

Special Revenue Fund	
Loans Receivable	\$ <u>16,332</u>

5. *Capital Assets*

Primary Government

Capital asset activity for the primary government for the year ended June 30, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
General Fund					
Capital assets not being depreciated:					
Land and land improvements	\$ 4,680,493	\$ 230,321	\$ -	\$ -	\$ 4,910,814
Construction in progress	5,092	68,807	3,400	-	70,499
Total capital assets not being depreciated	<u>4,685,585</u>	<u>299,128</u>	<u>3,400</u>	<u>-</u>	<u>4,981,313</u>
Capital assets being depreciated:					
Buildings and improvements	21,051,069	43,552	-	-	21,094,621
Equipment	4,356,644	469,572	-	-	4,826,216
Vehicles and motorized equipment	13,385,524	995,343	354,570	20,427	14,046,724
Other intangibles	426,489	-	-	-	426,489
Infrastructure	87,221,745	477,840	-	-	87,699,585
Total capital assets being depreciated	<u>126,441,471</u>	<u>1,986,307</u>	<u>354,570</u>	<u>20,427</u>	<u>128,093,635</u>
Less accumulated depreciation for:					
Buildings and improvements	7,579,993	525,330	-	-	8,105,323
Equipment	2,901,824	341,126	-	-	3,242,950
Vehicles and motorized equipment	10,396,086	986,875	306,509	20,427	11,096,879
Other intangibles	150,236	77,330	-	-	227,566
Infrastructure	31,966,802	2,128,491	-	-	34,095,293
Total accumulated depreciation	<u>52,994,941</u>	<u>\$ 4,059,152</u>	<u>\$ 306,509</u>	<u>\$ 20,427</u>	<u>\$ 56,768,011</u>
Total capital assets being depreciated, net	<u>73,446,530</u>				<u>71,325,624</u>
General Fund capital assets, net					
Downtown Monroe Fund					
Capital assets not being depreciated:					
Land and land improvements	80,149	-	-	-	80,149
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	98,071	-	-	-	98,071
Total capital assets being depreciated	<u>98,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,071</u>

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Less accumulated depreciation for:					
Equipment	21,015	14,010	-	-	35,025
Total accumulated depreciation	21,015	14,010	-	-	35,025
Total capital assets being depreciated, net	77,056				63,046
Downtown Monroe Fund capital assets, net	157,205				143,195
Occupancy Tax Fund					
Capital assets being depreciated:					
Equipment	150,000	18,500	-	-	168,500
Total capital assets being depreciated	150,000	18,500	-	-	168,500
Less accumulated depreciation for:					
Equipment	10,714	22,750	-	-	33,464
Total accumulated depreciation	10,714	\$ 22,750	\$ -	\$ -	33,464
Total capital assets being depreciated, net	139,286				135,036
Occupancy Tax Fund capital assets, net	139,286				135,036
Governmental activities capital assets, net	\$ 78,428,606				\$ 76,585,168

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

General Fund:	
General government	\$ 336,066
Transportation	2,356,401
Public safety	858,516
Culture and recreation	504,025
Economic and physical development	4,144
Total General Fund	<u>4,059,152</u>

Downtown Monroe Fund:	
General government	<u>14,010</u>
Occupancy Tax Fund:	
Economic and physical development	<u>22,750</u>
Total governmental activities	\$ 4,095,912

	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	464,933	1,883,406	-	-	2,348,339
Total capital assets not being depreciated	1,294,760	1,883,406	-	-	3,178,166
Capital assets being depreciated:					
Buildings and improvements	22,879,384	64,800	-	-	22,944,184
Equipment	3,455,059	116,407	-	-	3,571,466
Vehicles and motorized equipment	2,976,632	155,973	141,432	(20,427)	2,970,746
Infrastructure	60,674,746	404,890	-	-	61,079,636
Total capital assets being depreciated	89,985,821	742,070	141,432	(20,427)	90,566,032

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Less accumulated depreciation for:					
Buildings and improvements	10,368,543	480,354	-	-	10,848,897
Equipment	1,865,966	227,237	-	-	2,143,203
Vehicles and motorized equipment	2,552,352	134,079	141,432	(20,427)	2,524,572
Infrastructure	12,540,286	1,073,804	-	-	13,614,090
Total accumulated depreciation	27,327,147	1,965,474	141,432	(20,427)	29,130,762
Total capital assets being depreciated, net	62,658,674				61,435,270
Water and Sewer Fund capital assets, net	<u>63,953,434</u>				<u>64,613,436</u>
Electric Fund					
Capital assets not being depreciated:					
Land and land improvements	4,418,383	-	-	-	4,418,383
Construction in progress	13,713,619	5,400,920	5,741,013	-	13,373,526
Total capital assets not being depreciated	18,132,002	5,400,920	5,741,013	-	17,791,909
Capital assets being depreciated:					
Buildings and improvements	703,349	4,811,255	-	-	5,514,604
Equipment	4,515,395	65,595	-	-	4,580,990
Vehicles and motorized equipment	2,760,374	214,741	103,679	(26,631)	2,844,805
Infrastructure	76,265,135	2,668,250	-	-	78,933,385
Total capital assets being depreciated	84,244,253	7,759,841	103,679	(26,631)	91,873,784
Less accumulated depreciation for:					
Buildings and improvements	90,798	68,995	-	-	159,793
Equipment	2,686,146	323,400	-	-	3,009,546
Vehicles and motorized equipment	1,653,000	274,936	103,679	(15,535)	1,808,722
Infrastructure	25,480,109	1,838,841	-	-	27,318,950
Total accumulated depreciation	29,910,053	2,506,172	103,679	(15,535)	32,297,011
Total capital assets being depreciated, net	54,334,200				59,576,773
Electric Fund capital assets, net	<u>72,466,202</u>				<u>77,368,682</u>
Natural Gas Fund					
Capital assets not being depreciated:					
Land and land improvements	780,785	-	-	-	780,785
Construction in progress	4,204,910	3,428,763	2,288,530	-	5,345,143
Total capital assets not being depreciated	4,985,695	3,428,763	2,288,530	-	6,125,928
Capital assets being depreciated:					
Buildings and improvements	569,484	-	-	-	569,484
Equipment	715,749	22,471	180,060	-	558,160
Vehicles and motorized equipment	771,609	20,855	42,427	26,631	776,668
Infrastructure	58,519,456	2,871,816	-	-	61,391,272
Total capital assets being depreciated	60,576,298	2,915,142	222,487	26,631	63,295,584
Less accumulated depreciation for:					
Buildings and improvements	140,126	13,256	-	-	153,382
Equipment	262,965	50,485	-	-	313,450
Vehicles and motorized equipment	464,449	65,294	42,427	15,535	502,851
Infrastructure	5,030,370	1,251,671	-	-	6,282,041
Total accumulated depreciation	5,897,910	1,380,706	42,427	15,535	7,251,724
Total capital assets being depreciated, net	54,678,388				56,043,860
Natural Gas Fund capital assets, net	<u>59,664,083</u>				<u>62,169,788</u>

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Airport Fund					
Capital assets not being depreciated:					
Land and land improvements	9,410,147	386,635	-	-	9,796,782
Construction in progress	7,144,434	1,462,734	388,706	-	8,218,462
Total capital assets not being depreciated	16,554,581	1,849,369	388,709	-	18,015,244
Capital assets being depreciated:					
Buildings and improvements	14,130,273	-	-	-	14,130,273
Equipment	456,339	-	-	-	456,339
Vehicles and motorized equipment	459,145	-	8,841	-	450,304
Infrastructure	3,092,587	-	-	-	3,092,587
Total capital assets being depreciated	18,138,344	-	8,841	-	18,129,503
Less accumulated depreciation for:					
Buildings and improvements	6,731,571	491,492	-	-	7,223,063
Equipment	245,389	55,209	-	-	300,598
Vehicles and motorized equipment	216,447	62,315	8,841	-	269,921
Infrastructure	33,994	61,852	-	-	95,846
Total accumulated depreciation	7,227,401	670,868	8,841	-	7,889,428
Total capital assets being depreciated, net	10,910,943				10,240,075
Airport Fund capital assets, net	27,465,524				28,255,319
Aquatics and Fitness Center Fund					
Capital assets not being depreciated:					
Land and land improvements	925,594	-	-	-	925,594
Total capital assets not being depreciated	925,594	-	-	-	925,594
Capital assets being depreciated:					
Buildings and improvements	9,431,009	96,513	-	-	9,527,522
Equipment	111,467	-	-	-	111,467
Vehicles and motorized equipment	42,097	-	12,280	-	29,817
Total capital assets being depreciated	9,584,573	96,513	12,280	-	9,668,806
Less accumulated depreciation for:					
Buildings and improvements	2,589,034	254,384	-	-	2,843,418
Equipment	50,799	10,843	-	-	61,642
Vehicles and motorized equipment	31,277	1,967	12,280	-	20,964
Total accumulated depreciation	2,671,110	267,194	12,280	-	2,926,024
Total capital assets being depreciated, net	6,913,463				6,742,782
Aquatics and Fitness Fund capital assets, net	7,839,057				7,668,376
Stormwater Fund					
Capital assets being depreciated:					
Buildings and improvements	-	20,495	-	-	20,495
Equipment	25,948	8,500	-	-	34,448
Vehicles and motorized equipment	669,779	520,209	272,010	-	917,978
Total capital assets being depreciated	695,727	549,204	272,010	-	972,921
Less accumulated depreciation for:					
Buildings and improvements	-	228	-	-	228
Equipment	5,609	4,314	-	-	9,923
Vehicles and motorized equipment	410,640	80,784	272,010	-	219,414
Total accumulated depreciation	416,249	\$ 85,326	\$ 272,010	\$ -	\$ 229,565

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Total capital assets being depreciated, net	<u>279,478</u>				<u>743,356</u>
Stormwater Fund capital assets, net	<u>279,478</u>				<u>743,356</u>
Business-type activities capital assets, net	<u>\$ 231,667,778</u>				<u>\$ 240,818,957</u>

Discretely presented component units

Capital asset activity for the ABC Board for the year ended June 30, 2012, 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	-	-	120,967
Vehicles and motorized equipment	15,830	-	-	15,830
Total capital assets being depreciated	1,174,176	-	-	1,174,176
Less accumulated depreciation for:				
Buildings and improvements	335,160	28,371	-	363,531
Equipment	79,031	10,039	-	89,070
Vehicles and motorized equipment	15,830	-	-	15,830
Total accumulated depreciation	430,021	\$ 38,410	\$ -	468,431
Total capital assets being depreciated, net	<u>744,155</u>			<u>705,745</u>
ABC Board capital assets, net	<u>\$ 1,061,168</u>			<u>\$ 1,022,758</u>

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, 2012, were as follows:

	Salaries and			Total
	Vendors	Benefits	Other	
Governmental activities:				
General Fund	\$ 796,899	\$ -	\$ -	\$ 796,899
Nonmajor Funds	<u>69,792</u>	<u>-</u>	<u>-</u>	<u>69,792</u>
Total-governmental activities	<u>\$ 866,691</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 866,691</u>
Business-type activities:				
Enterprise Funds	<u>\$ 5,889,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,889,322</u>

Component units' payables at June 30, 2012, were as follows:

	Salaries and Benefits			Total
	Vendors	Benefits	Other	
ABC Board	\$ 249,677	\$ 2,080	\$ 28,000	\$ 279,757
Tourism Development Authority	<u>\$ 10,516</u>	<u>\$ -</u>	<u>\$ 2,277</u>	<u>\$ 12,793</u>

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) 981-5454.

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 6.96% and 7.05%, 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, 2012, 2011, and 2010, were \$1,606,917, \$1,394,051, and \$1,084,527, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$15,409, \$15,340, and \$14,210, 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, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits	12
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	91
Total	<u>103</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, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-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, 2010 was 20 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	\$ 198,378
Interest on net pension obligation	(3,467)
Adjustment to annual required contribution	<u>4,136</u>
Annual pension cost	199,047
Contributions made	<u>156,309</u>
Increase in net pension obligation	42,738
Net prepaid pension obligation, beginning of year	(69,332)
Net prepaid pension obligation, end of year	<u>\$ (26,594)</u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Prepayment)
2010	\$ 173,111	98.39%	\$ (129,330)
2011	226,393	73.50%	(69,332)
2012	199,047	78.53%	(26,594)

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 the unfunded actuarial accrued liability (UAAL) was \$1,868,661. The covered payroll (annual payroll of active employees covered by the plan) was \$4,513,819, and the ratio of the UAAL to the covered payroll was 41.40%.

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, 2012, were \$309,887 which consisted of \$235,802 from the City and \$74,085 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 five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012, were \$1,424,854, which consisted of \$910,854 from the City and \$514,500 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) 981-5454.

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, 2012, the City of Monroe has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$17,961 for the 47 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	72
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>464</u>
Total	<u>536</u>

The current ARC rate is 8.41% of annual covered payroll. For the current year, the City contributed \$480,508 or 2.20% of annual covered payroll. For the year ended June 30, 2012, the City made payments for postretirement health benefit premiums of \$626,845. 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	\$ 2,036,929
Interest on net obligation	154,106
Adjustment to annual required contribution	<u>(147,219)</u>
Annual OPEB cost (expense)	2,043,816
Contributions made	<u>(480,508)</u>
Increase (decrease) in net OPEB obligation	1,563,308
Net OPEB obligation, beginning of year	<u>3,852,659</u>
Net OPEB obligation, end of year	<u>\$ 5,415,967</u>

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 1,513,000	26.2%	\$ 2,270,000
2011	1,837,058	13.8%	3,852,659
2012	2,043,816	23.5%	5,415,967

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, 2012, the City made contributions to the State for death benefits of \$21,278. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .08% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The City considers these contributions to be immaterial.

4. *Deferred/Unearned Revenues*

The balance in deferred or unearned revenue on the fund statements and unearned revenues on the government-wide statements at year end is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Property taxes receivable:		
General	\$ 1,126,309	\$ -
Nonmajor governmental	4,900	-
Occupancy tax receivable:		
Nonmajor governmental	28,257	-
Privilege license receivable:		
General	284,602	-
Loans receivable:		
Nonmajor governmental	16,332	-
Special vehicle tax receivable:		
General	26,774	-
Unspent donation:		
General	-	1,500
Code enforcement liens receivable:		
General	96,637	-
Prepaid taxes and licenses:		
General	-	755,150
Total	<u>\$ 1,583,811</u>	<u>\$ 756,650</u>

5. *Construction and other significant commitments*

Construction commitments

The government has active construction projects as of June 30, 2012. 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:

Projects	Spent-to- Date	Remaining Commitment
Governmental		
Capital Projects	\$ 70,499	\$ 33,115
Enterprise		
Water and Sewer	2,349,257	7,798,603
Electric	13,427,963	717,048
Natural Gas	5,290,705	186,730
Airport	<u>8,218,463</u>	<u>800,639</u>
Total	<u>\$ 29,356,887</u>	<u>\$ 9,536,135</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, 2012 the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental activities:	
General Fund	\$ 1,159,825
Non-Major Funds	<u>4,753</u>
Total governmental activities	\$ <u>1,164,578</u>
Business-type activities:	
Water and Sewer Fund	\$ 626,773
Electric Fund	502,549
Natural Gas Fund	187,605
Airport Fund	11,761
Non-Major Funds	<u>52,903</u>
Total business-type activities	\$ <u>1,381,591</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 assets 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 assets 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 assets 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, 2012 are considered to be current liabilities. Changes in the balance of claims liabilities during the year ended June 30, 2012 are as follows:

	Health Benefit Fund	Workers' Compensation Fund	Property & Casualty Fund
Unpaid claims as of June 30, 2010	419,985	13,481	6,451
Claims and premiums paid	\$ 5,324,419	\$ 165,937	\$ 521,531
Incurred claims and premiums	<u>(5,584,603)</u>	<u>(179,418)</u>	<u>(522,008)</u>
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	<u>(5,391,824)</u>	<u>(124,903)</u>	<u>(544,579)</u>
Unpaid claims as of June 30, 2012	\$ 431,005	\$ -	\$ 19,013

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, 2012.

7. Claims, Judgments, and Contingent Liabilities

The City was a defendant in various matters of litigation as of June 30, 2012. 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:

	Governmental Funds	Enterprise Funds	Total
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%.	\$ 367,143	-	\$ 367,143
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%.	518,067	-	518,067
Executed February 8, 2008, to finance facility improvements, requiring 20 semi-annual installments of \$95,000 plus interest at 3.827%.	1,140,000	-	1,140,000
Executed June 20, 2008, to finance equipment, requiring 10 semi-annual installments of \$216,651 including interest at 3.19%.	305,080	118,642	423,722
Executed June 15, 2009 to finance equipment, 10 semi-annual installments of \$201,937 including interest at 2.8378%.	527,913	251,976	779,889
Executed January 30, 2009 to finance construction of a recreation center, requiring 30 semi-annual installments of \$79,724 plus interest at 4.570%.	1,913,376	-	1,913,376
Executed June 11, 2010, to finance equipment, requiring 10 semi-annual installments of \$181,609 including interest at 2.585%.	291,556	750,454	1,042,010
Executed June 24, 2011, to finance equipment, requiring 10 semi-annual installments of \$82,034 including interest at 2.29%.	213,199	410,589	623,852
Executed June 25, 2012, to finance equipment, to semi-annual installments of \$78,005 including interest at .78%	747,500	-	747,500
	<u>\$ 6,023,834</u>	<u>\$ 1,531,661</u>	<u>\$ 7,555,559</u>

Annual debt service payments of the installment purchase obligations as of June 30, 2012, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 1,421,727	\$ 198,894	\$ 585,753	\$ 35,630
2014	1,130,018	157,270	479,286	20,773
2015	794,974	124,142	360,366	9,204
2016	625,503	100,283	106,256	1,727
2017	572,806	79,649	-	-
2018-2022	1,159,907	188,589	-	-
2023-2025	318,899	18,217	-	-
Total	\$ <u>6,023,834</u>		\$ <u>1,531,661</u>	
Total interest payments		\$ <u>867,044</u>		\$ <u>67,334</u>

At June 30, 2012, the City had a legal debt margin of \$238,577,988.

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 \$284,806 in unamortized bond premiums associated with the bonds.

\$ 28,819,805

\$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 \$962,820 in unamortized bond premiums and \$517,836 of unamortized deferred loss on defeasance associated with the bonds.

18,604,983

\$ 47,424,788

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
2013	\$ 2,090,000	\$ 2,043,319
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 – 2022	11,760,000	6,832,896
2023 – 2027	11,625,000	4,378,396
2028 – 2032	9,900,000	1,848,813
2033	2,055,000	97,475
Total	\$ <u>46,695,000</u>	\$ <u>22,492,475</u>

The future payments as presented above, have not been reduced by \$517,836, the unamortized deferred loss incurred as a result of the advance refundings and the \$1,247,626 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, 2012, is as follows:

Operating revenues	\$ 78,729,446
Operating expenses (1)	65,794,795
Operating income	12,934,651
Nonoperating revenues (2)	<u>2,807,798</u>
Income available for debt service	15,742,499
Parity debt service (3)	<u>5,078,157</u>
Debt service coverage ratio	<u>310%</u>
Income available for debt service	15,742,499
Subordinated debt service (3)	<u>7,815,391</u>
Debt service coverage ratio	<u>201%</u>

- (1) Per rate covenants, this does not include the depreciation expense of \$6,597,708.
- (2) Per rate covenants, this includes investment earnings only.
- (3) Per rate covenants, this does not include amortization of the deferred loss incurred as a result of advance refundings.

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 6% of net revenues. The total principal and interest remaining to be paid on the bonds is \$69,187,475. Principal and interest paid for the current year and total customer net revenues were \$4,133,574 and \$78 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%.	\$ 1,107,415
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%.	373,521
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%.	303,132
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%).	296,868
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%.	289,757
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%.	252,906
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%. One draw had been made as of June 30, 2012 and payments are scheduled to begin November 2014.	\$ <u>2,030,699</u> <u>4,654,298</u>

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

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2013	\$ 827,077	\$ 88,861
2014	827,077	60,441
2015	741,851	163,889
2016	372,713	52,198
2017	159,486	42,748
2018-2022	507,675	170,786
2023-2027	507,675	113,858
2028-2032	507,675	56,929
2033-2034	203,069	6,831
Total	\$ <u>4,654,298</u>	\$ <u>756,541</u>

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 \$306,035.

\$ 31,138,965

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

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2013	\$ 635,000	\$ 1,561,350
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 – 2022	4,060,000	6,932,838
2023 – 2027	5,050,000	5,944,700
2028 – 2032	6,465,000	4,527,556
2033 – 2037	8,430,000	2,556,950
2038 – 2039	4,060,000	337,975
Total	\$ 31,445,000	\$ 27,903,420

The future payments presented above, have not been reduced by \$306,034, the unamortized bond discount incurred as a result of the issuance.

f. *Changes in Long-term Liabilities*

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion of Balance
Governmental activities:					
Installment purchase obligations	\$ 6,736,340	\$ 747,500	\$ 1,460,006	\$ 6,023,834	\$ 1,421,727
Compensated absences	1,663,895	1,229,685	905,829	1,987,751	1,331,793
OPEB liability	2,694,766	1,078,716	-	3,773,482	-
Total governmental activities	\$ 11,095,001	\$ 3,055,901	\$ 2,365,835	\$ 11,785,067	\$ 2,753,520
	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion of Balance
Business-type activities:					
Water & Sewer Fund:					
Compensated absences	\$ 233,188	\$ 218,492	\$ 187,578	\$ 264,102	\$ 176,949
OPEB liability	493,202	199,148	-	692,350	-
Installment purchase obligations	158,249	-	79,556	78,693	58,130
Revenue bonds	9,730,305	-	734,133	8,996,172	536,078
Less deferred amount for loss on defeasance	(105,835)	-	(8,689)	(97,146)	(12,492)
Plus bond premium	306,390	-	24,721	281,669	33,763
Total revenue bonds	9,930,860	-	750,165	9,180,695	557,349
State revolving loans	3,450,676	2,030,699	827,077	4,654,298	827,077
Total Water & Sewer Fund	\$ 14,266,175	\$ 2,448,339	\$ 1,844,376	\$ 14,870,138	\$ 1,619,505

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion of Balance
Electric Fund:					
Compensated absences	\$ 133,770	\$ 129,209	\$ 104,639	\$ 158,340	\$ 106,087
OPEB liability	213,040	89,616	-	302,656	-
Installment purchase obligations	1,031,625	-	302,899	728,726	279,436
Revenue bonds	22,936,798	-	824,804	22,111,994	838,347
Less deferred amount for loss on defeasance	(103,953)	-	(8,535)	(95,418)	(12,270)
Plus bond premium	327,993	-	25,107	302,886	28,628
Total revenue bonds	23,160,838	-	841,376	22,319,462	854,705
Total Electric Fund	\$ 24,539,273	\$ 218,825	\$ 1,248,914	\$ 23,509,184	\$ 1,240,228
Natural Gas Fund:					
Compensated absences	\$ 46,423	\$ 44,840	\$ 23,761	\$ 67,502	\$ 45,227
OPEB liability	106,116	46,468	-	152,581	-
Installment purchase obligations	187,308	-	67,026	120,282	69,070
Certificates of participation	32,065,000	-	620,000	31,445,000	635,000
Less unamortized discounts	(317,583)	-	(11,548)	(306,035)	(11,548)
Total certificates of participation	31,747,417	-	608,452	31,138,965	623,452
Revenue bonds	4,378,170	-	201,340	4,176,830	200,575
Less deferred amount for loss on defeasance	(45,940)	-	(3,772)	(42,168)	(5,422)
Plus bond premium	83,985	-	6,591	77,394	8,228
Total revenue bonds	4,416,215	-	204,159	4,212,056	203,381
Total Natural Gas Fund	\$ 36,503,476	\$ 91,308	\$ 903,398	\$ 35,691,386	\$ 941,130
Airport Fund:					
Compensated absences	\$ 14,691	\$ 14,190	\$ 15,059	\$ 13,822	\$ 9,261
OPEB liability	89,788	36,510	-	126,298	-
Installment purchase obligations	199,830	-	48,119	151,711	49,367
Revenue bonds	11,934,724	-	524,724	11,410,000	515,000
Less deferred amount for loss on defeasance	(308,425)	-	(25,322)	(283,103)	(36,404)
Plus bond premium	638,063	-	52,385	585,678	75,312
Total revenue bonds	12,264,362	-	551,787	11,712,575	553,908
Total Airport Fund	\$ 12,568,671	\$ 50,700	\$ 614,965	\$ 12,004,406	\$ 612,536
Aquatics & Fitness Fund:					
Compensated absences	\$ 43,478	\$ 41,996	\$ 29,500	\$ 55,974	\$ 37,503
OPEB liability	175,671	76,340	-	252,011	-
Installment purchase obligations	913,397	-	913,397	-	-
Total Aquatics & Fitness Fund	\$ 1,132,546	\$ 118,336	\$ 942,897	\$ 307,985	\$ 37,503

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion of Balance
Stormwater Fund:					
Compensated absences	\$ 38,298	\$ 36,992	\$ 33,840	\$ 41,450	\$ 27,772
OPEB liability	76,726	33,191	-	109,917	-
Installment purchase obligations	578,864	-	126,616	452,248	129,750
Total Stormwater Fund	\$ 693,888	\$ 70,183	\$ 160,456	\$ 603,615	\$ 157,522
Solid Waste Fund:					
Compensated absences	\$ 397	\$ 1,575	\$ 601	\$ 1,371	\$ 918
OPEB liability	3,353	3,319	-	6,672	-
Total Solid Waste Fund	\$ 3,750	\$ 4,894	\$ 601	\$ 8,043	\$ 918
Total business-type activities	\$ 89,707,779	\$ 3,002,585	\$ 5,715,607	\$ 86,994,757	\$ 4,609,342

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, 2012, consist of the following:

Due to	Due from		
	General Fund	Natural Gas Fund	Stormwater Fund
Electric Fund	\$ 1,083,050	\$ 3,991,008	\$ 75,390

The balance of \$1,083,050 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 \$91,513 and the balance of \$991,537 is not scheduled to be collected in the subsequent year.

The balance of \$3,991,008 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 \$989,488 and the balance of \$3,001,520 is not scheduled to be collected in the subsequent year.

The balance of \$75,390 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 \$37,112 and the balance of \$38,278 is not scheduled to be collected in the subsequent year.

Balances due to/from component units at June 30, 2012, consist of the following:

Due to the Primary Government for profit distributions from:

Monroe ABC Board	\$ 28,000
------------------	-----------

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, 2012, consist of the following:

From the General Fund to the Airport Fund for current operating needs and construction projects	\$ 1,490,939
From the General Fund to the Downtown Monroe Special Revenue Fund for general operations	318,561
From the Occupancy Tax Special Revenue Fund to the General Fund for administrative fees	9,950
From the General Fund to the Health & Dental Self Insurance Fund for wellness program and health claim expenses	300,160
From the General Fund to the Airport Capital Project Fund for airport improvements	754,870
From the Downtown Monroe Fund to the Health & Dental Self Insurance Fund for wellness program and health claim expenses	1,864
From the Water and Sewer Fund to the Health & Dental Self Insurance Fund for wellness program and health claim expenses	54,998
From the Electric Fund to the Health & Dental Self Insurance Fund for wellness program and health claim expenses	25,169
From the Natural Gas Fund to the Health & Dental Self Insurance Fund for wellness program and health claim expenses	12,118
From the Airport Fund to the Health & Dental Self Insurance Fund for wellness program and health claim expenses	7,458
From the Aquatics & Fitness Center Fund to the Health & Dental Self Insurance Fund for wellness program and health claim expenses	10,254
From the Storm Water Fund to the Health & Dental Self Insurance Fund for wellness program and health claim expenses	9,322
From the General Fund to the Capital Project Fund for Windsor Street sidewalk project	127,947
From the Water and Sewer Fund to the Electric Capital Project Fund for Stewart Creek upgrade project	<u>65,000</u>
	<u><u>3,188,610</u></u>

D. Revenues, Expenditures, and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2012, the City of Monroe has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$17,961 for the 47 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 \$27,981 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, 2012. 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, 2012 were \$40,007,938.

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, 2012.

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, 2012, the City reported revenues and expenditures for the payments of \$27,981 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, 2012. 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 Post Office Box 188, Farmville, North Carolina 27828.

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.psncenergy.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, 2012:

City of Monroe ABC Board:

Payments to the City for profit distributions	\$ 155,000
Payments to the City for law enforcement	<u>75,988</u>
Total	\$ <u>230,988</u>

Monroe Tourism Development Authority:

Payment of a pro-rata portion of the occupancy tax by the City to the Authority	\$ <u>321,709</u>
Payment by the Authority to the City for the Occupancy Tax Project	\$ <u>214,473</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	\$ 21,308,501
Less:	
Inventories	308,481
Prepays	30,466
Encumbrances	1,159,825
State Statute reserve	2,957,929
Creditors:	
Regions Bank – equipment financing escrow	700,000
Grantors:	
Transportation –	
Powell Bill Reserves	709,426
Powell Bill Appropriated for next fiscal year	21,145
Public Safety –	
Justice Assistance Grants	55,887
Technology Grants	<u>51,869</u>

Federal Equitable Sharing – Drug Enforcement Administration:	
State of North Carolina	82,046
U.S. Department of the Treasury	19,721
U.S. Department of Justice	240,918
Contributors:	
Youth Programs	5,390
Explorer Program	4,923
25% minimum fund balance requirement	6,288,824
Airport grant acceptance	1,844,719
Airport facilities construction	<u>1,000,000</u>
Remaining Fund Balance	\$ <u>5,826,932</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 available fund balance is at least equal to or greater than 25% of the next year's budget, net of Federal and State pass-through revenues. Any portion of the general fund balance in excess of the 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 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 ADJUSTMENT

During the year ended June 30, 2007, the Electric Fund advanced funds to the General Fund in the amount of \$1,494,020. In previous years, under the modified-accrual basis of accounting, the repayments were treated as transfers. The balance as of June 30, 2011 was \$1,171,306. Therefore, an adjustment to beginning fund balance has been recorded to account for those repayments, the net effect of which increased beginning fund balance of the Electric Fund and decreased beginning fund balance of the General Fund by \$1,171,306. The consolidated government-wide statements beginning net assets were not effected.

XI. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 18, 2012, the date the financial statements were available to be issued.

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

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) -			Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	Actuarial Value of Assets (a)	Projected Unit Credit (b)					
12/31/02	-	\$ 1,210,250	\$ 1,210,250	0.00%	\$ 2,777,185		43.58%
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

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2002	\$ 113,793	95.10%
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

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 closed
Remaining amortization period	19 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 Accrued Liability (AAL) -			Unfunded		Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	Actuarial Value of Assets (a)	Projected Unit Credit (b)	AAL (UAAL) (b-a)	Funded Ratio (a/b)			
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, 2012

<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

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.

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, 2012

	Special Revenue Funds					
	Community Development	Downtown Monroe	Occupancy Tax	State Grant Programs	Total	
ASSETS						
Cash and cash equivalents	\$ 55,621	\$ 28,198	\$ -	\$ -	\$ 83,819	
Taxes receivable	-	4,900	28,257	-	33,157	
Accounts receivable	1,000	141	-	-	1,141	
Due from other governments	-	-	-	27,550	27,550	
Due from component unit	-	-	-	-	-	
Loans receivable	<u>16,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,332</u>	
Total assets	<u>\$ 72,953</u>	<u>\$ 33,239</u>	<u>\$ 28,257</u>	<u>\$ 27,550</u>	<u>\$ 161,999</u>	
LIABILITIES AND FUND BALANCES						
Liabilities:						
Cash due to general fund	\$ -	\$ -	\$ -	\$ 27,550	\$ 27,550	
Accounts payable and accrued liabilities	-	1,585	-	-	1,585	
Deferred revenue	<u>16,332</u>	<u>4,900</u>	<u>28,257</u>	<u>-</u>	<u>49,489</u>	
Total liabilities	<u>16,332</u>	<u>6,485</u>	<u>28,257</u>	<u>27,550</u>	<u>78,624</u>	
Fund balances:						
Restricted:						
Stabilization by State Statute	1,000	9,977	-	-	10,977	
Assigned	<u>55,621</u>	<u>16,777</u>	<u>-</u>	<u>-</u>	<u>72,398</u>	
Total fund balances	<u>56,621</u>	<u>26,754</u>	<u>-</u>	<u>-</u>	<u>83,375</u>	
Total liabilities and fund balances	<u>\$ 72,953</u>	<u>\$ 33,239</u>	<u>\$ 28,257</u>	<u>\$ 27,550</u>	<u>\$ 161,999</u>	

STATEMENT 1

Capital Project Funds			Total Nonmajor Governmental Funds	
Occupancy				
Capital Projects	Tax Projects	Total		
\$ 163,222	\$ 1,363,251	\$ 1,526,473	\$ 1,610,292	
-	-	-	-	33,157
-	-	-	-	1,141
-	-	-	-	27,550
-	18,273	18,273	18,273	18,273
-	-	-	-	16,332
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 163,222	\$ 1,381,524	\$ 1,544,746	\$ 1,706,745	

\$	-	\$	-	\$	-	\$	27,550
68,207	-	68,207	-	69,792			
—	—	—	—	49,489			
68,207	-	68,207	-	146,831			

-	-	-	10,977
95,015	<u>1,381,524</u>	1,476,539	1,548,937
95,015	<u>1,381,524</u>	1,476,539	1,559,914
\$ 163,222	\$ 1,381,524	\$ 1,544,746	\$ 1,706,745

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, 2012

	Special Revenue Funds				
	Community Development	Downtown Monroe	Occupancy Tax	State Grant Programs	Total
REVENUES					
Ad valorem taxes	\$ -	\$ 44,420	\$ -	\$ -	\$ 44,420
Other taxes and licenses	-	-	331,659	-	331,659
Restricted intergovernmental	-	-	-	219,635	219,635
Miscellaneous	-	500	-	-	500
Program income	2,072	-	-	-	2,072
Investment earnings	-	377	-	-	377
Total revenues	<u>2,072</u>	<u>45,297</u>	<u>331,659</u>	<u>219,635</u>	<u>598,663</u>
EXPENDITURES					
Current:					
Economic and physical development:					
Administration	27	340,365	-	-	340,392
Program costs	-	-	-	219,635	219,635
Tourism	-	-	321,709	-	321,709
Capital outlay	-	-	-	-	-
Total expenditures	<u>27</u>	<u>340,365</u>	<u>321,709</u>	<u>219,635</u>	<u>881,736</u>
Revenues over (under) expenditures	<u>2,045</u>	<u>(295,068)</u>	<u>9,950</u>	<u>-</u>	<u>(283,073)</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	318,561	-	-	318,561
Transfers to other funds	-	(1,864)	(9,950)	-	(11,814)
Total other financing sources (uses)	-	<u>316,697</u>	<u>(9,950)</u>	<u>-</u>	<u>306,747</u>
Net change in fund balances	<u>2,045</u>	<u>21,629</u>	<u>-</u>	<u>-</u>	<u>23,674</u>
Fund balances, beginning	<u>54,576</u>	<u>5,125</u>	<u>-</u>	<u>-</u>	<u>59,701</u>
Fund balances, ending	<u>\$ 56,621</u>	<u>\$ 26,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,375</u>

CITY OF MONROE, NORTH CAROLINA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2012

	Health and Dental Fund	Workers' Compensation Fund	Property and Liability Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 1,573,088	\$ 974,879	\$ 591,444	\$ 3,139,411
Accounts receivable (net)	77,631	-	1,861	79,492
Prepays	79,794	-	-	79,794
Deposits	<u>4,450</u>	<u>9,998</u>	<u>-</u>	<u>14,448</u>
 Total current assets	 <u>1,734,963</u>	 <u>984,877</u>	 <u>593,305</u>	 <u>3,313,145</u>
 LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	<u>431,005</u>	<u>-</u>	<u>19,013</u>	<u>450,018</u>
 Total current liabilities	 <u>431,005</u>	 <u>-</u>	 <u>19,013</u>	 <u>450,018</u>
 NET ASSETS				
Unrestricted	<u>\$ 1,303,958</u>	<u>\$ 984,877</u>	<u>\$ 574,292</u>	<u>\$ 2,863,127</u>

CITY OF MONROE, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2012

	Health and Dental Fund	Workers' Compensation Fund	Property and Liability Fund	Total
OPERATING REVENUES				
Interfund charges and employee contributions	\$ 5,471,427	\$ -	\$ 645,000	\$ 6,116,427
Other operating revenue	<u>143,911</u>	<u>1,070</u>	<u>1,731</u>	<u>146,712</u>
 Total operating revenues	 <u>5,615,338</u>	 <u>1,070</u>	 <u>646,731</u>	 <u>6,263,139</u>
OPERATING EXPENSES				
Operating expenses	-	124,903	-	124,903
Health care clinic	77,390	-	-	77,390
Health benefit claims and premiums	5,663,028	-	-	5,663,028
Property and liability claims and premiums	-	-	557,618	557,618
 Total operating expenses	 <u>5,740,418</u>	 <u>124,903</u>	 <u>557,618</u>	 <u>6,422,939</u>
 Operating income	 (125,080)	 (123,833)	 89,113	 (159,800)
NON OPERATING REVENUES				
Transfers from (to) other funds				
General Fund	300,160	-	-	300,160
Aquatic Center Fund	10,254	-	-	10,254
Downtown Monroe Fund	1,864	-	-	1,864
Water and Sewer Fund	54,998	-	-	54,998
Stormwater Fund	9,322	-	-	9,322
Electric Fund	25,169	-	-	25,169
Natural Gas Fund	12,118	-	-	12,118
Airport Fund	7,458	-	-	7,458
Contribution from component unit	932	-	-	932
Investment earnings	<u>30,607</u>	<u>10,677</u>	<u>2,875</u>	<u>44,159</u>
 Total non operating revenues	 <u>452,882</u>	 <u>10,677</u>	 <u>2,875</u>	 <u>466,434</u>
 Change in net assets	 327,802	 (113,156)	 91,988	 306,634
NET ASSETS				
Beginning	976,156	1,098,033	482,304	2,556,493
Ending	<u>\$ 1,303,958</u>	<u>\$ 984,877</u>	<u>\$ 574,292</u>	<u>\$ 2,863,127</u>

CITY OF MONROE, NORTH CAROLINA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2012

	Health and Dental Fund	Workers' Compensation Fund	Property and Liability Fund	Total
OPERATING ACTIVITIES				
Cash received for services	\$ 5,471,427	\$ -	\$ 643,201	\$ 6,114,628
Other operating revenue	101,331	1,070	1,731	104,132
Cash paid for goods and services	<u>(5,469,214)</u>	<u>(124,902)</u>	<u>(544,579)</u>	<u>(6,138,695)</u>
Net cash provided (used) by operating activities	103,544	(123,832)	100,353	80,065
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers (to) from other funds	422,275	-	-	422,275
Net cash provided (used) by noncapital financing activities	<u>422,275</u>	<u>-</u>	<u>-</u>	<u>422,275</u>
INVESTING ACTIVITIES				
Investment earnings	30,607	10,677	2,875	44,159
Net cash provided (used) by investing activities	<u>30,607</u>	<u>10,677</u>	<u>2,875</u>	<u>44,159</u>
Net increase (decrease) in cash and investments	556,426	(113,155)	103,228	546,499
CASH AND INVESTMENTS				
Beginning of year	1,016,662	1,088,034	488,216	2,592,912
End of year	<u>\$ 1,573,088</u>	<u>\$ 974,879</u>	<u>\$ 591,444</u>	<u>\$ 3,139,411</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (125,080)	\$ (123,833)	\$ 89,113	\$ (159,800)
Adjustments to reconcile operating income(loss) to net cash provided (used) by operating activities:				
Change in assets and liabilities				
(Increase) decrease in accounts receivable	37,214	1	(1,799)	35,416
(Increase) decrease in prepaid expenses	(79,794)	-	-	(79,794)
Increase (decrease) in accounts payable and accrued liabilities	271,204	-	13,039	284,243
Total adjustments	<u>228,624</u>	<u>1</u>	<u>11,240</u>	<u>239,865</u>
Net cash provided (used) by operating activities	<u>\$ 103,544</u>	<u>\$ (123,832)</u>	<u>\$ 100,353</u>	<u>\$ 80,065</u>

SCHEDULE 6

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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Taxes	\$ 18,840,250	\$ 19,261,496	\$ 421,246
Penalties and interest	68,945	119,829	50,884
Total	<u>18,909,195</u>	<u>19,381,325</u>	<u>472,130</u>
Other taxes and licenses:			
Privilege licenses	710,000	749,341	39,341
Gross receipts tax on short-term rental property	46,500	54,813	8,313
Local franchise fees	38,000	52,408	14,408
Motor vehicle tax	112,178	125,061	12,883
Total	<u>906,678</u>	<u>981,623</u>	<u>74,945</u>
Unrestricted intergovernmental:			
Local option sales taxes	3,681,096	4,769,675	1,088,579
Telecommunications sales tax	452,430	477,475	25,045
Utility franchise tax	1,504,000	1,627,363	123,363
Cablevision franchise fees	268,240	232,570	(35,670)
Beer and wine tax	47,000	143,010	96,010
State fire fees	3,853	3,413	(440)
ABC profit distribution	210,000	155,000	(55,000)
Total	<u>6,166,619</u>	<u>7,408,506</u>	<u>1,241,887</u>
Restricted intergovernmental:			
Powell Bill allocation	900,412	920,855	20,443
Public safety reimbursement grants	596,239	494,712	(101,527)
On-behalf payments - Fire and Rescue	-	45,942	45,942
ABC Revenue for law enforcement	74,000	75,988	1,988
Resource officer reimbursement	104,000	108,969	4,969
Equitable sharing of federally forfeited property	-	136,504	136,504
Total	<u>1,674,651</u>	<u>1,782,970</u>	<u>108,319</u>
Sales and services:			
Recreational fees	873,315	721,991	(151,324)
Utilities collection fees	411,200	403,952	(7,248)
Building permit fees	211,000	318,913	107,913
Cemetery revenues	22,270	35,787	13,517
Sale of fixed assets	50,000	23,836	(26,164)
Rentals	73,735	88,259	14,524
Other fees	120,530	173,168	52,638
Total	<u>1,762,050</u>	<u>1,765,906</u>	<u>3,856</u>

- Continued -

SCHEDULE 6,
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, 2012

	Budget	Actual	Variance Positive (Negative)
Investment earnings	\$ 303,500	\$ 821,720	\$ 518,220
Miscellaneous:			
Payment in lieu of taxes	487,922	515,506	27,584
Donations	23,356	23,396	40
Other	214,717	253,405	38,688
Total	725,995	792,307	66,312
Total revenues	30,448,688	32,934,357	2,485,669
EXPENDITURES			
Current:			
General government:			
Administration			
Salaries and employee benefits	1,889,538	1,888,956	582
Operating expenditures	2,331,239	1,737,342	593,897
Capital outlay	573,823	469,386	104,437
Interdepartmental charges	(1,454,438)	(1,454,438)	-
	3,340,162	2,641,246	698,916
Planning and zoning			
Salaries and employee benefits	581,179	561,310	19,869
Operating expenditures	85,506	76,693	8,813
Interdepartmental charges	(38,870)	(38,870)	-
	627,815	599,133	28,682
Engineering			
Salaries and employee benefits	887,261	804,563	82,698
Operating expenditures	67,004	44,155	22,849
Capital Outlay	8,870	8,870	-
Interdepartmental charges	(298,117)	(298,117)	-
	665,018	559,471	105,547
Finance			
Salaries and employee benefits	1,919,104	1,801,340	117,764
Operating expenditures	294,351	251,064	43,287
Capital outlay	50,000	41,457	8,543
Interdepartmental charges	(1,949,413)	(1,949,413)	-
	314,042	144,448	169,594

- 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, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Operations Center			
Salaries and employee benefits	\$ 533,529	\$ 519,508	\$ 14,021
Operating expenditures	137,363	109,362	28,001
Interdepartmental charges	(592,285)	(610,623)	18,338
	<u>78,607</u>	<u>18,247</u>	<u>60,360</u>
Special appropriations			
Operating expenditures	<u>231,206</u>	<u>179,312</u>	<u>51,894</u>
Total	<u>5,256,850</u>	<u>4,141,857</u>	<u>1,114,993</u>
Transportation:			
Streets and highways			
Salaries and employee benefits	1,039,782	1,032,615	7,167
Operating expenditures	1,576,517	1,408,839	167,678
Capital outlay	874,144	696,640	177,504
Interdepartmental charges	(531,500)	(639,620)	108,120
Total	<u>2,958,943</u>	<u>2,498,474</u>	<u>460,469</u>
Public safety:			
Police			
Salaries and employee benefits	7,721,638	7,495,126	226,512
Operating expenditures	1,779,727	1,362,769	416,958
Capital outlay	624,000	585,442	38,558
Total	<u>10,125,365</u>	<u>9,443,337</u>	<u>682,028</u>
Fire			
Salaries and employee benefits	5,980,620	5,645,494	335,126
Operating expenditures	773,687	675,124	98,563
Capital outlay	763,806	94,456	669,350
Total	<u>7,518,113</u>	<u>6,415,074</u>	<u>1,103,039</u>
Building standards and code enforcement			
Salaries and employee benefits	472,044	438,050	33,994
Operating expenditures	80,981	37,122	43,859
Total	<u>553,025</u>	<u>475,172</u>	<u>77,853</u>
Total	<u>18,196,503</u>	<u>16,333,583</u>	<u>1,862,920</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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Culture and recreation:			
Salaries and employee benefits	\$ 2,882,831	\$ 2,705,154	\$ 177,677
Operating expenditures	1,815,172	1,523,948	291,224
Capital outlay	106,800	89,276	17,524
Interdepartmental charges	(332,985)	(332,985)	-
Total	<u>4,471,818</u>	<u>3,985,393</u>	<u>486,425</u>
Debt service:			
Principal retirement	1,685,047	1,685,045	2
Interest and other charges	143,260	53,552	89,708
Total	<u>1,828,307</u>	<u>1,738,597</u>	<u>89,710</u>
Total expenditures	<u>32,712,421</u>	<u>28,697,904</u>	<u>4,014,517</u>
Revenues over (under) expenditures	<u>(2,263,733)</u>	<u>4,236,453</u>	<u>6,500,186</u>

OTHER FINANCING SOURCES (USES)

Transfers from (to) other funds:			
Special Revenue Funds			
Occupancy Tax Fund	9,000	9,950	950
Capital Projects Funds			
Capital Projects	(127,947)	(127,947)	-
Downtown Monroe	(360,569)	(318,561)	42,008
Airport	(754,870)	(754,870)	-
Internal Service Funds Funds			
Self Insured Health And Dental Fund	(300,160)	(300,160)	-
Airport Fund	(1,960,739)	(1,490,939)	469,800
Installment purchase obligations issued	763,000	747,500	(15,500)
Total other financing sources (uses)	<u>(2,732,285)</u>	<u>(2,235,027)</u>	<u>497,258</u>

FUND BALANCE APPROPRIATED

Net change in fund balance	<u>\$ -</u>	<u>2,001,426</u>	<u>\$ 2,001,426</u>
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Fund balance:

Beginning of year, as previously stated	20,478,381
Prior period adjustment (See Note X)	<u>(1,171,306)</u>
Beginning of year, as restated	<u>19,307,075</u>
End of year	<u>\$ 21,308,501</u>

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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
REVENUES			
Program income	\$ 2,000	\$ 2,072	\$ 72
EXPENDITURES			
Current:			
Economic and physical development:			
Administration	200	27	173
Revenues over (under) expenditures	1,800	2,045	245
APPROPRIATION TO FUND BALANCE	<u>(1,800)</u>	<u>-</u>	<u>1,800</u>
Net change in fund balance	\$ -	\$ 2,045	\$ 2,045
Fund balance, beginning		<u>54,576</u>	
Fund balance, ending	<u>\$ 56,621</u>		

CITY OF MONROE, NORTH CAROLINA
SPECIAL REVENUE FUNDS
DOWNTOWN MONROE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES -- BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
			Positive (Negative)
REVENUES			
Ad valorem taxes	\$ 43,855	\$ 44,420	\$ 565
Miscellaneous	1,000	500	(500)
Investment earnings	<u>7,040</u>	<u>377</u>	<u>(6,663)</u>
Total	<u>51,895</u>	<u>45,297</u>	<u>(6,598)</u>
EXPENDITURES			
Current:			
Economic and physical development:			
Administration	<u>450,199</u>	<u>340,365</u>	<u>109,834</u>
Total	<u>450,199</u>	<u>340,365</u>	<u>109,834</u>
Revenues over (under) expenditures	<u>(398,304)</u>	<u>(295,068)</u>	<u>103,236</u>
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds:			
General Fund	<u>360,569</u>	<u>318,561</u>	<u>(42,008)</u>
Health and Dental Fund	<u>(1,864)</u>	<u>(1,864)</u>	<u>-</u>
Total other financing sources (uses)	<u>358,705</u>	<u>316,697</u>	<u>(42,008)</u>
APPROPRIATION FROM FUND BALANCE			
Net change in fund balance	<u>39,599</u>	<u>-</u>	<u>(39,599)</u>
Fund balance, beginning	<u>\$ -</u>	<u>21,629</u>	<u>\$ 21,629</u>
Fund balance, ending	<u>\$ 26,754</u>		

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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
REVENUES			
Other taxes and licenses:			
Occupancy tax	\$ 300,000	\$ 331,659	\$ 31,659
EXPENDITURES			
Current:			
Economic and physical development:			
Tourism	291,000	321,709	(30,709)
Revenues over expenditures	9,000	9,950	950
OTHER FINANCING USES			
Transfers to other funds:			
General Fund	(9,000)	(9,950)	(950)
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, 2012

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental (09-C-1999)	\$ 400,000	\$ 95,221	\$ 219,635	\$ 314,856	\$ (85,144)
Total Revenues	<u>400,000</u>	<u>95,221</u>	<u>219,635</u>	<u>314,856</u>	<u>(85,144)</u>
EXPENDITURES					
Current:					
Economic and physical development:					
Program costs (09-C-1999)	400,000	95,221	219,635	314,856	85,144
Total expenditures	<u>400,000</u>	<u>95,221</u>	<u>219,635</u>	<u>314,856</u>	<u>85,144</u>
Revenues over expenditures	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning					-
Fund balance, ending				\$ -	<u><u>-</u></u>

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, 2012

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Positive (Negative)</u>
REVENUES					
Restricted intergovernmental	\$ 148,000	\$ -	\$ -	\$ -	\$ (148,000)
Miscellaneous	-	153	-	153	153
Investment earnings	-	1,595	-	1,595	1,595
Total revenues	<u>148,000</u>	<u>1,748</u>	<u>-</u>	<u>1,748</u>	<u>(146,252)</u>
EXPENDITURES					
Capital outlay:					
Construction costs capitalized	2,544,604	2,530,838	-	2,530,838	13,766
Construction in progress	150,000	2,292	68,207	70,499	79,501
Other costs	<u>283,646</u>	<u>135,046</u>	<u>600</u>	<u>135,646</u>	<u>148,000</u>
Total expenditures	<u>2,978,250</u>	<u>2,668,176</u>	<u>68,807</u>	<u>2,736,983</u>	<u>241,267</u>
Revenues over (under) expenditures	<u>(2,830,250)</u>	<u>(2,666,428)</u>	<u>(68,807)</u>	<u>(2,735,235)</u>	<u>95,015</u>
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds:					
General Fund	438,530	310,583	127,947	438,530	-
Installment purchase obligations issued	<u>2,391,720</u>	<u>2,391,720</u>	<u>-</u>	<u>2,391,720</u>	<u>-</u>
Total other financing sources (uses)	<u>2,830,250</u>	<u>2,702,303</u>	<u>127,947</u>	<u>2,830,250</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 35,875</u>	<u>59,140</u>	<u>\$ 95,015</u>	<u>\$ 95,015</u>
Fund balance, beginning			35,875		
Fund balance, ending			<u>\$ 95,015</u>		

CITY OF MONROE, NORTH CAROLINA
CAPITAL PROJECT FUNDS
OCCUPANCY TAX CAPITAL PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES -- BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2012

	Project Authorization	Actual			Variance
		Prior Year	Current Year	Total to Date	Positive (Negative)
REVENUES					
Restricted intergovernmental	\$ 1,422,362	\$ 1,349,858	\$ 214,473	\$ 1,564,331	\$ 141,969
Total Revenues	<u>1,422,362</u>	<u>1,349,858</u>	<u>214,473</u>	<u>1,564,331</u>	<u>141,969</u>
EXPENDITURES					
Current:					
Construction costs capitalized	170,000	150,000	18,500	168,500	1,500
Other costs	<u>174,883</u>	<u>129,137</u>	<u>-</u>	<u>129,137</u>	<u>45,746</u>
Total expenditures	<u>344,883</u>	<u>279,137</u>	<u>18,500</u>	<u>297,637</u>	<u>47,246</u>
Revenues under expenditures	<u>1,077,479</u>	<u>1,070,721</u>	<u>195,973</u>	<u>1,266,694</u>	<u>189,215</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>\$ 1,179,293</u>	<u>\$ 1,185,551</u>	<u>195,973</u>	<u>\$ 1,381,524</u>	<u>\$ 202,231</u>
Fund balance, beginning			<u>1,185,551</u>		
Fund balance, ending			<u>\$ 1,381,524</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, 2012

	<u>Budget</u>	<u>Actual</u>	Variance
			Positive
			(Negative)
REVENUES			
Operating revenues:			
Charges for services:			
Water sales	\$ 5,712,464	\$ 5,707,227	\$ (5,237)
Sewer charges	6,937,031	6,939,973	2,942
Water and sewer taps	34,399	49,082	14,683
County waste water charges	<u>500,000</u>	<u>614,173</u>	114,173
	<u>13,183,894</u>	<u>13,310,455</u>	126,561
Other operating revenues	<u>380,892</u>	<u>331,756</u>	(49,136)
Total operating revenues	<u>13,564,786</u>	<u>13,642,211</u>	77,425
Nonoperating revenues:			
Availability fees	285,975	355,872	69,897
Other nonoperating revenues	8,232	30,281	22,049
Investment earnings	<u>453,245</u>	<u>836,454</u>	383,209
Total nonoperating revenues	<u>747,452</u>	<u>1,222,607</u>	475,155
Total revenues	<u>14,312,238</u>	<u>14,864,818</u>	552,580
APPROPRIATION FROM FUND BALANCE			
	<u>2,023,669</u>	-	(2,023,669)
Total revenues	<u>\$ 16,335,907</u>	<u>\$ 14,864,818</u>	<u>\$ (1,471,089)</u>

- *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, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
EXPENDITURES			
Distribution system:			
Salaries and employee benefits	\$ 2,479,303	\$ 2,419,767	\$ 59,536
Operating expenditures	<u>2,415,169</u>	<u>2,305,297</u>	<u>109,872</u>
Total	<u>4,894,472</u>	<u>4,725,064</u>	<u>169,408</u>
Water filter plant:			
Salaries and employee benefits	776,530	706,776	69,754
Operating expenditures	<u>2,141,432</u>	<u>1,797,169</u>	<u>344,263</u>
Total	<u>2,917,962</u>	<u>2,503,945</u>	<u>414,017</u>
Waste treatment plant:			
Salaries and employee benefits	953,140	880,833	72,307
Operating expenditures	<u>1,660,684</u>	<u>1,294,954</u>	<u>365,730</u>
Total	<u>2,613,824</u>	<u>2,175,787</u>	<u>438,037</u>
Debt service:			
Principal retirement	1,640,769	1,640,766	3
Interest and other charges	<u>458,482</u>	<u>454,660</u>	<u>3,822</u>
Total	<u>2,099,251</u>	<u>2,095,426</u>	<u>3,825</u>
Capital outlay			
	<u>1,271,230</u>	<u>742,070</u>	<u>529,160</u>
Total expenditures	<u>13,796,739</u>	<u>12,242,292</u>	<u>1,554,447</u>
OTHER FINANCING USES			
Transfers to other funds:			
Health & Dental Fund	54,998	54,998	-
Water and Sewer Capital Projects	<u>2,484,170</u>	<u>2,484,170</u>	<u>-</u>
Total other financing uses	<u>2,539,168</u>	<u>2,539,168</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 16,335,907</u>	<u>\$ 14,781,460</u>	<u>\$ 1,554,447</u>

- 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, 2012

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

Total revenues	\$ 14,864,818
Total expenditures and other financing uses	<u>14,781,460</u>
Revenues over expenditures and other financing uses	<u>83,358</u>
Reconciling items:	
Debt principal	1,640,766
Amortization of deferred loss on refunding	(8,689)
Amortization of bond premium	24,721
Amortization of bond issuance costs	(25,723)
Capital outlay	742,070
Transfer to Water and Sewer Capital Projects Funds	2,484,170
Proceeds from state revolving loan	(2,030,699)
Net expense from capital projects consolidation	1,965,699
Increase in compensated absences	(30,914)
Increase in OPEB liability	(199,148)
Depreciation and amortization	<u>(1,951,232)</u>
Total reconciling items	<u>2,611,021</u>
Change in net assets	<u>\$ 2,694,379</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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
			Positive (Negative)
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
CAPITAL PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2012

	Project Authorization	Actual			Variance
	Prior Years	Current Year	Total to Date		Positive (Negative)
REVENUES					
Investment earnings	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
EXPENDITURES					
Construction costs capitalized	1,137,703	1,137,701	-	1,137,701	2
Construction in progress	17,855,000	465,851	1,883,407	2,349,258	15,505,742
Other costs	<u>10,226,467</u>	<u>126,467</u>	<u>-</u>	<u>126,467</u>	<u>10,100,000</u>
Total expenditures	<u>29,219,170</u>	<u>1,730,019</u>	<u>1,883,407</u>	<u>3,613,426</u>	<u>25,605,744</u>
Revenues over (under) expenditures	<u>(29,219,170)</u>	<u>(1,730,019)</u>	<u>(1,883,407)</u>	<u>(3,613,426)</u>	<u>25,605,744</u>
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds:					
Water and Sewer Fund	5,634,170	3,150,000	2,484,170	5,634,170	-
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	13,500,000	-	2,030,699	2,030,699	(11,469,301)
Proceeds from refunding revenue bonds	<u>10,100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,100,000)</u>
Total other financing sources (uses)	<u>29,219,170</u>	<u>3,200,000</u>	<u>4,449,869</u>	<u>7,649,869</u>	<u>(21,569,301)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ _____ -</u>	<u>\$ 1,469,981</u>	<u>\$ 2,566,462</u>	<u>\$ 4,036,443</u>	<u>\$ 4,036,443</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, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Charges for services:			
Electric power sales	\$ 50,404,000	\$ 50,093,465	\$ (310,535)
Sales tax	1,261,000	956,765	(304,235)
Total	<u>51,665,000</u>	<u>51,050,230</u>	<u>(614,770)</u>
Other operating revenues	80,000	283,626	203,626
Total operating revenues	<u>51,745,000</u>	<u>51,333,856</u>	<u>(411,144)</u>
Nonoperating revenues:			
Other nonoperating revenues	879,959	1,052,495	172,536
Investment earnings	<u>604,500</u>	<u>1,450,325</u>	<u>845,825</u>
Total nonoperating revenues	<u>1,484,459</u>	<u>2,502,820</u>	<u>1,018,361</u>
Total revenues	<u>53,229,459</u>	<u>53,836,676</u>	<u>607,217</u>
OTHER FINANCING SOURCES			
Transfers from other funds:			
Electric Capital Projects Funds	4,051,790	4,051,791	1
General Fund	88,256	-	(88,256)
Stormwater Fund	35,965	-	(35,965)
Natural Gas Fund	<u>969,912</u>	<u>-</u>	<u>(969,912)</u>
Total other financing sources	<u>5,145,923</u>	<u>4,051,791</u>	<u>(1,094,132)</u>
Total revenues and other financing sources	<u>\$ 58,375,382</u>	<u>\$ 57,888,467</u>	<u>\$ (486,915)</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, 2012

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
Operations:			
Salaries and employee benefits	\$ 1,922,361	\$ 1,290,564	\$ 631,797
Operating expenditures	<u>2,409,546</u>	<u>1,988,951</u>	<u>420,595</u>
Total	<u>4,331,907</u>	<u>3,279,515</u>	<u>1,052,392</u>
Electric power purchases	<u>43,661,000</u>	<u>42,198,544</u>	<u>1,462,456</u>
Debt service:			
Principal retirement	1,137,680	1,127,703	9,977
Interest and other charges	<u>1,034,708</u>	<u>1,033,944</u>	<u>764</u>
Total	<u>2,172,388</u>	<u>2,161,647</u>	<u>10,741</u>
Capital outlay	<u>2,024,336</u>	<u>2,021,420</u>	<u>2,916</u>
Total expenditures	<u>52,189,631</u>	<u>49,661,126</u>	<u>2,528,505</u>
OTHER FINANCING USES			
Transfers to other funds			
Health and Dental Fund	<u>25,169</u>	<u>25,169</u>	<u>-</u>
Total other financing uses	<u>25,169</u>	<u>25,169</u>	<u>-</u>
APPROPRIATION TO FUND BALANCE			
Total expenditures and other financing uses	<u>\$ 58,375,382</u>	<u>\$ 49,686,295</u>	<u>\$ 8,689,087</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, 2012

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

Total revenues and other financing sources	\$ 57,888,467
Total expenditures and other financing uses	<u>49,686,295</u>
Revenues and other financing sources under expenditures and other financing uses	<u>8,202,172</u>
Reconciling items:	
Debt principal	1,127,703
Amortization of deferred loss on refunding	(8,535)
Amortization of bond premium	25,107
Amortization of bond issuance costs	(22,152)
Capital outlay	2,021,420
Payments received on note receivable	(683,794)
Transfer to Electric Capital Projects Funds	(4,051,791)
Net revenue from capital projects consolidation	51,311
Increase in compensated absences	(24,570)
Increase in OPEB liability	(89,616)
Depreciation and amortization	<u>(2,506,171)</u>
Total reconciling items	<u>(4,161,088)</u>
Change in net assets	<u>\$ 4,041,084</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, 2012

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Power agency funding	\$ 5,805,850	\$ 5,592,648	\$ -	\$ 5,592,648	\$ (213,202)
Investment earnings	-	414,011	-	414,011	414,011
	<u>5,805,850</u>	<u>6,006,659</u>	<u>-</u>	<u>6,006,659</u>	<u>200,809</u>
EXPENDITURES					
Construction costs capitalized	19,081,812	14,882,288	3,457,061	18,339,349	742,463
Construction in progress	20,819,344	13,742,668	1,930,858	15,673,526	5,145,818
Other costs	6,457,602	262,293	13,000	275,293	6,182,309
Total expenditures	<u>46,358,758</u>	<u>28,887,249</u>	<u>5,400,919</u>	<u>34,288,168</u>	<u>12,070,590</u>
Revenues over (under) expenditures	<u>(40,552,908)</u>	<u>(22,880,590)</u>	<u>(5,400,919)</u>	<u>(28,281,509)</u>	<u>12,271,399</u>
OTHER FINANCING SOURCES					
Transfers from (to) other funds:					
Electric Fund	17,012,060	21,063,846	(4,051,790)	17,012,056	(4)
Water and Sewer Capital Project Fund	534,933	469,933	65,000	534,933	-
Natural Gas Fund	2,883,184	2,883,184	-	2,883,184	-
Proceeds from refunding revenue bonds	<u>20,122,731</u>	<u>20,122,731</u>	<u>-</u>	<u>20,122,731</u>	<u>-</u>
	<u>40,552,908</u>	<u>44,539,694</u>	<u>(3,986,790)</u>	<u>40,552,904</u>	<u>(4)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 21,659,104</u>	<u>\$ (9,387,709)</u>	<u>\$ 12,271,395</u>	<u>\$ 12,271,395</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, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Charges for services:			
Natural gas sales	\$ 19,623,000	\$ 11,648,937	\$ (7,974,063)
Other operating revenues	-	5,464	5,464
Total operating revenues	<u>19,623,000</u>	<u>11,654,401</u>	<u>(7,968,599)</u>
Nonoperating revenues:			
Availability fees	1,168,356	1,168,356	-
Other nonoperating revenues	-	248,278	248,278
Investment earnings	307,300	482,982	175,682
Total nonoperating revenues	<u>1,475,656</u>	<u>1,899,616</u>	<u>423,960</u>
Total revenues	<u>21,098,656</u>	<u>13,554,017</u>	<u>(7,544,639)</u>
OTHER FINANCING SOURCES			
Transfers from other funds			
Natural Gas Capital Project Fund	1,592,354	1,592,353	(1)
Total other financing sources	<u>1,592,354</u>	<u>1,592,353</u>	<u>(1)</u>
Total revenues	<u>\$ 22,691,010</u>	<u>\$ 15,146,370</u>	<u>\$ (7,544,640)</u>

- *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, 2012

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
Operations:			
Salaries and employee benefits	\$ 984,382	\$ 644,595	\$ 339,787
Operating expenditures	<u>2,801,718</u>	<u>2,472,387</u>	<u>329,331</u>
Total	<u>3,786,100</u>	<u>3,116,982</u>	<u>669,118</u>
Natural gas purchases	<u>12,108,000</u>	<u>4,632,128</u>	<u>7,475,872</u>
Debt service:			
Principal retirement	888,464	888,366	98
Interest and other charges	<u>2,835,354</u>	<u>1,863,153</u>	<u>972,201</u>
Total	<u>3,723,818</u>	<u>2,751,519</u>	<u>972,299</u>
Capital outlay	<u>693,413</u>	<u>663,853</u>	<u>29,560</u>
Total expenditures	<u>20,311,331</u>	<u>11,164,482</u>	<u>9,146,849</u>
OTHER FINANCING USES			
Transfers to other funds:			
Health and Dental Fund	<u>12,118</u>	<u>12,118</u>	<u>-</u>
Total other financing uses	<u>12,118</u>	<u>12,118</u>	<u>-</u>
APPROPRIATION TO FUND BALANCE			
	<u>2,367,561</u>	<u>-</u>	<u>2,367,561</u>
Total expenditures and other financing uses	<u>\$ 22,691,010</u>	<u>\$ 11,176,600</u>	<u>\$ 11,514,410</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, 2012

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

Total revenues and other financing sources	\$ 15,146,370
Total expenditures and other financing uses	<u>11,176,600</u>
Revenues and other financing sources over expenditures and other financing uses	<u>3,969,770</u>
Reconciling items:	
Debt principal	888,366
Amortization of deferred loss on refunding	(3,772)
Amortization of bond premium	6,591
Amortization of bond issuance costs	(27,959)
Amortization of bond discount	(11,548)
Capital outlay	663,853
Net book value of assets disposed	(180,843)
Payment from outside party on note receivable	(918,163)
Transfer to Natural Gas Capital Projects Fund	(1,592,353)
Net income from capital projects consolidation	(23,342)
Increase in compensated absences	(21,079)
Increase in OPEB liability	(46,468)
Depreciation and amortization	<u>(1,380,708)</u>
Total reconciling items	<u>(2,647,425)</u>
Change in net assets	<u>\$ 1,322,345</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, 2012

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
REVENUES					
Miscellaneous	\$ -	\$ 6,660	\$ 2,011	\$ 8,671	\$ 8,671
Investment earnings	<u>-</u>	<u>160,033</u>	<u>-</u>	<u>160,033</u>	<u>160,033</u>
Total revenues	<u>-</u>	<u>166,693</u>	<u>2,011</u>	<u>168,704</u>	<u>168,704</u>
EXPENDITURES					
Construction costs capitalized	48,464,738	42,777,218	2,092,746	44,869,964	3,594,774
Construction in progress	10,147,610	4,021,969	1,323,174	5,345,143	4,802,467
Other costs	<u>203,042</u>	<u>190,433</u>	<u>12,843</u>	<u>203,276</u>	<u>(234)</u>
Total expenditures	<u>58,815,390</u>	<u>46,989,620</u>	<u>3,428,763</u>	<u>50,418,383</u>	<u>8,397,007</u>
Revenues over (under) expenditures	<u>(58,815,390)</u>	<u>(46,822,927)</u>	<u>(3,426,752)</u>	<u>(50,249,679)</u>	<u>8,565,711</u>
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds:					
Natural Gas Fund	20,205,951	19,798,304	(1,592,353)	18,205,951	(2,000,000)
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	<u>3,650,441</u>	<u>3,650,441</u>	<u>-</u>	<u>3,650,441</u>	<u>-</u>
Total other financing sources (uses)	<u>58,815,390</u>	<u>58,407,743</u>	<u>(1,592,353)</u>	<u>56,815,390</u>	<u>(2,000,000)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 11,584,816</u>	<u>\$ (5,019,105)</u>	<u>\$ 6,565,711</u>	<u>\$ 6,565,711</u>

CITY OF MONROE, NORTH CAROLINA
AQUATICS AND FITNESS CENTER FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance
			Positive
			(Negative)
REVENUES			
Operating revenues:			
Charges for services:			
Recreational fees	\$ 3,807,500	\$ 3,734,700	\$ (72,800)
Other operating revenues	<u>140,000</u>	<u>142,678</u>	<u>2,678</u>
Total operating revenues	<u>3,947,500</u>	<u>3,877,378</u>	<u>(70,122)</u>
Nonoperating revenues:			
Other nonoperating revenues	-	1,897	1,897
Investment earnings	<u>44,600</u>	<u>89,572</u>	<u>44,972</u>
Total nonoperating revenues	<u>44,600</u>	<u>91,469</u>	<u>46,869</u>
Total revenues	<u>3,992,100</u>	<u>3,968,847</u>	<u>(23,253)</u>
APPROPRIATION FROM FUND BALANCE			
Total revenues	<u>\$ 4,646,746</u>	<u>\$ 3,968,847</u>	<u>\$ (677,899)</u>

- *Continued* -

SCHEDULE 15,
Continued

CITY OF MONROE, NORTH CAROLINA
AQUATICS AND FITNESS CENTER FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2012

EXPENDITURES

Operations:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
			Positive
			(Negative)
Salaries and employee benefits	\$ 1,978,386	\$ 1,867,247	\$ 111,139
Operating expenditures	<u>1,588,514</u>	<u>1,495,846</u>	<u>92,668</u>
Total	<u>3,566,900</u>	<u>3,363,093</u>	<u>203,807</u>

Debt service:

Principal retirement	913,500	913,397	103
Interest and other charges	55,870	55,868	2
Total	<u>969,370</u>	<u>969,265</u>	<u>105</u>

Capital outlay	100,222	96,513	3,709
Total expenditures	<u>4,636,492</u>	<u>4,428,871</u>	<u>207,621</u>

OTHER FINANCING USES

Transfers to other funds:

Health and Dental Fund	10,254	10,254	-
Total other financing uses	<u>10,254</u>	<u>10,254</u>	<u>-</u>

Total expenditures and other financing uses	\$ 4,646,746	\$ 4,439,125	\$ 207,621
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- Continued -

CITY OF MONROE, NORTH CAROLINA
AQUATICS AND FITNESS CENTER FUND
SCHEDULE OF REVENUES AND EXPENDITURES --
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2012

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

Total revenues	\$ 3,968,847
Total expenditures and other financing uses	<u>4,439,125</u>
Revenues under expenditures and other financing uses	<u>(470,278)</u>
Reconciling items:	
Debt principal	913,397
Capital outlay	96,513
Increase in compensated absences	(12,496)
Increase in OPEB liability	(76,340)
Depreciation and amortization	<u>(267,193)</u>
Total reconciling items	<u>653,881</u>
Change in net assets	<u>\$ 183,603</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, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Charges for services:			
Leases	\$ 258,808	\$ 332,108	\$ 73,300
Sales of fuel	<u>1,556,730</u>	<u>1,476,870</u>	<u>(79,860)</u>
Total	<u>1,815,538</u>	<u>1,808,978</u>	<u>(6,560)</u>
Other operating revenues	197,898	203,069	5,171
Total operating revenues	<u>2,013,436</u>	<u>2,012,047</u>	<u>(1,389)</u>
Nonoperating revenues:			
Other nonoperating revenues	-	1,392	1,392
Investment earnings	-	38,038	38,038
Total nonoperating revenues	<u>-</u>	<u>39,430</u>	<u>39,430</u>
Total revenues	<u>2,013,436</u>	<u>2,051,477</u>	<u>38,041</u>
OTHER FINANCING SOURCES			
Transfers from other funds:			
General Fund	<u>1,960,739</u>	<u>1,490,939</u>	<u>(469,800)</u>
Total other financing sources	<u>1,960,739</u>	<u>1,490,939</u>	<u>(469,800)</u>
Total revenues and other financing sources	<u>\$ 3,974,175</u>	<u>\$ 3,542,416</u>	<u>\$ (431,759)</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, 2012

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
Operations:			
Salaries and employee benefits	\$ 534,821	\$ 513,452	\$ 21,369
Operating expenditures	<u>2,346,783</u>	<u>2,096,668</u>	<u>250,115</u>
Total	<u>2,881,604</u>	<u>2,610,120</u>	<u>271,484</u>
Debt service:			
Principal retirement	573,109	572,843	266
Interest and other charges	<u>434,967</u>	<u>329,261</u>	<u>105,706</u>
Total	<u>1,008,076</u>	<u>902,104</u>	<u>105,972</u>
Total expenditures	3,889,680	3,512,224	377,456
OTHER FINANCING USES			
Transfers to other funds:			
Health and Dental Fund	<u>7,458</u>	<u>7,458</u>	<u>-</u>
Total other financing sources	<u>7,458</u>	<u>7,458</u>	<u>-</u>
APPROPRIATION TO FUND BALANCE			
Total expenditures and other financing sources	<u>\$ 3,974,175</u>	<u>\$ 3,519,682</u>	<u>\$ 454,493</u>

- Continued -

SCHEDULE 16,
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, 2012

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

Total revenues and other financing sources	\$ 3,542,416
Total expenditures and other financing sources	<u>3,519,682</u>
Revenues and other financing sources over expenditures and other financing uses	<u>22,734</u>
Reconciling items:	
Debt principal	572,843
Amortization of bond premium	52,385
Amortization of deferred loss on defeasance	(25,322)
Amortization of bond issuance costs	(12,895)
Net revenue from capital projects consolidation	752,799
Decrease in compensated absences	869
Increase in OPEB liability	(36,510)
Depreciation and amortization	<u>(670,868)</u>
Total reconciling items	<u>633,301</u>
Change in net assets	<u>\$ 656,035</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, 2012

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental	\$ 8,164,217	\$ 2,150,000	\$ -	\$ 2,150,000	\$ (6,014,217)
Investment earnings	-	<u>189,186</u>	-	<u>189,186</u>	<u>189,186</u>
Total revenues	<u>8,164,217</u>	<u>2,339,186</u>	-	<u>2,339,186</u>	<u>(5,825,031)</u>
EXPENDITURES					
Construction costs capitalized	4,271,894	2,742,214	356,352	3,098,566	1,173,328
Construction in progress	13,982,384	7,114,151	1,104,312	8,218,463	5,763,921
Other costs	2,070	-	2,070	2,070	-
Total expenditures	<u>18,256,348</u>	<u>9,856,365</u>	<u>1,462,734</u>	<u>11,319,099</u>	<u>6,937,249</u>
Revenues over (under) expenditures	<u>(10,092,131)</u>	<u>(7,517,179)</u>	<u>(1,462,734)</u>	<u>(8,979,913)</u>	<u>1,112,218</u>
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds:					
General Fund	1,129,706	374,836	754,870	1,129,706	-
Airport Fund	332,849	332,849	-	332,849	-
Proceeds from refunding revenue bonds	<u>8,629,576</u>	<u>8,629,576</u>	-	<u>8,629,576</u>	-
Total other financing sources (uses)	<u>10,092,131</u>	<u>9,337,261</u>	<u>754,870</u>	<u>10,092,131</u>	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,820,082</u>	<u>\$ (707,864)</u>	<u>\$ 1,112,218</u>	<u>\$ 1,112,218</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, 2012

	<u>Budget</u>	<u>Actual</u>	Variance
			Positive
			(Negative)
REVENUES			
Operating revenues:			
Charges for services:			
Storm water receipts	\$ 1,773,472	\$ 1,815,749	\$ 42,277
Other operating revenues	-	4,425	4,425
Total operating revenues	<u>1,773,472</u>	<u>1,820,174</u>	<u>46,702</u>
Nonoperating revenues:			
Other nonoperating revenues	-	18,158	18,158
Investment earnings	10,470	19,478	9,008
Total nonoperating revenues	<u>10,470</u>	<u>37,636</u>	<u>27,166</u>
Total revenues	<u>1,783,942</u>	<u>1,857,810</u>	<u>73,868</u>
APPROPRIATION FROM FUND BALANCE			
Total revenues	<u>659,417</u>	<u>-</u>	<u>(659,417)</u>
	<u><u>\$ 2,443,359</u></u>	<u><u>\$ 1,857,810</u></u>	<u><u>\$ (585,549)</u></u>

- *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, 2012

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
Operations:			
Salaries and employee benefits	\$ 631,401	\$ 621,354	\$ 10,047
Reimbursements	572,113	572,113	-
Operating expenditures	496,822	397,080	99,742
Total	<u>1,700,336</u>	<u>1,590,547</u>	<u>109,789</u>
Debt service:			
Principal retirement	131,641	126,616	5,025
Interest and other charges	49,518	16,770	32,748
Total	<u>181,159</u>	<u>143,386</u>	<u>37,773</u>
Capital outlay	<u>552,542</u>	<u>549,203</u>	<u>3,339</u>
Total expenditures	<u>2,434,037</u>	<u>2,283,136</u>	<u>150,901</u>
OTHER FINANCING USES			
Transfers to other funds:			
Health and Dental Fund	<u>9,322</u>	<u>9,322</u>	<u>-</u>
Total other financing uses	<u>9,322</u>	<u>9,322</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 2,443,359</u>	<u>\$ 2,292,458</u>	<u>\$ 150,901</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, 2012

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

Total revenues and other financing sources	\$ 1,857,810
Total expenditures and other financing uses	<u>2,292,458</u>
Revenues under expenditures and other financing uses	<u>(434,648)</u>
Reconciling items:	
Debt principal	126,616
Capital outlay	549,203
Increase in compensated absences	(3,152)
Increase in OPEB liability	(33,191)
Depreciation and amortization	<u>(85,325)</u>
Total reconciling items	<u>554,151</u>
Change in net assets	<u>\$ 119,503</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, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Charges for services:			
Refuse collection fees	\$ 2,798,149	\$ 2,529,001	\$ (269,148)
Total	<u>2,798,149</u>	<u>2,529,001</u>	<u>(269,148)</u>
Other operating revenues	20,000	22,537	2,537
Total operating revenues	<u>20,000</u>	<u>22,537</u>	<u>2,537</u>
	<u>2,818,149</u>	<u>2,551,538</u>	<u>(266,611)</u>
Nonoperating revenues:			
Investment earnings	12,275	19,435	7,160
Total nonoperating revenues	<u>12,275</u>	<u>19,435</u>	<u>7,160</u>
	<u>2,830,424</u>	<u>2,570,973</u>	<u>(259,451)</u>
APPROPRIATION FROM FUND BALANCE			
	<u>74,942</u>	<u>-</u>	<u>(74,942)</u>
Total revenues	<u>\$ 2,905,366</u>	<u>\$ 2,570,973</u>	<u>\$ (334,393)</u>

- *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, 2012

EXPENDITURES

Operations:

	Budget	Actual	Variance Positive (Negative)
Salaries and employee benefits	\$ 67,522	\$ 66,618	\$ 904
Operating expenditures	<u>2,837,844</u>	<u>2,492,464</u>	<u>345,380</u>
Total	<u>2,905,366</u>	<u>2,559,082</u>	<u>346,284</u>
 Total expenditures	 <u>2,905,366</u>	 <u>2,559,082</u>	 <u>346,284</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, 2012

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

Total revenues	\$ 2,570,973
Total expenditures	<u>2,559,082</u>
Revenues over expenditures	<u>11,891</u>
Reconciling items:	
Increase in compensated absences	(974)
Increase in OPEB liability	<u>(3,319)</u>
Total reconciling items	<u>(4,293)</u>
Change in net assets	\$ <u>7,598</u>

CITY OF MONROE, NORTH CAROLINA
HEALTH AND DENTAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES
For the Year Ended June 30, 2012

	Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES			
Operating revenues			
Interfund charges and employee contributions	\$ 5,328,500	\$ 5,471,427	\$ 142,927
Other operating revenue	-	143,911	143,911
Total operating revenues	5,328,500	5,615,338	286,838
Nonoperating revenues			
Investment earnings	1,395	30,607	29,212
Contribution from component unit	932	932	
Transfers from other funds	421,343	421,343	-
Total nonoperating revenues	423,670	452,882	29,212
Total revenues	5,752,170	6,068,220	316,050
EXPENDITURES			
Operating expenditures			
Health care clinic	97,000	77,390	19,610
Health benefit claims and premiums	5,405,298	5,663,028	(257,730)
Total operating expenditures	5,502,298	5,740,418	(238,120)
APPROPRIATION TO FUND BALANCE	(249,872)	-	(249,872)
Revenues over expenditures	\$ -	\$ 327,802	\$ 327,802

CITY OF MONROE, NORTH CAROLINA
WORKERS' COMPENSATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES
For the Year Ended June 30, 2012

	Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES			
Operating revenues			
Other operating revenue	\$ -	\$ 1,070	\$ 1,070
Total operating revenues	- -	1,070	1,070
Nonoperating revenues			
Investment earnings	4,530	10,677	6,147
Total nonoperating revenues	<u>4,530</u>	<u>10,677</u>	<u>6,147</u>
Total revenues	<u>4,530</u>	<u>11,747</u>	<u>7,217</u>
EXPENDITURES			
Operating expenditures			
Workers' compensation claims and premiums paid	301,300	124,903	176,397
Total operating expenditures	<u>301,300</u>	<u>124,903</u>	<u>176,397</u>
Total expenditures	<u>301,300</u>	<u>124,903</u>	<u>176,397</u>
APPROPRIATION FROM FUND BALANCE			
Revenues under expenditures	<u>\$ -</u>	<u>\$ (113,156)</u>	<u>\$ (113,156)</u>

CITY OF MONROE, NORTH CAROLINA
PROPERTY AND CASUALTY FUND
SCHEDULE OF REVENUES AND EXPENDITURES
For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
REVENUES			
Operating revenues			
Interfund charges and employee contributions	\$ 645,000	\$ 645,000	\$ -
Other operating revenue	- -	1,731	1,731
Total operating revenues	<u>645,000</u>	<u>646,731</u>	<u>1,731</u>
Nonoperating revenues			
Investment earnings	410	2,875	2,465
Total nonoperating revenues	<u>410</u>	<u>2,875</u>	<u>2,465</u>
Total revenues	<u>645,410</u>	<u>649,606</u>	<u>4,196</u>
EXPENDITURES			
Operating expenditures			
Property and liability claims and premiums	645,410	557,618	87,792
Total expenditures	<u>645,410</u>	<u>557,618</u>	<u>87,792</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 91,988</u>	<u>\$ 91,988</u>

CITY OF MONROE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2012

Fiscal Year	Uncollected Balance June 30, 2011	Additions	Collections And Credits	Uncollected Balance June 30, 2012
2011 - 2012	\$ -	\$ 19,241,972	\$ 18,735,908	\$ 506,064
2010 - 2011	578,666	-	363,399	215,267
2009 - 2010	260,747	-	89,928	170,819
2008 - 2009	110,740	-	34,279	76,461
2007 - 2008	92,164	-	46,042	46,122
2006 - 2007	49,409	-	8,734	40,675
2005 - 2006	25,566	-	4,111	21,455
2004 - 2005	19,926	-	2,955	16,971
2003 - 2004	15,611	-	897	14,714
2002 - 2003	18,155	-	394	17,761
2001 - 2002	<u>8,616</u>	<u>-</u>	<u>8,616</u>	<u>-</u>
	<u><u>\$ 1,179,600</u></u>	<u><u>\$ 19,241,972</u></u>	<u><u>\$ 19,295,263</u></u>	
Ad valorem taxes receivable				<u><u>\$ 1,126,309</u></u>
 <u>Reconcilement with revenues:</u>			<u>General Fund</u>	
Ad valorem taxes - General fund			\$ 19,381,325	
Amounts written off per statute of limitations			8,616	
Refunds, releases of prior years' taxes			25,151	
Interest and advertising cost recovery			<u>(119,829)</u>	
Total collections and credits			<u><u>\$ 19,295,263</u></u>	

CITY OF MONROE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

CITY-WIDE LEVY

For the Fiscal Year Ended June 30, 2012

	Total Levy				
	City - Wide			Property excluding registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current year's rate	\$ 3,328,864,530	0.555	\$ 18,452,378	\$ 17,788,691	\$ 663,687
Registered motor vehicles taxed at prior year's rate	<u>75,305,517</u>		<u>466,946</u>	<u>-</u>	<u>466,946</u>
Total	<u>3,404,170,047</u>		<u>18,919,324</u>	<u>17,788,691</u>	<u>1,130,633</u>
Public Utility Allocation:					
Discoveries	64,333,126	0.555	357,049	357,049	-
Adjustments	-	0.555	8,343	8,343	-
Abatements	<u>(60,897,717)</u>	<u>0.555</u>	<u>(333,822)</u>	<u>(291,191)</u>	<u>(42,631)</u>
Total property valuation	<u><u>\$ 3,452,868,075</u></u>				
Net levy			19,241,972	18,141,552	1,100,420
Uncollected taxes at June 30, 2012			<u>(506,064)</u>	<u>(350,941)</u>	<u>(155,123)</u>
Current year's taxes collected			<u>\$ 18,735,908</u>	<u>\$ 17,790,611</u>	<u>\$ 945,297</u>
Current levy collection percentage			<u>97.37%</u>	<u>98.07%</u>	<u>85.90%</u>

Secondary Market Disclosures:

	Property Valuation	Rate	Levy
Assessed Valuation:			
Assessment Ratio ¹	100%		
Real property	\$ 2,430,654,272		
Personal property	760,980,823		
Public Service Companies ²	<u>64,333,126</u>		
	3,255,968,221	0.555	18,141,552
Motor Vehicle Property	197,298,193	0.555	1,100,420
Motor Vehicle Property	<u>(398,339)</u>	0.495	<u>-</u>
Total levy (includes discoveries, releases and abatements) ³	<u><u>\$ 3,452,868,075</u></u>		<u><u>\$ 19,241,972</u></u>

Distribution of levy:

General Fund	\$ 19,241,972
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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, 2012

Fiscal Year	Uncollected Balance June 30, 2011	Additions	Collections And Credits	Uncollected Balance June 30, 2012
2011 - 2012	\$ -	\$ 46,464	\$ 44,186	\$ 2,278
2010 - 2011	871	-	83	788
2009 - 2010	592	-	-	592
2008 - 2009	265	-	-	265
2007 - 2008	144	-	-	144
2006 - 2007	421	-	12	409
2005 - 2006	108	-	9	99
2004 - 2005	4	-	-	4
2003 - 2004	255	-	-	255
2002 - 2003	66	-	-	66
2001 - 2002	<u>60</u>	<u>-</u>	<u>60</u>	<u>-</u>
	<u><u>\$ 2,786</u></u>	<u><u>\$ 46,464</u></u>	<u><u>\$ 44,350</u></u>	
Ad valorem taxes receivable				<u><u>\$ 4,900</u></u>
 <u>Reconcilement with revenues:</u>				
Ad valorem taxes - General fund			\$ 44,420	
Amounts written off per statute of limitations			60	
Refunds, releases of prior years' taxes			11	
Interest and advertising cost recovery			<u>(141)</u>	
Total collections and credits			<u><u>\$ 44,350</u></u>	

CITY OF MONROE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
MUNICIPAL SERVICE DISTRICT LEVY
For the Fiscal Year Ended June 30, 2012

	Total Levy				
	City - Wide			Property excluding registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current year's rate	\$ 21,253,467	0.200	\$ 42,828	\$ 42,095	\$ 733
Registered motor vehicles taxed at prior year's rate	143,880		288	-	288
Total	21,397,347		43,116	42,095	1,021
Public Utility Allocation	2,380,965	0.200	4,762	4,762	-
Discoveries	4,545	0.200	14	14	-
Abatements	(669,930)	0.200	(1,428)	(1,426)	(2)
Total property valuation	\$ 23,112,927				
Net levy			46,464	45,445	1,019
Uncollected taxes at June 30, 2012			(2,278)	(2,135)	(143)
Current year's taxes collected			\$ 44,186	\$ 43,310	\$ 876
Current levy collection percentage			95.10%	95.30%	85.97%
Secondary Market Disclosures:					
	Property Valuation	Rate	Levy		
Assessed Valuation:					
Assessment Ratio ¹	100%				
Real property	\$ 19,265,045				
Personal property	957,367				
Public Service Companies ²	2,380,965				
	22,603,377	0.200	45,445		
Motor Vehicle Property	509,550	0.200	1,019		
Total levy (includes discoveries, releases and abatements)³	\$ 23,112,927		\$ 46,464		
Distribution of levy:					
Municipal Service District - Downtown Monroe Fund			\$ 46,464		

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.

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Debt Capacity – These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.....	134
Demographic and Economic Information – These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.....	139
Operation Information – These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities.....	141

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 ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(in thousands of dollars)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 72,069	\$ 73,696	\$ 74,193	\$ 73,177	\$ 71,568	\$ 73,467	\$ 74,438	\$ 73,296	\$ 71,692	\$ 70,561
Restricted	629	538	624	239	144	45	2	255	670	731
Unrestricted	17,884	19,638	19,717	18,683	20,924	20,718	20,739	20,359	20,979	22,270
Total governmental activities net assets	\$ 90,582	\$ 93,872	\$ 94,534	\$ 92,099	\$ 92,636	\$ 94,229	\$ 95,179	\$ 93,910	\$ 93,341	\$ 93,562
Business-type activities										
Invested in capital assets, net of related debt	\$ 84,905	\$ 92,356	\$ 101,382	\$ 109,561	\$ 118,219	\$ 127,957	\$ 127,104	\$ 141,269	\$ 144,182	\$ 152,078
Unrestricted	62,267	62,274	63,956	68,479	77,350	84,078	91,595	86,319	94,053	95,183
Total business-type activities net assets	\$ 147,172	\$ 154,630	\$ 165,338	\$ 178,040	\$ 195,569	\$ 212,035	\$ 218,699	\$ 227,588	\$ 238,235	\$ 247,261
Primary government										
Invested in capital assets, net of related debt	\$ 156,974	\$ 166,052	\$ 175,575	\$ 182,738	\$ 189,787	\$ 201,424	\$ 201,542	\$ 214,565	\$ 215,874	\$ 222,639
Restricted	629	538	624	239	144	45	2	255	670	731
Unrestricted	80,151	81,912	83,673	87,162	98,274	104,796	112,334	106,678	115,032	117,453
Total primary government net assets	\$ 237,754	\$ 248,502	\$ 259,872	\$ 270,139	\$ 288,205	\$ 306,264	\$ 313,878	\$ 321,498	\$ 331,576	\$ 340,823

TABLE 2

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

EXPENSES	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
General government	\$ 4,216	\$ 4,243	\$ 4,133	\$ 4,600	\$ 4,176	\$ 4,945	\$ 4,725	\$ 4,952	\$ 5,294	\$ 5,562
Transportation	3,652	4,409	4,119	4,482	4,444	4,966	5,441	5,667	4,699	5,109
Public safety	9,156	10,291	10,776	12,069	13,557	14,247	17,974	17,775	18,224	19,512
Environmental protection	1,854	1,894	1,903	2,007	2,349	2,551	-	-	-	-
Culture and recreation	3,307	3,462	3,197	3,483	3,802	3,922	4,914	4,906	4,545	5,067
Economic and physical development	357	791	898	1,404	2,140	948	859	1,784	1,119	953
Interest on long-term debt	212	232	158	187	205	238	312	161	107	54
Total governmental activities expenses	22,754	25,322	25,184	28,232	30,673	31,817	34,225	35,245	33,988	36,257
Business-type activities:										
Water and sewer	8,388	9,202	8,826	8,525	8,907	11,381	11,543	11,520	11,955	11,687
Electric	31,120	32,369	33,990	35,491	37,042	39,703	41,629	43,588	46,840	49,158
Natural gas	14,867	20,171	19,305	20,791	16,037	16,942	16,867	17,585	13,913	11,131
Aquatics and Fitness Center	1,806	2,335	2,779	2,881	2,934	3,187	3,725	3,436	3,549	3,783
Stormwater	-	-	-	-	-	-	795	1,351	1,709	1,734
Solid Waste	-	-	-	-	-	-	2,698	2,702	2,697	2,564
Airport	489	595	596	1,272	2,187	2,865	3,232	3,498	3,553	3,611
Total business-type activities expenses	56,670	64,672	65,496	68,960	67,107	74,077	80,489	83,680	84,216	83,668
Total primary government expenses	\$ 79,424	\$ 89,994	\$ 90,680	\$ 97,192	\$ 97,780	\$ 105,894	\$ 114,714	\$ 118,925	\$ 118,204	\$ 119,925
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	\$ 887	\$ 864	\$ 1,118	\$ 1,279	\$ 1,261	\$ 1,132	\$ 2,029	\$ 1,979	\$ 1,955	\$ 1,978
Transportation	-	-	-	-	-	-	243	236	202	218
Public safety	38	78	84	96	65	51	2,065	2,213	2,312	2,491
Environmental protection	1,742	1,855	1,914	2,062	2,761	2,795	43	-	-	-
Culture and recreation	710	747	708	761	814	844	1,239	1,194	1,232	1,289
Economic and physical development	7	12	8	4	13	3	2	8	3	2
Operating grants and contributions:										
General government	20	314	32	69	85	8	-	-	-	-
Transportation	872	872	986	998	1,004	1,154	1,082	986	1,032	930
Public safety	508	270	206	246	897	1,017	604	732	616	786
Environmental protection	-	26	2	4	2	2	1	-	-	-
Culture and recreation	5	124	172	243	197	216	223	195	204	214
Economic and physical development	148	210	236	93	83	7	194	326	135	220
Capital grants and contributions:										
Transportation	10,207	3,488	1,147	647	45	2,435	3,460	1,187	-	478
Public safety	-	-	-	-	-	-	-	-	49	-
Culture and recreation	-	-	-	-	-	-	-	785	304	-
Total governmental activities program revenues	15,144	8,860	6,613	6,502	7,227	9,665	11,184	9,841	8,044	8,606

Business-type activities:											
Charge for services:											
Water and sewer	10,362	10,434	11,180	12,080	13,303	12,705	12,207	12,365	12,917	13,642	
Electric	33,926	34,513	35,993	39,118	39,854	43,051	40,926	43,089	48,454	51,334	
Natural gas	17,056	21,940	21,064	22,683	18,163	18,836	20,116	24,251	17,320	11,907	
Aquatics and Fitness Center	2,661	2,990	3,336	3,734	4,057	4,162	4,069	3,907	3,927	3,877	
Stormwater	-	-	-	-	-	-	822	1,776	1,794	1,820	
Solid Waste	-	-	-	-	-	-	2,748	2,839	2,822	2,552	
Airport	138	178	255	676	1,398	1,897	1,559	1,493	1,653	2,012	
Operating grants and contributions:											
Water and sewer	-	8	-	-	-	-	-	-	-	-	
Capital grants and contributions:											
Water and sewer	-	882	1,234	1,004	2,451	2,918	527	-	-	-	
Stormwater	-	-	-	-	-	-	109	-	-	-	
Airport	1,852	584	681	324	903	-	154	483	2,150	-	
Total business-type activities program revenues	<u>65,995</u>	<u>71,529</u>	<u>73,743</u>	<u>79,619</u>	<u>80,129</u>	<u>83,569</u>	<u>83,236</u>	<u>90,203</u>	<u>91,037</u>	<u>87,144</u>	
Total primary government revenues	<u>\$ 81,139</u>	<u>\$ 80,389</u>	<u>\$ 80,356</u>	<u>\$ 86,121</u>	<u>\$ 87,356</u>	<u>\$ 93,234</u>	<u>\$ 94,421</u>	<u>\$ 100,044</u>	<u>\$ 99,081</u>	<u>\$ 95,750</u>	
NET (EXPENSE) REVENUE											
Governmental activities	\$ (7,610)	\$ (16,462)	\$ (18,571)	\$ (21,730)	\$ (23,446)	\$ (22,152)	\$ (23,041)	\$ (25,404)	\$ (25,944)	\$ (27,651)	
Business-type activities	<u>9,325</u>	<u>6,857</u>	<u>8,247</u>	<u>10,659</u>	<u>13,022</u>	<u>9,492</u>	<u>2,748</u>	<u>6,523</u>	<u>6,821</u>	<u>3,476</u>	
Total primary government net (expense) revenue	<u>\$ 1,715</u>	<u>\$ (9,605)</u>	<u>\$ (10,324)</u>	<u>\$ (11,071)</u>	<u>\$ (10,424)</u>	<u>\$ (12,660)</u>	<u>\$ (20,293)</u>	<u>\$ (18,881)</u>	<u>\$ (19,123)</u>	<u>\$ (24,175)</u>	
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS											
Governmental activities:											
Taxes:											
Property taxes, levied for general purpose	\$ 10,478	\$ 10,967	\$ 11,577	\$ 12,107	\$ 13,851	\$ 15,304	\$ 16,286	\$ 16,954	\$ 19,314	\$ 19,357	
Local option sales tax	-	-	4,672	4,406	4,958	4,884	4,096	3,537	3,906	4,770	
Utility taxes	-	-	1,199	1,299	1,364	1,430	1,364	1,432	1,543	1,627	
Other taxes	6,067	7,302	1,449	1,610	1,790	1,878	1,931	1,745	2,212	2,436	
Grants and contributions not restricted to specific programs	127	130	127	127	202	251	225	242	218	178	
Unrestricted investment earnings	671	41	553	381	1,141	1,259	495	273	65	822	
Miscellaneous	367	325	327	301	441	476	520	565	726	807	
Gain on sale of capital assets	-	964	72	99	-	199	(19)	96	11	-	
Transfers	(789)	(383)	(745)	(1,035)	237	(442)	(908)	(710)	(2,619)	(2,126)	
Total governmental activities	<u>16,921</u>	<u>19,346</u>	<u>19,231</u>	<u>19,295</u>	<u>23,985</u>	<u>25,239</u>	<u>23,990</u>	<u>24,134</u>	<u>25,376</u>	<u>27,871</u>	
Business-type activities:											
Grants and contributions not restricted to specific programs	-	-	1,632	-	-	-	-	-	-	-	
Unrestricted investment earnings	2,256	54	84	862	3,465	4,853	2,992	971	289	2,936	
Miscellaneous	(4)	179	-	150	65	60	63	395	858	443	
Gain on sale of capital assets	-	(17)	-	(5)	1,214	1	(47)	291	60	45	
Transfers	789	383	744	1,035	(237)	442	908	710	2,619	2,126	
Total business-type activities	<u>3,041</u>	<u>599</u>	<u>2,460</u>	<u>2,042</u>	<u>4,508</u>	<u>5,356</u>	<u>3,916</u>	<u>2,367</u>	<u>3,826</u>	<u>5,550</u>	
Total primary government	<u>\$ 19,962</u>	<u>\$ 19,945</u>	<u>\$ 21,691</u>	<u>\$ 21,337</u>	<u>\$ 28,492</u>	<u>\$ 30,596</u>	<u>\$ 27,906</u>	<u>\$ 26,501</u>	<u>\$ 29,202</u>	<u>\$ 33,421</u>	
CHANGE IN NET ASSETS											
Governmental activities	\$ 9,311	\$ 2,884	\$ 660	\$ (2,435)	\$ 539	\$ 3,087	\$ 950	\$ (1,270)	\$ (568)	\$ 220	
Business-type activities	<u>12,366</u>	<u>7,456</u>	<u>10,707</u>	<u>12,701</u>	<u>17,529</u>	<u>14,848</u>	<u>6,664</u>	<u>8,890</u>	<u>10,647</u>	<u>9,026</u>	
Total primary government	<u>\$ 21,677</u>	<u>\$ 10,340</u>	<u>\$ 11,367</u>	<u>\$ 10,266</u>	<u>\$ 18,069</u>	<u>\$ 17,935</u>	<u>\$ 7,614</u>	<u>\$ 7,620</u>	<u>\$ 10,079</u>	<u>\$ 9,246</u>	

Notes:

Solid Waste and Stormwater funds were established in 2009. Previously, these expenditures were included in the General Fund.

Internal service funds were established in 2009. Per GASB, revenues for these funds are allocated between business type and governmental type activities.

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 4,463	\$ 4,963	\$ 5,601	\$ 5,590	\$ 4,251	\$ 4,972	\$ 4,058	\$ 4,012	\$ -	\$ -
Unreserved	<u>13,186</u>	<u>14,668</u>	<u>13,375</u>	<u>12,582</u>	<u>13,803</u>	<u>15,635</u>	<u>13,808</u>	<u>15,614</u>	<u>-</u>	<u>331</u>
Nonspendable									\$ 339	
Restricted									4,130	6,009
Assigned									2,975	9,134
Unassigned									13,042	5,827
Total General Fund	<u>\$ 17,649</u>	<u>\$ 19,631</u>	<u>\$ 18,976</u>	<u>\$ 18,172</u>	<u>\$ 18,054</u>	<u>\$ 20,607</u>	<u>\$ 17,866</u>	<u>\$ 19,626</u>	<u>\$ 20,478</u>	<u>\$ 21,309</u>
All Other Governmental Funds										
Reserved	\$ 801	\$ 1,217	\$ 825	\$ 286	\$ 430	\$ 3	\$ 93	\$ 233	\$ -	\$ -
Unreserved, reported in:										
Special Revenue Funds	323	201	307	433	1,552	1,418	1,600	1,609	-	-
Capital Projects Funds	<u>819</u>	<u>245</u>	<u>1,101</u>	<u>1,076</u>	<u>1,884</u>	<u>1,179</u>	<u>3,328</u>	<u>(114)</u>	<u>-</u>	<u>-</u>
Restricted									\$ 6	\$ 11
Assigned									1,275	1,549
Total all other governmental funds	<u>\$ 1,943</u>	<u>\$ 1,663</u>	<u>\$ 2,233</u>	<u>\$ 1,795</u>	<u>\$ 3,866</u>	<u>\$ 2,600</u>	<u>\$ 5,021</u>	<u>\$ 1,728</u>	<u>\$ 1,281</u>	<u>\$ 1,560</u>

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 LE.12.

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

TABLE 4

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES										
Ad valorem taxes	\$ 10,640	\$ 11,043	\$ 11,578	\$ 12,049	\$ 13,655	\$ 15,265	\$ 16,134	\$ 16,909	\$ 19,217	\$ 19,426
Other taxes and licenses	4,510	5,643	912	1,040	1,044	1,227	1,220	874	1,249	1,313
Unrestricted intergovernmental	1,672	1,749	6,490	6,332	7,176	7,177	6,360	6,044	6,586	7,408
Restricted intergovernmental	1,688	2,279	2,505	2,240	2,195	2,378	2,826	3,274	2,399	2,217
Program income	12	41	10	6	84	6	2	7	2	2
Sales and services (1)	3,334	4,513	3,742	4,292	5,012	5,137	1,961	1,740	1,708	1,766
Investment earnings	671	24	553	381	1,141	1,259	495	273	64	822
Miscellaneous	451	498	563	396	522	650	611	548	747	793
Total revenues	<u>22,978</u>	<u>25,790</u>	<u>26,353</u>	<u>26,736</u>	<u>30,829</u>	<u>33,099</u>	<u>29,609</u>	<u>29,669</u>	<u>31,972</u>	<u>33,747</u>
EXPENDITURES										
General government	3,791	3,967	4,207	4,273	3,801	4,578	4,086	4,170	3,410	3,327
Transportation	1,698	1,984	1,858	2,144	2,162	2,426	2,452	1,727	1,484	1,802
Public safety	8,483	9,939	9,957	10,996	12,593	13,304	13,864	14,385	14,332	15,654
Environmental protection (1)	1,732	1,761	1,784	1,896	2,349	2,551	-	-	-	-
Culture and recreation	3,064	2,827	2,924	3,037	3,426	3,536	3,902	3,554	3,894	3,896
Economic and physical development	344	792	610	585	1,460	830	986	1,909	2,045	951
Capital outlay	2,682	2,992	5,131	3,878	2,446	5,487	2,619	2,832	1,091	2,298
Debt service:										
Principal retirement	1,116	2,761	1,555	1,659	1,617	1,660	1,828	1,922	1,962	1,685
Interest and other charges	<u>212</u>	<u>232</u>	<u>158</u>	<u>187</u>	<u>205</u>	<u>182</u>	<u>310</u>	<u>337</u>	<u>61</u>	<u>54</u>
Total expenditures	<u>23,122</u>	<u>27,255</u>	<u>28,184</u>	<u>28,655</u>	<u>30,059</u>	<u>34,554</u>	<u>30,047</u>	<u>30,836</u>	<u>28,279</u>	<u>29,667</u>
Excess (deficiency) of revenues over (under) expenditures	(144)	(1,465)	(1,831)	(1,919)	770	(1,456)	(438)	(1,167)	3,693	4,080
OTHER FINANCING SOURCES (USES)										
Transfers from (to) others	(789)	(383)	(745)	(1,035)	237	(573)	(3,430)	(710)	(3,419)	(2,548)
Repayment of advance from other funds								(131)	(131)	-
Installment purchase obligations issued	1,578	3,142	2,492	1,713	945	3,317	3,661	475	263	748
Total other financing sources (uses)	<u>789</u>	<u>2,759</u>	<u>1,747</u>	<u>678</u>	<u>1,182</u>	<u>2,744</u>	<u>231</u>	<u>(366)</u>	<u>(3,287)</u>	<u>(1,800)</u>
Net change in fund balances	<u>\$ 645</u>	<u>\$ 1,294</u>	<u>\$ (84)</u>	<u>\$ (1,241)</u>	<u>\$ 1,952</u>	<u>\$ 1,288</u>	<u>\$ (207)</u>	<u>\$ (1,533)</u>	<u>\$ 406</u>	<u>\$ 2,280</u>
Debt service as a percentage of noncapital expenditures	6.50%	12.34%	7.43%	7.45%	6.60%	6.34%	7.79%	8.07%	7.44%	6.35%

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	Motor Vehicle	Public Service Companies	Total Assessed Value	Total Direct Tax Rate (1)
2003	\$ 1,388,118	\$ 460,214	\$ 193,463	\$ 43,444	\$ 2,085,239	0.500
2004	1,490,483	451,967	170,653	41,854	2,154,957	0.500
2005	1,691,376	444,329	198,995	41,408	2,376,108	0.480
2006	1,697,294	459,106	238,446	43,934	2,438,780	0.490
2007	1,779,327	521,941	226,844	43,261	2,571,373	0.530
2008	1,878,050	583,078	227,535	49,984	2,738,647	0.550
2009	2,346,529	659,913	207,793	49,487	3,263,722	0.495
2010	2,386,289	765,537	186,439	60,724	3,398,989	0.495
2011	2,429,534	777,420	189,559	69,218	3,465,731	0.555
2012	2,449,919	761,938	197,410	66,714	3,475,981	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.

TABLE 6

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			Overlapping Rates		Total Direct and Overlapping Rates
	General Fund Basic Rate	Municipal Service District Basic Rate	Total Weighted Average Rate ⁽¹⁾	Union County Basic Rate	Monroe School District	
2003	0.5000	0.2000	0.5034	0.4705	0.0700	1.0439
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

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

TABLE 7

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

Taxpayer	2003			2012			Percentage of Total Taxable Assessed Value	
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank			
			Total Taxable Assessed Value					
Allegheny Technologies (Allvac)	\$ 58,251	2	2.8%	\$ 302,928	1	8.7%		
Charlotte Pipe & Foundry Co.	110,353	1	5.3%	110,752	2	3.2%		
Turbomeca	-		-	47,471	3	1.4%		
Tyson Farms, Inc. (Tyson Foods, Inc.)	44,159	3	2.1%	38,351	4	1.1%		
Inland American Monroe Poplin	-		-	27,050	5	0.8%		
Yale Security (Assa Abloy - Door Security)	17,385	6	0.8%	26,392	6	0.8%		
Consolidated Metco, Inc.	25,757	4	1.2%	24,457	7	0.7%		
Greiner Bio-One	-		-	23,586	8	0.7%		
Wal-Mart	-		-	20,108	9	0.6%		
Scott Technologies	-		-	19,073	10	0.5%		
Monroe Mall (Madison)	18,281	5	0.9%	-		-		
Square D Company	13,159	10	0.6%	-		-		
Goulston Technologies	13,371	8	0.6%	-		-		
Cooper Industries	15,717	7	0.8%	-		-		
Westdale Interstate Properties	<u>13,476</u>	<u>9</u>	<u>0.7%</u>	<u>-</u>		<u>-</u>		
Total	<u>\$ 329,909</u>		<u>16.0%</u>	<u>\$ 640,168</u>		<u>18.4%</u>		

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					Amount	Percentage	Amount		Amount	Percentage
2003	\$ 10,236	\$ 217	\$ 79	\$ 82	\$ 10,450	\$ 10,117	96.82	\$ 315	\$ 10,432	99.83		
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	239	11,417	99.85		
2006	11,959	215	17	100	12,091	11,754	97.22	315	12,069	99.82		
2007	13,429	229	407	137	13,928	13,290	96.45	597	13,887	99.71		
2008	14,647	275	278	107	15,093	14,607	96.78	440	15,047	99.70		
2009	16,100	245	45	159	16,231	15,669	96.54	485	16,154	99.53		
2010	16,490	300	160	78	16,872	16,292	96.56	409	16,701	98.99		
2011	18,859	384	69	88	19,224	18,646	96.99	362	19,008	98.88		
2012	18,962	362	299	335	19,288	18,780	97.37	-	18,780	97.37		

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	Personal Income (1)			Personal Income (1)	Personal Income (1)
2003	\$ 5,459	\$ 4,250	\$ 12,495	\$ 10,067	\$ 5,624	\$ 37,895	\$ 1,284	0.94		
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 (2)	6,736	-	48,980	3,451	35,134	94,301	2,857	-		
2012 (2)	6,024	-	46,695	4,654	32,977	90,350	2,718	-		

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 2010 and 2011 personal income not available to calculate fiscal year 2011 and 2012.

(2) Personal income not available for 2011 and 2012.

TABLE 10

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 (2)	Per Capita (1)
2003	\$ 4,250	0.20	\$ 144
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

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.

TABLE 11

CITY OF MONROE, NORTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2012
(in thousands of dollars)

Governmental Unit	Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Direct and Overlapping Debt
Union County, overlapping debt	\$ 498,115	14.9%	\$ 74,007
Total direct debt	<u>6,024</u>	100%	<u>6,024</u>
Total direct and overlapping debt	<u><u>\$ 504,139</u></u>		<u><u>\$ 80,031</u></u>

Notes:

- (1) Includes governmental activities debt only.
- (2) Determined by ratio of assessed value of property subject to taxation in Union County (\$23,395,494,250) and City of Monroe (\$3,475,981,002).

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit (8% of assessed value)	\$ 165,377	\$ 172,397	\$ 190,088	\$ 195,102	\$ 205,710	\$ 219,092	\$ 261,098	\$ 271,919	\$ 277,258	\$ 278,078
Total net debt applicable to limit	11,083	13,874	14,229	13,624	11,920	12,882	46,667	44,500	41,871	39,500
Legal debt margin	\$ 154,294	\$ 158,523	\$ 175,859	\$ 181,478	\$ 193,790	\$ 206,210	\$ 214,431	\$ 227,419	\$ 135,387	\$ 238,578
Total net debt applicable to the limit as a percentage of debt limit	6.70%	8.05%	7.49%	6.98%	5.79%	5.88%	17.87%	16.37%	15.10%	14.20%

Legal Debt Margin
Calculation for Fiscal Year 2012

Assessed value	<u><u>\$3,475,981</u></u>
Debt limit (8% of total assessed value)	278,078
Bonded debt	\$ -
Debt not evidenced by bonds	<u><u>39,500</u></u>
Gross debt	\$ 39,500
Less: deductions allowed by North Carolina General Statutes:	
Bonded debt incurred for water purposes	-
Bonded debt incurred for sewer purposes	<u><u>-</u></u>
Total deductions	<u><u>-</u></u>
Net debt applicable to limit	<u><u>39,500</u></u>
Legal debt margin	<u><u>\$ 238,578</u></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.

TABLE 13

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 (3)		Coverage
						Principal	Interest	
2003	\$ 61,482	\$ 52,302	\$ 9,180	\$ 2,212	\$ 11,392	\$ 1,200	\$ 791	572 %
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

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.
- (3) Per rate covenants, this does not include amortization of the deferred loss incurred as a result of advance refundings.

TABLE 14

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)
2003	29,508	\$ 4,019,969	\$ 27,913	25,680	5.40
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 (1)	33,007	-	-	39,900	9.40
2012 (1)	33,238	-	-	40,359	8.60

Note: (1) Personal income not available for 2011 and 2012.

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

TABLE 15

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

Employer	2003		2012	
	Employees (1)	Percentage of Total City Employment	Employees	Percentage of Total City Employment (2)
Tyson Foods	-	-	1,600	10.5%
ATI Allvac	-	-	1,250	8.2%
Carolinas Medical Center-Union	-	-	1,500	9.9%
Union County	-	-	573	3.8%
Charlotte Pipe	-	-	450	3.0%
SCOTT Safety	-	-	550	3.6%
City of Monroe	-	-	452	3.0%
Wal-Mart Stores, Inc.	-	-	350	2.3%
Colfax Corporation (IMO Pump)	-	-	240	1.6%
Goodrich Corporation	-	-	240	1.6%
Total	====	====	7,205	47.3%

Notes: (1) Data for 2003 not available.

(2) Percentage of total city employment based on North Carolina Employment Security Commission labor force estimate of 15,228 as of June 30, 2012.

Sources: City of Monroe Economic Development Department

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

TABLE 16

<u>Function</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government:										
Administration	24	25	25	24	31	30	32	28	27	28
Planning and zoning	13	12	12	12	11	11	11	11	8	8
Engineering	11	10	11	10	11	10	10	10	10	10
Utility/tax billing and collection	16	17	17	14	17	18	18	18	19	17
Operations center	10	10	9	12	12	12	8	9	9	9
Transportation	24	23	22	24	25	24	21	24	19	19
Police	76	75	80	87	90	91	95	101	104	104
Fire	55	58	61	70	82	78	82	84	82	82
Building standards and code enforcement	11	10	10	10	9	9	10	11	4	6
Culture and recreation	46	46	48	49	50	50	49	39	38	40
Water and sewer:										
Distribution system	29	32	31	31	29	31	33	34	34	34
Water filter plant	8	10	10	10	10	10	11	11	11	12
Waste treatment plant	13	14	14	15	15	15	14	14	14	14
Stormwater (2)	-	-	-	-	-	-	8	9	11	10
Electric	21	18	21	22	22	25	24	27	28	28
Natural gas	14	14	14	13	13	14	13	14	13	14
Solid Waste (3)	-	-	-	-	-	-	-	1	-	1
Aquatics and Fitness Center	20	21	20	20	20	20	20	10	10	11
Airport (1)	-	-	-	7	7	7	8	9	9	9
Total	391	395	405	430	454	455	467	464	450	456

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)

<u>Function</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Transportation										
Street reclamation (tons)	-	-	552	2,232	4,052	6,545	8,065	2,858	2,295	2,720
Street repair (tons)	3,592	2,511	2,131	1,057	1,765	2,100	1,219	595	456	915
Utility repair (tons)	422	552	368	119	314	296	321	527	780	1,019
Sidewalk repair (cubic yards concrete)	522	405	565	444	646	451	25	66	116	271
Pipe repair and replacement (linear feet)	433	768	247	956	440	911	2,016	2,132	2,526	2,151
Police										
Physical arrests (calendar year)	4,745	4,309	4,443	4,335	4,596	4,094	3,468	3,204	3,132	-
Parking violations (calendar year)	348	2,091	1,263	3,707	3,686	3,918	3,408	3,510	3,558	-
Traffic violations (calendar year)	6,274	6,929	5,571	8,433	7,282	6,672	4,889	6,368	9,179	-
Fire										
Calls for service (calendar year)	3,825	4,315	4,169	4,329	4,626	4,664	4,993	5,514	5,699	-
Fire code inspections (calendar year)	286	586	1,633	1,974	1,348	1,860	1,860	1,220	1,244	-
Civilian fire injuries (calendar year)	6	12	1	1	1	8	6	2	2	-
Building standards & code enforcement										
Building permits issued	3,768	3,357	4,943	5,129	3,943	3,951	3,845	2,876	2,701	3,901
Building inspections	10,857	10,697	11,728	13,750	13,817	11,381	8,642	7,553	7,009	7,300
Code enforcement inspections	1,912	2,573	3,398	1,431	1,341	2,565	5,518	6,422	1,750	2,415
Environmental protection										
Solid waste collected (annual tonnage)	38,914	40,787	42,660	44,533	44,917	42,352	35,928	34,155	31,968	24,405
Recyclables collected (annual tonnage)	730	739	747	756	973	925	707	788	748	626
Culture and recreation										
Rounds of golf played (calendar year)	28,238	31,388	30,888	35,364	32,988	28,667	30,075	26,556	26,565	-
Aquatics and fitness center members	11,273	13,468	16,138	17,546	18,200	20,824	20,889	20,444	19,972	19,628
Youth athletic program participants (calendar year)	450	630	750	800	775	775	486	400	335	-
Water										
Average daily production (millions of gallons per day)	6.7	6.9	6.3	6.6	6.0	5.7	5.5	5.8	6.0	6.2
Maximum daily production (millions of gallons per day)	9.1	9.7	8.9	9.2	10.0	8.7	8.1	9.1	9.1	9.1
Customers	9,989	10,158	10,532	10,919	11,405	11,534	11,436	11,462	11,478	11,630
Gallons Billed (in thousands)	2,032,900	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
Sewer										
Average daily treatment (millions of gallons per day)	7.9	7.1	7.2	6.8	7.0	6.1	6.5	6.8	5.8	5.7
Customers	8,629	8,804	9,002	9,400	9,861	10,025	9,948	9,959	9,970	10,099
Gallons Billed (in thousands)	2,398,600	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
Electric										
Sales (megawatt hours)	520,540	550,615	524,129	585,253	587,377	620,185	595,689	591,112	655,358	656,485
Customers	9,611	9,710	9,892	10,142	10,452	10,467	10,331	10,324	10,307	10,425
Natural gas										
Sales/deliveries (thousand cubic feet)	275,125	268,447	257,326	261,484	279,446	275,840	264,370	273,909	308,852	288,498
Customers	8,711	8,932	9,167	9,533	10,113	10,340	10,287	10,216	10,233	10,345
Airport (1)										
Fuel sales (thousands of gallons)	314	327	367	377	390	421	324	345	339	340
Based aircraft	70	65	76	84	103	111	114	95	96	90

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.

Sources: Various City departments.

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

TABLE 18

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Transportation										
Municipal Boundary (square miles)	28.63	28.71	28.75	29.09	29.45	29.60	29.63	29.63	29.63	29.63
Streets (miles)	157	158	158	158	158	161	164	166	166	167
Sidewalks (miles)	43	43	44	44	45	50	54	61	61	62
Curb and gutter (miles)	107	109	110	110	111	119	124	127	127	128
Stormwater (miles)	28	29	29	30	32	33	34	34	34	35
Bridges (square feet)	15,468	15,468	15,468	15,468	15,884	15,884	15,884	15,884	15,884	15,884
Speed humps/cushions (each)	153	166	184	204	232	232	242	279	286	301
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	76	79	85	89	89	89	92	92	92	92
Fire stations	5	5	5	5	5	5	5	5	5	5
Fire apparatus (line and reserve)	11	13	14	14	14	14	14	14	14	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	3	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	15	20	20	20	20	20	20	20
Swimming pools	2	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
Water and sewer										
Water mains (miles)	276	279	289	292	293	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)	269	270	285	287	283	294	294	295	295	295
Treatment capacity (millions of gallons per day)	9.0	9.0	10.4	10.4	10.4	10.4	10.4	10.4	10.4	10.4
Electric										
Substations (4)	7	7	7	7	7	8	9	9	9	9
Lines (miles per calendar year)	218	227	235	243	246	269	281	293	293	-
Natural gas										
Lines (miles per calendar year)	365	373	392	414	430	578	594	641	689	-
Airport										
Runway (feet) (6)	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	7,000	7,000
Hangars (square feet) (5)	42,659	42,659	42,659	53,134	53,134	77,292	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 substation was added to serve the airport and surrounding area.

(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.



**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 Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of the City of Monroe, North Carolina, as of and for the year ended June 30, 2012, which collectively comprises the City of Monroe's basic financial statements, and have issued our report thereon dated October 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the 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

Management of the City of Monroe is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Monroe's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Monroe's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A 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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Monroe's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Monroe, in a separate letter dated October 18, 2012.

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

October 18, 2012
Monroe, North Carolina

Potter & Company

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

Independent Auditor's Report

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

Compliance

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, 2012. The City of Monroe's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Monroe's management. Our responsibility is to express an opinion on the City of Monroe's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of 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. Our audit does not provide a legal determination on the City of Monroe's compliance with those requirements.

In our opinion, the City of Monroe complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the City of Monroe is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Monroe's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

October 18, 2012
Monroe, North Carolina

Potter & Company

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
APPLICABLE SECTIONS OF OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT
IMPLEMENTATION ACT**

Independent Auditor's Report

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

Compliance

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 its major State programs for the year ended June 30, 2012. The City of Monroe's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the City of Monroe's management. Our responsibility is to express an opinion on the City of Monroe's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of the City of Monroe's compliance with those requirements.

In our opinion, the City of Monroe complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the City of Monroe is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City of Monroe's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

October 18, 2012
Monroe, North Carolina

Potter & Company

CITY OF MONROE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes no
- Significant Deficiency(s) identified that are not considered to be material weaknesses _____ yes none reported

Noncompliance material to financial statements noted _____ yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes no
- Significant Deficiency(s) identified that are not considered to be material weaknesses _____ yes none reported

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

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
16.710	COPS Technology Grant
66.458	Clean Water State Revolving Fund

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

Auditee qualified as low-risk auditee? yes _____ no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? _____ yes no
- Significant Deficiency(s) identified that are not considered to be material weaknesses _____ yes none reported

CITY OF MONROE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012

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 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, 2012

Section II - Financial Statement Findings

Finding: **None reported**

SCHEDULE 29

CITY OF MONROE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2012

Findings: **11.1**

Status: Corrected

CITY OF MONROE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2012

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Grants:				
Cash Programs:				
<u>U.S. Department of Justice:</u>				
<u>Direct Programs:</u>				
Drug Enforcement Administration	16.579	\$ 53,928	\$ 19,298	\$ 9,000
COPS Hiring Recovery Program	16.710	114,531	-	-
COPS Technology Grant	16.710	328,866	-	-
ARRA - Recovery Act Edward Byrne Memorial Justice Assistance Grant	16.808	31,127	-	-
<u>U.S. Department of Homeland Security:</u>				
<u>Direct Programs:</u>				
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083	-	-	246,416
<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	2,030,699	-	-
Total Assistance - Federal Programs		2,559,151	19,298	255,416
State Grants:				
Cash Assistance:				
<u>N.C. Department of Transportation:</u>				
Powell bill		-	920,855	-
Governor's Highway Safety Program		-	16,192	-
<u>N.C. Department of Community Assistance:</u>				
Scattered Site Housing		-	192,085	-
Total Assistance - State Programs		-	1,129,132	-
Total Federal and State Assistance	\$ 2,559,151	\$ 1,148,430	\$ 255,416	

-Continued

***SCHEDULE 30,
Continued***

***CITY OF MONROE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2012***

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>State</u>	<u>Local</u>	<u>Total</u>
SRF	Stewart Creek Sanitary Sewer Upgrades	66.458	CS370564-06	\$ 10,334,605	\$ 2,030,699	\$ -	\$ -	\$ 2,030,699





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