

---

HUNTLEY  
SIGMON  
ASSOCIATES  
CPAs, PLLC

---

**HS&A**  
Certified Public Accountants

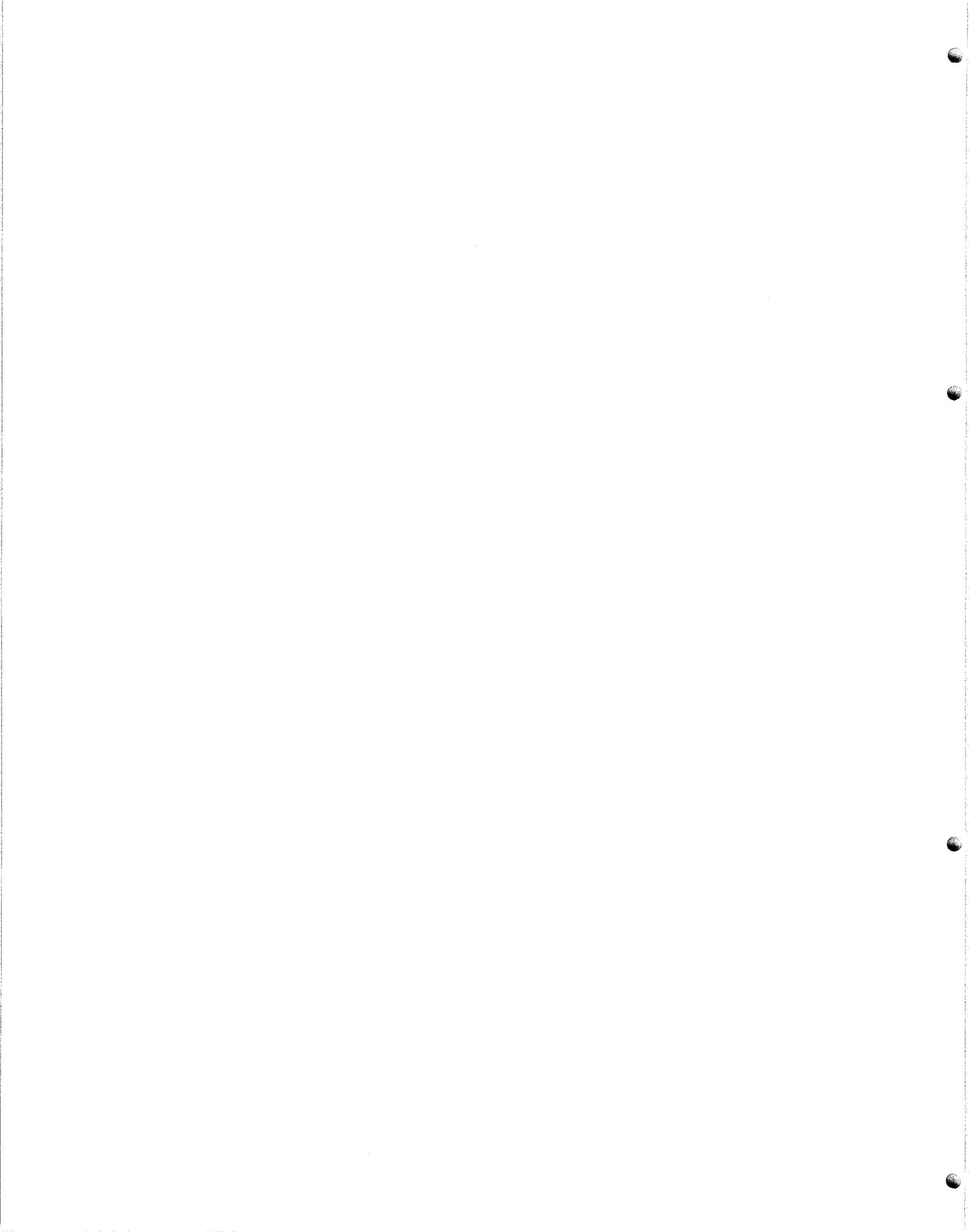
---

**TOWN OF WILKESBORO**  
NORTH CAROLINA  
**ANNUAL FINANCIAL**  
FOR THE YEAR ENDED JUNE 30, 2009

---

---

CERTIFIED PUBLIC ACCOUNTANTS  
LENOIR, NORTH CAROLINA



**Town of Wilkesboro, North Carolina  
Table of Contents  
June 30, 2009**

<u>Exhibit</u>		<u>Page</u>
<b>Financial Section:</b>		
	<b>Independent Auditor's Report</b>	1-2
	<b>Management's Discussion and Analysis</b>	3-9
<b>Basic Financial Statements:</b>		
<b>Government-wide Financial Statements:</b>		
1	Statement of Net Assets	10
2	Statement of Activities	11-12
<b>Fund Financial Statements:</b>		
3	Balance Sheet - Governmental Funds	13
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	13
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
6	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	16
7	Statement of Net Assets - Proprietary Funds	17
8	Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	18
9	Statement of Cash Flows - Proprietary Funds	19
	Notes to the Financial Statements	20-34
<b>Required Supplemental Financial Data:</b>		
A-1	Law Enforcement Officers' Special Separation Allowance - Schedule of Funding Progress	35
A-2	Law Enforcement Officers' Special Separation Allowance - Schedule of Employer Contributions	36
A-2	Law Enforcement Officers' Special Separation Allowance - Notes to the Required Schedules	36

**Town of Wilkesboro, North Carolina  
Table of Contents  
June 30, 2008**

<u>Exhibit</u>		<u>Page</u>
<b>Individual Fund Statements and Schedules:</b>		
B-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	37-40
C-1	Balance Sheet for Non-Major Governmental Fund	41
C-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non Major Governmental Funds	42
C-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - From Inception - Grant Project Fund	43
D-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - From Inception - Capital Project Fund - Cub Creek Stabilization	44
<b>Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:</b>		
E-1	Water and Sewer Fund	45-47
E-2	Water and Sewer Capital Projects Fund	48
E-3	Water and Sewer Capital Reserve Fund	49
<b>Other Schedules:</b>		
F-1	Schedule of Ad Valorem Taxes Receivable	50
F-2	Analysis of Current Tax Levy - Town-Wide Levy	51
<b>Compliance Section:</b>		
	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	52-53

**FINANCIAL SECTION**

HUNTLEY,  
SIGMON &  
ASSOCIATES, CPAs, PLLC

**HS&A**

Certified Public Accountants

Phone: (828) 754-0777  
Fax: (828) 754-1925

P.O. Box 1406  
348 Harper Avenue NW  
Lenoir, North Carolina 28645

**Independent Auditor's Report**

To the Honorable Mayor  
And Board of Commissioners  
Town of Wilkesboro, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Wilkesboro, North Carolina, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Wilkesboro'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 Town of Wilkesboro ABC Board. 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 Town of Wilkesboro ABC Board, is based solely on the report of the other 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 the Town's component units, the Town of Wilkesboro ABC Board, and the Wilkesboro Tourism Development, Convention, and Visitors Bureau, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2009, on our consideration of the Town of Wilkesboro's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and on the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions on pages 3 through 9, 35 and 36 respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditor have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statement of the Town of Wilkesboro, North Carolina. The combining and individual non-major fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements 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.

*Huntley, Sigmon & Associates, CPAs, PLLC*

HUNTLEY, SIGMON & ASSOCIATES, CPAs, PLLC  
Certified Public Accountants  
November 13, 2009

## Management Discussion and Analysis

## Management's Discussion and Analysis

As management of the Town of Wilkesboro, we offer readers of the Town of Wilkesboro's financial statements this narrative overview and analysis of the financial activities of the Town of Wilkesboro for the fiscal year ended June 30, 2009. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

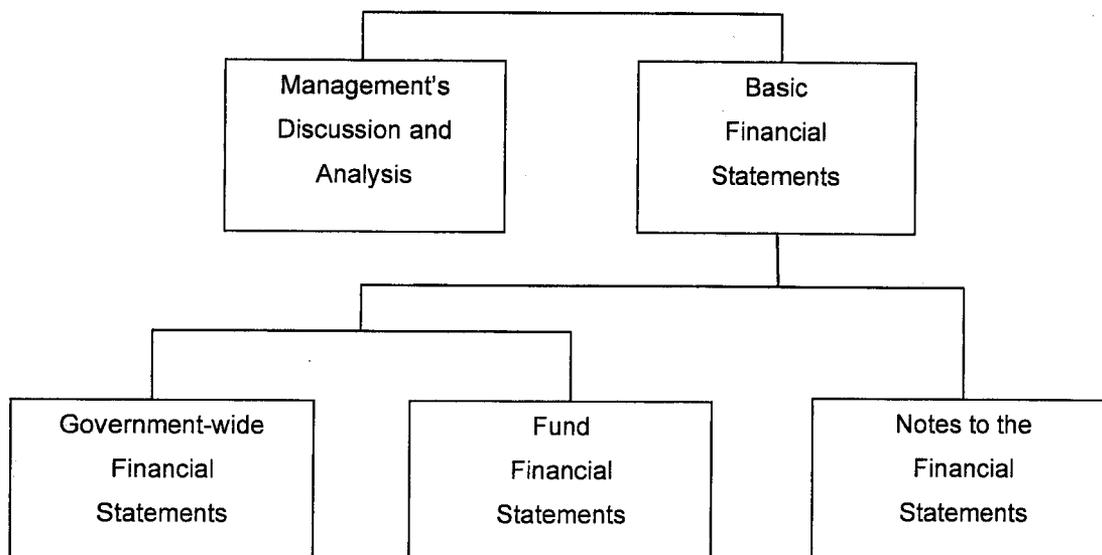
- The assets of the Town of Wilkesboro exceeded its liabilities at the close of the fiscal year by \$26,862,777 (*net assets*).
- The government's total net assets increased by \$454,741, primarily due to an increase in the governmental activities net assets.
- As of the close of the current fiscal year, the Town of Wilkesboro's governmental funds reported combined ending fund balances of \$2,949,660. Approximately 73.7% of this total amount or \$2,173,116 is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,173,116 or 51.1% of total general fund expenditures for the fiscal year.
- The Town of Wilkesboro's total debt decreased by \$360,577 (9.3%) during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Wilkesboro's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town 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 Town of Wilkesboro.

### Required Components of Annual Financial Report

Figure 1



Summary → Detail

## **Management's Discussion and Analysis Town of Wilkesboro**

### **Basic Financial Statements**

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

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

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

### **Government-wide Financial Statements**

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Wilkesboro. The final category is the component units. Although legally separate from the Town, the Tourism Bureau is important to the Town because the Town exercises control over the Tourism Bureau by appointing its board members and because the Tourism Bureau is required to spend the net proceeds of the Town's 3% occupancy tax to promote tourism, conventions, and visitation to the Town of Wilkesboro. Although legally separate from the Town, the ABC Board is important to the Town because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its surpluses to the general fund of the Town and to other governmental units.

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

### **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Wilkesboro, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Wilkesboro can be divided into two categories: governmental funds and proprietary funds.

**Management's Discussion and Analysis  
Town of Wilkesboro**

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

The Town of Wilkesboro 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 Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds** - The Town of Wilkesboro has one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Wilkesboro uses an enterprise fund to account for its water and sewer activity. This fund is the same as that function shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

**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 20-34 of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Wilkesboro's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 35 of this report.

**Government-Wide Financial Analysis**

**Town of Wilkesboro's Net Assets**

**Figure 2**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>6/30/2009</b>	<b>6/30/2008</b>	<b>6/30/2009</b>	<b>6/30/2008</b>	<b>6/30/2009</b>	<b>6/30/2008</b>
Current and other assets	\$ 3,263,554	\$ 3,119,050	\$ 2,156,206	\$ 2,184,670	\$ 5,419,760	\$ 5,303,720
Capital assets	<u>3,838,461</u>	<u>3,908,666</u>	<u>21,487,884</u>	<u>21,387,619</u>	<u>25,326,345</u>	<u>25,296,285</u>
Total assets	<u>\$ 7,102,015</u>	<u>\$ 7,027,716</u>	<u>\$ 23,644,090</u>	<u>\$ 23,572,289</u>	<u>\$ 30,746,105</u>	<u>\$ 30,600,005</u>
Long-term liabilities						
outstanding	\$ 373,566	\$ 601,418	\$ 3,161,480	\$ 3,294,205	\$ 3,535,046	\$ 3,895,623
Other liabilities	<u>257,601</u>	<u>233,914</u>	<u>90,681</u>	<u>62,433</u>	<u>348,282</u>	<u>296,347</u>
Total liabilities	<u>\$ 631,167</u>	<u>\$ 835,332</u>	<u>\$ 3,252,161</u>	<u>\$ 3,356,638</u>	<u>\$ 3,883,328</u>	<u>\$ 4,191,970</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 3,672,913	\$ 3,496,271	\$ 18,602,660	\$ 18,424,411	\$ 22,295,574	\$ 21,920,682
Restricted	331,677	335,008	-	-	331,677	335,008
Unrestricted	<u>2,466,258</u>	<u>2,361,105</u>	<u>1,789,269</u>	<u>1,791,240</u>	<u>4,235,526</u>	<u>4,152,345</u>
Total net assets	<u>\$ 6,470,848</u>	<u>\$ 6,192,384</u>	<u>\$ 20,391,929</u>	<u>\$ 20,215,651</u>	<u>\$ 26,862,777</u>	<u>\$ 26,408,035</u>

**Management's Discussion and Analysis  
Town of Wilkesboro**

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Wilkesboro exceeded liabilities by \$26,862,777 as of June 30, 2009. The Town's net assets increased by \$454,741 for the fiscal year ended June 30, 2009. However, the largest portion (83.0%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Wilkesboro uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Wilkesboro's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Wilkesboro's net assets \$331,677 (1.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,235,526 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.90%, which is comparable to the statewide average of 97.83%.

**Town of Wilkesboro Changes in Net Assets**

**Figure 3**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>6/30/2009</u>	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2008</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 98,132	\$ 122,218	\$ 3,735,115	\$ 4,016,489	\$ 3,833,247	\$ 4,138,707
Operating grants and contributions	407,238	272,587	-	-	407,238	272,587
Capital grants and contributions	-	-	-	-	-	-
<b>General revenues:</b>						
Property taxes	2,572,838	2,587,572	-	-	2,572,838	2,587,572
Other taxes	1,241,200	1,385,945	-	-	1,241,200	1,385,945
<b>Other</b>	<u>283,705</u>	<u>246,213</u>	<u>222,996</u>	<u>125,379</u>	<u>506,701</u>	<u>371,592</u>
<b>Total revenues</b>	<u>\$ 4,603,113</u>	<u>\$ 4,614,535</u>	<u>\$ 3,958,111</u>	<u>\$ 4,141,868</u>	<u>\$ 8,561,224</u>	<u>\$ 8,756,403</u>
<b>Expenses:</b>						
General government	\$ 1,514,552	\$ 1,540,638	\$ -	\$ -	\$ 1,514,552	\$ 1,540,638
Public safety	1,476,200	1,404,204	-	-	1,476,200	1,404,204
Highways/Streets	481,674	467,377	-	-	481,674	467,377
Sanitation	234,234	220,706	-	-	234,234	220,706
Culture and recreation	618,569	368,695	-	-	618,569	368,695
Interest on long-term debt	12,956	18,808	-	-	12,956	18,808
Water and sewer			<u>3,768,298</u>	<u>3,544,087</u>	<u>3,768,298</u>	<u>3,544,087</u>
<b>Total expenses</b>	<u>\$ 4,338,185</u>	<u>\$ 4,020,428</u>	<u>\$ 3,768,298</u>	<u>\$ 3,544,087</u>	<u>\$ 8,106,483</u>	<u>\$ 7,564,515</u>
Increase (decrease) in net assets before transfers	\$ 264,928	\$ 594,107	\$ 189,813	\$ 597,781	\$ 454,741	\$ 1,191,888
Transfers	<u>13,536</u>	<u>25,000</u>	<u>(13,536)</u>	<u>(25,000)</u>	-	-
Increase (decrease) in net assets	\$ 278,464	\$ 619,107	\$ 176,277	\$ 572,781	\$ 454,741	\$ 1,191,888
Net assets, July 1	<u>6,192,384</u>	<u>5,573,277</u>	<u>20,215,652</u>	<u>19,642,870</u>	<u>26,408,036</u>	<u>25,216,147</u>
Net assets, June 30	<u>\$ 6,470,848</u>	<u>\$ 6,192,384</u>	<u>\$ 20,391,929</u>	<u>\$ 20,215,651</u>	<u>\$ 26,862,777</u>	<u>\$ 26,408,035</u>

**Governmental activities:** Governmental activities increased the Town's net assets by \$278,464. The key element of this increase in net assets is the increase in operating grants and contributions.

## **Management's Discussion and Analysis Town of Wilkesboro**

**Business-type activities:** Business-type activities increased the Town of Wilkesboro's net assets by \$176,277. The key element of this increase in net assets is the increase in miscellaneous revenues.

### **Financial Analysis of the Town's Funds**

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

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

The general fund is the chief operating fund of the Town of Wilkesboro. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,173,116, while total fund balance reached \$2,949,660. 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 51.1% of total General Fund expenditures, while total fund balance represents 69.4% of that same amount.

At June 30, 2009, the governmental funds of the Town of Wilkesboro reported a combined fund balance of \$2,949,660, a 4.1% increase over last year. Included in this change is an increase in the general fund and no change in the special revenue funds.

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

**Proprietary Funds.** The Town of Wilkesboro's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,769,268. The total change in net assets was \$176,277. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Wilkesboro's business-type activities.

### **Capital Asset and Debt Administration**

**Capital assets.** The Town of Wilkesboro's investment in capital assets for its governmental and business-type activities as of June 30, 2009, totals \$25,326,345 (net of accumulated depreciation). These assets include buildings, water and sewer lines, land, machinery and equipment, park facilities, vehicles, and infrastructure.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Water and sewer capital asset additions of \$711,577.
- General fund capital asset additions of \$273,242.

**Management's Discussion and Analysis  
Town of Wilkesboro**

**Town of Wilkesboro's Capital Assets  
(net of depreciation)**

**Figure 4**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>6/30/2009</b>	<b>6/30/2008</b>	<b>6/30/2009</b>	<b>6/30/2008</b>	<b>6/30/2009</b>	<b>6/30/2008</b>
Land	\$ 757,400	\$ 622,400	\$ 593,430	\$ 593,430	\$ 1,350,830	\$ 1,215,830
Building & improvements	1,876,097	1,935,097			1,876,097	1,935,097
Plant & distribution systems			19,817,892	19,705,392	19,817,892	19,705,392
Machinery & equipment	1,128,784	1,196,584	800,938	670,576	1,929,722	1,867,160
Infrastructure	76,180	79,585			76,180	79,585
Construction in progress	0	75,000	275,624	418,221	275,624	493,221
<b>Total</b>	<b><u>\$ 3,838,461</u></b>	<b><u>\$ 3,908,666</u></b>	<b><u>\$ 21,487,884</u></b>	<b><u>\$ 21,387,619</u></b>	<b><u>\$ 25,326,345</u></b>	<b><u>\$ 25,296,285</u></b>

Additional information on the Town's capital assets can be found in note II.A.4. of the Basic Financial Statements.

**Long-term Debt**

The Town of Wilkesboro's total debt decreased by \$360,577 (9.3%) during the current fiscal year.

North Carolina general statutes limit 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 for the Town of Wilkesboro is \$47,894,738.

Additional information regarding the Town of Wilkesboro's long-term debt can be found in note II.B.5. beginning on page 31 of this report.

**Economic Factors**

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

- The unemployment rate for Wilkes County at June 30, 2009 stands at 12%, which is an increase of nearly 5% from a year ago. This rate is indicative of the national economic downturn.
- The Town has two vacant industrial buildings, but these sites are limited in their marketability. The lack of marketable facilities places the Town at a disadvantage when recruiting industrial clients. The Town has joined forces with the County in an effort to develop new industrial properties.
- The development of the US 421 Business District continues even as the economy has faltered.

**Budget Highlights**

**Governmental Activities:** The tax rate will remain at 40 cents per one hundred dollars (\$100) valuation of taxable property.

Budgeted expenditures in the General Fund are expected to remain flat from the previous year with an approved budget of \$4,735,930.

Capital purchases for the upcoming budget year have been cut back due to the uncertainty of the local and national economy. Two replacement cars will be purchased for the Police Department and a new brush truck for the Fire Department. The brush truck will partially be paid for from a 50% matching grant from the NC Department of Insurance.

The 2009-2010 budget includes the final debt payment for the Fire Station on Cherry Street and for the Fire Department's 95-foot Aerial Platform. This frees up approximately \$175,000 in annual debt service.

**Management's Discussion and Analysis  
Town of Wilkesboro**

**Business-type Activities:** Budgeted expenditures in the Water and Sewer Fund are expected to increase by approximately 1% to \$4,437,550. This minimal increase is reflective of the local economic downturn. Overall usage has declined for the last two years primarily due to less demand from our industrial customers.

The Town is in the final stages of borrowing funds from North Carolina Construction Grants & Loans (NCCG&L) in the amount of \$7,364,000 to be repaid over a 20-year term with an interest rate of 2.5%. This borrowing will allow the Town to renovate the forty (40) year old Wastewater Treatment Plant, along with the core interceptors and pump stations that service the facility.

With revenue shrinking and the need for capital renovations to the Wastewater Plant and interceptor lines, the Town has approved a 7.5% rate increase, effective July 1, 2009, and a proposed 7.5% rate increase to be effective January 1, 2010. Also, the three (3) wholesale water associations received an additional 20% rate increase above the 7.5% rate increase to be effective July 1, 2009.

**Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Wilkesboro, 203 West Main Street, Wilkesboro, NC 28697.

**BASIS FINANCIAL STATEMENTS**

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
June 30, 2009

	Primary Government			Wilkesboro Tourism Development, Convention, and Visitors Bureau	Wilkesboro ABC Board
	Governmental Activities	Business-type Activities	Total		
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,762,394	\$ 1,054,207	\$ 3,816,601	\$ 314,899	\$ 199,300
Taxes receivables (net)	56,293	-	56,293	-	-
Accounts receivable	10,356	411,733	422,089	-	-
Due from other governments	360,835	-	360,835	-	-
Due from component units	73,676	-	73,676	-	-
Due from primary government	-	-	-	31,218	-
Inventories	-	432,523	432,523	-	223,598
Prepaid items	-	-	-	-	6,292
Total current assets	<b>\$ 3,263,554</b>	<b>\$ 1,898,463</b>	<b>\$ 5,162,017</b>	<b>\$ 346,117</b>	<b>\$ 429,190</b>
Restricted assets:					
Cash and cash equivalents	\$ -	\$ 257,743	\$ 257,743	\$ -	\$ -
Capital assets:					
Land, non-depreciable improvements, and construction in progress	\$ 757,400	\$ 869,054	\$ 1,626,454	\$ -	\$ 11,600
Other capital assets, net of depreciation	3,081,061	20,618,830	23,699,891	-	18,752
Total capital assets	<b>\$ 3,838,461</b>	<b>\$ 21,487,884</b>	<b>\$ 25,326,345</b>	<b>\$ -</b>	<b>\$ 30,352</b>
Total assets	<b>\$ 7,102,015</b>	<b>\$ 23,644,090</b>	<b>\$ 30,746,105</b>	<b>\$ 346,117</b>	<b>\$ 459,542</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 178,230	\$ 53,443	\$ 231,673	\$ -	\$ 54,424
Unearned revenue	48,153	-	48,153	-	-
Customer deposits	-	27,238	27,238	-	-
Due to primary government	-	-	-	52,226	21,450
Due to other governments	-	-	-	-	36,074
Due to component units	31,218	-	31,218	-	-
Current portion of long-term liabilities	127,510	289,574	417,084	-	-
Payable from restricted assets	-	10,000	10,000	-	-
Long-term liabilities:					
Due in more than one year	246,056	2,871,906	3,117,962	-	-
Total liabilities	<b>\$ 631,167</b>	<b>\$ 3,252,161</b>	<b>\$ 3,883,328</b>	<b>\$ 52,226</b>	<b>\$ 111,948</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 3,672,913	\$ 18,602,660	\$ 22,275,573	\$ -	\$ 30,352
Restricted for:					
Transportation	327,835	-	327,835	-	-
Public safety	3,842	-	3,842	-	-
Other purposes	-	-	-	-	317,242
Unrestricted	2,466,258	1,789,269	4,255,527	293,891	-
Total net assets	<b>\$ 6,470,848</b>	<b>\$ 20,391,929</b>	<b>\$ 26,862,777</b>	<b>\$ 293,891</b>	<b>\$ 347,594</b>

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

TOWN OF WILKESBORO, NORTH CAROLINA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2009

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 1,514,552	\$ 29,675	\$ -	\$ -
Public safety	1,476,200	13,599	74,598	-
Transportation	481,674	-	116,629	-
Environmental protection	234,234	-	-	-
Cultural and recreation	618,569	54,858	216,011	-
Interest on long-term debt	12,956	-	-	-
Total governmental activities	\$ 4,338,185	\$ 98,132	\$ 407,238	\$ -
<b>Business-type activities:</b>				
Water and sewer	\$ 3,768,298	\$ 3,735,115	\$ -	\$ -
Total business-type activities	\$ 3,768,298	\$ 3,735,115	\$ -	\$ -
Total primary government	\$ 8,106,483	\$ 3,833,247	\$ 407,238	\$ -
<b>Component units:</b>				
Wilkesboro Tourism Development, Convention, and Visitors Bureau	\$ 116,017	\$ -	\$ -	\$ -
Wilkesboro ABC Board	1,288,923	1,298,953	-	-
Total component units	\$ 1,404,940	\$ 1,298,953	\$ -	\$ -

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

TOWN OF WILKESBORO, NORTH CAROLINA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2009

Net (Expense) Revenue and Changes in Net Assets					
Primary Government					
Functions/Programs	Governmental Activities	Business-type Activities	Total	Wilkesboro Tourism Development, Convention, and Visitors Bureau	Wilkesboro ABC Board
<b>Primary government:</b>					
Governmental Activities:					
General government	\$ (1,484,877)	\$ -	\$ (1,484,877)	\$ -	\$ -
Public safety	(1,388,003)	-	(1,388,003)	-	-
Transportation	(365,045)	-	(365,045)	-	-
Environmental protection	(234,234)	-	(234,234)	-	-
Cultural and recreation	(347,700)	-	(347,700)	-	-
Interest on long-term debt	(12,956)	-	(12,956)	-	-
Total governmental activities	\$ (3,832,815)	\$ -	\$ (3,832,815)	\$ -	\$ -
Business-type activities:					
Water and sewer	\$ -	\$ (33,183)	\$ (33,183)	-	-
Total business-type activities	\$ -	\$ (33,183)	\$ (33,183)	-	-
Total primary government	\$ (3,832,815)	\$ (33,183)	\$ (3,865,998)	-	-
Component units:					
Wilkesboro Tourism Development, Convention, and Visitors Bureau	-	-	-	\$ (116,017)	\$ -
Wilkesboro ABC Board	-	-	-	-	10,030
Total component units	-	-	-	\$ (116,017)	\$ 10,030
General revenues:					
Taxes:					
Property taxes, levied for general purpose	\$ 2,572,838	\$ -	\$ 2,572,838	\$ -	\$ -
Other taxes	1,241,200	-	1,241,200	-	-
Occupancy tax	-	-	-	119,159	-
Grants and contributions not restricted to specific programs	-	-	-	-	-
Unrestricted investment earnings	53,137	27,568	80,705	4,929	2,206
Miscellaneous	230,568	195,428	425,996	-	-
Transfers	13,536	(13,536)	-	-	-
Total general revenues and transfers	\$ 4,111,279	\$ 209,460	\$ 4,320,739	\$ 124,088	\$ 2,206
Change in net assets	\$ 278,464	\$ 176,277	\$ 454,741	\$ 8,071	\$ 12,236
Net assets, beginning	6,192,384	20,215,652	26,408,036	285,820	335,358
Net assets, ending	\$ 6,470,848	\$ 20,391,929	\$ 26,862,777	\$ 293,891	\$ 347,594

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2009**

	Major Funds		Total Governmental Funds
	General	Total Non-Major Funds	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,730,263	\$ 32,131	\$ 2,762,394
Receivables, net:			
Taxes	56,293		56,293
Accounts	10,356		10,356
Due from other governments	360,835		360,835
Due from component units	73,676		73,676
Total assets	<u>\$ 3,231,423</u>	<u>\$ 32,131</u>	<u>\$ 3,263,554</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 178,230		\$ 178,230
Due to component unit	31,218		31,218
Deferred revenue	56,293		56,293
Unearned revenue	16,022	32,131	48,153
Total liabilities	<u>\$ 281,763</u>	<u>\$ 32,131</u>	<u>\$ 313,894</u>
Fund balances:			
Reserved for:			
State statute	\$ 444,867		\$ 444,867
Streets-Powell bill	327,835		327,835
Drug crime prevention	3,842		3,842
Unreserved:			
Designated for subsequent year's expenditures	237,430		237,430
Undesignated	1,935,686		1,935,686
Unreserved, reported in non-major:			
Special Revenue funds			-
Total fund balances	<u>\$ 2,949,660</u>	<u>\$ -</u>	<u>\$ 2,949,660</u>
Total liabilities and fund balances	<u>\$ 3,231,423</u>	<u>\$ 32,131</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,838,461
Liabilities for earned but deferred revenues in fund statements.	56,293
Some liabilities, including promissory notes, are not due and payable in the current period and therefore are not reported in the funds.	(373,566)
Net assets of governmental activities	<u>\$ 6,470,848</u>

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2009**

	<b>Major Funds</b>		
	<b>General Fund</b>	<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Ad valorem taxes	\$ 2,567,654	\$ -	\$ 2,567,654
Other taxes and licenses	18,211	-	18,211
Unrestricted intergovernmental	1,168,615	-	1,168,615
Restricted intergovernmental	315,545	216,011	531,556
Permits and fees	19,808	-	19,808
Sales and services	32,666	-	32,666
Investment earnings	53,137	-	53,137
Miscellaneous	146,282	-	146,282
Total revenues	<u>\$ 4,321,918</u>	<u>\$ 216,011</u>	<u>\$ 4,537,929</u>
<b>EXPENDITURES</b>			
Current:			
General government	\$ 1,480,588	\$ -	\$ 1,480,588
Public safety	1,358,236	-	1,358,236
Transportation	476,601	-	476,601
Environmental protection	218,130	-	218,130
Cultural and recreation	455,463	322,011	777,474
Debt service:			
Principal	246,847	-	246,847
Interest and other charges	12,955	-	12,955
Total expenditures	<u>\$ 4,248,820</u>	<u>\$ 322,011</u>	<u>\$ 4,570,831</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 73,098</u>	<u>\$ (106,000)</u>	<u>\$ (32,902)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	\$ 135,000	\$ -	\$ 135,000
Transfers to other funds	(131,000)	(25,000)	(156,000)
Transfers from other funds	38,536	131,000	169,536
Total other financing sources (uses)	<u>\$ 42,536</u>	<u>\$ 106,000</u>	<u>\$ 148,536</u>
Net change in fund balance	<u>\$ 115,634</u>	<u>\$ -</u>	<u>\$ 115,634</u>
Fund balances, beginning	<u>\$ 2,834,026</u>	<u>\$ -</u>	<u>\$ 2,834,026</u>
Fund balances, ending	<u>\$ 2,949,660</u>	<u>\$ -</u>	<u>\$ 2,949,660</u>

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

**TOWN OF WILKESBORO, NORTH CAROLINA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2009**

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

Net changes in fund balances - total governmental funds	\$	115,634
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period</p>		
		4,795
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in deferred revenue for tax revenues		5,183
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		246,847
<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 governmental funds.</p>		
Compensated absences		(93)
Net pension obligation		(18,902)
Loss on disposal of capital assets		(75,000)
		(93,995)
Total changes in net assets of governmental activities	\$	278,464

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2009**

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,611,750	\$ 2,611,750	\$ 2,567,654	\$ (44,096)
Other taxes and licenses	18,000	18,000	18,211	211
Unrestricted intergovernmental	1,315,500	1,318,300	1,168,615	(149,685)
Restricted intergovernmental	296,500	294,000	315,545	21,545
Permits and fees	10,000	10,000	19,808	9,808
Sales and services	43,000	40,500	32,666	(7,834)
Investment earnings	10,000	10,000	53,137	43,137
Miscellaneous	62,800	297,207	146,282	(150,925)
Total revenues	<u>\$ 4,367,550</u>	<u>\$ 4,599,757</u>	<u>\$ 4,321,918</u>	<u>\$ (277,839)</u>
<b>Expenditures:</b>				
Current:				
General government	\$ 1,666,100	\$ 1,676,315	\$ 1,480,588	\$ 195,727
Public safety	1,584,193	1,529,693	1,358,236	171,457
Transportation	582,425	585,425	476,601	108,824
Environmental protection	238,670	238,670	218,130	20,540
Cultural and recreation	380,700	523,192	455,463	67,729
Debt service:				
Principal retirement	246,847	246,847	246,847	-
Interest and other charges	12,958	12,958	12,955	3
Total expenditures	<u>\$ 4,711,893</u>	<u>\$ 4,813,100</u>	<u>\$ 4,248,820</u>	<u>\$ 564,280</u>
Revenues over (under) expenditures	<u>\$ (344,343)</u>	<u>\$ (213,343)</u>	<u>\$ 73,098</u>	<u>\$ 286,441</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	\$ 95,000	\$ 95,000	\$ 38,536	\$ (56,464)
Transfers to other funds		\$ (131,000)	\$ (131,000)	
Sale of capital assets		-	135,000	135,000
Total other financing sources (uses)	<u>\$ 95,000</u>	<u>\$ (36,000)</u>	<u>\$ 42,536</u>	<u>\$ 78,536</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ (249,343)</u>	<u>\$ (249,343)</u>	<u>\$ 115,634</u>	<u>\$ 364,977</u>
Fund balance appropriated	249,343	249,343	-	(249,343)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,634</u>	<u>\$ 115,634</u>
Fund balance, beginning			<u>2,834,026</u>	
Fund balance, ending			<u>\$ 2,949,660</u>	

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2009**

	<b>Major Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,054,207	\$ 1,054,207
Accounts receivable - billed	97,764	97,764
Accounts receivable - unbilled	313,969	313,969
Inventories	432,523	432,523
Total current assets	<u>\$ 1,898,463</u>	<u>\$ 1,898,463</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	<u>\$ 257,743</u>	<u>\$ 257,743</u>
Capital assets:		
Land and other non-depreciable assets	\$ 869,054	\$ 869,054
Other capital assets, net of depreciation	20,618,830	20,618,830
Capital assets (net)	<u>\$ 21,487,884</u>	<u>\$ 21,487,884</u>
Total noncurrent assets	<u>\$ 21,745,627</u>	<u>\$ 21,745,627</u>
Total assets	<u><u>\$ 23,644,090</u></u>	<u><u>\$ 23,644,090</u></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 53,443	\$ 53,443
Customer deposits	27,238	27,238
Installment purchase-current	251,180	251,180
Promissory note-current	38,394	38,394
Liabilities payable from restricted assets:		
Accounts Payable	10,000	10,000
Total current liabilities	<u>\$ 380,255</u>	<u>\$ 380,255</u>
Noncurrent liabilities:		
Other noncurrent liabilities:		
Compensated absences	\$ 28,513	\$ 28,513
Installment purchase-noncurrent	2,720,594	2,720,594
Notes payable, net of current portion	122,799	122,799
Total noncurrent liabilities	<u>\$ 2,871,906</u>	<u>\$ 2,871,906</u>
Total liabilities	<u>\$ 3,252,161</u>	<u>\$ 3,252,161</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 18,602,660	\$ 18,602,660
Unrestricted	1,789,269	1,789,269
Total net assets	<u><u>\$ 20,391,929</u></u>	<u><u>\$ 20,391,929</u></u>

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

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

	<b>Major Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 3,588,983	\$ 3,588,983
Water and sewer taps	36,999	36,999
Rural Center	39,250	39,250
Other operating revenue	69,883	69,883
<b>Total operating revenues</b>	<b>\$ 3,735,115</b>	<b>\$ 3,735,115</b>
<b>OPERATING EXPENSES</b>		
Administration	\$ 449,326	\$ 449,326
Water treatment and distribution	956,987	956,987
Waste collection and treatment	1,023,110	1,023,110
Maintenance	610,647	610,647
Depreciation	611,312	611,312
<b>Total operating expenses</b>	<b>\$ 3,651,382</b>	<b>\$ 3,651,382</b>
<b>Operating income</b>	<b>\$ 83,733</b>	<b>\$ 83,733</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	\$ 27,568	\$ 27,568
Interest and other charges	(116,916)	(116,916)
Miscellaneous Income	195,428	195,428
<b>Total nonoperating revenue (expenses)</b>	<b>\$ 106,080</b>	<b>\$ 106,080</b>
<b>Income before contributions and transfers</b>	<b>\$ 189,813</b>	<b>\$ 189,813</b>
Transfers from other funds	25,000	25,000
Transfers to other funds	(38,536)	(38,536)
<b>Change in net assets</b>	<b>\$ 176,277</b>	<b>\$ 176,277</b>
<b>Total net assets, beginning</b>	<b>20,215,652</b>	<b>20,215,652</b>
<b>Total net assets, ending</b>	<b>\$ 20,391,929</b>	<b>\$ 20,391,929</b>

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2009

	Major Enterprise Funds	
	Water and Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 3,686,143	\$ 3,686,143
Cash paid for goods and services	(1,846,097)	(1,846,097)
Cash paid to or on behalf of employees for services	(1,270,806)	(1,270,806)
Customer deposits received	6,722	6,722
Customer deposits returned	(1,714)	(1,714)
Net cash provided by operating activities	<u>\$ 574,248</u>	<u>\$ 574,248</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	\$ 25,000	\$ 25,000
Transfers to other funds	(38,536)	(38,536)
Net cash used by financing activities	<u>\$ (13,536)</u>	<u>\$ (13,536)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	\$ (711,576)	\$ (711,576)
Proceeds from long-term debt	161,193	161,193
Principal paid on long-term debt	(294,480)	(294,480)
Interest paid on long-term debt	(116,916)	(116,916)
Miscellaneous income	195,428	195,428
Net cash used by capital and related financing activities	<u>\$ (766,351)</u>	<u>\$ (766,351)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	\$ 27,568	\$ 27,568
Net decrease in cash and cash equivalents	\$ (178,071)	\$ (178,071)
Balances, beginning	1,490,021	1,490,021
Balances, ending	<u>\$ 1,311,950</u>	<u>\$ 1,311,950</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 83,733	\$ 83,733
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 611,312	\$ 611,312
Changes in assets and liabilities:		
Increase in accounts receivable	(48,972)	(48,972)
Increase in inventory	(100,635)	(100,635)
Increase in accounts payable and accrued liabilities	23,241	23,241
Increase in customer deposits	5,008	5,008
Increase in accrued vacation pay	561	561
Total adjustments	<u>\$ 490,515</u>	<u>\$ 490,515</u>
Net cash provided by operating activities	<u>\$ 574,248</u>	<u>\$ 574,248</u>

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

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

**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Wilkesboro and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The Town of Wilkesboro is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, legally separate entities for which the Town is financially accountable. The two discretely presented component units presented below are reported in separate columns in the Town's financial statements in order to emphasize that they are legally separate from the Town.

**Wilkesboro Tourism Development, Convention, and Visitors Bureau**

The members of the Tourism Bureau's governing board are appointed by the Town. The Tourism Bureau is to spend the net proceeds of the Town's 3% occupancy tax to promote tourism, conventions, and visitation to the Town of Wilkesboro. The Tourism Bureau, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation). Complete financial statements for the Tourism Bureau may be obtained from the entity's administrative office at Wilkesboro Tourism Development, Convention, and Visitors Bureau, 203 West Main Street, Wilkesboro, NC 28697.

**Town of Wilkesboro ABC Board**

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town and to other governmental units. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Wilkesboro ABC Board, 798 Curtis Bridge Road, Wilkesboro, NC 28697.

**B. Basis of Presentation**

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

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

The Town reports the following major governmental fund:

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following non-major governmental funds:

**Grant Project Special Revenue Fund.** This fund is used to account for grant funds that are restricted for use for a particular purpose.

**Cub Creek Stabilization Capital Projects Fund.** This fund is used to account for the stabilization and restoration of the banks of Cub Creek adjacent to Cub Creek Park.

The Town reports the following major enterprise fund:

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

**C. Measurement Focus and Basis of Accounting**

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

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

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

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method,

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

revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Wilkes 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 Town of Wilkesboro. 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 Town's vehicle taxes for vehicles registered in Wilkes County from March 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town 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 Town 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 Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Grant Project Special Revenue Fund, the Cub Creek Stabilization Capital Project Fund, the Enterprise Capital Project Fund and the Enterprise Capital Reserve Fund. The enterprise fund projects are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations by more than \$500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

All deposits of the Town, the Tourism Bureau, and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town, the Tourism Bureau, 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 Town, the Tourism Bureau, and the ABC Board

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

may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town, the Tourism Bureau, and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's, the Tourism Bureau's, and the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

**2. Cash and Cash Equivalents**

The Town and Tourism Bureau pool money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

**3. Restricted Assets**

The restricted cash in the Water and Sewer Fund is classified as a restricted asset because its use is restricted per Board designation.

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2008.

**5. Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**6. Inventory and Prepaid Items**

The inventory of the Town is valued at cost (first-in, first-out), which approximates market. The inventory of the ABC Board is valued at replacement cost, which approximates the lower of cost (first-in, first-out) or market. The inventory of the Town's enterprise fund consists of materials and supplies held for subsequent use. The cost of this inventory is expensed when consumed rather than when purchased. The inventory of the ABC Board is held for sale to customers.

**7. Capital Assets**

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 two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. A new water plant and a new waste treatment plant were constructed in 1964 and 1967, respectively. Information as to the cost of water and sewer lines installed prior to 1964 was not available and is not included in capital assets. It is not felt that these items are material. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	25
Buildings and Improvements	32-60
Water and Sewer Plants	50-67
Water and Sewer Lines	33-100
Vehicles	5-10
Furniture and equipment	5-20
Computer equipment	5-7

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	20-33
Furniture and equipment	3-10

**8. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

**9. Economic Dependency**

The enterprise fund has one major customer from whom receipts were approximately 66% of the revenue reported as water and sewer charges.

**10. Compensated Absences**

The vacation policy of the Town provides for vacation leave based on length of employment by the Town with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. For the Town, the current portion of the accumulated earned vacation is not considered to be material; therefore, no expenditure or liability has been reported in the government-wide and proprietary funds.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**11. Net Assets/Fund Balances**

**Net Assets**

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

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

**Fund Balances**

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance 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 which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

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 Drug Crime Prevention - portion of fund balance that is available for appropriation but legally segregated to investigate, combat, prevent and reduce drug crimes. The amount represents the balance of the unexpended Controlled Substance Tax.

**Unreserved:**

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

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

**II. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

All the deposits of the Town, the Tourism Bureau, and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's, the Tourism Bureau'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 Town, the Tourism Bureau, and the ABC Board, these deposits are considered to be held by the Town's, the Tourism Bureau's, and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the Tourism Bureau, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town, the Tourism Bureau, and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town, the Tourism Bureau 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

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

capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2009, the Town's deposits had a carrying amount of \$3,802,819 and a bank balance of \$3,969,072. Of the Town's bank balance, \$1,837,635 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the Tourism Bureau was \$314,899 and the bank balance was \$322,717. All of the Tourism's bank balance was covered by federal depository insurance. The carrying amount of deposits for the ABC Board was \$197,700 and the bank balance was \$194,872. All of the ABC Board's bank balance was covered by federal depository insurance. At June 30, 2009, the Town's petty cash fund totaled \$200.

**2. Investments**

At June 30, 2009, the Town had \$271,324 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

**3. Receivables - Allowances for Doubtful Accounts**

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

<u>Fund</u>	<u>6-30-09</u>
General Fund	
Taxes Receivable	<u>\$ 66,700</u>

**4. Capital Assets**

**Primary Government**

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

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
	<u>Balances</u>	<u>Balances</u>	<u>Balances</u>	<u>Balances</u>
<b>Government activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 622,400	\$ 135,000		\$ 757,400
Construction in progress	75,000		\$ 75,000	0
Total capital assets not being depreciated	<u>\$ 697,400</u>	<u>\$ 135,000</u>	<u>\$ 75,000</u>	<u>\$ 757,400</u>
<b>Capital assets being depreciated:</b>				
Buildings and Improvements	\$ 2,601,121			\$ 2,601,121
Equipment	3,187,552	\$ 138,242		3,325,794
Infrastructure	85,120			85,120
Total capital assets being depreciated	<u>\$ 5,873,793</u>	<u>\$ 138,242</u>	<u>\$ 0</u>	<u>\$ 6,012,035</u>
<b>Less accumulated depreciation for:</b>				
Buildings and Improvements	\$ 666,024	\$ 59,000		\$ 725,024
Equipment	1,990,968	206,042		2,197,010
Infrastructure	5,535	3,405		8,940
Total accumulated depreciation	<u>\$ 2,662,527</u>	<u>\$ 268,447</u>	<u>\$ 0</u>	<u>\$ 2,930,974</u>
Total capital assets being depreciated, net	<u>\$ 3,211,266</u>			<u>\$ 3,081,061</u>
<b>Governmental activity capital assets, net</b>	<u><u>\$ 3,908,666</u></u>			<u><u>\$ 3,838,461</u></u>

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

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

General government	\$ 47,068
Public safety	148,973
Transportation	42,671
Environmental protection	14,512
Cultural and recreational	15,223
Total depreciation expense	<u>\$ 268,447</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Water and Sewer Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 593,430			\$ 593,430
Construction in progress	418,221	\$ 238,373	\$ 380,970	275,624
Total capital assets not being depreciated	<u>\$ 1,011,651</u>	<u>\$ 238,373</u>	<u>\$ 380,970</u>	<u>\$ 869,054</u>
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	\$ 26,492,743	\$ 607,345		\$ 27,100,088
Equipment	1,931,159	246,829		2,177,988
Total capital assets being depreciated	<u>\$ 28,423,902</u>	<u>\$ 854,174</u>	<u>\$ 0</u>	<u>\$ 29,278,076</u>
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	\$ 6,787,351	\$ 494,845		\$ 7,282,196
Equipment	1,260,583	116,467		1,377,050
Total accumulated depreciation	<u>\$ 8,047,934</u>	<u>\$ 611,312</u>	<u>\$ 0</u>	<u>\$ 8,659,246</u>
Total capital assets being depreciated, net	<u>\$ 20,375,968</u>			<u>\$ 20,618,830</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 21,387,619</u>			<u>\$ 21,487,884</u>

**Construction commitments**

The government had no active construction projects and no commitments with contractors as of June 30, 2009.

**Discretely presented component unit**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 11,600	\$ 0	\$ 0	\$ 11,600
<b>Capital assets being depreciated:</b>				
Buildings and improvements	\$ 191,714			\$ 191,714
Furniture and equipment	12,854			12,854
Total capital assets being depreciated	<u>\$ 204,568</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 204,568</u>
<b>Less accumulated depreciation for:</b>				
Buildings	\$ 163,214	\$ 11,100		\$ 174,314
Furniture and equipment	8,258	3,244		11,502
Total accumulated depreciation	<u>\$ 171,472</u>	<u>\$ 14,344</u>	<u>\$ 0</u>	<u>\$ 185,816</u>
Total capital assets being depreciated, net	<u>\$ 33,096</u>			<u>\$ 18,752</u>
<b>ABC Board capital assets, net</b>	<u>\$ 44,696</u>			<u>\$ 30,352</u>

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

**B. Liabilities**

**1. Pension Plan Obligations**

**a. Local Governmental Employees' Retirement System**

*Plan Description.* The Town of Wilkesboro contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.93% and 4.86%, respectively, of annual covered payroll. The contribution requirement of members and of the Town of Wilkesboro is established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2009, 2008, and 2007 were \$125,454, \$111,840, and \$107,502, respectively. The contributions made by the Town equaled the required contributions for each year.

**b. Law Enforcement Officers Special Separation Allowance**

**1. *Plan Description.***

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

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

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>19</u>
Total	<u>19</u>

A separate report was not issued for the plan.

**2. *Summary of Significant Accounting Policies:***

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

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

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

**3. Contributions.**

The Town 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 Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% - 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include post-employment benefit increases.

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

Annual required contribution	\$ 17,161
Interest on net pension obligation	11,110
Adjustment to annual required contribution	<u>(9,369)</u>
Annual pension cost	\$ 18,902
Contributions made	<u>0</u>
Increase (decrease) in net pension obligation	\$ 18,902
Net pension obligation beginning of year	<u>153,239</u>
Net pension obligation end of year	<u>\$ 172,141</u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 22,031	0%	\$ 136,231
2008	\$ 17,008	0%	\$ 153,239
2009	\$ 18,902	0%	\$ 172,141

**4. Funded Status and Funding Progress.**

As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$154,247. The covered payroll (annual payroll of active employees was covered by the plan) as \$598,339, and the ratio of the UAAL to the covered payroll was 25.78 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 Town 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 Town. 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.

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town 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 \$38,538, which consisted of \$29,328 from the Town and \$9,210 from the law enforcement officers.

**d. 401(K) Retirement Plan**

For the year ended June 30, 2009, the Town contributed to an approved 401(K) Retirement Plan covering eligible employees not engaged in law enforcement. The Town elected to make matching contributions of up to five percent (5%) of eligible salaries. The Town's contribution to the plan for the year ended June 30, 2009 was \$82,371.

**e. Firemen's and Rescue Squad Workers' Pension Fund**

*Plan Description.* The State of North Carolina contributes, on behalf of the Town of Wilkesboro, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firemen's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* The Town contributes \$10 per month to the Fund for each member. The State, a non-employer contributor, funds the plan through appropriations. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. For the fiscal year ended June 30, 2009, the Town of Wilkesboro has recognized on behalf of payments for pension contributions made by the State as a revenue and an expenditure of \$5,170 for the nineteen (19) volunteer firemen who perform fire fighting duties for the Town's fire department.

**f. Other Postemployment Benefits**

**1. Healthcare Benefits**

The Town of Wilkesboro has elected to provide health care benefits for all retired personnel who have thirty years of full-time service with the Town and all elected officials who have fourteen years of service as of April 6, 1998 with the Town. The Town pays the full cost of coverage for these benefits. The spouse and eligible dependents are also covered. A retired employee's spouse and eligible dependents may continue to receive coverage upon death of the employee. However, if a retiree's spouse remarries after the death of the retiree, the spouse will no longer be eligible for insurance coverage. Currently four individuals are eligible for these health care benefits. For the fiscal year ended June 30, 2009, the Town made payments for postretirement health benefits of \$19,363. The Town obtains health care coverage through private insurers. The Town has chosen to fund the healthcare benefits on a pay-as-you-go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**2. Other Employment Benefit**

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of

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

contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

**3. Deferred/Unearned Revenues**

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General Fund)		\$ 812
Privilege licenses collected in advance (General Fund)		15,210
Taxes receivable, net (General Fund)	\$ 56,293	
Unexpended grant proceeds (Special Revenue Fund)		<u>32,131</u>
Total	<u>\$ 56,293</u>	<u>\$ 48,153</u>

**4. Risk Management**

The Town 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 Town carries commercial 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.

The Town carries commercial flood insurance on the garage/warehouse building and contents. Flood insurance is not carried on any other Town structure.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The town manager, finance officer, and tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$150,000.

For health and dental insurance coverage, the Town is self-insured for individual losses up to \$40,000. The Town purchases reinsurance for individual losses over \$40,000, as well as reinsurance for total plan losses in excess of \$894,000.

**5. Long-Term Obligations**

**a. Promissory Notes**

Serviced by the General Fund:

Promissory Note due in semi-annual installments of \$63,302 through September 2009; Interest at 4.72%. Secured by deed of trust on real estate.	\$ 61,842
Promissory Note due in annual installments of \$49,285 through February 2010; Interest at 3.74%. Secured by equipment.	47,508
Promissory Note due in annual installments of \$19,914 through February 2012; Interest at 3.12%. Secured by equipment.	56,198

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

Serviced by the Water and Sewer Fund:

Promissory Note due in annual installments of \$43,609 through December 2012;

Interest at 3.235%. Secured by equipment.

161,192

\$ 326,740

Annual debt service requirements to maturity for the Town's promissory notes are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 127,510	\$ 4,989	\$ 38,394	\$ 5,215
2011	18,727	1,187	39,636	3,973
2012	19,311	603	40,919	2,690
2013			42,243	1,367
Total	<u>\$ 165,548</u>	<u>\$ 6,779</u>	<u>\$ 161,192</u>	<u>\$ 13,245</u>

**b. Installment Purchase**

In March 2004, the Town entered into certificates of participation to finance construction of a two million gallon clearwell, construction of water line and sewer line improvements and acquisition of water lines. The interest rate is 3.65%.

The future minimum payments of the installment purchase as of June 30, 2009, including \$602,008 of interest, are as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2010	\$ 251,180	\$ 106,198
2011	260,431	96,947
2012	270,024	87,354
2013	279,970	77,408
2014	290,282	67,096
2015-2019	<u>1,619,887</u>	<u>167,005</u>
Principal payments	<u>\$ 2,971,774</u>	
Total interest payments		<u>\$ 602,008</u>

**c. General Obligation Indebtedness**

At June 30, 2009, the Town of Wilkesboro had a legal debt margin of \$47,894,738.

**d. Changes in Long-Term Liabilities**

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Current Portion of Balance
<b>Governmental activities:</b>					
Promissory notes	\$ 412,395		\$ 246,847	\$ 165,548	\$ 127,510
Compensated absences	35,784	\$ 93		35,877	
Net pension obligation	153,239	18,902		172,141	
<b>Governmental activity long-term liabilities</b>	<u>\$ 601,418</u>	<u>\$ 18,995</u>	<u>\$ 246,847</u>	<u>\$ 373,566</u>	<u>\$ 127,510</u>

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

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Current Portion of Balance
<b>Business-type activities:</b>					
Installment purchase	\$ 3,214,029		\$ 242,255	\$ 2,971,774	\$ 251,180
Promissory notes	52,224	\$ 161,193	52,224	161,193	38,394
Compensated absences	27,952	561		28,513	
<b>Business-type activity long-term liabilities</b>	<u>\$ 3,294,205</u>	<u>\$ 161,754</u>	<u>\$ 294,479</u>	<u>\$ 3,161,480</u>	<u>\$ 289,574</u>

Compensated absences for governmental activities have typically been liquidated in the General Fund.

**C. Interfund Balances and Activity**

**Balances due to/from Primary Government and Component Units**

Balances due to/from primary government and component units at June 30, 2009, consist of the following:

Due from component unit-Tourism Bureau for reimbursement of expenses to primary government-General Fund	<u>\$ 52,226</u>
Due from component unit-ABC Board for profit distribution to primary government-General Fund	<u>\$ 21,450</u>
Due from the primary government-General Fund for occupancy tax collected to component unit-Tourism Bureau	<u>\$ 31,218</u>

**Transfers to/from Other Funds**

Transfers to/from other funds at June 30, 2009, consist of the following:

From the General Fund to the Capital Projects Fund	\$ (131,000)
From Water and Sewer Fund to General Fund	(38,536)
From the Water and Sewer Capital Reserve Fund to the Water and Sewer Capital Projects Fund	(122,881)
From the Capital Projects Fund to the Water and Sewer Capital Reserve Fund	<u>(25,000)</u>
Total	<u>\$ (317,417)</u>

**D. On-Behalf Payments for Fringe Benefits and Salaries**

For the fiscal year ended June 30, 2009, the Town of Wilkesboro has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$5,170 for the 19 volunteer firemen who perform firefighting duties for the Town's fire department. The volunteers elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by the Town for each member, investment income, and a State appropriation.

**III. Jointly Governed Organization**

The Town, in conjunction with seven counties and nineteen other municipalities established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$970 to the Council during the fiscal year ended June 30, 2009.

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

The Town appoints two of five trustees of the Wilkesboro Firemen's Supplemental Pension Fund. The Town does not approve the budget of the Fund, is not responsible for any deficits, nor entitled to any surpluses. The Town is to receive transfers from the Fund to pay retirement benefits to beneficiaries.

**IV. Joint Ventures**

The Town participates in a joint venture to operate the Wilkes Economic Development Corporation, a nonprofit corporation, with Wilkes County, another municipality, and the Wilkes Chamber of Commerce. The Town appoints one board member to the nine-member board of the Corporation. The Town has an ongoing financial responsibility for the joint venture because the Wilkes Economic Development Corporation's continued existence depends on the participating governments' continued funding. None of the participating governments have an equity interest in the nonprofit corporation, so no equity interests have been reflected in the financial statements at June 30, 2009. The Town appropriated \$20,000 to the Wilkes Economic Development Corporation during the year. Complete financial statements for the Corporation can be obtained from the Corporation's offices at PO Box 727, North Wilkesboro, NC 28659.

**V. Summary Disclosure of Significant Contingencies**

**Federal and State Assisted Programs**

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

**VI. Significant Effects of Subsequent Events**

The Town Board has tentatively approved contracts totaling \$7,184,229 with two contractors for improvements at the wastewater treatment plant, pump stations, and new sewer mains. A contract was also approved with an engineering firm to supervise the work. The Town has been awarded a grant of \$1,000,000 from the North Carolina Department of Commerce for this project. The Town has also been approved for a loan of \$7,364,000, with a 2.5% interest rate and a 20-year term, from the State of North Carolina revolving loan program.

**Required  
Supplementary Financial Data**

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ([b - a] /c)
12/31/03	\$ 0	\$ 143,379	\$ 143,379	0%	\$ 497,238	28.84%
12/31/04	\$ 0	\$ 168,719	\$ 168,719	0%	\$ 567,033	29.75%
12/31/05	\$ 0	\$ 158,546	\$ 158,546	0%	\$ 601,685	26.35%
12/31/06	\$ 0	\$ 111,924	\$ 111,924	0%	\$ 515,959	21.69%
12/31/07	\$ 0	\$ 133,579	\$ 133,579	0%	\$ 524,689	25.46%
12/31/08	\$ 0	\$ 154,247	\$ 154,247	0%	\$ 598,339	25.78%

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

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2004	\$ 17,907	0%
2005	18,742	0%
2006	21,951	0%
2007	20,477	0%
2008	15,502	0%
2009	17,161	0%

Notes to the Required Schedules:

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

Valuation date	12/31/08
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5% to 12.3%
*Includes inflation at	3.75%
Cost-of-living adjustments	N/A

SUPPLEMENTARY STATEMENTS

TOWN OF WILKESBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
Ad valorem taxes:			
Taxes	\$ 2,596,750	\$ 2,551,859	\$ (44,891)
Interest	15,000	15,795	795
TOTAL	<u>\$ 2,611,750</u>	<u>\$ 2,567,654</u>	<u>\$ (44,096)</u>
Other taxes and licenses:			
Privilege licenses	<u>\$ 18,000</u>	<u>\$ 18,211</u>	<u>\$ 211</u>
Unrestricted intergovernmental:			
Local option sales taxes	\$ 780,000	\$ 661,536	\$ (118,464)
Payments in lieu of taxes	2,800	538	(2,262)
Telecommunications sales tax	40,000	45,329	5,329
Utility franchise tax	334,000	310,695	(23,305)
Piped natural gas tax	42,000	23,899	(18,101)
Video franchise fee	40,000	42,985	2,985
Beer and wine tax	14,500	14,227	(273)
ABC Profit distribution	50,000	39,900	(10,100)
Hold harmless funds	15,000	29,506	14,506
TOTAL	<u>\$ 1,318,300</u>	<u>\$ 1,168,615</u>	<u>\$ (149,685)</u>
Restricted intergovernmental:			
Powell bill allocation	\$ 132,000	\$ 116,629	\$ (15,371)
Other federal and state grants	0	63,721	63,721
Controlled substance tax	2,000	2,707	707
ABC Revenue for law enforcement	0	3,000	3,000
On behalf of payments	0	5,170	5,170
Solid waste disposal tax	0	1,474	1,474
Occupancy tax	160,000	122,844	(37,156)
TOTAL	<u>\$ 294,000</u>	<u>\$ 315,545</u>	<u>\$ 21,545</u>
Permits and fees:			
Franchise fees	\$ 6,000	\$ 6,818	\$ 818
Permits	4,000	12,990	8,990
TOTAL	<u>\$ 10,000</u>	<u>\$ 19,808</u>	<u>\$ 9,808</u>
Sales and services:			
Rents	\$ 30,000	\$ 23,977	\$ (6,023)
Court costs, fees and charges	2,500	5,498	2,998
Parking violation penalties	1,000	559	(441)
Park lights	7,000	2,632	(4,368)
TOTAL	<u>\$ 40,500</u>	<u>\$ 32,666</u>	<u>\$ (7,834)</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Investment earnings	\$ 10,000	\$ 53,137	\$ 43,137
Miscellaneous:			
Other	\$ 292,207	\$ 146,082	\$ (146,125)
Cemetery donation	5,000	200	(4,800)
TOTAL	<u>\$ 297,207</u>	<u>\$ 146,282</u>	<u>\$ (150,925)</u>
 TOTAL REVENUES	 <u>\$ 4,599,757</u>	 <u>\$ 4,321,918</u>	 <u>\$ (277,839)</u>
EXPENDITURES:			
General government:			
Governing body:			
Salaries and employee benefits		\$ 25,800	
Operating expenditures		192,667	
TOTAL	<u>\$ 232,500</u>	<u>\$ 218,467</u>	<u>\$ 14,033</u>
Administration:			
Salaries and employee benefits		\$ 373,521	
Other operating expenditures		146,460	
Insurance		592,868	
Capital outlay		10,000	
TOTAL	<u>\$ 1,214,100</u>	<u>\$ 1,122,849</u>	<u>\$ 91,251</u>
Public buildings:			
Salaries and employee benefits		\$ 41,460	
Other operating expenditures		97,812	
TOTAL	<u>\$ 229,715</u>	<u>\$ 139,272</u>	<u>\$ 90,443</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 1,676,315</u>	<u>\$ 1,480,588</u>	<u>\$ 195,727</u>
Public safety:			
Police:			
Salaries and employee benefits		\$ 847,873	
Other operating expenditures		161,207	
Capital outlay		38,912	
TOTAL	<u>\$ 1,083,300</u>	<u>\$ 1,047,992</u>	<u>\$ 35,308</u>
Fire:			
Volunteer salaries and benefits		\$ 54,984	
Retirement benefits paid		23,200	
Other operating expenditures		106,479	
TOTAL	<u>\$ 263,573</u>	<u>\$ 184,663</u>	<u>\$ 78,910</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Inspections:			
Salaries and employee benefits		\$ 99,756	
Other operating expenditures		13,625	
Capital outlay		12,200	
TOTAL	<u>\$ 182,820</u>	<u>\$ 125,581</u>	<u>\$ 57,239</u>
 TOTAL PUBLIC SAFETY	 <u>\$ 1,529,693</u>	 <u>\$ 1,358,236</u>	 <u>\$ 171,457</u>
Transportation:			
Streets:			
Salaries and employee benefits		\$ 144,232	
Other operating expenditures		294,869	
Capital outlay		37,500	
TOTAL TRANSPORTATION	<u>\$ 585,425</u>	<u>\$ 476,601</u>	<u>\$ 108,824</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		\$ 143,665	
Other operating expenditures		21,910	
Landfill tipping fees		52,555	
TOTAL ENVIRONMENTAL PROTECTION	<u>\$ 238,670</u>	<u>\$ 218,130</u>	<u>\$ 20,540</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		\$ 94,316	
Other operating expenditures		67,358	
Capital outlay		174,630	
TOTAL	<u>\$ 403,192</u>	<u>\$ 336,304</u>	<u>\$ 66,888</u>
Tourism:			
Tourism development	<u>\$ 120,000</u>	<u>\$ 119,159</u>	<u>\$ 841</u>
 TOTAL CULTURE AND RECREATION	 <u>\$ 523,192</u>	 <u>\$ 455,463</u>	 <u>\$ 67,729</u>
Debt service:			
Principal retirement		\$ 246,847	
Interest and other charges		12,955	
TOTAL DEBT SERVICE	<u>\$ 259,805</u>	<u>\$ 259,802</u>	<u>\$ 3</u>
 TOTAL EXPENDITURES	 <u>\$ 4,813,100</u>	 <u>\$ 4,248,820</u>	 <u>\$ 564,280</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (213,343)</u>	<u>\$ 73,098</u>	<u>\$ 286,441</u>
OTHER FINANCING SOURCES (USES):			
Transfers from other funds:			
Water and sewer fund	\$ 95,000	\$ 38,536	\$ (56,464)
Transfers to other funds:			
Capital projects fund	(131,000)	(131,000)	0
Sale of capital assets	<u>0</u>	<u>135,000</u>	<u>135,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (36,000)</u>	<u>\$ 42,536</u>	<u>\$ 78,536</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (249,343)	\$ 115,634	\$ 364,977
Fund balance appropriated	<u>249,343</u>	<u>0</u>	<u>(249,343)</u>
Net change in fund balance	<u>\$ 0</u>	\$ 115,634	<u>\$ 115,634</u>
Fund balance, beginning		<u>2,834,026</u>	
Fund balance, ending		<u>\$ 2,949,660</u>	

TOWN OF WILKESBORO, NORTH CAROLINA  
BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND  
June 30, 2009

	SPECIAL REVENUE FUND <u>Grant Project Fund</u>
ASSETS	
Cash and cash equivalents	\$ 32,131
TOTAL ASSETS	<u>\$ 32,131</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Unearned revenue	\$ 32,131
TOTAL LIABILITIES	<u>\$ 32,131</u>
FUND BALANCE	
Unreserved	\$ 0
TOTAL FUND BALANCE	<u>\$ 0</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 32,131</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Fiscal Year Ended June 30, 2009

	Grant Project Fund	Cub Creek Stabilization Fund	Total Nonmajor Governmental Funds
REVENUES:			
Restricted intergovernmental	\$ 5,011	\$ 211,000	\$ 216,011
EXPENDITURES:			
Cultural and Recreation	5,011	317,000	322,011
REVENUES OVER (UNDER) EXPENDITURES	\$ 0	\$ (106,000)	\$ (106,000)
OTHER FINANCING SOURCES:			
Transfers from other funds	\$ 0	\$ 131,000	\$ 131,000
Transfers to other funds	0	(25,000)	(25,000)
TOTAL OTHER FINANCING SOURCES	\$ 0	\$ 106,000	\$ 106,000
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	\$ 0	\$ 0	\$ 0
Fund balance, beginning of year	0	0	0
Fund balance, end of year	\$ 0	\$ 0	\$ 0

TOWN OF WILKESBORO, NORTH CAROLINA  
 SPECIAL REVENUE FUND--GRANT PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE--BUDGET AND ACTUAL  
 From Inception and for the Fiscal Year Ended June 30, 2009

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
REVENUES:					
Restricted intergovernmental Government Grant	\$ 59,200	\$ 22,058	\$ 5,011	\$ 27,069	\$ (32,131)
EXPENDITURES:					
Current:					
Cultural and Recreation	\$ 61,000	\$ 22,058	\$ 5,011	\$ 27,069	\$ 33,931
REVENUES UNDER EXPENDITURES	\$ (1,800)	\$ 0	\$ 0	\$ 0	\$ 1,800
OTHER FINANCING SOURCES:					
Transfer from General Fund	<u>1,800</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,800)</u>
REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund balance, beginning of year			<u>0</u>		
Fund balance, end of year			<u>\$ 0</u>		

TOWN OF WILKESBORO, NORTH CAROLINA  
 CAPITAL PROJECT FUND - CUB CREEK STABILIZATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 From Inception and for the Fiscal Year Ended June 30, 2009

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
REVENUES:					
Restricted intergovernmental State Grant	\$ 261,000	\$ 50,000	\$ 211,000	\$ 261,000	\$ 0
EXPENDITURES:					
Capital Outlay Cultural and Recreation	\$ 392,000	\$ 75,000	\$ 317,000	\$ 392,000	\$ 0
REVENUES OVER (UNDER) EXPENDITURES	\$ (131,000)	\$ (25,000)	\$ (106,000)	\$ (131,000)	\$ 0
OTHER FINANCING SOURCES:					
Transfer from General Fund	\$ 131,000	\$ 0	\$ 131,000	\$ 131,000	\$ 0
Transfer from Water and Sewer Capital Reserve Fund	25,000	25,000	0	25,000	0
Transfer to Water and Sewer Capital Reserve Fund	(25,000)	0	(25,000)	(25,000)	0
TOTAL OTHER FINANCING SOURCES	\$ 131,000	\$ 25,000	\$ 106,000	\$ 131,000	\$ 0
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

TOWN OF WILKESBORO, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (Non-GAAP)  
For the Fiscal Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
Operating revenues:			
Water sales	\$ 1,775,000	\$ 1,794,043	\$ 19,043
Sewer charges	2,092,858	1,774,927	(317,931)
Water and sewer taps	45,000	36,999	(8,001)
Rural Center	0	39,250	39,250
Other operating revenue	60,000	69,883	9,883
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 3,972,858</b>	<b>\$ 3,715,102</b>	<b>\$ (257,756)</b>
Nonoperating Revenues:			
Interest earnings	\$ 10,000	\$ 12,678	\$ 2,678
Miscellaneous	48,000	185,428	137,428
<b>TOTAL NONOPERATING REVENUES</b>	<b>\$ 58,000</b>	<b>\$ 198,106</b>	<b>\$ 140,106</b>
<b>TOTAL REVENUES</b>	<b>\$ 4,030,858</b>	<b>\$ 3,913,208</b>	<b>\$ (117,650)</b>
<b>EXPENDITURES:</b>			
Water and sewer administration:			
Salaries and employee benefits		\$ 114,346	
Other operating expenditures		17,562	
Insurance		317,182	
<b>TOTAL</b>	<b>\$ 637,000</b>	<b>\$ 449,090</b>	<b>\$ 187,910</b>
Water treatment and distribution:			
Salaries and employee benefits		\$ 416,450	
Utilities		176,731	
Maintenance		78,441	
Other operating expenditures		291,290	
<b>TOTAL</b>	<b>\$ 1,007,900</b>	<b>\$ 962,912</b>	<b>\$ 44,988</b>
Waste collection and treatment:			
Salaries and employee benefits		\$ 455,769	
Utilities		251,147	
Maintenance		123,173	
Other operating expenditures		195,344	
<b>TOTAL</b>	<b>\$ 1,041,248</b>	<b>\$ 1,025,433</b>	<b>\$ 15,815</b>
Maintenance:			
Salaries and employee benefits		\$ 304,399	
Maintenance		\$ 64,911	
Other operating expenditures		333,399	
<b>TOTAL</b>	<b>\$ 727,700</b>	<b>\$ 702,709</b>	<b>\$ 24,991</b>

TOWN OF WILKESBORO, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (Non-GAAP)  
For the Fiscal Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Interest and other charges		\$ 116,916	
Principal retirement		294,480	
TOTAL	<u>\$ 412,510</u>	<u>\$ 411,396</u>	<u>\$ 1,114</u>
Capital outlay:			
Water improvements and extensions		\$ 191,063	
Sewer improvements and extensions		209,222	
Equipment		206,099	
TOTAL	<u>\$ 615,500</u>	<u>\$ 606,384</u>	<u>\$ 9,116</u>
TOTAL EXPENDITURES	<u>\$ 4,441,858</u>	<u>\$ 4,157,924</u>	<u>\$ 283,934</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (411,000)</u>	<u>\$ (244,716)</u>	<u>\$ 166,284</u>
OTHER FINANCING SOURCES (USES):			
Transfers to other funds:			
General Fund	\$ (95,000)	\$ (38,536)	\$ 56,464
Proceeds from issuance of debt	156,000	161,193	5,193
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 61,000</u>	<u>\$ 122,657</u>	<u>\$ 61,657</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (350,000)</u>	<u>\$ (122,059)</u>	<u>\$ 227,941</u>
Appropriated Retained Earnings	<u>350,000</u>	<u>0</u>	<u>(350,000)</u>
REVENUES, OTHER SOURCES, AND APPROPRIATED RETAINED EARNINGS OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 0</u>	<u>\$ (122,059)</u>	<u>\$ (122,059)</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (Non-GAAP)  
For the Fiscal Year Ended June 30, 2009

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

REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USE	\$ (122,059)
Reconciling items:	
Principal retirement	\$ 294,480
Capital outlay	606,384
Proceeds from issuance of debt	(161,193)
(Increase) Decrease in accrued vacation pay	(561)
Depreciation	(611,312)
Increase (Decrease) in inventory	100,635
Increase (Decrease) in accounts receivable	20,014
Transfer from capital projects fund to water and sewer capital reserve fund	25,000
Interest earned in the water and sewer capital reserve fund	14,889
Rent income in the water and sewer capital reserve fund	10,000
TOTAL RECONCILING ITEMS	<u>\$ 298,336</u>
CHANGE IN NET ASSETS	<u>\$ 176,277</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
 WATER AND SEWER CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (Non-GAAP)  
 From Inception and for the Fiscal Year Ended June 30, 2009

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
EXPENDITURES -					
201 Wastewater Improvement Construction	<u>\$ 6,155,000</u>	<u>\$ 142,481</u>	<u>\$ 105,192</u>	<u>\$ 247,673</u>	<u>\$ 5,907,327</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (6,155,000)</u>	<u>\$ (142,481)</u>	<u>\$ (105,192)</u>	<u>\$ (247,673)</u>	<u>\$ 5,907,327</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from Issuance of Debt	\$ 6,155,000				\$ (6,155,000)
Transfer from Water and Sewer Capital Reserve Fund	245,000	\$ 119,792	\$ 122,881	\$ 242,673	(2,327)
Transfer to Water and Sewer Capital Reserve Fund	<u>(245,000)</u>	_____	_____	_____	<u>245,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 6,155,000</u>	<u>\$ 119,792</u>	<u>\$ 122,881</u>	<u>\$ 242,673</u>	<u>\$ (5,912,327)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 0</u>	<u>\$ (22,689)</u>	<u>\$ 17,689</u>	<u>\$ (5,000)</u>	<u>\$ (5,000)</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
 WATER AND SEWER CAPITAL RESERVE FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (Non-GAAP)  
 From Inception and for the Fiscal Year Ended June 30, 2009

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>REVENUES:</b>					
Rent Income-Vulcan Materials		\$ 20,000	\$ 10,000	\$ 30,000	\$ 30,000
Investment Earnings	<u>\$ 137,459</u>	<u>235,708</u>	<u>14,889</u>	<u>250,597</u>	<u>113,138</u>
Total Revenues	<u>\$ 137,459</u>	<u>\$ 255,708</u>	<u>\$ 24,889</u>	<u>\$ 280,597</u>	<u>\$ 143,138</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer from Water and Sewer Fund	\$ 641,336	\$ 641,336		\$ 641,336	
Transfer from Water and Sewer Capital Projects Fund	964,430	332,740		332,740	\$ (631,690)
Transfer from Capital Projects Fund Transfer to Water and Sewer Fund	(428,071)	(428,071)	\$ 25,000	25,000	25,000
Transfer to Water and Sewer Capital Projects Fund	(1,285,430)	(446,255)	(122,881)	(569,136)	716,294
Transfer to General Fund	(4,724)	(4,724)		(4,724)	
Transfer to Capital Projects Fund	<u>(25,000)</u>	<u>(25,000)</u>		<u>(25,000)</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (137,459)</u>	<u>\$ 70,026</u>	<u>\$ (97,881)</u>	<u>\$ (27,855)</u>	<u>\$ 109,604</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>					
	<u>\$ 0</u>	<u>\$ 325,734</u>	<u>\$ (72,992)</u>	<u>\$ 252,742</u>	<u>\$ 252,742</u>

## Other Schedules

This section contains additional information required on property taxes.

- \* Schedule of Ad Valorem Taxes Receivable
- \* Analysis of Current Tax Levy

TOWN OF WILKESBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
June 30, 2009

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2008</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2009</u>
2008-2009		\$ 2,563,043	\$ 2,509,182	\$ 53,861
2007-2008	\$ 42,334		32,072	10,262
2006-2007	18,083		6,423	11,660
2005-2006	6,651		3,144	3,507
2004-2005	4,642		1,075	3,567
2003-2004	4,941		289	4,652
2002-2003	5,251		33	5,218
2001-2002	4,224		20	4,204
2000-2001	25,355		282	25,073
1999-2000	3,114		2,125	989
1998-1999	4,915		4,915	0
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	\$ <u>119,510</u>	\$ <u>2,563,043</u>	\$ <u>2,559,560</u>	\$ 122,993
Less: Allowance for Uncollectible Accounts-General Fund				<u>(66,700)</u>
AD VALOREM TAXES RECEIVABLE - NET				<u>\$ 56,293</u>
<b>RECONCILEMENT WITH REVENUES:</b>				
Taxes - Ad Valorem Taxes - General Fund				\$ 2,567,654
Reconciling Items:				
Interest Collected				\$ (15,795)
Taxes Written off				7,025
Prior Years Releases				<u>676</u>
Subtotal				\$ (8,094)
TOTAL COLLECTIONS AND CREDITS				<u>\$ 2,559,560</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
For the Fiscal Year Ended June 30, 2009

	<u>Town-Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$ 638,981,729	\$.40	\$ 2,555,918	\$ 2,419,329	\$ 136,589
Penalties			<u>374</u>	<u>374</u>	
<b>TOTAL</b>	<b><u>\$ 638,981,729</u></b>		<b><u>\$ 2,556,292</u></b>	<b><u>\$ 2,419,703</u></b>	<b><u>\$ 136,589</u></b>
Discoveries:					
Current year taxes	\$ 3,269,309		\$ 13,077	\$ 13,077	
Prior year taxes			<u>3,289</u>	<u>3,289</u>	
<b>TOTAL</b>	<b><u>\$ 3,269,309</u></b>		<b><u>\$ 16,366</u></b>	<b><u>\$ 16,366</u></b>	
Abatements	<u>\$ (2,335,372)</u>		<u>\$ (9,615)</u>	<u>\$ (7,321)</u>	<u>\$ (2,294)</u>
<b>TOTAL PROPERTY VALUATION</b>	<b><u>\$ 639,915,666</u></b>				
Net Levy			\$ 2,563,043	\$ 2,428,748	\$ 134,295
Uncollected Taxes at June 30, 2009			<u>53,861</u>	<u>43,037</u>	<u>10,824</u>
Current Year's Taxes Collected			<u>\$ 2,509,182</u>	<u>\$ 2,385,711</u>	<u>\$ 123,471</u>
Current Levy Collection Percentage			<u>97.90%</u>	<u>98.23%</u>	<u>91.94%</u>

## Compliance Section

HUNTLEY,  
SIGMON &  
ASSOCIATES, CPAs, PLLC

**HS&A**

Certified Public Accountants

Phone: (828) 754-0777  
Fax: (828) 754-1925

P.O. Box 1406  
348 Harper Avenue NW  
Lenoir, North Carolina 28645

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance with *Government Auditing Standards***

To the Honorable Mayor and  
Board of Commissioners  
Town of Wilkesboro, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of the Town of Wilkesboro, North Carolina, as of and for the year ended June 30, 2009, which collectively comprises the Town of Wilkesboro's basic financial statements, and have issued our report thereon dated November 13, 2009. We did not audit the financial statements of the Town of Wilkesboro ABC Board. 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 Town of Wilkesboro ABC Board, is based solely on the report of the other 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. The financial statements of the Town's component units, the Town of Wilkesboro ABC Board and the Wilkesboro Tourism Development, Convention, and Visitors Bureau, were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Wilkesboro's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Wilkesboro's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

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

Compliance and Other Matters

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

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

*Huntley, Sigmon + Associates, CPAs, PLLC*

HUNTLEY, SIGMON & ASSOCIATES, CPAs, PLLC  
Certified Public Accountants  
November 13, 2009