

**CITY OF CONCORD, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended June 30, 2009

Prepared by:  
Finance Department



City of Concord, North Carolina  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2009

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October 31, 2009

The Honorable Mayor and  
Members of the City Council  
City of Concord, North Carolina

The Comprehensive Annual Financial Report (CAFR) of the City of Concord, North Carolina, for the fiscal year ended June 30, 2009, is hereby submitted. The financial statements were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted governmental auditing standards by a firm of licensed certified public accountants. We believe the data is presented in a manner designed to set forth fairly the financial position and results of operations for the City for fiscal year 2009.

This report was prepared by the Finance Department of the City of Concord and consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Concord has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Concord's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Concord's financial statements have been audited by Potter & Company, P.A. a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Concord for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved 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 auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the City of Concord's financial statements for the fiscal year ended June 30, 2009, and is fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Concord was part of a broader, federally and state mandated "Single Audit" designed to meet the special needs of federal and state 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

**Finance**

federal and state awards. These reports are contained in the compliance section of this report. GAAP 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 of Concord's MD&A can be found immediately following the report of the independent auditors.

## PROFILE OF THE CITY

The City of Concord is located in the north central portion of Cabarrus County, North Carolina (the "County"). The County is located in the east central part of the Charlotte-Gastonia-Concord MSA. The City, incorporated in 1796, is the County seat and covers an area of approximately 59.62 square miles with an estimated population of 79,673. The City is located approximately one mile northeast of the City of Charlotte, North Carolina, and is one of seven incorporated municipalities in the County.

The City is governed by the council-manager form of government. The seven-member non-partisan City Council is elected at large from districts for four-year alternating terms. The Mayor is elected at large and also serves a four-year term. The Council members serve as the City's policy making body, adopting an annual balanced budget, establishing legislative direction for the City, and hiring a professional City Manager to serve as chief executive officer to direct the daily activities of the City's departments. The City Council makes extensive use of appointed boards and commissions in the development of policy decisions.

The City provides its citizens with a wide range of services that include public safety, solid waste and recycling, transportation, recreational activities, planning and community development services, and general administration. In addition, the City owns and operates electric, water, stormwater and wastewater utilities, a general aviation airport, and a municipal golf course. The Cities of Concord and Kannapolis have entered into a joint inter-local agreement that established a fixed route public transportation service, Concord/Kannapolis Area Transit System that began in April of 2004. The City has a Housing Department, which provides housing and housing assistance programs for low-income residents through funding from the Department of Housing and Urban Development. This report includes all of the City's activities related to those services, as well as activities of all component units of the City.

The City Council appoints members of the Alcoholic Beverage Control Board. The City receives a share of the profits but does not participate in managerial control of operations. This organization is included as a component unit in the financial statements under discrete presentation.

First Concord Corporation has been established as a nonprofit organization of the City. It has been specifically organized, and is operated exclusively, for the purpose of promoting the general welfare of the citizens of the City as a financing vehicle for the City. This Corporation is included as a blended component unit within the financial statements.

North Carolina General Statutes require formal budgetary accounting for all funds. The departments of the City are required to submit request for appropriations to the City Manager no later than April 30 each year. These requests are used as a starting point for developing a proposed budget. The City Manager presents the proposed budget no later than June 1. The City Council is required to hold public hearings on the proposed budget and to adopt a final



budget no later than June 30. Budgets are legally enacted by adoption by the governing board of an Annual Budget Ordinance or a Capital Project Ordinance. The Annual Budget Ordinance and Capital Project Ordinance may be formally amended as required by the governing board within the guidelines of the Local Government Budget and Fiscal Control Act. Changes of functions and total budgets of any fund require approval of the governing board. The City Manager is authorized to reallocate departmental appropriations, as he considers necessary, and to effect interdepartmental transfers within a fund as long as it does not exceed 10% of the appropriated monies for the department whose allocation is reduced. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. A Capital Project Ordinance is used to establish a budget for a project that extends over more than one fiscal year. Capital Project's budget to actual comparisons for each governmental fund for which a capital project budget has been adopted is also included in this report.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. These outstanding encumbrances are reported as "Reserved for Encumbrances" in the fund balance section of the Governmental Funds Balance Sheet (Exhibit C) and will be carried forward with their budget appropriations to the subsequent year.

## FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Concord operates.

LOCAL ECONOMY – Current economic events continue to be a concern for the City just like it has been for the entire nation. Local indicators point to anticipated reductions in revenue growth due to declines in consumer spending and the market effects on investment earnings. The City has projected little to no growth in the current fiscal year due to conservative budget estimates. Per the N.C. Fiscal Research Division's September report, the latest expectations are that the recession is over, but it will continue to feel like we are in a recession as current economic conditions show little sign of recovery. These conditions are expected to persist throughout this fall and well into 2010. Various national forecasts assume that an economic recovery is unlikely until the last quarter of 2009 and we anticipate that the City will track closely to the national projections. The City's economy does benefit from the close proximity to Charlotte and access to major Interstate and US highways, as well as Charlotte-Douglas International Airport and major Norfolk-Southern Railway lines. In the past, this has led to increased economic growth and diversification and as the economy recovers the City anticipates continuing to see these benefits. Principal products and services of major businesses include electrical devices, plastics, apparel, telecommunications, internet service, automotive products, beverages, food, gourmet coffee roasting and supply, printing and publishing, concrete products, lumber and wood, specialized coloring, fabricated metal and machinery products, motorsports, mobile and modular home components and corrugated packaging.

Concord has also evolved into a major tourist destination in North Carolina. Concord Mills has the highest number of visitors of any attraction in North Carolina. Lowe's Motor Speedway, the ZMax Dragway and NASCAR team race shops bring in hundreds of thousands of people that use lodging and restaurants and shop. This has also led to the development of other facilities such as

the Embassy Suites Resort/Concord Convention Center, the Great Wolf Lodge and many other limited service hotels.

The distribution, warehousing and shipping industry is a growing sector of the City's economy. This industry also benefits from close proximity to Charlotte (a regional trucking and manufacturing center with a major commercial international airport) and from access to Interstate 85, which has seven existing interchanges in the City. In addition, Interstate 77 interchanges with Interstate 85 and three other major highways within 15 miles of the City.

Concord has been aggressive in pursuing Federal stimulus money intended to spark economic activity across the country. The City has already received notice of the following awards:

- Brownfield Assessment Grant for private sector entities to conduct Phase 1 and, if needed, Phase 2 environmental assessments on privately owned property
- FTA - Section 5307 Grant (urban area formula grant) awarded through NCDOT for Transit Center furnishings and technology for automated bus locator/real-time arrival system
- Energy Efficiency and Conservation Block Grant (EECBG) for traffic signals, street lighting, and energy efficiency building retrofit improvements
- Department of Justice Byrne/JAG Grant to upgrade police radios and purchase in-car cameras for vehicles
- Community Development Block Grant (CDBG) for sidewalks on Cabarrus Ave. and Lincoln St., and storm drainage on Swink St.
- Public Housing Capital Fund Grant for improvements to public housing units' water service infrastructure

The City is engaged in short-range and long-range planning to provide the necessary infrastructure to accommodate the City's future growth. The City, other local governments, and local business leaders cooperate in economic recruiting and development efforts. The Cabarrus Regional Partnership, which operates with a full-time staff, serves as the primary recruiting and marketing entity for economic development. Due to the availability of sites within commercial and industrial parks with all municipal services available located near major highways and interstates, the City expects continued economic development in the area once the economic conditions improve.

In late June of 2007, Philip Morris announced it would cease operating its manufacturing facility in Concord by the end of 2010. In April of this year Philip Morris announced this closure would occur this July. This "double hit" of the recession and the loss of Concord's largest taxpayer and one of the largest water and sewer ratepayers are substantial. The advanced notice allowed the City to prepare for the loss in Philip Morris revenues through careful financial planning. Of course, the City will be in better shape when the region's economy begins to rebound.

Philip Morris currently represents \$4,577,798 in tax revenues for Concord. This is broken down with \$2,242,608 attributed to real property and \$2,335,190 to personal property. The challenge in front of us is preparing for the loss of this revenue. It is safe to project that most of the \$2,335,190 in personal property taxes will be gone for FY 2010-11. While proportionally the impact on overall water and wastewater revenues is not as great as the eventual reduction in tax base, the loss is immediate. A combined \$1.8 million will be lost due to the closing of the plant in FY 2009-10. This was partially offset by water and sewer rate increases for 2009-10.

## LONG TERM FINANCIAL PLANNING

Despite the economy, investment in infrastructure continues. For example, a new common aircraft hangar is about to be completed at Concord Regional Airport and work is getting ready to begin on privately funded hangars in the south development area, which the City has worked on for the past several years. Work on Airport runways and taxiways have been continuous, as this infrastructure has proven vital to our local economy.

In the area of surface transportation, a new Transit Center is now being constructed to accommodate the buses from the joint Concord and Kannapolis RIDER Transit system. The facilities are designed to meet LEED certification levels as a “green” building. Ridership in this system as well as the Concord Express connection between Concord and Charlotte continues to be strong.

Improvements to area roads are also planned. The City is matching federal dollars to design and construct a widening project for Derita Road, a major economic development corridor and the entrance to Concord Regional Airport. The City is partnering with NCDOT to improve Morehead Road to address safety and congestion problems. Finally, the City is up-fronting dollars so that the extension of George Liles Parkway can start earlier than programmed in the NC Transportation Improvement Plan. This project is vital as it not only provides a direct link from I-85 through the Philip Morris property; it also addresses traffic congestion issues on Weddington Road and the Lowe’s Motor Speedway area.

During the past fiscal year the City opened Fire Station 9, located on City property at the intersection of Poplar Tent and Ivey Cline Roads. The City is now exploring options on Station 10 also located on Poplar Tent Road but further out near Harris Road. This has been the fastest growing part of Concord. When this station is completed, the firefighters assigned to the pumper at Station 6 at Concord Regional Airport will be relocated, leaving those assigned to ensuring the safety at Airport. Federal funds are being pursued for the construction of this new station, but if this is not achieved there is a good chance a temporary facility will be constructed.

The City’s greenways continue to expand though out the community. Preliminary routing of a portion of the Rocky River Greenway will be complete this year. The plan is to use this information to seek matching funding for actual projects. This green part of the regional Carolina Thread Trail effort. The downtown greenway connector was completed connecting Mickey McGee Park and Harold McEachern Greenway to McCachern Blvd.

This City is investing in its electrical infrastructure to cover new growth in the western part of the City as well as to upgrade system capacity and reliability in existing areas. The City is also conducting extensive reviews of operations and procedures to make sure the electric department is well positioned to meet the new challenges in today’s electric markets.

The City continues to plan for future needs related to the City’s water resources. Revenue bonds have been issued to pay for an elevated storage tank and other improvements to provide coverage to growing areas in Concord. Additional water sources are being actively pursued. It is anticipated that by the end of this fiscal year, Concord will be well underway with the design of a water line to connect with the City of Albemarle’s system in partnership with Albemarle and Kannapolis. This involves using an interbasin transfer certificate obtained in 2007 which provides for 10 MGD from the Yadkin and 10 MGD from the Catawba River. The City will also continue to be a leader in North Carolina in maximizing conservation efforts with its customers.

## CASH MANAGEMENT POLICIES AND PRACTICES

The City maintains a cash and investment pool that is used by all funds, except those restricted by statute or other legal reasons. This pool is used to facilitate disbursement and investment and to maximize investment income. North Carolina statute G.S. 159-30(c) authorizes the City to invest in U.S. Government Agency Securities, U.S. Treasury obligations, commercial paper, bankers' acceptances, certificates of deposits and the North Carolina Capital Management Trust (NCCMT), a SEC-registered mutual fund. The maturities of investments vary. Investment earnings include unrealized gains and losses from the implementation of the Governmental Accounting Standards Board ("GASB") Statement 31, which require certain investments to be recorded at market value. The City does not expect to realize these gains or losses because the City has historically held investments to maturity.

The objectives of the investment program are to first minimize investment risk and then to maximize investment yield. During the year, the majority of the City's funds were in the City's investment portfolio. Funds were also maintained in the North Carolina Capital Management Trust and Wachovia Bank for liquidity and diversity.

As of June 30, 2009, the City's cash resources were invested as follows:

U.S. Government agencies	60%
Certificates of Deposit	20%
NCCMT	<u>20%</u>
Total	<u>100%</u>

The average yield on investments at June 30, 2009 is estimated at 2.55% as compared to 1.73% for all taxable money market funds for the same period.

## RISK MANAGEMENT

The City is fully insured for property and general liability but is self funded for workers' compensation. An appointed safety committee reviews workers' compensation accidents and injuries and discusses remedies to eliminate repetition of such accidents and injuries. The committee also receives and reviews reports of independent safety inspectors such as OSHA to ensure a safe and healthful environment for all employees and the citizens of Concord. In addition, various risk control techniques, including but not limited to employee accident prevention training, have been implemented to minimize accident related losses. A full time safety, health and risk management officer administers the safety and risk management program and is responsible for administering ADA rules and regulations. Costs associated with risk management are recorded in the general and enterprise funds.

Additional information on the City's risk management activity can be found in the notes to the financial statements.

## PENSION AND OTHER POST EMPLOYMENT BENEFITS

The City of Concord administers a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The City is required by

Article 12D of G.S. Chapter 143 to provide these 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 annual required contribution for the 2009 year was determined as part of the December 31, 2007 actuarial valuation using the projected unit credit actuarial cost method.

The City contributes to a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. This plan provides retirement benefits to law enforcement officers and all other employees employed by the City. 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 are vested immediately. The law enforcement officers may make voluntary contributions to the plan.

The City also contributes to the Statewide Local Governmental Employees' Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. This plan provides retirement and disability benefits to plan members and beneficiaries. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate.

The City of Concord also provides postretirement health benefits to retirees and their dependents. As of the end of the current fiscal year, there were 89 retired employees receiving benefits, which are being partially funded.

Additional information on the City's pension arrangements and post employment benefits can be found in the notes to the financial statements.

## AWARDS AND ACKNOWLEDGEMENTS

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 Concord, North Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2008. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The comprehensive annual financial report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. The City of Concord has received a Certificate of Achievement for the last nineteen consecutive years.

The presentation of this report could not have been accomplished without the assistance and dedication of the entire staff of the Finance Department. Special thanks go to Accounting Manager, Jessica Jones, and the entire accounting staff for their contribution and preparation of this report. We also appreciate the cooperation and assistance of the other City departments, as well as the assistance of the City's independent auditor, Potter & Company, P.A., in their assistance of this report. In addition, we express our appreciation to the Mayor and City Council

for their continued support and leadership in conducting the financial activities of the City in a responsible and progressive manner.

Respectfully submitted,



W. Brian Hiatt  
City Manager



Pam Hinson  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Concord  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

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.



President

Executive Director

CITY OF CONCORD, NORTH CAROLINA  
CITY GOVERNING BODY AND OFFICIALS

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Members of the Governing Body  
City Council

J. Scott Padgett

Mayor

Hector H. Henry, II

Mayor Pro Tempore

W. Lamar Barrier  
Alfred M. Brown, Jr.  
David W. Phillips  
Jim Ramseur  
Ella Mae Small

W. Brian Hiatt

City Manager

Pam T. Hinson

Finance Director

Albert Benshoff

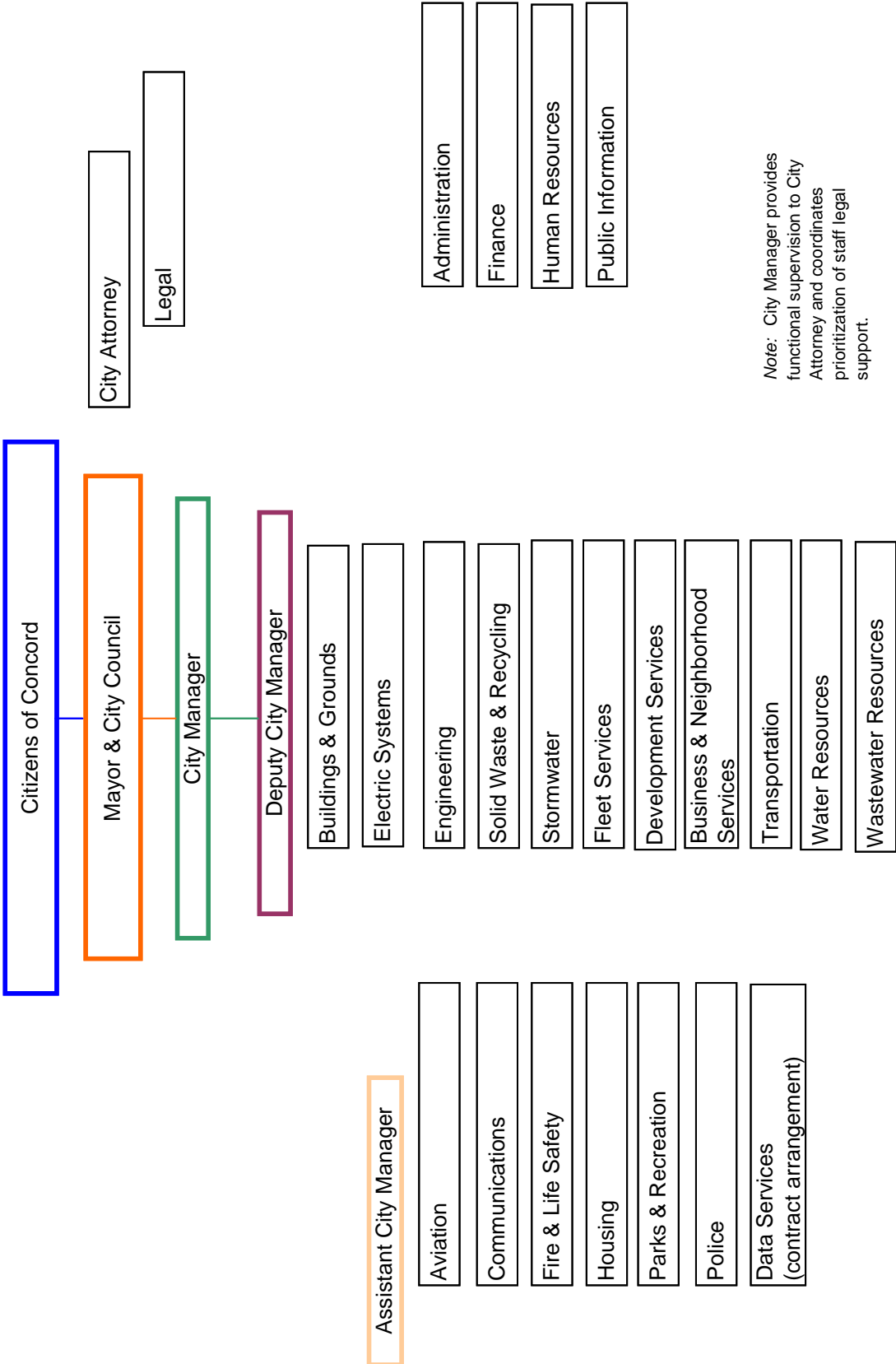
City Attorney

Kim Deason

City Clerk



# City Organization Chart



Note: City Manager provides functional supervision to City Attorney and coordinates prioritization of staff legal support.



**POTTER & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Concord, North Carolina, as of and for the year ended June 30, 2009, which collectively comprise the City of Concord, North Carolina's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Concord, North Carolina's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the City of Concord ABC Board, the component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Concord ABC Board, is based solely on the report of another auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of City of Concord ABC Board 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 opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the City's component unit, each major fund, and the aggregate remaining fund information of the City of Concord, North Carolina, as of June 30, 2009, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2009 on our consideration of the City of Concord, North Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedule and Other Postemployment Benefits (OPEB) Schedules of Funding Progress and Employer Contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Concord, North Carolina. 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. The accompanying schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by the 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 of the City of Concord, North Carolina. 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, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on them.

October 22, 2009  
Monroe, North Carolina

Potter + Company, P.A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City, we offer readers of the City of Concord's (the "City") financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. We encourage readers to read the information presented here in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this narrative.

### FINANCIAL HIGHLIGHTS

- The assets of the City's governmental and business type activities exceeded its liabilities at the close of the most recent fiscal year by \$669,154,037 (*net assets*). Of this amount, \$135,453,839 (*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 \$12,964,482 (2%). The growth is attributable to an increase in restricted and unrestricted cash.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$63,733,097, an increase of \$4,460,174 in comparison with the prior year. Approximately 76 percent of this total amount or \$48,821,928 is available for spending at the government's discretion (*unreserved fund balance*). The increase in combined ending fund balances consisted of increases in ad valorem taxes collected due to property revaluation in the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$38,762,786 or 60 percent of total general fund expenditures.
- The City holds the following underlying bond ratings:

	GO Bonds	Revenue Bonds
Fitch	AA	AA-
Moody's	Aa2	A1
Standard & Poor's	AA-	AA-

### OVERVIEW OF FINANCIAL STATEMENTS

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

### BASIC FINANCIAL STATEMENTS

The basic financial statements include two kinds of statements that present different views of the City.

The first two statements (Exhibit A & B) are the *Government-wide Financial Statements*. They provide both short and long-term information about the City's overall financial status, in a manner similar to a private-sector business.

The remaining statements (Exhibits C through K) are *Fund Financial Statements*. These statements focus on the activities of the individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the proprietary fund statements; and 3) the fiduciary fund statement.

The governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending. The proprietary fund statements offer short and long term financial information about the activities the government operates like businesses, such as the electric, water and wastewater systems. The fiduciary fund statement only reports assets and liabilities and is not reported on the government wide financial statement. Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. Following the notes is the section of *required supplemental information* and a section with combining statements that provide details on the City's non-major governmental funds and internal service fund, all of which are combined into one column on the basic financial statements. Budgetary information required by the North Carolina General Statutes can also be found in this part of the statements.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by the private-sector companies. The two government-wide statements report the City's *net assets* and how they have changed.

The *statement of net assets* includes all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public works, public safety, transportation, planning and community development and cultural and recreational. The business-type activities include electric, water, wastewater, aviation, transit, storm water and municipal golf course operation

The government-wide financial statements include not only the City of Concord itself (known as the primary government), but also a legally separate ABC Board and First Concord Corporation, for which the City of Concord is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 30 through 32 of this report.

## **FUND FINANCIAL STATEMENTS**

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 Concord, like all other governmental entities in North Carolina, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements such as the General Statutes or the City's budget ordinance. All of the funds of the City of Concord 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. These funds focus on how assets can readily be converted into cash flow in and out, and the balances 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 provide a current financial resources 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 fewer financial resources available to finance the City's programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nineteen 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 balance for the general fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation.

Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Concord adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the 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 Statement of Revenues, Expenditures and Changes in Fund Balance. 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 variance between the final budget and the actual resources and charges.

## **Proprietary Funds**

The City maintains two types of proprietary funds. Enterprise Funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, wastewater, stormwater, aviation, golf course, transit and public housing operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the functions of the City. The City of Concord uses an internal service fund to account for the financing of goods and services provided by the Utility Collections department, Customer Service department, Billing department, Engineering department, Purchasing department, Call Center department, Fleet Service department, Data Service department and Building and Grounds department. Because these operations benefit predominately business type rather than governmental activities, the internal service fund has been blended within the business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for electric, water, wastewater, stormwater, and aviation operations, all of which are considered to be major funds of the City. Conversely, the internal service fund is combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service fund is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 43 through 50 of this report.

## **Fiduciary Funds**

The City of Concord accounts for two fiduciary funds. Fiduciary Funds use accounting much like Proprietary fund types and are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Concord's programs. The Fiduciary Fund statements are located on pages 51 through 52 of this document.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 54 through 77 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's progress in funding its obligation to provide pension benefits and post retirement health benefits to its employees. Required supplementary information can be found on pages 78 through 81 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and non-major enterprise funds are presented immediately following the supplemental information. Combining and individual fund statements and schedules can be found on pages 84 through 101 of this report. Other supplemental information regarding the internal service fund of the primary government is located on pages 145 through 146.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The assets of the City exceeded liabilities by \$669,154,037 as of June 30, 2009.

By far the largest portion of the City's net assets (80 percent) reflects its investment in capital assets (e.g., land, buildings, automotive equipment, office and other equipment, electric system and distributions stations, water treatment and storage facilities, water distribution lines, and wastewater lines, less any related debt still outstanding that was issued to acquire those assets). The City of Concord 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 themselves cannot be used to liquidate these liabilities.

City of Concord's Net Assets  
Table 1

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Current and other assets	\$64,755,031	\$69,827,601	\$79,012,280	\$97,703,307	\$143,767,311	\$167,530,908
Capital assets	338,510,403	334,185,850	353,469,371	364,408,757	691,979,774	698,594,607
Total Assets	403,265,434	404,013,451	432,481,651	462,112,064	835,747,085	866,125,515
Long-term liabilities outstanding	45,264,369	42,794,276	116,987,124	137,432,441	162,251,493	180,226,717
Other liabilities	4,485,159	4,776,303	12,820,878	11,968,458	17,306,037	16,744,761
Total liabilities	49,749,528	47,570,579	129,808,002	149,400,899	179,557,530	196,971,478
Net assets:						
Invested in capital assets, net of related debt	299,422,732	299,238,599	247,374,035	232,711,487	546,796,767	531,950,086
Restricted	2,000,450	1,716,091	-	-	2,000,450	1,716,091
Unrestricted	52,092,724	55,488,182	55,299,614	79,999,678	107,392,338	135,487,860
Total net assets	\$353,515,906	\$356,442,872	\$302,673,649	\$312,711,165	\$656,189,555	\$669,154,037

An additional portion of the City's net assets (less than 1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$135,487,860) may be used to meet the government's ongoing obligations to citizens and creditors.

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



There was an increase of \$2,926,966 in net assets reported in connection with the City of Concord's governmental type activities. This large increase is associated with an increase in cash and investments, due to a revaluation year that generated additional cash in the property tax collections. Governmental-type activity's total liabilities decreased \$2,178,949 as the City continues to reduce long term debt balances. Unrestricted assets increased as more resources are not subject to external restrictions.

During the current fiscal year, total net assets for business-type activities increased by \$10,037,516. Capital contributions in the business-type activities of the water, wastewater and airport funds account for the majority of the increase.

City of Concord's Changes in Net Assets

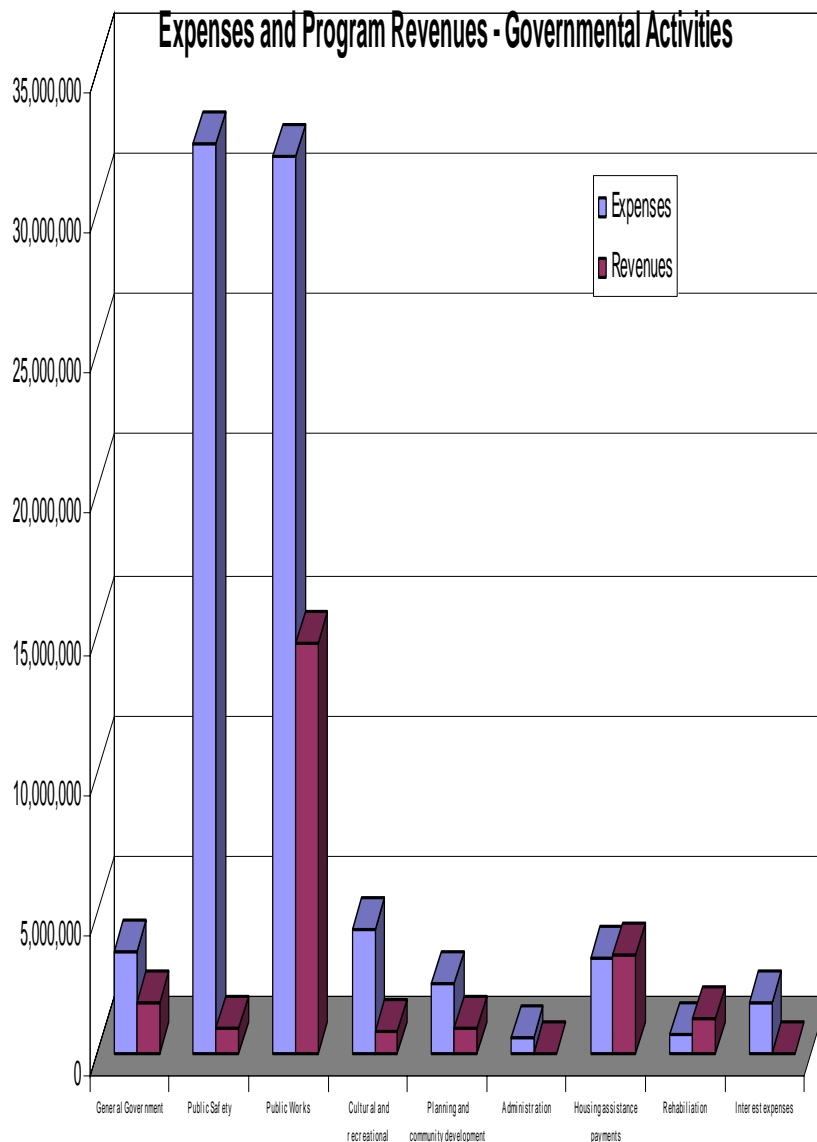
Table 2

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Revenues:						
Program revenues:						
Charges for services	\$5,624,817	\$4,484,165	\$111,210,708	\$107,606,324	\$116,835,525	\$112,090,489
Operating grants/ contributions	7,589,562	6,772,165	2,934,222	3,191,973	10,523,784	9,964,138
Capital grants/contributions	45,810,044	12,178,471	8,199,207	7,721,792	54,009,251	19,900,263
General revenues:						
Ad valorem taxes	37,881,901	44,094,142	-	-	37,881,901	44,094,142
Other taxes	13,899,527	13,390,448	-	-	13,899,527	13,390,448
Grants and contributions not restricted to specific programs	2,745,792	3,237,013	-	-	2,745,792	3,237,013
Investment earnings	2,439,936	1,385,206	2,648,596	2,467,828	5,088,532	3,853,034
Miscellaneous gain(loss)	646,073	1,230,921	63,531	182,333	709,604	1,413,254
Total revenues	<u>116,637,652</u>	<u>86,772,531</u>	<u>125,056,264</u>	<u>121,170,250</u>	<u>241,693,916</u>	<u>207,942,781</u>
Expenses:						
General government	3,217,768	3,603,395	-	-	3,217,768	3,603,395
Public safety	29,389,987	32,327,159	-	-	29,389,987	32,327,159
Public works	30,592,926	31,815,013	-	-	30,592,926	31,815,013
Cultural & recreational Planning & community development	4,263,979	4,356,816	-	-	4,263,979	4,356,816
Administration	2,612,748	2,516,223	-	-	2,612,748	2,516,223
Housing assistance payments	526,464	557,556	-	-	526,464	557,556
Rehabilitation	3,251,666	3,351,185	-	-	3,251,666	3,351,185
Professional services	1,586,145	680,796	-	-	1,586,145	680,796
Interest on long term debt	-	-	-	-	-	0
Electric	1,815,914	1,847,213	-	-	1,815,914	1,847,213
Water	-	-	57,480,622	63,073,567	57,480,622	63,073,567
Wastewater	-	-	16,915,149	15,692,404	16,915,149	15,692,404
Regional airport	-	-	13,381,789	14,205,883	13,381,789	14,205,883
Stormwater	-	-	13,106,629	10,668,036	13,106,629	10,668,036
Other nonmajor business-type activities	-	-	3,613,613	3,879,657	3,613,613	3,879,657
Total expenses	<u>77,257,597</u>	<u>81,055,356</u>	<u>110,340,542</u>	<u>113,922,943</u>	<u>187,598,139</u>	<u>194,978,299</u>
Increase in net assets before transfers	39,380,055	5,717,175	14,715,722	7,247,307	54,095,777	12,964,482
Transfers	(4,006,754)	(2,790,209)	4,006,754	2,790,209	-	-
Increase (decrease) in net assets	35,373,301	2,926,966	18,722,476	10,037,516	54,095,777	12,964,482
Net assets, July 1	318,142,605	353,515,906	283,951,173	302,673,649	602,093,778	656,189,555
Net assets, June 30	<u>\$353,515,906</u>	<u>\$356,442,872</u>	<u>\$302,673,649</u>	<u>\$312,711,165</u>	<u>\$656,189,555</u>	<u>\$669,154,037</u>

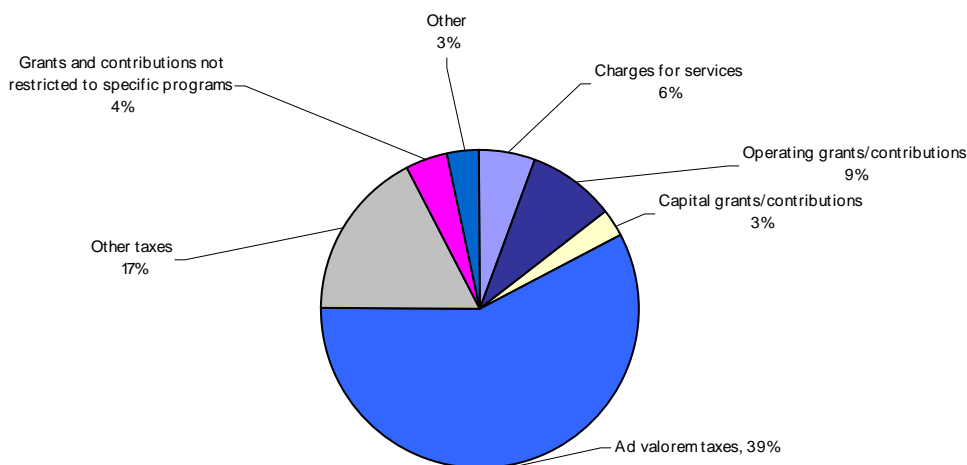
## Governmental Activities

In fiscal year 2009, the net assets of governmental activities increased by \$2,926,966. This increase is the result of growth in cash and investments associated with property tax revenue. Table 2 above, illustrates key elements of the increase in the governmental activities net assets. Listed below are a few points highlighting significant changes in net assets.

- Property taxes increased by \$6,212,241 (16%) during the year. This increase is due to the revaluation which increased assessed values for the City approximately 27% in fiscal year 2009.
- As the economy declined, so did some of the City's revenue sources. Charges for services decreased 20% due to the decline in demand for these services.
- Investment earnings decreased \$1,054,730 (43%) as interest rates are below 1%.
- The governmental activities increase in expenses (5%) closely parallel inflation and increases for personnel costs. The City implemented spending restrictions in fiscal year 2009, which were needed due to the decrease in revenue collections.



## Revenues by Source - Governmental Activities



### Business-type Activities

Business type activities increased the City's net assets by \$10,037,516 (3%). The water, wastewater and Regional Airport Funds recorded capital contributions of \$1,691,770, \$3,128,929 and \$2,901,093 respectively, in the most recent fiscal year. Developers of subdivisions within the City's service area donated this water and wastewater infrastructure.

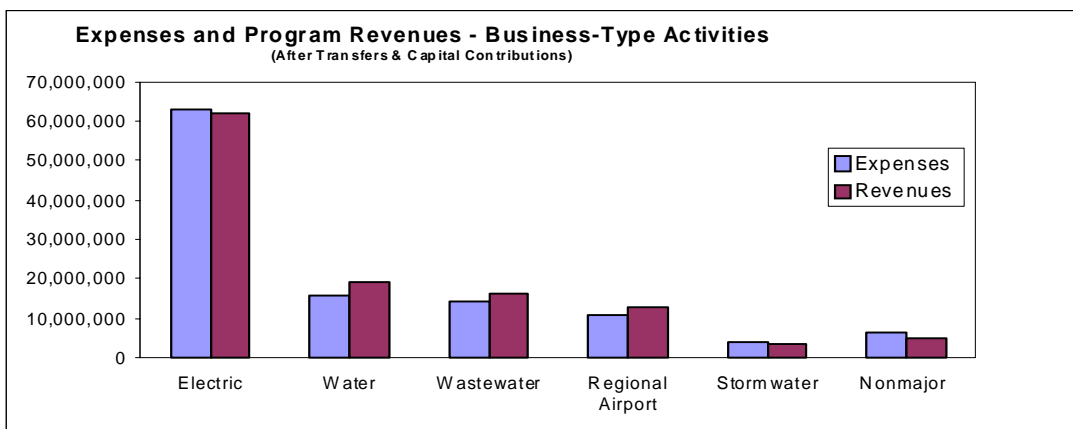
Key elements of the increase in business type activities, illustrated in table 2 located on page 19 are as follows:

- Charges for services for business-type activities decreased by 3%, \$3,604,384.
  - The cities water and wastewater divisions' decreased 6% and 4% respectively, due to a severe drought in this region of the state. The City encouraged customers to conserve and use less water. Restrictions were lifted during fiscal year 2009, but customers continued conservation measures not only due to the previous drought but also due to economic conditions that resulted in a desire to lower their utility bills.
  - Aviation charges for service decreased 13% when compared to the previous year. The Concord Regional Airport (CRA) continues to be one of the busiest general aviation airports in North Carolina, but current economic conditions have resulted in a decrease in demand from recreational flyers, motorsports industry employees and clientele. Current projections indicate that the demand for fuel will increase, but it will take time for the economy to recover and growth will be slow.
  - Stormwater charges for service increased 5% when compared to last year's collections. The Stormwater program has operated for three full years, and the

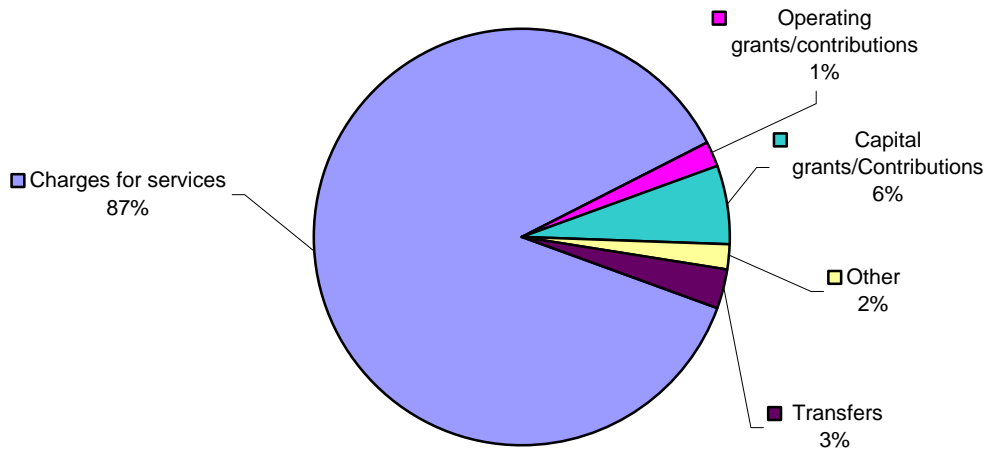
billing has been fully implemented. An internal review of the system is continuing to discover customers who should be added to the billing for Stormwater fees.

- Electric charges for service decreased less than 1/2% for fiscal year 2009. Consumption remained stable this year when compared to prior year numbers. Although the City did experience some population and development growth it is clear that consumers were practicing conservation measures as economic conditions were providing customers with an incentive to conserve. Duke Energy Corporation; the main supplier for City power continues to increase in wholesale costs to the City. During calendar year 2008 these costs increased approximately 18.5%, due to these large increases the City evaluated rates during fiscal year 2009. Effective, May of 2009 the City Council approved a 9% rate increase to offset the large increase in wholesale costs. The City continues to monitor the profit margin for the electric fund and is currently performing a rate study and analysis for the Electric Department.
- Increases in operating expenses were \$3,582,401 (3%). The City made major budget cuts when revenues began to slow due to the economic conditions within the nation and our area of the state. These conservative measures ensured that operating costs did not outpace the City's revenue sources.
  - The City purchases the majority of power from Duke Energy, thus any increase in wholesale rates affect operating costs of this division. Operating expenses increased 9% in fiscal year 2009 which were entirely a result of the wholesale rate increases passed to the City from Duke Power.
  - Water operating expenses decreased 8% this year, due to a decrease in chemical costs associated with increased treatments due to the drought in the area for the majority of the previous year. As mentioned above, the drought conditions did exist in fiscal year 2009, but the restrictions were lifted before spring. Wastewater operating costs were also down, 5%, as this department also experience budget cuts due to the decrease in rate revenue.
  - The airport operating expenses decreased 20%; the majority of this decrease was associated with the cost of fuel for resale and the amount of fuel the airport purchased. As previously discussed, the demand for fuel was not as high; therefore, the airport did not purchase as much fuel as was needed in the previous year.

The City's internal service fund is reported as a Business-type activity (proprietary fund) since enterprise funds are the largest users of the internal service fund's activities. The fund supports and assists these departments on a daily basis and is comprised of Utility Collections, Data Services, Billing, Customer Service, Engineering, Customer Care Services, Fleet, Purchasing, and Building and Grounds.



## Revenues by Source - Business-type Activities



### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

#### Governmental Funds

The focus of the City of Concord's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Concord's governmental funds reported combined ending fund balances of \$63,733,097, an increase of 7.5 percent in comparison with the prior year. Funds that are available for spending at the government's discretion (unreserved and undesignated) represent 75% of the City's ending fund balance. The remaining fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to liquidate purchase orders of the prior period (\$1,818,166), 2) to fund eligible Powell Bill expenses (\$1,599,319), 3) to reserve the amount required by state statute (\$11,326,927) and 4) for a variety of other restricted purposes (\$166,757).

The general fund is the principal operating fund of the City of Concord. At the end of the current fiscal year, the unreserved fund balance in the general fund was \$38,762,786, while total fund balance for the general fund reached \$52,507,102; representing an increase of \$5,661,369. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 59 percent of total general fund expenditures, while total fund balance represents 82 percent of that same amount. Key factors in the fund balance increase are as follows:

- Ad valorem taxes increased \$5,777,798 due to the revaluation of property values. Total assessed values of the City increased 27% as a result of this reassessment of property values by Cabarrus County. Cabarrus County performs reassessments of property values every four years. The tax rate did decrease to \$.4200 per \$100 for fiscal year 2009, a decrease of 2.75 cents from fiscal year 2008.

Other governmental fund balance decreased \$1,201,195 due to a decrease in the City's Housing Assistance payments and Home fund resources.

### **Proprietary Funds**

The City of Concord's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail:

Unrestricted net assets of the electric fund, the water fund, the wastewater fund and the regional airport fund at the end of the year were \$25,264,964, \$35,913,847, \$6,671,704 and \$8,992,082, respectively. The unrestricted net assets of all other enterprise funds were \$4,082,901. The total growth in net assets for the proprietary funds was \$10,037,516. Factors affecting the growth are addressed in more detail in the discussion of the City of Concord's business-type activities above.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increase in appropriations that become necessary to maintain services.

Total amendments to the General Fund decreased revenues and expenditures by \$364,319 or less than 1%. This does not represent a significant budgetary variance between original and final amended budget for the City. A few differences between original and amended budgets are as follows:

- Total Ad Valorem was amended (\$106,000) to reflect actual estimated collections over original budget projections.
- The original budget for other taxes was decreased by (\$1,290,000) to reflect the actual estimated collections for sales tax disbursements.
- Unrestricted intergovernmental revenue's budget (includes utility franchise tax) was amended by \$281,751 to reflect anticipated increases over original budgets.
- Investment earnings original budget was decreased by \$100,000 due to lower anticipated earnings.
- Other revenues original budget was amended \$685,747, to reflect actual year end collections.

At year-end, *actual* revenues exceeded *final amended budget* numbers by 4%. *Actual* expenditures were less than *final budgetary* figures by 10%, thus eliminating a reduction in fund balance.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

The City of Concord's investment in capital assets for its governmental and business-type activities as of June 30, 2009, totals \$698,594,607 (net of accumulated depreciation). These assets include land, buildings, machinery and other equipment, improvements and

infrastructure. The total net increase in the City of Concord's investment in capital assets for the current fiscal year was 1 percent (a 1.5 percent decrease for governmental activities and a 3 percent increase for business-type activities).

Major capital asset transactions during the year included the following:

- Construction of electric substations and enhancements/improvements to the electric transmission lines in amount of \$2,699,936.
- Construction of airport runway extension and improvements totaling \$4,751,467.
- Construction in progress of a new fire station #9 totaling \$2,131,891.
- Purchase of 2 new fire trucks totaling \$1,055,880.
- Purchase of vehicles and equipment for general fund totaling \$1,822,137.
- The extension of the distribution and transmission lines for the City's water system and upgrades/improvements to the system in the amount of \$4,205,529.
- The extension of the distribution and transmission lines for the City's wastewater system totaling \$8,514,887.
- Extension and improvements of the City's Greenway Systems totaling \$909,096.

Additional information on the City of Concord's capital assets can be found in Note 5 of the Basic Financial Statements located on page 63.

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
	\$	\$	\$	\$	\$	\$
Land	58,607,707	61,466,803	37,903,846	38,144,039	96,511,553	99,610,842
Construction in progress	3,175,830	5,276,412	35,895,483	38,492,275	39,071,313	43,768,687
Buildings and systems	40,131,063	40,552,799	50,830,464	51,089,225	90,961,527	91,642,024
Improvements other than buildings	2,430,708	2,430,708	336,985,118	356,970,126	339,415,826	359,400,834
Machinery and equipment	30,461,516	31,730,001	22,880,718	23,471,816	53,342,234	55,201,817
Infrastructure	480,633,841	491,266,875	-	-	480,633,841	491,266,875
Sub-total	615,440,665	632,723,598	484,495,629	508,167,481	1,099,936,294	1,140,891,079
Less Accum. Depreciation	(276,930,262)	(298,537,748)	(131,026,258)	(143,758,724)	(407,956,520)	(442,296,472)
Total	\$ 338,510,403	\$ 334,185,850	\$ 353,469,371	\$ 364,408,757	\$ 691,979,774	\$ 698,594,607

## Long-term Debt

At the end of the current fiscal year, the City of Concord had total debt outstanding of \$169,016,093 (principal). Of this amount, \$235,000 comprises debt backed by the full faith and credit of the City and \$113,898,680 represents bonds secured solely by specified revenue sources (i.e., revenue bonds). The City also has \$37,810,000 and \$17,072,413 outstanding in installment notes and purchases, respectively.

General Obligations, Installment Purchases and Revenue Bonds

Table 4

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
General Obligation bonds	\$ 366,910	\$ 235,000	\$ 678,089	\$ -	\$ 1,044,999	\$ 235,000
Installment purchases	6,576,873	5,990,676	11,055,000	11,081,737	17,631,873	17,072,413
Revenue Bonds	3,375,678	3,107,985	90,359,322	110,790,695	93,735,000	113,898,680
Installment notes	28,865,300	25,593,310	13,259,700	12,216,690	42,125,000	37,810,000
Total long-term debt	\$ 39,184,761	\$ 34,926,971	\$ 115,352,111	\$ 134,089,122	\$ 154,536,872	\$ 169,016,093

In the current fiscal year, the City of Concord's total debt increased by \$14,479,221 (9 percent). New debt is listed below:

- New debt in the amount of \$27,365,000 was issued as revenue bonds in July of 2008, to finance system improvements for the water, wastewater and electric utility systems. The Utilities Systems Revenue Bonds, Series 2008 are due in annual installments of \$500,000 to \$1,595,000; through December 1, 2035; interest from 3.00% to 5.00%.
- New debt in the amount of \$23,935,000 was issued as revenue bonds in May 2009, to refund the balances of the Series 1998A and 1998B Utilities Systems Revenue Bonds. The Utilities Systems Revenue Bonds, Series 2009 are due in annual installments of \$2,275,000 to \$3,745,000; through December 1, 2017; interest from 3.00% to 5.00%.
- New debt in the amount of \$780,000 was issued as an installment financing agreement with SunTrust Bank in September of 2008, to finance an Electric bucket truck, an electric transformer and a Street sweeper truck. The agreement terms are annual installments of \$149,082 to \$165,733 through June 2013; interest 3.545%, payable from Stormwater and Electric Funds.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin (excess of the amount of debt legally authorized over the amount of debt outstanding) for the City is \$748,038,608. The current debt limitation for the City of Concord is \$779,857,594, which is significantly greater than the City of Concord's outstanding general obligation debt.

Additional information on the City of Concord's long-term debt can be found in note 7 on pages 65 through 70 of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for Cabarrus County at June of 2009 was 11.6%, which is an increase from a rate of 6.5% in June of 2008. The state's unemployment rate for June of 2009 was 11.2%.



- Population has increased from 27,347 in 1990 to an estimated 79,264 as of July 1, 2008 (per the Office of State Budget and Management), which represents a growth rate of 190%. The City experienced a 10% growth in current year population when compared to the certified population estimate as of July 1, 2007.
- The economy will be the biggest factor impacting future Concord budget recommendations. The economic conditions have hurt sales and property tax collections. Visitors and residents either losing their jobs or being reduced to part-time status leads to less disposable income. It has also leveled off any growth in utility revenues as businesses and residents require less use. While some feel the economy is stabilizing at this point, it is not clear if we are starting to come out of the recession or not.
- In late June of 2007, Philip Morris announced it would cease operating its manufacturing facility in Concord by the end of 2010. In April of this year Philip Morris announced this closure would occur this July. This “double hit” of the recession and the loss of Concord’s largest taxpayer and one of the largest water and sewer ratepayers are substantial. The challenge ahead is preparing for the loss of this revenue. As a result, the tax rate approved after receiving the results of the Cabarrus County’s revaluation took into account the projected minimum \$2.4 million loss in property tax revenues alone once operations are fully relocated in 2010. The water and wastewater funds will also see revenue losses due to the closing, though the impact on those funds will be less than the general fund. While proportionally the impact on overall water and wastewater revenues is not as great as the eventual reduction in tax base, the loss is immediate. A combined \$1.8 million will be lost due to the closing of the plant in FY 2009-10. This led to the recommendation to cut costs significantly in both FY 2008-09 and 2009-10 and the necessity of increasing rates.
- Concord has been aggressive in pursuing Federal stimulus money intended to spark economic activity across the country. Most of these funds, to date around \$2,000,000, are not reflected in this recommendation because the expenditures have not been finalized and approved by the appropriate Federal agencies.

All of these factors were considered in preparing the City of Concord’s budget for fiscal year 2010. The amount available for appropriation in the general fund is \$35,947,875. Concord has an appropriation from fund balance for the 2010 fiscal year of \$1,500,000, which will fund one time capital project items.

The tax base used in the fiscal year 2010 budget preparation represented a 2% increase in real property values from fiscal year 2009. The tax rate will remain at \$.4200 per \$100 for fiscal year 2010.

Concord, along with several other North and South Carolina communities, purchases power wholesale from Duke Energy. These rates are regulated by the Federal Energy Regulatory Commission (FERC). Since 1996, this contract has been largely “fixed” with the major variable being fuel adjustment costs. Between 2002 and January, 2009 wholesale unit costs from Duke increased by 26.4 percent due to fuel adjustments. During the same time period, Concord increased its retail unit costs by only 6.9% through operational efficiencies and the growth in the system. The previous contract with Duke Energy expired and, effective January 1, 2009, Concord and the other communities are now operating under a new contract which resulted in an additional increase in wholesale costs in excess of 6 percent.

As a result, the City experienced an increase in wholesale costs of approximately 18.5 percent during calendar year 2008. Under the new contract, Duke will continue to adjust wholesale

costs, as approved by FERC, effective in January of every year. Despite past efforts to hold down retail costs and cuts in the FY 2008-09 budget of over \$2,000,000, it became necessary to begin raising retail rates to better reflect the rising wholesale costs in order to maintain current customer service and system maintenance levels. Council approved an overall 9% increase effective in effective May 2009. Future adjustments will be considered based on a cost of service analysis taking into account the Duke changes in January of every year. Due to Duke's schedule for wholesale increases, this budget reflects another 7% retail rate increase to be effective January 1, 2010.

Water rates and charges were increased for the 2010 budget year. The three tier water rate structure is designed to promote water conservation and to adjust volumetric rates charged to each customer class to be more consistent with actual differences in the cost of service among classes. The water rate increase, for base rates and volume rates, will result in a \$1.39 monthly increase in the average residential bill based upon average consumption per household of 4,800 gallons.

The wastewater rate structure is designed for all customers to pay a uniform volume rate based on their metered water consumption. Customers that do not have water service will pay a flat fee. Wastewater volume charges and base charges increase in the 2010 budget year. The wastewater rates were increased by an average of \$1.69 per month for the average residential customer's bill based upon average consumption per household of 4,800 gallons.

The primary reason for these rate increases is the immediate loss of revenues from the Philip Morris shutdown. Due to the sudden nature of this announcement and the current economic conditions, there has not been time for adequate new growth to offset the loss of this customer. In addition, capital funds are needed for vital future waterline projects, including the Yadkin River water connection. While the City will continue to aggressively promote conservation, budget projections assume the drought is over and that the amount of purchased water can be reduced during the fiscal year.

There is no increase in the stormwater fee that was implemented in FY 2005-06 to meet the mandated Phase II stormwater requirements. The fee remains at \$4.30 per Equivalent Residential Unit. Revenues in FY 2009-10 will be used for required system mapping, for maintenance projects, to match federal dollars for stream restoration projects and to expand maintenance of the existing system.

Due to the economy, the City did not fund performance-based increases or make an overall adjustment to the pay structure in FY 2009-10. The City's annual salary survey did identify the need to adjust salaries for a few classifications that were found to be behind the labor market. Monies are budgeted to implement the study findings. Money is also included to continue the longevity plan for those hired before July 1, 1996.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Concord's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Concord, P.O. Box 308, Concord, North Carolina 28026. This report may also be viewed on the City's internet located at the following address: <http://www.ci.concord.nc.us>.

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**STATEMENT OF NET ASSETS**  
**June 30, 2009**

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Cash and investments	\$ 60,646,480	\$ 57,855,626	\$ 118,502,106	\$ 2,114,828
Receivables, net	8,329,689	13,839,491	22,169,180	-
Inventories	78,491	4,445,386	4,523,877	1,085,573
Prepaid expenses	49,985	5,023	55,008	43,583
Restricted assets - cash and investments	709,215	17,984,919	18,694,134	-
Loans receivable, noncurrent	-	-	-	-
Capital assets:				
Non-depreciable	66,743,215	76,636,314	143,379,529	20,000
Depreciable, net	267,442,635	287,772,443	555,215,078	242,188
Bond issuance costs, net	13,741	3,572,862	3,586,603	-
<b>Total assets</b>	<b>404,013,451</b>	<b>462,112,064</b>	<b>866,125,515</b>	<b>3,506,172</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	3,268,183	9,416,889	12,685,072	372,839
Accrued interest payable	-	489,679	489,679	-
Unearned revenues	816,285	-	816,285	-
Deposits	691,835	2,061,890	2,753,725	-
Non-current liabilities:				
Unamortized bond premium	34,021	1,181,014	1,215,035	-
Due within one year:				
Long-term debt	5,652,791	7,210,065	12,862,856	-
Long-term installment purchases	512,088	751,582	1,263,670	-
Due in more than one year:				
Long-term debt	31,116,788	117,959,625	149,076,413	-
Long-term installment purchases	5,478,588	10,330,155	15,808,743	-
<b>Total liabilities</b>	<b>47,570,579</b>	<b>149,400,899</b>	<b>196,971,478</b>	<b>372,839</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	299,238,599	232,711,487	531,950,086	262,188
Restricted:				
Streets and highways	1,599,319	-	1,599,319	-
Other	116,772	-	116,772	-
Unrestricted	55,488,182	79,999,678	135,487,860	2,871,145
<b>Total net assets</b>	<b>\$ 356,442,872</b>	<b>\$ 312,711,165</b>	<b>\$ 669,154,037</b>	<b>\$ 3,133,333</b>

See Notes to Financial Statements.

CITY OF CONCORD, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 3,603,395	\$ 1,752,112	\$ -	\$ -
Public safety	32,327,159	706,749	154,820	-
Public works	31,815,013	-	2,345,394	12,178,471
Cultural and recreational	4,356,816	352,470	393,152	-
Planning and community development	2,516,223	853,001	-	-
Administration	557,556	-	-	-
Housing assistance payments	3,351,185	3,055	3,452,169	-
Rehabilitation	680,796	816,778	426,630	-
Interest expense	1,847,213	-	-	-
<b>Total governmental activities</b>	<b>81,055,356</b>	<b>4,484,165</b>	<b>6,772,165</b>	<b>12,178,471</b>
Business-type activities:				
Electric	63,073,567	61,902,700	-	-
Water	15,692,404	17,491,941	-	1,691,770
Wastewater	14,205,883	12,903,815	-	3,128,929
Regional airport	10,668,036	9,911,053	-	2,901,093
Stormwater	3,879,657	3,489,201	-	-
Golf course	2,046,059	1,438,552	-	-
Housing	1,865,494	283,687	1,376,017	-
Transit	2,491,843	185,375	1,815,956	-
<b>Total business-type activities</b>	<b>113,922,943</b>	<b>107,606,324</b>	<b>3,191,973</b>	<b>7,721,792</b>
<b>Total primary government</b>	<b>\$ 194,978,299</b>	<b>\$ 112,090,489</b>	<b>\$ 9,964,138</b>	<b>\$ 19,900,263</b>
Component unit - City of Concord, ABC Board	\$ 7,678,216	\$ 7,167,323	\$ -	\$ -

General revenues:

Taxes:

Ad valorem

Local government sales tax

Grants and contributions not restricted to specific programs:

Intergovernmental

Investment earnings

Miscellaneous

Transfers

**Total general revenues and transfers**

**Change in net assets**

Net assets - beginning

Net assets - ending

See Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				Component Unit
Governmental Activities	Business-type Activities	Total		
\$ (1,851,283)	\$ -	\$ (1,851,283)	\$ -	-
(31,465,590)	-	(31,465,590)	-	-
(17,291,148)	-	(17,291,148)	-	-
(3,611,194)	-	(3,611,194)	-	-
(1,663,222)	-	(1,663,222)	-	-
(557,556)	-	(557,556)	-	-
104,039	-	104,039	-	-
562,612	-	562,612	-	-
(1,847,213)	-	(1,847,213)	-	-
(57,620,555)	-	(57,620,555)	-	-
-	(1,170,867)	(1,170,867)	-	-
-	3,491,307	3,491,307	-	-
-	1,826,861	1,826,861	-	-
-	2,144,110	2,144,110	-	-
-	(390,456)	(390,456)	-	-
-	(607,507)	(607,507)	-	-
-	(205,790)	(205,790)	-	-
-	(490,512)	(490,512)	-	-
-	4,597,146	4,597,146	-	-
(57,620,555)	4,597,146	(53,023,409)	-	-
-	-	-	(510,893)	-
44,094,142	-	44,094,142	-	-
13,390,448	-	13,390,448	-	-
3,237,013	-	3,237,013	-	-
1,385,206	2,467,828	3,853,034	17,681	-
1,230,921	182,333	1,413,254	66,862	-
(2,790,209)	2,790,209	-	-	-
60,547,521	5,440,370	65,987,891	84,543	-
2,926,966	10,037,516	12,964,482	(426,350)	-
353,515,906	302,673,649	656,189,555	3,559,683	-
\$ 356,442,872	\$ 312,711,165	\$ 669,154,037	\$ 3,133,333	-

## GOVERNMENTAL FUNDS

## BALANCE SHEET

June 30, 2009

<b>ASSETS</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and investments	\$ 45,536,043	\$ 15,110,437	\$ 60,646,480
Receivables:			
Ad valorem taxes, net	1,298,945	5,515	1,304,460
Due from other governmental agencies	298,464	630,717	929,181
Sales tax refunds	907,004	590	907,594
Interest	259,649	37,782	297,431
Due from other funds	4,673,522	-	4,673,522
Other, net	4,021,435	497,764	4,519,199
Inventories	78,491	-	78,491
Prepaid items	49,985	-	49,985
Restricted assets - cash and investments	707,801	1,414	709,215
<b>Total assets</b>	<b>\$ 57,831,339</b>	<b>\$ 16,284,219</b>	<b>\$ 74,115,558</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable and accrued liabilities	\$ 2,517,172	\$ 751,011	\$ 3,268,183
Due to other funds	-	4,301,698	4,301,698
Deferred revenues	2,115,230	5,515	2,120,745
Deposits	691,835	-	691,835
<b>Total liabilities</b>	<b>5,324,237</b>	<b>5,058,224</b>	<b>10,382,461</b>
Fund Balances (Deficits)			
Reserved by State Statute	10,160,074	1,166,853	11,326,927
Reserved for encumbrances	1,818,166	-	1,818,166
Reserved for streets, Powell Bill	1,599,319	-	1,599,319
Reserved for other specific uses	38,281	-	38,281
Reserved for inventories	78,491	-	78,491
Reserved for prepaids	49,985	-	49,985
Unreserved:			
Designated for subsequent year's expenditures - general fund	1,500,000	-	1,500,000
Undesignated			
General fund	37,262,786	-	37,262,786
Capital project funds	-	5,556,958	5,556,958
Special revenue funds	-	8,747,034	8,747,034
Debt service fund	-	(4,244,850)	(4,244,850)
<b>Total fund balances (deficits)</b>	<b>52,507,102</b>	<b>11,225,995</b>	<b>63,733,097</b>
<b>Total liabilities and fund balances</b>	<b>\$ 57,831,339</b>	<b>\$ 16,284,219</b>	<b>\$ 74,115,558</b>

See Notes to Financial Statements.

## GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS

June 30, 2009

Fund balances - total governmental funds		\$ 63,733,097
Amounts reported for governmental activities in the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$ 632,723,598	
Less accumulated depreciation	<u>298,537,748</u>	334,185,850
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Bond issuance cost	13,856	
Less accumulated amortization	<u>115</u>	13,741
Long-term liabilities, including accrued interest are not due and payable in the current period and therefore are not reported in the governmental fund		
Governmental bond payable	(28,936,295)	
HUD Loan	(1,974,000)	
Governmental installment purchases	(5,990,676)	
Separation allowance	(943,305)	
OPEB Liability	(2,612,690)	
Accrued vacation payable	<u>(2,303,289)</u>	(42,760,255)
Bond premium	(34,307)	
Less accumulated amortization	<u>(286)</u>	(34,021)
Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements		
Deferred revenues		<u>1,304,460</u>
Net assets of governmental activities		<u>\$ 356,442,872</u>

See Notes to Financial Statements.



## GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES  
 Year Ended June 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Ad valorem taxes	\$ 43,614,755	\$ 74,786	\$ 43,689,541
Other taxes	13,390,448	-	13,390,448
Unrestricted intergovernmental revenues	3,237,013	-	3,237,013
Restricted intergovernmental revenues	2,558,369	4,311,954	6,870,323
Licenses and permits	1,912,088	-	1,912,088
Investment earnings	1,160,225	224,981	1,385,206
Investment earnings, restricted	46,022	-	46,022
Program income	-	816,778	816,778
Other revenues	2,815,570	3,055	2,818,625
<b>Total revenues</b>	<b>68,734,490</b>	<b>5,431,554</b>	<b>74,166,044</b>
<b>Expenditures</b>			
Current:			
General government	3,393,127	-	3,393,127
Public safety	28,388,096	-	28,388,096
Public works	11,578,500	-	11,578,500
Cultural and recreational	3,948,833	-	3,948,833
Planning and community development	2,271,928	74,786	2,346,714
Administration	-	557,556	557,556
Housing assistance payments	-	3,351,185	3,351,185
Rehabilitation	-	680,796	680,796
Capital outlay	3,130,519	3,577,922	6,708,441
Debt service	2,005,882	4,672,064	6,677,946
<b>Total expenditures</b>	<b>54,716,885</b>	<b>12,914,309</b>	<b>67,631,194</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>14,017,605</b>	<b>(7,482,755)</b>	<b>6,534,850</b>
<b>Other Financing Sources (Uses)</b>			
Debt issued	704,487	-	704,487
Loss on refunding	(6,818)	-	(6,818)
Loan repayments	-	17,864	17,864
Transfers from other funds	125,576	8,826,180	8,951,756
Transfers to other funds	(9,179,481)	(2,562,484)	(11,741,965)
<b>Total other financing sources (uses)</b>	<b>(8,356,236)</b>	<b>6,281,560</b>	<b>(2,074,676)</b>
<b>Net change in fund balances</b>	<b>5,661,369</b>	<b>(1,201,195)</b>	<b>4,460,174</b>
<b>Fund Balances</b>			
Beginning	46,845,733	12,427,190	59,272,923
Ending	\$ 52,507,102	\$ 11,225,995	\$ 63,733,097

See Notes to Financial Statements.

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

Net change in fund balances - total governmental funds		\$ 4,460,174
<p>Amounts reported for governmental activities in the statement of activities are different because of the following:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives.</p>		
Expenditures for capital assets	\$ 18,892,465	
Current year's depreciation	<u>23,217,018</u>	(4,324,553)
<p>Repayment of long term debt principal is considered an expenditure in the governmental funds, but their repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal payments		4,830,733
<p>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 the governmental fund</p>		
Current year amortization of bond issuance costs	(6,500)	
Change in law enforcement officers special separation allowance	(122,898)	
Change in OPEB liability	(1,477,373)	
Change in long-term compensated absences	<u>(153,405)</u>	(1,760,176)
<p>Bond issuance costs are considered an expenditure in the governmental funds, but the costs are deferred and amortized in the statement of net assets</p>		
		13,856
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (see Note 2)</p>		
		404,601
<p>Proceeds from debt issued</p>		
		(704,487)
<p>Loss on refunding</p>		
		<u>6,818</u>
Change in net assets of governmental activities		<u>\$ 2,926,966</u>

See Notes to Financial Statements.

## GENERAL FUND

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes:				
Current year	\$ 42,527,230	\$ 42,372,230	\$ 42,742,976	\$ 370,746
Prior years	541,700	541,700	595,951	54,251
Penalties and interest	220,000	269,000	275,828	6,828
	43,288,930	43,182,930	43,614,755	431,825
Other taxes:				
Local government sales tax	13,248,000	11,958,000	13,390,448	1,432,448
Unrestricted intergovernmental revenues:				
Officers' fees	61,000	56,000	63,531	7,531
Utilities franchise tax	2,230,000	2,493,573	2,847,383	353,810
Beer and wine tax	296,000	319,178	319,178	-
Fire protection	6,565	6,565	6,921	356
	2,593,565	2,875,316	3,237,013	361,697
Restricted intergovernmental revenues:				
State Street-Aid allocations	2,140,000	2,125,888	2,125,888	-
Cabarrus County schools	127,760	127,760	144,177	16,417
Transportation (federal, state and local)	280,400	280,400	173,484	(106,916)
Other restricted intergovernmental revenues	15,000	114,820	114,820	-
	2,563,160	2,648,868	2,558,369	(90,499)
Licenses and permits:				
Vehicle licenses	381,100	381,100	402,891	21,791
Zoning permits	204,000	175,600	200,197	24,597
Cable franchise	-	-	-	-
Fire permits and inspections	130,000	130,000	159,976	29,976
Privilege license	1,000,000	1,106,875	1,093,608	(13,267)
Other	19,300	19,300	55,416	36,116
	1,734,400	1,812,875	1,912,088	99,213
Investment earnings	900,000	800,000	1,160,225	360,225
Investment earnings restricted	30,000	30,000	46,022	16,022
	930,000	830,000	1,206,247	376,247

Continued

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)  
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other general revenues:				
Public safety	\$ 322,995	\$ 322,995	\$ 397,043	\$ 74,048
Environmental protection	958,230	790,066	853,001	62,935
Miscellaneous	269,700	1,073,611	1,213,056	139,445
Recreational	276,000	326,000	352,470	26,470
	1,826,925	2,512,672	2,815,570	302,898
<b>Total revenues</b>	<b>66,184,980</b>	<b>65,820,661</b>	<b>68,734,490</b>	<b>2,913,829</b>
Expenditures				
General government:				
Governing body:				
Salaries and employee benefits	155,537	155,537	153,798	1,739
Professional services	75,600	75,600	77,884	(2,284)
Operating expenditures	109,470	102,916	97,035	5,881
Governing body cost allocations	(180,522)	(180,522)	(174,220)	(6,302)
	160,085	153,531	154,497	(966)
City Manager's Office:				
Salaries and employee benefits	565,865	597,865	597,679	186
Professional services	291,385	266,385	147,668	118,717
Operating expenditures	87,190	78,000	59,051	18,949
Administrative cost allocations	(406,288)	(406,288)	(399,972)	(6,316)
	538,152	535,962	404,426	131,536
Public Service Administration department:				
Salaries and employee benefits	201,314	215,314	215,827	(513)
Professional services	29,384	29,933	25,704	4,229
Operating expenditures	239,143	232,174	217,304	14,870
Cost of issuance	-	22,229	13,856	8,373
Debt service	287,911	993,769	993,769	-
Administrative cost allocations	(543,812)	(543,812)	(777,952)	234,140
	213,940	949,607	688,508	261,099
Finance department:				
Salaries and employee benefits	781,623	800,623	803,413	(2,790)
Professional services	69,480	65,080	48,331	16,749
Operating expenditures	86,945	83,345	67,897	15,448
Finance cost allocations	(455,719)	(455,719)	(453,882)	(1,837)
	482,329	493,329	465,759	27,570

Continued

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)  
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Tax department				
Salaries and employee benefits	\$ 254,050	\$ 254,050	\$ 253,915	\$ 135
Professional services	20,450	20,450	16,755	3,695
Operating expenditures	127,831	123,996	120,462	3,534
Cost allocations	12,915	12,915	12,818	97
	415,246	411,411	403,950	7,461
Legal department				
Salaries and employee benefits	384,691	398,691	398,275	416
Professional services	37,617	34,617	15,768	18,849
Operating expenditures	57,604	57,604	47,495	10,109
Cost allocations	(245,530)	(245,530)	(236,202)	(9,328)
	234,382	245,382	225,336	20,046
Human resources:				
Salaries and employee benefits	528,557	542,557	557,232	(14,675)
Professional services	58,000	57,000	42,814	14,186
Operating expenditures	140,753	136,554	109,135	27,419
Human resources cost allocations	(362,088)	(362,088)	(358,722)	(3,366)
	365,222	374,023	350,459	23,564
Wellness center:				
Professional services	171,098	221,098	185,267	35,831
Operating expenditures	56,271	54,583	16,725	37,858
Wellness center cost allocations	(136,046)	(136,046)	(80,797)	(55,249)
	91,323	139,635	121,195	18,440
Nondepartmental				
Professional services	792	792	179	613
Operating expenditures	2,227,969	1,997,301	909,136	1,088,165
Capital outlay	-	6,000	5,575	425
Outside agencies	182,717	231,930	227,791	4,139
Cost allocations	498,468	498,468	435,660	62,808
	2,909,946	2,734,491	1,578,341	1,156,150
<b>Total general government</b>	<b>5,410,625</b>	<b>6,037,371</b>	<b>4,392,471</b>	<b>1,644,900</b>
Public safety:				
Police department:				
Salaries and employee benefits	10,401,422	10,401,422	10,395,054	6,368
Professional services	184,328	184,328	142,443	41,885
Operating expenditures	1,551,461	1,866,591	1,633,789	232,802
Capital outlay	719,805	580,205	444,210	135,995
Cost allocations	898,683	898,683	924,670	(25,987)
	13,755,699	13,931,229	13,540,166	391,063

Continued

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)  
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Communications				
Salaries and employee benefits	\$ 1,056,326	\$ 1,056,326	\$ 1,037,907	\$ 18,419
Professional services	7,450	7,450	5,667	1,783
Operating expenditures	46,619	40,424	38,714	1,710
Capital outlay	57,312	57,312	50,945	6,367
Cost allocations	10,019	10,019	9,733	286
	<u>1,177,726</u>	<u>1,171,531</u>	<u>1,142,966</u>	<u>28,565</u>
Fire department				
Salaries and employee benefits	10,601,017	10,616,017	10,406,685	209,332
Professional services	147,135	142,235	84,608	57,627
Operating expenditures	2,035,003	1,971,135	1,650,604	320,531
Capital outlay	1,286,384	1,293,196	1,283,811	9,385
Debt service	890,952	890,952	893,118	(2,166)
Cost allocations	611,441	611,441	610,842	599
	<u>15,571,932</u>	<u>15,524,976</u>	<u>14,929,668</u>	<u>595,308</u>
Code enforcement:				
Salaries and employee benefits	481,209	481,209	451,288	29,921
Professional services	-	-	499	(499)
Operating expenditures	143,534	143,534	129,252	14,282
Capital outlay	36,000	36,000	35,670	330
Cost allocations	19,192	19,192	20,542	(1,350)
	<u>679,935</u>	<u>679,935</u>	<u>637,251</u>	<u>42,684</u>
Emergency management:				
Salaries and employee benefits	224,120	224,120	207,025	17,095
Professional services	20,000	20,000	-	20,000
Operating expenditures	73,528	65,207	35,567	29,640
Capital outlay	56,000	57,000	56,996	4
	<u>373,648</u>	<u>366,327</u>	<u>299,588</u>	<u>66,739</u>
Radio shop:				
Salaries and employee benefits	229,373	229,373	221,387	7,986
Professional services	278	278	77	201
Operating expenditures	403,967	403,967	371,891	32,076
Cost allocations	9,304	9,304	9,852	(548)
	<u>642,922</u>	<u>642,922</u>	<u>603,207</u>	<u>39,715</u>
<b>Total public safety</b>	<u>32,201,862</u>	<u>32,316,920</u>	<u>31,152,846</u>	<u>1,164,074</u>

Continued

## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)  
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works:				
Traffic services:				
Salaries and employee benefits	\$ 307,510	\$ 317,510	\$ 320,685	\$ (3,175)
Operating expenditures	185,235	179,892	149,597	30,295
Capital outlay	62,000	62,000	67,036	(5,036)
Cost allocations	60,644	60,644	62,167	(1,523)
	615,389	620,046	599,485	20,561
Transportation signal:				
Salaries and employee benefits	176,288	188,288	186,071	2,217
Professional services	8,000	83,000	77,500	5,500
Operating expenditures	575,460	563,008	480,448	82,560
Capital outlay	89,215	169,215	166,485	2,730
Cost allocations	25,366	25,366	25,185	181
	874,329	1,028,877	935,689	93,188
Transportation:				
Salaries and employee benefits	1,474,439	1,474,439	1,444,338	30,101
Professional services	31,800	11,950	11,464	486
Operating expenditures	3,104,212	3,439,252	1,999,129	1,440,123
Capital outlay	77,000	156,172	151,610	4,562
Cost allocations	445,780	445,780	432,457	13,323
	5,133,231	5,527,593	4,038,998	1,488,595
Solid waste and recycling:				
Salaries and employee benefits	1,649,050	1,649,050	1,639,982	9,068
Professional services	300,980	347,380	193,025	154,355
Operating expenditures	3,745,106	3,674,786	3,539,412	135,374
Capital outlay	674,659	660,159	660,440	(281)
Cost allocations	530,300	530,300	557,472	(27,172)
	6,900,095	6,861,675	6,590,331	271,344
Cemetery:				
Salaries and employee benefits	366,202	377,202	391,612	(14,410)
Professional services	2,080	2,080	902	1,178
Operating expenditures	56,700	54,996	25,970	29,026
Capital outlay	237,180	237,180	117,385	119,795
Cost allocations	38,384	38,384	41,084	(2,700)
	700,546	709,842	576,953	132,889
<b>Total public works</b>	<b>14,223,590</b>	<b>14,748,033</b>	<b>12,741,456</b>	<b>2,006,577</b>

Continued

## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)  
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Cultural and recreational:				
Recreation department:				
Salaries and employee benefits	\$ 1,423,808	\$ 1,423,808	\$ 1,154,149	\$ 269,659
Professional services	264,187	256,262	212,789	43,473
Operating expenditures	1,179,944	1,146,085	925,052	221,033
Capital outlay	250,185	250,185	90,356	159,829
Debt service	118,995	118,995	118,995	-
Cost allocations	1,914,106	1,914,106	1,656,843	257,263
<b>Total cultural and recreational</b>	<b>5,151,225</b>	<b>5,109,441</b>	<b>4,158,184</b>	<b>951,257</b>
Planning and community development				
Planning department:				
Salaries and employee benefits	1,321,617	1,333,617	1,328,214	5,403
Professional services	384,881	391,425	313,148	78,277
Operating expenditures	525,706	503,262	381,386	121,876
Capital outlay	69,400	69,400	-	69,400
Incentive grants	199,254	199,254	145,329	53,925
Cost allocations	109,854	109,854	103,851	6,003
<b>Total planning and       community development</b>	<b>2,610,712</b>	<b>2,606,812</b>	<b>2,271,928</b>	<b>334,884</b>
<b>Total expenditures</b>	<b>59,598,014</b>	<b>60,818,577</b>	<b>54,716,885</b>	<b>6,101,692</b>
<b>Excess of revenues       over expenditures</b>	<b>6,586,966</b>	<b>5,002,084</b>	<b>14,017,605</b>	<b>9,015,521</b>
Other Financing Sources (Uses)				
Debt issued	-	704,487	704,487	-
Loss on refunding	-	-	(6,818)	6,818
Fund balance appropriated	2,724,290	3,394,305	-	3,394,305
Transfers from other funds	-	99,930	125,576	(25,646)
Transfers to other funds	(9,311,256)	(9,200,806)	(9,179,481)	(21,325)
<b>Total other financing uses</b>	<b>(6,586,966)</b>	<b>(5,002,084)</b>	<b>(8,356,236)</b>	<b>3,354,152</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,661,369</b>	<b>\$ 5,661,369</b>
Fund Balance				
Beginning			46,845,733	
Ending			<u>\$ 52,507,102</u>	

See Notes to Financial Statements.



CITY OF CONCORD, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2009

ASSETS	Business-type Activities - Enterprise Funds			
	Electric Fund	Water Fund	Wastewater Fund	Regional Airport Fund
<b>Current Assets</b>				
Cash and investments	\$ 16,838,393	\$ 24,763,998	\$ 3,747,313	\$ 8,872,453
Receivables:				
Accounts receivable, net	7,539,215	2,011,374	1,497,610	1,446,539
Due from other governmental agencies	-	-	-	-
Sales tax refunds	24,048	11,235	3,176	4,313
Interest	102,837	116,101	21,590	22,795
Other receivables	-	-	-	-
Loan receivable, current	-	-	-	-
Inventories and prepaid expenses	3,532,075	529,388	61,636	79,552
<b>Total current assets</b>	<b>28,036,568</b>	<b>27,432,096</b>	<b>5,331,325</b>	<b>10,425,652</b>
<b>Noncurrent Assets</b>				
Restricted assets - cash and investments	4,135,979	11,305,380	2,417,438	96,900
Capital assets	121,838,253	125,096,171	94,684,078	81,563,389
Less accumulated depreciation	(50,905,505)	(37,765,822)	(25,982,805)	(13,249,158)
Bond issuance costs, net	758,004	1,534,597	652,114	-
Loan receivable, noncurrent	-	-	-	-
<b>Total noncurrent assets</b>	<b>75,826,731</b>	<b>100,170,326</b>	<b>71,770,825</b>	<b>68,411,131</b>
<b>Total assets</b>	<b>103,863,299</b>	<b>127,602,422</b>	<b>77,102,150</b>	<b>78,836,783</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	4,576,106	1,845,094	845,635	1,269,857
Current portion of long-term debt	1,767,963	2,811,825	1,135,614	1,139,555
Accrued interest	180,471	167,918	100,118	6,793
Due to other funds	-	-	-	-
<b>Total current liabilities</b>	<b>6,524,540</b>	<b>4,824,837</b>	<b>2,081,367</b>	<b>2,416,205</b>
<b>Noncurrent Liabilities</b>				
Long-term debt due after one year	31,177,310	50,880,472	24,642,502	12,611,555
Bond premium, net	374,319	634,160	172,535	-
Deposits	1,541,015	393,628	1,125	96,900
<b>Total noncurrent liabilities</b>	<b>33,092,644</b>	<b>51,908,260</b>	<b>24,816,162</b>	<b>12,708,455</b>
<b>Total liabilities</b>	<b>39,617,184</b>	<b>56,733,097</b>	<b>26,897,529</b>	<b>15,124,660</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	38,981,151	34,955,478	43,532,917	54,720,041
Unrestricted (deficit)	25,264,964	35,913,847	6,671,704	8,992,082
<b>Total net assets</b>	<b>\$ 64,246,115</b>	<b>\$ 70,869,325</b>	<b>\$ 50,204,621</b>	<b>\$ 63,712,123</b>

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

Net assets of business-type activities

See Notes to Financial Statements.

**Exhibit H**

<b>Stormwater Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Business-type Activities Internal Service Funds</b>
\$ 3,206,838	\$ 410,391	\$ 57,839,386	\$ 16,240
287,635	615,342	13,397,715	-
-	22,965	22,965	-
28	374	43,174	3,611
12,058	1,878	277,259	-
-	466,591	466,591	-
-	-	-	-
1,054	67,232	4,270,937	179,472
<b>3,507,613</b>	<b>1,584,773</b>	<b>76,318,027</b>	<b>199,323</b>
-	29,222	17,984,919	-
55,663,911	23,815,022	502,660,824	5,506,657
(6,040,391)	(5,649,604)	(139,593,285)	(4,165,439)
-	628,147	3,572,862	-
-	-	-	-
<b>49,623,520</b>	<b>18,822,787</b>	<b>384,625,320</b>	<b>1,341,218</b>
<b>53,131,133</b>	<b>20,407,560</b>	<b>460,943,347</b>	<b>1,540,541</b>
120,105	334,720	8,991,517	425,372
93,212	646,351	7,594,520	367,127
-	34,379	489,679	-
-	371,824	371,824	-
<b>213,317</b>	<b>1,387,274</b>	<b>17,447,540</b>	<b>792,499</b>
142,610	8,502,687	127,957,136	332,644
-	-	1,181,014	-
-	29,222	2,061,890	-
<b>142,610</b>	<b>8,531,909</b>	<b>131,200,040</b>	<b>332,644</b>
<b>355,927</b>	<b>9,919,183</b>	<b>148,647,580</b>	<b>1,125,143</b>
49,462,116	9,718,566	231,370,269	1,341,218
3,313,090	769,811	80,925,498	(925,820)
<b>\$ 52,775,206</b>	<b>\$ 10,488,377</b>	<b>\$ 312,295,767</b>	<b>\$ 415,398</b>
		<b>415,398</b>	
		<b>\$ 312,711,165</b>	

CITY OF CONCORD, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds			
	Electric Fund	Water Fund	Wastewater Fund	Regional Airport Fund
Operating Revenues				
Charges for services	\$ 61,087,561	\$ 16,773,570	\$ 12,516,050	\$ 9,727,526
Other operating revenues	815,139	718,371	387,765	183,527
<b>Total operating revenue</b>	<b>61,902,700</b>	<b>17,491,941</b>	<b>12,903,815</b>	<b>9,911,053</b>
Operating Expenses				
General and administrative	825,217	-	-	-
Professional services	-	-	-	-
Water plant and lakes	-	4,356,667	-	-
Water line operation and maintenance	-	5,769,524	-	-
Wastewater line and plant	-	-	10,599,210	-
Purchased power	46,198,105	-	-	-
Power line and plant	11,086,455	-	-	-
Airport operation and maintenance	-	-	-	8,431,555
Stormwater operation and maintenance	-	-	-	-
Utilities	-	-	-	-
Housing maintenance and repairs	-	-	-	-
Operating supplies	-	-	-	-
Other operating costs	-	-	-	-
Depreciation and amortization	3,629,380	3,549,681	2,385,686	1,577,900
<b>Total operating expenses</b>	<b>61,739,157</b>	<b>13,675,872</b>	<b>12,984,896</b>	<b>10,009,455</b>
<b>Operating income (loss)</b>	<b>163,543</b>	<b>3,816,069</b>	<b>(81,081)</b>	<b>(98,402)</b>
Nonoperating Revenues (Expenses)				
Operating subsidy	-	-	-	-
Interest earned on loan	-	-	27,596	-
Interest earned on investments	1,025,990	904,980	316,204	132,545
Interest expense	(1,334,410)	(2,016,532)	(1,220,987)	(658,581)
Gain (loss) on sale of capital assets	58,722	17,242	18,047	-
Other	-	-	-	7,924
<b>Total nonoperating revenues (expenses)</b>	<b>(249,698)</b>	<b>(1,094,310)</b>	<b>(859,140)</b>	<b>(518,112)</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>(86,155)</b>	<b>2,721,759</b>	<b>(940,221)</b>	<b>(616,514)</b>
Capital contributions	-	1,691,770	3,128,929	2,901,093
Transfers in	-	-	-	920,000
Transfers out	(3,400)	(3,400)	(3,400)	-
<b>Transfers in (out)</b>	<b>(3,400)</b>	<b>(3,400)</b>	<b>(3,400)</b>	<b>920,000</b>
<b>Change in net assets</b>	<b>(89,555)</b>	<b>4,410,129</b>	<b>2,185,308</b>	<b>3,204,579</b>
Net Assets (Deficit):				
Beginning	64,335,670	66,459,196	48,019,313	60,507,544
Ending	\$ 64,246,115	\$ 70,869,325	\$ 50,204,621	\$ 63,712,123

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

Change in net assets of business-type activities

See Notes to Financial Statements.

**Exhibit I**

Stormwater Fund	Nonmajor Enterprise Funds	Total	Business-type Activities Internal Service Funds
\$ 3,481,024	\$ 1,428,327	\$ 105,014,058	\$ 12,222,007
8,177	479,287	2,592,266	-
<u>3,489,201</u>	<u>1,907,614</u>	<u>107,606,324</u>	<u>12,222,007</u>
-	736,555	1,561,772	6,834,313
-	2,806,555	2,806,555	996,018
-	-	4,356,667	-
-	-	5,769,524	-
-	-	10,599,210	-
-	-	46,198,105	-
-	-	11,086,455	-
-	-	8,431,555	-
2,282,896	-	2,282,896	-
-	313,259	313,259	-
-	578,163	578,163	-
-	228,231	228,231	-
-	670,265	670,265	4,046,788
<u>1,591,985</u>	<u>661,130</u>	<u>13,395,762</u>	<u>344,888</u>
<u>3,874,881</u>	<u>5,994,158</u>	<u>108,278,419</u>	<u>12,222,007</u>
<u>(385,680)</u>	<u>(4,086,544)</u>	<u>(672,095)</u>	-
-	3,191,973	3,191,973	-
-	-	27,596	-
51,874	8,639	2,440,232	-
(4,776)	(409,238)	(5,644,524)	-
19,240	1,628	114,879	-
-	59,530	67,454	-
<u>66,338</u>	<u>2,852,532</u>	<u>197,610</u>	-
<u>(319,342)</u>	<u>(1,234,012)</u>	<u>(474,485)</u>	-
-	-	7,721,792	-
-	1,885,417	2,805,417	-
-	(5,008)	(15,208)	-
-	1,880,409	2,790,209	-
<u>(319,342)</u>	<u>646,397</u>	<u>10,037,516</u>	-
53,094,548	9,841,980		415,398
<u>\$ 52,775,206</u>	<u>\$ 10,488,377</u>		<u>\$ 415,398</u>
		-	
		<u>\$ 10,037,516</u>	

CITY OF CONCORD, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS  
Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds			
	Electric Fund	Water Fund	Wastewater Fund	Regional Airport Fund
Cash Flows From Operating Activities				
Receipts from customers	\$ 61,881,327	\$ 17,690,295	\$ 12,890,803	\$ 10,157,771
Payments to employees	(4,775,862)	(3,530,124)	(1,639,222)	(1,737,833)
Payments to suppliers	(53,109,795)	(5,884,598)	(8,782,799)	(7,158,446)
<b>Net cash provided by (used in) operating activities</b>	<b>3,995,670</b>	<b>8,275,573</b>	<b>2,468,782</b>	<b>1,261,492</b>
Cash Flows From Noncapital Financing Activities				
Due to (from) other funds	-	-	-	-
Transfers in	-	-	-	920,000
Transfers out	(3,400)	(3,400)	(3,400)	-
Operating grants received	-	-	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(3,400)</b>	<b>(3,400)</b>	<b>(3,400)</b>	<b>920,000</b>
Cash Flows from Capital and Related Financing Activities				
Principal payment on long-term debt	(8,891,226)	(15,199,418)	(5,649,264)	(1,090,510)
Interest paid	(1,233,491)	(2,006,378)	(1,195,298)	(658,580)
Financing proceeds	18,562,753	25,977,551	7,623,773	-
Acquisition and construction of capital assets	(5,930,301)	(3,272,373)	(5,666,592)	(1,801,814)
Proceeds from the sale of capital assets	58,722	17,242	18,047	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>2,566,457</b>	<b>5,516,624</b>	<b>(4,869,334)</b>	<b>(3,550,904)</b>
Cash Flows From Investing Activities				
Earnings on investments	1,035,104	914,121	361,572	136,652
Payments received on notes receivable	-	-	519,920	-
<b>Net cash provided by investing activities</b>	<b>1,035,104</b>	<b>914,121</b>	<b>881,492</b>	<b>136,652</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>7,593,831</b>	<b>14,702,918</b>	<b>(1,522,460)</b>	<b>(1,232,760)</b>
Cash and cash equivalents:				
Beginning	13,380,541	21,366,460	7,687,211	10,202,113
Ending	\$ 20,974,372	\$ 36,069,378	\$ 6,164,751	\$ 8,969,353

**Noncash investing, capital and financing activities:**

The City of Concord received noncash capital contributions in the Water, Wastewater, and Regional Airport Funds in the amount of \$7,721,792 representing donated capital assets.

Continued

**Exhibit J**  
**Page 1 and 2 of 4**

Stormwater Fund	Nonmajor Enterprise Funds	Total	Business-type Activities Internal Service Funds
\$ 3,553,793	\$ 2,371,402	\$ 108,545,391	\$ 12,322,772
(1,080,094)	(107,504)	(12,870,639)	(6,819,991)
(1,145,560)	(5,808,477)	(81,889,675)	(5,356,867)
1,328,139	(3,544,579)	13,785,077	145,914
-	(130,419)	(130,419)	-
-	1,885,417	2,805,417	-
-	(5,008)	(15,208)	-
-	3,191,973	3,191,973	-
-	4,941,963	5,851,763	-
(38,596)	(590,000)	(31,459,014)	-
(4,776)	(409,238)	(5,507,761)	-
200,000	-	52,364,077	-
(328,836)	(642,847)	(17,642,763)	(281,325)
19,240	1,628	114,879	-
(152,968)	(1,640,457)	(2,130,582)	(281,325)
51,062	10,678	2,509,189	-
-	-	519,920	-
51,062	10,678	3,029,109	-
1,226,233	(232,395)	20,535,367	(135,411)
1,980,605	672,008	55,288,938	151,651
\$ 3,206,838	\$ 439,613	\$ 75,824,305	\$ 16,240

**CITY OF CONCORD, NORTH CAROLINA**

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS (Continued)**  
**Year Ended June 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Regional Airport Fund</b>
Operating income (loss)	\$ 163,543	\$ 3,816,069	\$ (81,081)	\$ (98,402)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	3,629,380	3,549,681	2,385,686	1,577,900
Other income	-	-	-	-
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(21,373)	198,354	(13,012)	246,718
Due from other governmental agencies	-	-	-	-
Inventories and prepaid expenses	261,586	45,377	9,922	(22,007)
Increase (decrease) in:				
Accounts payable and accrued expenses	(316,905)	503,009	114,185	(488,588)
Vacation accrual	19,552	17,781	3,651	9,783
OPEB liability	229,660	128,866	49,556	38,516
Deposits	30,227	16,436	(125)	(2,428)
<b>Net cash provided by (used in)     operating activities</b>	<b>\$ 3,995,670</b>	<b>\$ 8,275,573</b>	<b>\$ 2,468,782</b>	<b>\$ 1,261,492</b>

See Notes to Financial Statements

**Exhibit J**  
**Page 3 and 4 of 4**

Stormwater Fund	Nonmajor Enterprise Funds	Total	Business-type Activities Internal Service Funds
\$ (385,680)	\$ (4,086,544)	\$ (672,095)	\$ -
1,591,985	661,130	13,395,762	344,888
-	59,530	59,530	-
64,592	(551,092)	(75,813)	100,765
-	955,350	955,350	-
(560)	(4,617)	289,701	(5,292)
52,640	(604,347)	(740,006)	(292,108)
(10,065)	9,179	49,881	(2,339)
15,227	18,006	479,831	-
-	(1,174)	42,936	-
<u>\$ 1,328,139</u>	<u>\$ (3,544,579)</u>	<u>\$ 13,785,077</u>	<u>\$ 145,914</u>



**CITY OF CONCORD, NORTH CAROLINA**

**Exhibit K**

**FIDUCIARY FUNDS**

**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2009**

	<b>Other Postemployment Benefit Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash	\$ 100,207	\$ 2,388,921
Other receivables	-	29,866
Total assets	<u>\$ 100,207</u>	<u>\$ 2,418,787</u>
 <b>LIABILITIES</b>		
Agency payable	<u>\$ -</u>	<u>\$ 2,418,787</u>
 <b>NET ASSETS</b>		
Assets held in trust for OPEB benefits	<u>\$ 100,207</u>	<u>\$ -</u>

See Notes to Financial Statements

**FIDUCIARY FUNDS**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
For the Fiscal Year Ended June 30, 2009**

	<b>Other Postemployment Benefit Trust Fund</b>
<b>Additions:</b>	
Employer contributions	\$ 513,583
Member contributions	<u>108,774</u>
	622,357
Investment income	<u>207</u>
<b>Total additions</b>	<u>622,564</u>
 <b>Deductions:</b>	
Benefits	<u>522,357</u>
 <b>Change in net assets</b>	<b>100,207</b>
 <b>Net assets, beginning</b>	<u>-</u>
<b>Net assets, ending</b>	<u><u>\$ 100,207</u></u>

See Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS

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**Note 1. Summary of Significant Accounting Policies**

The accompanying financial statements and the following accounting policies of the City of Concord, North Carolina (the "City") and its discretely presented component unit, are in conformity with accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant accounting policies:

**A. Reporting Entity**

The City of Concord is a municipal corporation governed by an elected mayor, mayor pro tempore and a six-member City Council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The discretely presented component unit, on the other hand, is reported in a separate column in the City's financial statements to emphasize that it is legally separate from the City.

**BLENDED COMPONENT UNIT – FIRST CONCORD CORPORATION**

First Concord Corporation ("First Concord") was established during 1992 as a nonprofit corporation of the City. The City Council appoints one of the three members of the First Concord Board of Directors. First Concord is specifically organized exclusively for the purpose of promoting the general welfare of the citizens of the City as a financing vehicle of the City. It will carry out this function through the acquisition, construction, sale or lease of real estate and improvements, facilities and equipment for the use of the City. In the event First Concord is unable to meet its debt service requirements, the City would be held liable. First Concord Corporation's activities, which have a June 30 year-end, are included in the funds in which the activity takes place.

**DISCRETELY PRESENTED COMPONENT UNIT – CITY OF CONCORD ALCOHOLIC BEVERAGE CONTROL (ABC) BOARD**

The City Council appoints the members of the Alcoholic Beverage Control Board. In addition, the ABC Board is required by State statute to distribute a share 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. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Concord ABC Board, 1255 Concord Parkway North, Concord, North Carolina 28025.

**B. Basis of Presentation – Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds even though they are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – 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.

NOTES TO FINANCIAL STATEMENTS

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**Note 1. Summary of Significant Accounting Policies (Continued)**

The government reports the following major governmental fund:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for general government services, public safety, public works, cultural and recreational and planning and community development.

Proprietary funds are presented in the financial statements on the accrual basis of accounting, similar to the basis used by government-wide statements and are accounted for on a flow of economic resources measurement focus. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period they are incurred. As permitted by accounting principles generally accepted in the United States of America, the City of Concord and the City of Concord ABC Board have elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in their accounting and reporting practices for their enterprise fund operations.

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's 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 connecting new customers or reconnecting current customers to the water and wastewater systems. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary funds are used to account for operations that are financed and operated where the intent of the government's board is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the government's board has decided that periodic determination of net income is appropriate for accountability purposes.

The government reports the following major proprietary funds:

Electric, Water, Wastewater and Stormwater Funds: The Electric, Water, Wastewater and Stormwater Funds are used to account for the activities of the City's electric and water distribution operations and wastewater and stormwater collection.

Regional Airport Fund: The Regional Airport Fund is used to account for the operations of the City's regional airport.

Additionally, the government reports the following fund types:

Internal Service Fund: Internal service funds account for operations that provide services to other departments or agencies of the government on a cost-reimbursement basis. The City's internal services include various administrative, engineering and maintenance functions.

Pension Trust Fund: The City maintains a Pension Trust Fund – the Other Postemployment Benefit Fund. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The Other Postemployment Benefit Fund accounts for the City's contributions for healthcare coverage provided to qualified retirees.

Agency Fund: Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for the activities of the Convention Center, Joe Cannon Trust, and the Employee's Self Funded insurance funds in which the City holds these funds on behalf of other entities.

NOTES TO FINANCIAL STATEMENTS

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

In accordance with North Carolina General Statutes, all governmental funds of the City are maintained during the year using the modified accrual basis of accounting. The governmental fund financial statements are reported on this same basis and use the current financial resources measurement focus. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available"); "measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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 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, 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, Cabarrus 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 Concord. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Cabarrus County from March 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes that were billed during this period are shown as 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.

**D. Budgetary Data**

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Housing Assistance Fund, the General Capital Reserve Fund, the Municipal Service District Fund, the Transportation Improvement Fund, the Additional Vehicle Tax Fund, the Electric Operating Fund, the Water Operating Fund, the Wastewater Operating Fund, the Stormwater Operating Fund, the Golf Course Operating Fund, the Regional Airport Operating Fund, the Housing Department Operating Fund, and the Internal Service Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Community Development Fund, the Cabarrus Avenue Roundabout Fund, the Home Fund, the Section 108 Loan/BEDI Grant Fund, the Future Parks & Recreation Land Fund, the Housing Capital Fund Project, the Parks and Recreation Capital Project Fund, the Transportation Capital Project Fund, the General Fund Capital Project Fund, the Fire and Life Safety Capital Project Fund, the Wellness Center Capital Project Fund, the Oakwood Cemetery Capital Project Fund, the MLK Memorial Capital Project Fund, the Water Projects Capital Project Fund, the Stormwater Capital Project Fund, the Fiber Project Capital Project Fund,

NOTES TO FINANCIAL STATEMENTS

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**Note 1. Summary of Significant Accounting Policies (Continued)**

the Transit Fund, the 2008 Debt Issuance Capital Project Fund, the 2002 and 2008 Revenue Bond Capital Projects Fund and First Concord Capital Project fund. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The City Manager is authorized to reallocate departmental appropriations and to effect interdepartmental transfers within a fund as long as such transfers do not exceed 10% of the appropriated funds for the department whose allocation is reduced. During the year several amendments to the original budgets were necessary.

A budget calendar is included in the North Carolina General Statutes, which prescribed the last day on which certain steps of that budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 – each department head will transmit to the budget officer the budget requests and the revenue estimates for their department for the budget year.

June 1 – The budget and the budget message shall be submitted to the governing board. The public hearing on the budget shall be scheduled at this time.

July 1 – The budget ordinance shall be adopted by the governing board.

As required by G.S. 159-26(d), the City maintains encumbrance accounts, which are considered to be “budgetary accounts.” Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result in unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. These encumbrances outstanding are reported as “Reserved for encumbrances” in the governmental funds balance sheet and will be carried forward with their budget appropriations to the subsequent year.

**E. Assets, Liabilities and Fund Equity**

All deposits of the City and of the ABC Board are made in board-designated official depositories and are secured as required by State statute (G.S. 159-31). The City and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and the ABC Board may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

State statute (G.S. 159-30(c)) authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and banker’s acceptances; and the North Carolina Capital Management Trust (NCCMT), and SEC-registered mutual fund.

The City’s investments with a maturity of more than one year at acquisition and nonmoney market investments are reported at cost or amortized cost, which approximates their fair value as determined by quoted market prices. The NCCMT Cash Portfolio’s securities, a SEC-registered (2a7) 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.

General Statute 147-69.4 allows the City to establish an OPEB Trust Fund under the management of the State Treasurer and G.S. 159-30(g) allows the City to make contributions to the Fund. The State Treasurer in her discretion may invest the proceeds in equities of certain publicly held companies and long or short term fixed income investments as detailed in G.S. 147-69.2(1-6) and (8). Funds submitted are managed in three different sub-funds, the State Treasurer’s Short Term Investment Fund (STIF) consisting of short to intermediate treasuries, agencies and corporate issues authorized by G.S. 147-69.1, the long-term investment fund (LTIF) consisting of investment grade corporate securities, treasuries, and agencies, and Barclay’s Global International Equity Fund authorized under G.S. 147-69.2(8). The STIF securities are reported at cost and maintain a constant \$1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund. The LTIF and Barclay’s Global International Equity Fund are valued at fair value.

NOTES TO FINANCIAL STATEMENTS

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**Note 1. Summary of Significant Accounting Policies (Continued)**

CASH AND CASH EQUIVALENTS

The City maintains a cash and investment pool that is used by all funds, except First Concord Corporation, to facilitate disbursement and investment and to maximize investment income. Each fund type's portion of these pools is displayed on the combined balance sheet as "Cash and investments". Interest earned is distributed to the various funds based on the proportionate share of investments. Since the cash management pools operate as demand deposit accounts, amounts invested in the pool by the proprietary fund types are considered cash and cash equivalents for the purpose of the statement of cash flows with respect to those funds.

RESTRICTED ASSETS

The unexpended bond and note proceeds for the 2005 certificates of participation and 2002 and 2008 revenue bonds issued by the City and deposits on hand are classified as restricted assets for the respective funds because their use is completely restricted to the purpose for which the bonds were originally issued and the deposits will be used for. Monies set aside for debt service, extension, and replacement fund as required by the bond documents or designated for future projects are also classified as restricted assets.

AD VALOREM TAXES RECEIVABLE

In accordance with State statute (G.S. 105-347 and G.S. 159-13(a)), ad valorem taxes on property other than motor vehicles levied on July 1, the beginning of the fiscal year, are due September 1 (Lien Date); however, penalties do not accrue until the following January 6, and property becomes subject to lien. Liens are published the following May. The taxes levied are based on the assessed values as of January 1.

ALLOWANCES FOR DOUBTFUL ACCOUNTS

Allowances for doubtful accounts are maintained on all types of receivables, which historically experienced uncollectible accounts. This amount is estimated based on the aging of the related receivables uncollectible at year end.

INVENTORIES AND PREPAID ITEMS

The inventories of the City and the ABC Board are valued at average cost, which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures when consumed.

The inventories of the City's enterprise funds consist of materials and supplies held for consumption. The costs of these inventories are recorded as an expense as the inventories are consumed. The inventories of the ABC Board consist of goods held for resale.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The minimum capitalization cost for infrastructure is \$100,000. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2001, consist of roads, curbs and gutters, and bridges that were acquired, contributed or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical deflated replacement cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City reported \$951,259 in capitalized interest as part of the cost of capital assets under construction in fiscal year 2009.



NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

	Estimated Useful Life	
	City of Concord (In Years)	ABC Board
Electric plant and distribution systems	25	-
Waste treatment plant and distribution systems	30 – 60	-
Water plant and distribution system	40 – 50	-
Buildings and improvements	20 – 50	40
Infrastructure assets	50	-
Leasehold improvements	-	10 – 40
Automobiles and trucks	3 – 5	5
Other property	3 – 10	-
Furniture/equipment	3 – 5	10

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the government are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the government are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in the impairment of a capital asset are netted against the impairment loss.

BOND ISSUANCE COSTS

Bond issuance costs include discounts, insurance and costs of issuance. Bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the interest method. These costs relate to the revenue bonds, the refunding bonds and the certificate of participation bonds issued.

LONG-TERM DEBT

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.

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.

COMPENSATED ABSENCES

The vacation policies of the City and the ABC Board provide for the accumulation of up to thirty-six (36) days earned vacation leave with such leave being fully vested when earned. All vacation pay is accrued when incurred in the government-wide, proprietary funds and the ABC Board financial statements. Current maturity of accrued vacation pay has been determined based on the annualized vacation taken in the first quarter of the current fiscal year. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For the governmental activities, compensated absences are generally liquidated by the general fund.

Both the City and the ABC Board'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 nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

NOTES TO FINANCIAL STATEMENTS

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Note 1. Summary of Significant Accounting Policies (Continued)

NET ASSETS AND FUND BALANCES

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.

In the fund financial statements, governmental funds report reservations or restrictions of fund balance for amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

The governmental fund types classify fund balances as follows:

Reserved:

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

Reserved for encumbrances – portion of fund balance available to pay for commitments related to purchase orders or contracts that remain unperformed at year-end.

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

Reserved for other specific uses – portion of fund balance that is available for appropriation but legally segregated for specific expenditures.

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

Reserved for prepaids – portion of fund balance that is not available for appropriation because it represents the year end balance of prepaid expenses, which are not expendable, available resources.

Unreserved:

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

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

USE OF ESTIMATES

The preparation of financial statements 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.

NOTES TO FINANCIAL STATEMENTS

**Note 2. Reconciliation of Government-Wide and Fund Financial Statements**

The governmental funds reconciliation of the balance sheet to the statement of net assets includes a reconciling item that relates to deferred revenue susceptible to full accrual on the entity-wide statements. In the governmental funds, the ad valorem taxes were not susceptible to accrual as revenues and were reported as deferred revenue. The \$1,304,460 adjustment reflected on the reconciliation represents these ad valorem taxes outstanding at year end.

The governmental funds reconciliation of the statement of revenues, expenditures and changes in fund balance to the statement of activities includes revenues in the amount of \$404,601 that did not provide current financial resources for the fund. This adjustment reflected on the reconciliation represents the change between the ad valorem taxes outstanding for the years ended June 30, 2009 and June 30, 2008.

The statement of net assets and statement of activities for the business-type activities include a reconciling item between the proprietary funds statement of net assets and statement of revenues, expenses and changes in fund net assets. This difference represents the assets, liabilities and activity of the internal service funds that are reported within the business-type activities.

**Note 3. Cash and Investments**

Deposits – All of the City's and the ABC Board's deposits are either insured or collateralized by using one of two methods. Under the dedicated method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in these units' names. Under the pooling method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the pooling method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City or the ABC Board under the pooling method, the potential exists for the 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 and the ABC Board have no formal policy 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 complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2009, the City's deposits had a carrying amount of \$37,687,616 and a bank balance of \$37,443,421. Of the bank balance, \$1,500,000 was covered by federal depository insurance and \$35,943,421 in interest-bearing deposits was covered by collateral held under the pooling method. The City had cash on hand of \$19,399 at June 30, 2009.

At June 30, 2009, the carrying amount of deposits for the ABC Board was \$2,108,325 and the bank balance was \$2,206,732. All of the bank balances were covered by federal depository insurance or collateralized deposits.

At June 30, 2009, the City's investment balances were as follows:

	Reported Value	Less than 6 Months	Reported 6 – 12 Months	Reported 1 – 3 Years
U. S. Government agencies	\$ 64,929,488	\$ –	\$ 2,131,612	\$ 62,797,876
Commercial paper	4,872,746	4,872,746	–	–
North Carolina Capital Management Trust – Cash Portfolio	32,176,119	N/A	N/A	N/A
Total	<u>\$ 101,978,353</u>	<u>\$ 4,872,746</u>	<u>\$ 2,131,612</u>	<u>\$ 62,797,876</u>

NOTES TO FINANCIAL STATEMENTS

**Note 3. Cash and Investments (Continued)**

Interest Rate Risk – The investment program is managed so that investments and deposits can be converted to cash when needed with the primary objective being the safety of the investment. The City maintains investments of funds designed to emphasize safety, liquidity, and yield. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy includes diversification guidelines. With the exception of US treasury securities and the NCCMT, no more than 30% of the City's total investment portfolio will be invested in a single security type or with a single financial institution. Other limits are certificates of deposit shall not exceed 25% of the City's total portfolio, commercial paper shall not exceed 25%, and bankers' acceptances shall not exceed 5%. Another component of the City's investment policy intended to limit interest rate risk is maturity limits. At least 60% of the investment portfolio will have maturities of no more than 3 years from the date of purchase, 80% of the portfolio will mature in 5 years or less, 90% will mature in 10 years or less.

Credit Risk – The City limits 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. State law limits investments in commercial paper to the top rating issues nationally recognized statistical rating organizations (NRSROs). As of June 30, 2009, the City's investments in commercial paper were rated P1 by Standard & Poor's and F1 by Fitch Ratings. The City's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poors as of June 30, 2009. The City's investments in US Government Agencies (Federal Home Loan Bank, Federal Farm Credit, and FNMA) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk – As noted above under Interest Rate Risk, the City's investment policy limits the amount the City may invest in any one issuer. More than 5 percent of the City's investments are in the Federal Home Loan Bank and FNMA Discount Notes. These investments are 30.5% and 30.2% respectively, of the City's total investments.

OPEB Trust Fund

At June 30, 2009, the City's Health Care Plan had \$100,207 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Fund pursuant to G.S. 147-69.4. The State Treasurer's OPEB Fund may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the State Treasurer's OPEB Fund was invested as follows: State Treasurer's Short Term Investment Fund (STIF) 29.35%; State Treasurer's Long Term Investment Fund (LTIF) 12.45% and Barclay's Global International Equity Fund 58.19% (the equities were split with 75% in domestic securities and 25% in international securities).

Interest Rate Risk – The State Treasurer's Short Term Investment Fund (STIF) is unrated and had a weighted average maturity of 1.8 years at June 30, 2009. The State Treasurer's Long Term Investment Fund (LTIF) is unrated and had a weighted average maturity of 15.6 years at June 30, 2009.

Credit Risk – The STIF is unrated and authorized under NC General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate treasuries, agencies, and money market instruments. The LTIF is unrated and authorized under NC General Statute 147-69.1 and 147-69.2. The State Treasurer's LTIF is invested in treasuries, agencies and corporate bonds with longer term maturities.

At June 30, 2009, the ABC Board did not have any investments.

**Note 4. Receivables and Allowances for Doubtful Amounts**

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	\$ -	\$ 13,397,715
Ad valorem taxes, net	1,304,460	-
Due from other governmental agencies	929,181	22,965
Sales tax refunds	907,594	46,785
Interest	297,431	277,259
Other, net	4,519,199	466,591
Due from (to) other funds	371,824	(371,824)
	<u>\$ 8,329,689</u>	<u>\$ 13,839,491</u>

CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

**Note 4. Receivables and Allowances for Doubtful Amounts (Continued)**

Receivables as of year end also included the following allowances for doubtful accounts:

Governmental Activities, allowance for doubtful ad valorem taxes	<u>\$ 434,820</u>
Governmental Activities, allowance for doubtful other receivables	<u>\$ 16,070</u>
Business-type Activities, allowance for doubtful accounts receivable	<u>\$ 201,741</u>

**Loans Receivable:** During the year, the City had an outstanding loan due to them. The Water and Sewer Authority of Cabarrus County (WSACC) assumed some of the 1995 Utility Systems Revenue Bonds to assist in the operations of WSAAC. This obligation was paid off early during fiscal year 2009.

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2009</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 58,607,707	\$ 2,859,096	\$ -	\$ 61,466,803
Construction in progress	3,175,830	2,672,059	571,477	5,276,412
Total capital assets, not being depreciated	<u>61,783,537</u>	<u>5,531,155</u>	<u>571,477</u>	<u>66,743,215</u>
Capital assets, being depreciated:				
Buildings	40,131,063	421,736	-	40,552,799
Improvements other than buildings	2,430,708	-	-	2,430,708
Machinery and equipment	30,461,516	2,878,017	1,609,532	31,730,001
Infrastructure	480,633,841	10,633,034	-	491,266,875
Total capital assets, being depreciated	<u>553,657,128</u>	<u>13,932,787</u>	<u>1,609,532</u>	<u>565,980,383</u>
Accumulated depreciation:				
Buildings	9,776,551	1,517,639	-	11,294,190
Improvements other than buildings	1,426,999	107,598	-	1,534,597
Machinery and equipment	20,672,699	2,257,903	1,609,532	21,321,070
Infrastructure	245,054,013	19,333,878	-	264,387,891
Total accumulated depreciation	<u>276,930,262</u>	<u>23,217,018</u>	<u>1,609,532</u>	<u>298,537,748</u>
Total capital assets, being depreciated, net	<u>276,726,866</u>	<u>\$ (9,284,231)</u>	<u>\$ -</u>	<u>267,442,635</u>
Government activities capital assets, net	<u>\$ 338,510,403</u>			<u>\$ 334,185,850</u>

CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

	June 30, 2008	Increases	Decreases	June 30, 2009
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 37,903,846	\$ 240,193	\$ -	\$ 38,144,039
Construction in progress	35,895,483	14,344,489	11,747,697	38,492,275
Total capital assets, not being depreciated	<u>73,799,329</u>	<u>14,584,682</u>	<u>11,747,697</u>	<u>76,636,314</u>
Capital assets, being depreciated:				
Buildings	50,830,464	258,761	-	51,089,225
Improvements other than buildings	336,985,118	19,985,008	-	356,970,126
Machinery and equipment	22,880,718	1,281,305	690,207	23,471,816
Total capital assets, being depreciated	<u>410,696,300</u>	<u>21,525,074</u>	<u>690,207</u>	<u>431,531,167</u>
Accumulated depreciation:				
Buildings	22,216,438	1,999,145	-	24,215,583
Improvements other than buildings	93,172,777	9,364,386	-	102,537,163
Machinery and equipment	15,637,043	2,059,142	690,207	17,005,978
Total accumulated depreciation	<u>131,026,258</u>	<u>13,422,673</u>	<u>690,207</u>	<u>143,758,724</u>
Total capital assets, being depreciated, net	<u>279,670,042</u>	<u>\$ 8,102,401</u>	<u>\$ -</u>	<u>287,772,443</u>
Business-type activities capital assets, net	<u>\$ 353,469,371</u>			<u>\$ 364,408,757</u>

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

Governmental activities:	
General government	\$ 137,915
Public safety	2,668,929
Public works	20,076,400
Culture & recreational	305,908
Planning and community development	27,866
Total depreciation expense – governmental activities	<u>\$ 23,217,018</u>
Business-type activities:	
Electric	\$ 3,565,138
Water	3,414,615
Wastewater	2,320,326
Regional airport	1,577,900
Stormwater	1,591,985
Other nonmajor business-type activities	607,821
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	344,888
Total depreciation expense – business-type activities	<u>\$ 13,422,673</u>

CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

**Note 5. Capital Assets (Continued)**

Activity for the ABC Board for the year ended June 30, 2009, was as follows:

	July 1, 2008	Increases	Decreases	June 30, 2009
<b>Component unit:</b>				
Capital assets, not being depreciated - land	\$ 20,000	\$ -	\$ -	\$ 20,000
Capital assets, being depreciated:				
Buildings	51,078	-	-	51,078
Improvements other than buildings	308,723	-	-	308,723
Machinery and equipment	334,961	-	-	334,961
Total capital assets, being depreciated	694,762		-	694,762
Accumulated depreciation	407,349	45,225	-	452,574
Total capital assets, being depreciated, net	287,413	\$ 45,225	\$ -	242,188
Component unit capital assets, net	<u>\$ 307,413</u>			<u>\$ 262,188</u>

**Note 6. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities for the governmental activities and the business-type activities are as follows:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 1,287,915	\$ 8,584,817
Accrued payroll and payroll related liabilities	1,308,805	758,675
Accrued sales tax payable	-	17,487
Other accrued liabilities	671,463	55,910
	<u>\$ 3,268,183</u>	<u>\$ 9,416,889</u>

**Note 7. Long-Term Debt**

Installment purchases: The City has various installment purchase contracts to finance equipment additions throughout the City's departments and funds. These contracts range between 1 year and 29 years in duration, depending upon the assets acquired. Interest rates range between 2.58% and 5.15%. The debt is collateralized by the assets acquired and serviced by the funds holding such debt.

Assets acquired through the installment purchase contracts are as follows:

Capital Asset	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 7,434,786	\$ 10,748,267
Less accumulated depreciation	722,995	343,386
	<u>\$ 6,711,791</u>	<u>\$ 10,404,881</u>

Installment purchases payable at June 30, 2009 are comprised of the following individual issues:

Governmental activities:

\$794,543, fire truck purchase in August 2005 due in annual installments of \$31,511 to \$112,386 through September 2013; interest 3.17%, to be paid from General Fund	\$ 390,827
\$900,936, two fire trucks purchased in November 2006 due in annual installments of \$72,136 to \$121,636 through November 2014; interest 3.61%, to be paid from General Fund	604,849
\$5,400,000, contract for construction of fire station in fiscal year 2008 due in annual installments of \$270,000 through November 2027; interest 4.44%, to be paid from General Fund	4,995,000
	<u>\$ 5,990,676</u>

CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Business-type activities:

\$4,500,000, contract for construction of aviation hangar in fiscal year 2004 due in annual installments of \$225,000; interest 5.01%, payable from Regional Airport Fund	\$	3,468,750
\$7,550,000, contract for construction of aviation projects in fiscal year 2008 due in annual installments of \$377,500; interest 4.44%, payable from Regional Airport Fund		6,983,750
\$780,000, equipment purchase in fiscal year 2009 due in annual installments of \$149,082 to \$165,733 through June 2013; interest 3.545%, payable from Stormwater and Electric Funds		629,237
	\$	<u>11,081,737</u>

Annual debt service requirements to maturity for installment purchases are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	512,088	249,661	751,582	494,880
2011	520,433	229,328	756,937	461,491
2012	529,067	209,049	762,485	428,388
2013	441,953	188,466	768,233	411,369
2014	342,135	171,832	602,500	362,407
2015-2019	1,350,000	674,461	3,012,500	1,391,549
2020-2024	1,350,000	374,846	3,012,500	690,830
2025-2028	945,000	83,943	1,415,000	118,539
	\$ 5,990,676	\$ 2,181,586	\$ 11,081,737	\$ 4,359,453

General obligation bonds: The general obligation bonds issued to finance the construction of systems utilized in the operations of the Utility Funds and Regional Airport and which are being retired by their resources are reported as long-term debt in the corresponding Enterprise Fund. All general obligation bonds are collateralized by the full faith, credit and taxing power of the City. Principal and interest requirements are appropriated when due.

General Obligation Bonds payable at June 30, 2009 are comprised of the following individual issues:

Governmental activities:

\$935,000, 1996 Parks and Recreation Bonds, due in annual installments of \$50,000 to \$150,000 through March 2, 2011; interest from 5.4% to 5.7%	235,000
	<u>\$ 235,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2010	\$ 150,000	\$ 13,395
2011	85,000	4,845
	<u>\$ 235,000</u>	<u>\$ 18,240</u>



CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Revenue Bonds: The City also issued bonds where the City pledges income derived from the Enterprise Fund acquiring or constructing assets with the proceeds to pay debt service. Portions of the Revenue Bonds were used to construct governmental activity assets and therefore, will be repaid by governmental revenue sources. Revenue bonds outstanding at June 30, 2009 are as follows:

Governmental activities:

\$4,002,453 (of \$35,295,000), Utilities Systems Revenue Bonds Series 1998A due in annual installments of \$101,493 to \$281,799 through December 1, 2022; interest from 3.95% to 5.00%	\$	139,783
\$2,515,740 (of \$39,350,000 issue), Utilities Systems Revenue Bonds Series 2002B due in annual installments of \$107,310 to \$360,830 through December 1, 2022; interest of 3.65%		2,395,547
\$670,180 (of \$23,935,000 issue), Utilities Systems Revenue Bonds Series 2009 due in annual installments of \$63,700 to \$104,860 through December 1, 2017; interest from 3.00% to 5.00%. The amount shown is net of the unamortized deferred loss on the defeasance of \$97,525		572,655
	<u>\$</u>	<u>3,107,985</u>

Business-type activities:

\$24,850,000, 1995 Utility Systems Revenue Bonds due in annual installments of \$780,000 to \$1,800,000 through June 30, 2020; interest from 4.80% to 5.3%; to be paid from revenues of the Water and Wastewater Funds	\$	555,000
\$31,292,547 (of \$35,295,000 issue), Utilities Systems Revenue Bonds, Series 1998A due in annual installments of \$793,507 to \$2,203,201 through December 1, 2022; interest from 3.80% to 5.00%		1,175,217
\$29,480,000, Utilities Systems Refunding Revenue Bonds, Series 1998B due in annual installments of \$180,000 to \$2,705,000 through December 1, 2018; interest from 4.20% to 5.00%		1,860,000
\$25,935,000, Utilities Systems Revenue Bonds, Series 2002A due in annual installments of \$605,000 to \$1,635,000 through December 1, 2030; interest from 3.00% to 4.75%		22,710,000
\$36,834,260 (of \$39,350,000 issue), Utilities Systems Revenue Bonds, Series 2002B due in annual installments of \$1,505,240 to \$5,061,351; through December 1, 2023; interest from 3.65% to 3.65%		35,074,453
\$27,365,000, Utilities Systems Revenue Bonds, Series 2008 due in annual installments of \$500,000 to \$1,595,000; through December 1, 2035; interest from 3.00% to 5.00%		27,365,000
\$23,264,820 (of \$23,935,000 issue), Utilities Systems Refunding Revenue Bonds Series 2009 due in annual installments of \$2,211,300 to \$3,640,140 through December 1, 2017; interest from 3.00% to 5.00%. The amount shown is net of the unamortized deferred loss on the defeasance of \$1,213,795		22,051,025
	<u>\$</u>	<u>110,790,695</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	156,086	114,136	5,033,913	3,775,855
2011	183,028	105,919	5,911,972	4,163,180
2012	189,484	99,753	6,110,516	3,969,145
2013	196,220	93,366	6,318,780	3,765,855
2014	202,996	86,752	6,532,004	3,554,392
2015-2019	1,394,790	288,073	34,000,210	13,940,557
2020-2024	882,906	69,364	23,047,095	8,340,978
2025-2029	-	-	12,740,000	4,662,169
2030-2034	-	-	8,870,000	1,839,206
2035-2036	-	-	3,440,000	174,250
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	3,205,510	857,363	112,004,490	48,185,587

CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

**Note 7. Long-Term Debt (Continued)**

The future payments as presented above, have not been reduced by \$97,525 for governmental activities and \$1,213,795 for business-type activities, the unamortized deferred loss as a result of the refundings.

The Revenue Bond General Trust Indenture requires that certain amounts from the Utility funds be set aside into separate reserve accounts for the following uses and in the following amounts:

(1) Debt Service	Amount sufficient to pay current bond and interest maturities
(2) Bond and Interest Reserve	The lesser of (a) maximum principal and interest requirements in any succeeding fiscal year (b) 125% of the average annual principal and interest requirements (c) 10% of bond proceeds
(3) Extension and replacement	\$8,350 per month until the balance reaches \$500,000
(4) Rebate	Any amounts necessary to satisfy arbitrage regulations, if applicable, based upon yearly computations

The City has pledged future electric, water, and wastewater customer revenues, net of specified operating expenses, to repay \$199,021,627 in electric, water, and wastewater system revenue bonds issued in 1995 through 2009. Proceeds from the bonds provided financing for various projects related to the electric, water, and wastewater systems. The bonds are payable solely from electric, water, and wastewater customer net revenues and are payable through 2036. Annual principal and interest payments on the bonds are expected to require less than 12 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$160,190,077. Principal and interest paid for the current year and total customer net revenues were \$10,790,065 and \$92,298,456, respectively.

Current Refunding Bonds: In May 2009, the City issued \$23,935,000 of Utilities Systems current refunding bonds and retired the outstanding balance of the Series 1998A and 1998B Utilities Systems Revenue Bonds. The current refunding reduced total debt service payments over the following nine years by \$2,231,709 and resulted in an economic gain of \$2,023,033. As required by GASB Statement 23, the difference between the reacquisition price and the net carrying amount of the old (refunded) bonds was deferred (\$1,322,340) and amortized as a component of interest expense over the remaining life of the refunding bonds. The unamortized deferred amount as of June 30, 2009 was \$1,311,320.

Loan and installment notes: Loan and installment notes payable at June 30, 2009 are comprised of the following individual issues:

Governmental activities:

\$31,491,670, 2001 Certificates of Participation due in annual installments of \$754,415 to \$2,650,758, through June 1, 2021, plus interest due quarterly at 3.5% to 5.125% financed through First Concord Corporation, to be paid from General Fund	\$ 12,088,310
\$16,105,000 of \$17,000,000 issue, 2005 Certificates of Participation due in annual installments of \$640,000 to \$650,000 through June 1, 2030, plus interest due semiannually at 3% to 5% financed through First Concord Corporation, to be paid from General Fund	13,505,000
	\$ 25,593,310

Business-type activities:

\$6,703,330, 2001 Certificates of Participation due in annual installments of \$160,858 to \$564,242 through June 1, 2021, plus interest due semi-annually at 3.5% to 5.125% financed through First Concord Corporation, to be paid from Regional Airport Fund	\$ 3,141,690
\$10,895,500 of \$27,000,000 issue, 2005 Certificates of Participation due in annual installments of \$100,000 to \$950,000 through 2021, plus interest due semiannually at 3% to 5% financed through First Concord Corporation, to be paid from Golf Course Fund	9,075,000
	\$ 12,216,690

CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Annual debt service requirements to maturity for loan and installment notes are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	3,204,646	1,221,032	1,068,456	504,206
2011	3,204,646	1,082,311	1,102,258	460,102
2012	1,423,504	930,447	791,530	416,456
2013	1,423,504	872,489	811,530	388,137
2014	1,423,504	813,909	841,530	358,774
2015-2019	6,304,960	3,182,010	4,661,112	1,112,781
2020-2024	4,768,546	1,426,992	2,940,274	150,919
2025-2029	3,200,000	576,000	-	-
2030	640,000	28,800	-	-
	<u>\$ 25,593,310</u>	<u>\$ 10,133,990</u>	<u>\$ 12,216,690</u>	<u>\$ 3,391,375</u>

Loan payable: The City of Concord entered into a loan agreement with the US Department of Housing and Urban Development for a Section 108 loan guarantee that will be loaned to The Oaks at Stephens Place to finance the construction of The Oaks Wellness Center, a public facility. The owner and developer of the project will make payments to the city for the annual debt service. In addition, the loan requires pledge of five years of the Community Development Block Grant revenues in the event the owner/developer is unable to make the debt service requirements.

Governmental Activities:

\$1,974,000, Section 108 loan guarantee issued June 2009 due in annual installments of \$109,000 beginning August 2011 through August 2028 \$1,974,000

A summary of changes in long-term debt follows:

	July 1, 2008	Additions	Reductions	June 30, 2009
Governmental activities:				
Installment purchases	\$ 6,576,873	\$ -	\$ 586,197	\$ 5,990,676
Less current maturities				512,088
Long-term installment purchases				<u>\$ 5,478,588</u>
Bond payables:				
General obligation bonds	\$ 366,910	\$ -	\$ 131,910	\$ 235,000
Installment notes	28,865,300	-	3,271,990	25,593,310
Revenue bonds	3,375,678	670,180	840,348	3,205,510
Less deferred loss on defeasance	-	(98,345)	(820)	(97,525)
Total bond payable	<u>\$ 32,607,888</u>	<u>\$ 571,835</u>	<u>\$ 4,243,428</u>	28,936,295
HUD loan	<u>\$ 1,974,000</u>	\$ -	\$ -	1,974,000
Compensated absences	<u>\$ 2,149,884</u>	<u>\$ 1,562,265</u>	<u>\$ 1,408,860</u>	2,303,289
Separation allowance	<u>\$ 820,407</u>	<u>\$ 122,898</u>	<u>\$ -</u>	943,305
OPEB liability	<u>\$ 1,135,317</u>	<u>\$ 1,477,373</u>	<u>\$ -</u>	2,612,690
Less current maturities:				
General obligation bonds				150,000
Installment notes				3,204,646
Revenue bonds				156,086
Compensated absences				2,142,059
Long-term debt				<u>\$ 31,116,788</u>

CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

	July 1, 2008	Additions	Reductions	June 30, 2009
Business-type activities:				
Installment purchase	\$ 11,055,000	\$ 780,000	\$ 753,263	\$ 11,081,737
Less current maturities				751,582
Long-term installment purchases				<u>\$ 10,330,155</u>
Bond payables:				
General obligation bonds	\$ 678,089	\$ -	\$ 678,089	\$ -
Installment notes	13,259,700	-	1,043,010	12,216,690
Revenue bonds	90,359,322	50,629,820	28,984,652	112,004,490
Less deferred loss on defeasance	-	(1,223,995)	(10,200)	(1,213,795)
Total bond payable	<u>\$ 104,297,111</u>	<u>\$ 49,405,825</u>	<u>\$30,695,551</u>	123,007,385
Compensated absences	<u>\$ 1,143,607</u>	<u>\$ 993,678</u>	<u>\$ 946,217</u>	1,191,068
OPEB liability	<u>\$ 491,406</u>	<u>\$ 479,831</u>	<u>\$ -</u>	971,237
Less current maturities				
Installment notes				1,068,456
Revenue bonds				5,033,913
Compensated absences				1,107,696
Long-term debt				<u>\$117,959,625</u>

The legal debt margin of the City at June 30, 2009 was \$748,038,608.

As a means to lower its borrowing costs and increase its savings, when compared against fixed-rate refunding bonds at the time of issuance in August 2002, the City entered into an interest rate swap in connection with its \$39,350,000 Variable Rate Utilities Systems Refunding Revenue Bonds, Series 2002B. These bonds were refunded in July 2009 (see Note 16) and the swap was terminated in June 2009. At the time the swap was terminated, it had a negative fair value of \$4,224,498. When the bonds were refunded in July 2009, a termination payment of \$2,665,000 was made to terminate the swap.

Note 8. Interfund Receivables, Payables and Transfers

A schedule of interfund receivables and payables at June 30, 2009 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 4,301,698
General Fund	Nonmajor enterprise funds	371,824
		<u>\$ 4,673,522</u>

Interfund balances listed above represent cash transactions advanced to other funds and subsequent reimbursements. Interfund receivables and payables are eliminated between governmental funds in the statements of net assets.

NOTES TO FINANCIAL STATEMENTS

**Note 8. Interfund Receivables, Payables and Transfers (Continued)**

A schedule of interfund transfers at June 30, 2009 is as follows:

Transfers To	Transfers From	Total
General fund	Nonmajor governmental funds	\$ 125,576
Nonmajor governmental funds	General fund	6,747,503
Nonmajor enterprise funds	General fund	1,511,978
Regional airport fund	General fund	920,000
Nonmajor governmental funds	Electric fund	3,400
Nonmajor governmental funds	Water fund	3,400
Nonmajor governmental funds	Wastewater fund	3,400
Nonmajor governmental funds	Nonmajor enterprise funds	5,008
Nonmajor enterprise funds	Nonmajor governmental funds	373,439
Nonmajor governmental funds	Nonmajor governmental funds	2,063,469
		<u>\$ 11,757,173</u>

Interfund transfers listed above represent funds used for payment of capital projects and debt service.

**Note 9. Pension Plan Obligations**

A. Local Governmental Employee's Retirement System

(1) Plan description:

The City of Concord 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.

(2) Funding policy:

Plan members are required to contribute six percent of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.89% and 4.78%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 5.06% of annual covered payroll. The contribution requirements of members and of the City of Concord 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, 2009, 2008 and 2007 were \$1,952,481, \$1,807,830, and \$1,718,397, respectively. The ABC Board's contributions to LGERs for the years ended June 30, 2009, 2008, and 2007 were \$39,674, \$35,919, and \$33,737, 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:

(1) Plan description:

The City of Concord 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 allowance 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. A separate report was not issued for the plan.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan Obligations (Continued)

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

Retirees receiving benefits	11
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>142</u>
Total	<u><u>153</u></u>

(2) Summary of significant accounting policies:

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

(3) Contributions:

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

The annual required contribution for the 2009 current year was determined as part of the December 31, 2007 actuarial valuations using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

Actual pension cost and pension obligation – The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 247,540
Interest on net pension obligation	59,480
Adjustment to annual required contribution	<u>(50,157)</u>
Annual pension cost	256,863
Employer contributions made during the year	<u>133,965</u>
Increase in net pension obligation	122,898
Net pension obligation beginning of year	<u>820,407</u>
Net pension obligation end of year (included in the General Fund's long-term debt)	<u><u>\$ 943,305</u></u>

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2007	209,320	59	726,738
June 30, 2008	221,902	58	820,407
June 30, 2009	256,863	52	943,305

NOTES TO FINANCIAL STATEMENTS

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**Note 9. Pension Plan Obligations (Continued)**

(4) Funded Status and Funding Progress:

As of December 31, 2007, 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 \$2,293,806. The covered payroll (annual payroll of active employees covered by the plan) was \$6,359,818, and the ratio of the UAAL to the covered payroll was 36 percent.

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

C. Supplemental Retirement Income Plan for 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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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, 2009 were \$483,923, which consisted of \$354,133 from the City and \$129,790 from the law enforcement officers.

D. Supplemental Retirement Income Plan for City Employees (non-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 all active full-time employees of the City that are non-law enforcement officers. Article G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding policy – The City of Concord’s policy is to contribute an amount equal to three percent of each employee’s salary, and all amounts contributed are vested immediately. Also, the city’s employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2009 were \$1,791,359, which consisted of \$1,142,951 from the City and \$648,408 from the employees.

**Note 10. Other Postemployment Benefits**

(1) Plan Description:

Under the terms of a City resolution, the City administers a Health Care Plan. As of July 1, 2004, this plan provided postemployment healthcare benefits to retirees of the City provided they have ten (10) years of service with the City of Concord. The City will pay the portion of health coverage as listed below until the retiree is eligible for Medicare. The City has elected to partially pay the future overall cost of coverage for these benefits. Also, the City’s retirees can purchase coverage for their dependents at the City’s group rates. A separate report was not issued for the plan.

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

Membership of the Health Care Plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers	Firefighters
Retirees and dependents receiving benefits	89	-	-
Terminated plan members entitled to but not yet receiving benefits	-	-	-
Active plan members	549	136	169
Total	<u>638</u>	<u>136</u>	<u>169</u>

(2) Funding Policy:

Employees with a date of hire prior to July 1, 2004: Retirees with at least 10 years of service with the City will be provided the same level of coverage as active employees.

Employees with a date of hire after or on July 1, 2004: Retirees with at least 25 years of creditable service with the City will be provided with the same level of coverage as active employees. Those with at least 10 years of service but less than 25 years of service shall receive one-half (1/2) of the benefit provided to retiring employees with at least 25 years of service.

The City also provides dental coverage to the City's retirees; however, the retiree must pay the full premium cost.

Per a City resolution, the City is required to contribute the pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council.

The current ARC rate is 6.71% of annual covered payroll. The City obtains healthcare coverage through private insurers. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 0.37% and 1.02% of covered payroll, respectively. For the year ended June 30, 2009, the City made payments for postretirement health benefit premiums of \$622,357 of which \$108,774 was collected from retirees for dependent coverage. The City's obligation to contribute to the Health Care Plan is established and may be amended by the City Council.

(3) Summary of Significant Accounting Policies:

Plan member contributions are recognized in the period in which the contributions are due. Under a City resolution, the contributions are recognized when due and the City will provide the benefits to the Health Care Plan. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. 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. Short-term money market debt instruments and deposits are reported at cost or amortized cost, which approximates fair value.

(4) Annual OPEB Cost and Net OPEB Obligation:

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.



NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

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	\$ 2,470,787
Interest on net obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>2,470,787</u>
Contributions made	<u>(513,583)</u>
Increase (decrease) in net OPEB obligation	1,957,204
Net OPEB obligation, beginning of year	<u>1,626,723</u>
Net OPEB obligation, end of year	<u>\$ 3,583,927</u>

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and 2009 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 2,015,726	19.3%	\$ 1,626,723
2009	2,470,787	20.8%	3,583,927

(5) Funded Status and Funding Progress:

As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits, and, thus the unfunded actuarial accrued liability (UAAL) was \$25,153,845. The covered payroll (annual payroll of active employees covered by the plan) was \$36,818,549, and the ratio of the UAAL to the covered payroll was 68.3%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(6) 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, 2008 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.00 percent 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 10.50 to 5.00 percent annually. Both rates included a 3.75 percent 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, 2008 was 30 years.

NOTES TO FINANCIAL STATEMENTS

**Note 11. Deferred 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 and proprietary funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenues reported in the governmental and proprietary funds were as follows:

	Unavailable	Unearned
Governmental funds:		
Reserve for taxes receivable	\$ 1,304,460	\$ -
Prepaid taxes, not yet earned	-	113,345
Prepaid privilege licenses, not yet earned	-	635,765
Other prepaid fees	-	67,175
	\$ 1,304,460	\$ 816,285

**Note 12. Commitments and Contingencies**

The City had commitments on contracts of approximately \$8.2 million related primarily to construction in its Enterprise Funds.

The City participates in a number of Federal and State of North Carolina awards. For the fiscal ended June 30, 2009, these awards were subject to audit in accordance with Government Auditing Standards and the provisions of OMB Circular A-133 and the State Single Audit Implementation Act. The amounts, if any, of expenditures which may be disallowed by the granting agencies resulting from this and other audits cannot be determined at this time, although the City expects they would be immaterial.

At June 30, 2009, the City was a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

**Note 13. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. The City is fully insured through several insurance companies and is self-funded for workers' compensation and health benefits. The City obtains general liability coverage of \$1 million per occurrence, with a \$3 million aggregate limit. The City obtains public official liability coverage of \$3 million per occurrence, with a \$3 million aggregate limit. The City also obtained auto liability coverage of \$1 million for combined single limit and excess general liability of \$4 million. Property is insured through blanket coverage up to \$152,179,900. Employee health coverage is self insured through Blue Cross Blue Shield of North Carolina unless specified.

The City is exposed to various risks of loss related to injuries to employees. As of July 1, 2009, the City elected to cover workers' compensation claims up to an individual stop-loss of \$500,000 per employee, after which the excess workers compensation insurance company will pay until the claim is closed.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City's travelers package provides up to \$5 million in flood coverage for locations that are not located within a Federal Emergency Management Agency ("FEMA") flood zone. This coverage excludes locations that are included in FEMA areas designated as "A" or "V." The City does not have any property located within this designation at year end.

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. Employees that have access to funds are bonded under a blanket bond for \$250,000. The finance officer and tax collector are each individually bonded for \$250,000 each.

City of Concord ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has property, general liability, auto liability, workers compensation, and employee health coverage. The ABC Board also had liquor legal liability coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS

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**Note 14. Jointly Governed Organization**

The City is a member of the Water and Sewer Authority of Cabarrus County ("WSACC"). WSACC was organized by the governing bodies of the Cities of Concord and Kannapolis, the Cities of Harrisburg and Mount Pleasant, and the County of Cabarrus in order to operate and maintain a regional interceptor wastewater system and regional wastewater treatment plant. WSACC is a public corporation of the State of North Carolina under Section 162A-3 of the North Carolina Water and Wastewater Authority Act. WSACC is a jointly governed organization governed by a board appointed by the organizing bodies as follows: two members by the Cabarrus County Board of Commissioners, two members by the City of Concord City Council, two members by the City of Kannapolis City Council, one member by the City of Harrisburg City Council, one member by the City of Mount Pleasant Board of Commissioners, and one member by the Cabarrus County Board of Commissioners upon advice from the other political jurisdictions. The City of Concord paid WSACC approximately \$6.7 million for wastewater treatment and raw water charges during the year ended June 30, 2009. In addition, the City received debt service payments of \$519,920, on its loan receivables from WSACC.

**Note 15. Stewardship, Compliance and Accountability**

Deficit Fund Balance

North Carolina General Statutes prohibits the City from having a deficit fund balance in any fund. The Cabarrus Avenue Roundabout Special Revenue Fund had deficit net assets in the amount of \$41,914. The deficit balance in the net assets for the Cabarrus Avenue Roundabout Fund resulted from transferring activity from the Transportation Improvement Fund to a capital project fund several years ago and not all revenues were transferred over at that time. This project is complete and the fund will be closed back into the Transportation Improvement Fund closing out the Cabarrus Avenue Roundabout project. The Community Development Special Revenue Fund had deficit net assets in the amount of \$7,588. The deficit balance in the net assets for the Community Development Fund resulted from an excess of rehabilitation expenses over grants received. This deficit will be reduced in the coming years as more grant money is received.

**Note 16. Subsequent Events**

The City of Concord issued Utility Systems Revenue Bonds in July 2009 for \$40,925,000. These bonds refunded the 2002B Utilities Systems Refunding Revenue Bonds. The interest rate swap associated with the 2002B Utilities Systems Refunding Revenue Bonds was terminated in June 2009 (see Note 7). The debt service will begin in fiscal year 2010 with an interest payment of \$1,425,846 and principal payment of \$610,000. Annual debt service payments will be \$610,000 to \$6,265,000 through fiscal year 2023.

**Note 17. Pronouncements Issued, Not Yet Effective**

In June 2007, the GASB issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets. GASB 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. Additionally, GASB 51 establishes a specified-conditions approach to recognizing intangible assets that are internally generated and establishes criteria for when such expenditures should be capitalized. GASB 51 is effective for periods beginning after June 15, 2009 (the City's fiscal year ended June 30, 2010) and generally requires its provisions to be applied retroactively. The City has not yet determined the impact that implementation of GASB 51 will have on its financial statements.

In June 2008, the GASB issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. GASB 53 establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. GASB 53 is effective for periods beginning after June 15, 2009 (the City's fiscal year ended June 30, 2010). The City has not yet determined the impact that implementation of GASB 53 will have on its financial statements.