

TOWN OF WILKESBORO
NORTH CAROLINA
ANNUAL FINANCIAL
FOR THE YEAR ENDED JUNE 30, 2010

Town of Wilkesboro, North Carolina

Town Council Members

Mike Inscore, Mayor
Nellie Archibald, Mayor Pro Tem
Jimmy Hayes
Gary Johnson
Sam Stroud

Administrative and Financial Staff

Ken Noland, Town Manager and Finance Officer
Josephine Cass, Town Clerk
Jim Byrd, Tax Collector

Town of Wilkesboro, North Carolina
Table of Contents
June 30, 2010

<u>Exhibit</u>		<u>Page</u>
Financial Section:		
	Independent Auditor's Report	1-2
	Management's Discussion and Analysis	3-9
Basic Financial Statements:		
Government-wide Financial Statements:		
1	Statement of Net Assets	10
2	Statement of Activities	11-12
Fund Financial Statements:		
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	20-36
Required Supplemental Financial Data:		
A-1	Law Enforcement Officers' Special Separation Allowance - Schedule of Funding Progress	37
A-2	Law Enforcement Officers' Special Separation Allowance - Schedule of Employer Contributions	38
A-2	Law Enforcement Officers' Special Separation Allowance - Notes to the Required Schedules	38

**Town of Wilkesboro, North Carolina
Table of Contents
June 30, 2010**

<u>Exhibit</u>		<u>Page</u>
B-1	Other Postemployment Benefits - Schedule of Funding Progress	39
B-2	Other Postemployment Benefits - Schedule of Employer Contributions	40
B-2	Other Postemployment Benefits - Notes to the Required Schedules	40
 Individual Fund Statements and Schedules:		
C-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	41-44
D-1	Balance Sheet for Non-Major Governmental Fund	45
D-2	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - From Inception - Grant Project Fund	46
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
E-1	Water and Sewer Fund	47-49
E-2	Water and Sewer Capital Projects Fund	50
E-3	Water and Sewer Capital Reserve Fund	51
 Other Schedules:		
F-1	Schedule of Ad Valorem Taxes Receivable	52
F-2	Analysis of Current Tax Levy - Town-Wide Levy	53
 Compliance Section:		
	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	54-55
	Report on Compliance with requirements applicable the each Major Federal Program and Internal Control over Compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act	56-57
	Schedule of Findings and Questioned Costs	58-59
	Corrective Action Plan	59
	Summary Schedule of Prior Year Audit Findings	60
	Schedule of Expenditures of Federal and State Awards	61

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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, 2010, 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 auditor, 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, 2010, 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 29, 2010, 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 agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedule of Employer Contributions on pages 3 through 9, 37 through 40 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 introductory information, combining and individual non-major fund financial statements, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, 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, budgetary schedules and other schedules and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information has not been subjected to the auditing procedures applied by us and the other auditor in the audit of basic financial statements and , accordingly, we express no opinion on them.

Huntley, Sigmon & Associates, CPAs, PLLC

HUNTLEY, SIGMON & ASSOCIATES, CPAs, PLLC
Certified Public Accountants
November 29, 2010

FINANCIAL SECTION

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, 2010. 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

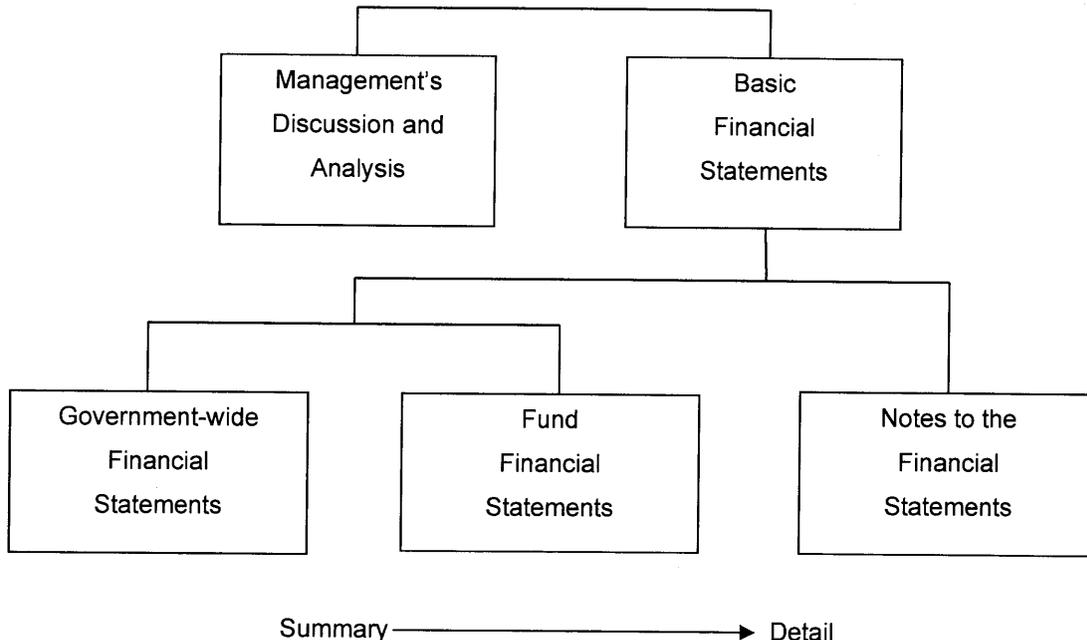
- The assets of the Town of Wilkesboro exceeded its liabilities at the close of the fiscal year by \$28,099,260 (*net assets*).
- The government's total net assets increased by \$1,236,481, primarily due to an increase in the business-type activities net assets.
- As of the close of the current fiscal year, the Town of Wilkesboro's governmental funds reported combined ending fund balances of \$2,940,812. Approximately 65.5% of this total amount or \$1,925,593 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 \$1,925,593 or 42.8% of total general fund expenditures for the fiscal year.
- The Town of Wilkesboro's total long-term liabilities increased by \$1,355,905 (38.4%) 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



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.

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

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

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 20-36 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 37 of this report.

Government-Wide Financial Analysis

Town of Wilkesboro's Net Assets

Figure 2

	Governmental Activities		Business-type Activities		Total	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Current and other assets	\$ 3,287,870	\$ 3,263,554	\$ 1,980,911	\$ 2,156,206	\$ 5,268,781	\$ 5,419,760
Capital assets	<u>4,042,982</u>	<u>3,838,461</u>	<u>25,303,764</u>	<u>21,487,884</u>	<u>29,346,746</u>	<u>25,326,345</u>
Total assets	<u>\$ 7,330,852</u>	<u>\$ 7,102,015</u>	<u>\$ 27,284,675</u>	<u>\$ 23,644,090</u>	<u>\$ 34,615,527</u>	<u>\$ 30,746,105</u>
Long-term liabilities outstanding	\$ 641,401	\$ 373,566	\$ 4,249,550	\$ 3,161,480	\$ 4,890,951	\$ 3,535,046
Other liabilities	<u>284,662</u>	<u>257,601</u>	<u>1,340,654</u>	<u>90,681</u>	<u>1,625,316</u>	<u>348,282</u>
Total liabilities	<u>\$ 926,063</u>	<u>\$ 631,167</u>	<u>\$ 5,590,204</u>	<u>\$ 3,252,161</u>	<u>\$ 6,516,267</u>	<u>\$ 3,883,328</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 4,004,945	\$ 3,672,913	\$ 21,145,176	\$ 18,602,660	\$ 25,150,121	\$ 22,275,573
Restricted	389,401	331,677	-	-	389,401	331,677
Unrestricted	<u>2,010,443</u>	<u>2,466,258</u>	<u>549,295</u>	<u>1,789,269</u>	<u>2,559,738</u>	<u>4,255,527</u>
Total net assets	<u>\$ 6,404,789</u>	<u>\$ 6,470,848</u>	<u>\$ 21,694,471</u>	<u>\$ 20,391,929</u>	<u>\$ 28,099,260</u>	<u>\$ 26,862,777</u>

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 \$28,099,260 as of June 30, 2010. The Town's net assets increased by \$1,236,481 for the fiscal year ended June 30, 2010. However, the largest portion 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

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

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 \$389,401 (1.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,559,738 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 97.60%, which is comparable to the statewide average of 97.62%.

Town of Wilkesboro Changes in Net Assets

Figure 3

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>6/30/2010</u>	<u>6/30/2009</u>
Revenues:						
Program revenues:						
Charges for services	\$ 116,067	\$ 98,132	\$ 4,514,413	\$ 3,735,115	\$ 4,630,480	\$ 3,833,247
Operating grants and contributions	255,698	407,238			255,698	407,238
Capital grants and contributions			989,500		989,500	
General revenues:						
Property taxes	2,529,680	2,572,838			2,529,680	2,572,838
Other taxes	1,223,901	1,241,200			1,223,901	1,241,200
Other	<u>279,769</u>	<u>283,705</u>	<u>71,858</u>	<u>222,996</u>	<u>351,627</u>	<u>506,701</u>
Total revenues	<u>\$ 4,405,115</u>	<u>\$ 4,603,113</u>	<u>\$ 5,575,771</u>	<u>\$ 3,958,111</u>	<u>\$ 9,980,886</u>	<u>\$ 8,561,224</u>
Expenses:						
General government	\$ 2,049,700	\$ 1,514,552			\$ 2,049,700	\$ 1,514,552
Public safety	1,664,147	1,476,200			1,664,147	1,476,200
Highways/Streets	351,142	481,674			351,142	481,674
Sanitation	221,072	234,234			221,072	234,234
Culture and recreation	275,125	618,569			275,125	618,569
Interest on long-term debt	4,990	12,956			4,990	12,956
Water and sewer			\$ 4,178,229	\$ 3,768,298	4,178,229	3,768,298
Total expenses	<u>\$ 4,566,176</u>	<u>\$ 4,338,185</u>	<u>\$ 4,178,229</u>	<u>\$ 3,768,298</u>	<u>\$ 8,744,405</u>	<u>\$ 8,106,483</u>
Increase (decrease) in net assets before transfers	\$ (161,061)	\$ 264,928	\$ 1,397,542	\$ 189,813	\$ 1,236,481	\$ 454,741
Transfers	<u>95,000</u>	<u>13,536</u>	<u>(95,000)</u>	<u>(13,536)</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net assets	\$ (66,061)	\$ 278,464	\$ 1,302,542	\$ 176,277	\$ 1,236,481	\$ 454,741
Net assets, July 1	<u>6,470,850</u>	<u>6,192,384</u>	<u>20,391,929</u>	<u>20,215,652</u>	<u>26,862,779</u>	<u>26,408,036</u>
Net assets, June 30	<u>\$ 6,404,789</u>	<u>\$ 6,470,848</u>	<u>\$ 21,694,471</u>	<u>\$ 20,391,929</u>	<u>\$ 28,099,260</u>	<u>\$ 26,862,777</u>

Governmental activities: Governmental activities decreased the Town's net assets by \$66,061. The key element of this decrease in net assets is the increase in general government expenses.

Business-type activities: Business-type activities increased the Town of Wilkesboro's net assets by \$1,302,542. The key elements of this increase in net assets are the increases in charges for services and capital grants and contributions.

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.

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

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 \$1,925,593, while total fund balance reached \$2,940,812. 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 42.8% of total General Fund expenditures, while total fund balance represents 65.3% of that same amount.

At June 30, 2010, the governmental funds of the Town of Wilkesboro reported a combined fund balance of \$2,940,812, a 0.30% decrease over last year. Included in this change is a decrease 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 \$549,295. The total change in net assets was \$1,302,542. 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, 2010, totals \$29,346,746 (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 \$4,440,839.
- General fund capital asset additions of \$475,747.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Land	\$ 971,036	\$ 757,400	\$ 593,430	\$ 593,430	\$ 1,564,466	\$ 1,350,830
Building & improvements	1,977,343	1,876,097			1,977,343	1,876,097
Plant & distribution systems			19,441,344	19,817,892	19,441,344	19,817,892
Machinery & equipment	981,828	1,128,784	722,091	800,938	1,703,919	1,929,722
Infrastructure	72,775	76,180			72,775	76,180
Construction in progress	<u>40,000</u>	<u>0</u>	<u>4,546,899</u>	<u>275,624</u>	<u>4,586,899</u>	<u>275,624</u>
Total	<u>\$ 4,042,982</u>	<u>\$ 3,838,461</u>	<u>\$ 25,303,764</u>	<u>\$ 21,487,884</u>	<u>\$ 29,346,746</u>	<u>\$ 25,326,345</u>

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

Management's Discussion and Analysis Town of Wilkesboro

Long-term Debt

The Town of Wilkesboro's total long-term liabilities increased by \$1,355,905 (38.4%) 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 \$45,472,918.

Additional information regarding the Town of Wilkesboro's long-term debt can be found in note III.B.5. beginning on page 33 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, 2010 stands at 12.7%, which is a slight increase over last year's 12% rate. This rate is indicative of the national economic downturn and is significantly above the state-wide average of 9.9%.
- The Town has two vacant industrial buildings that are being actively marketed for reuse. Both sites have unique characteristics that limit their marketability. The lack of marketable industrial facilities continues to hamper economic recruitment efforts.
- In the last year elected officials in Wilkesboro, North Wilkesboro and Wilkes County have made considerable changes to the makeup of our Economic Development Corporation to provide it with greater flexibility and resources to enhance our recruitment efforts.
- The retail development along the US 421 business corridor continues to develop despite the current economy downturn.

Budget Highlights

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

Budgeted expenditures have increased from last year by 9% to \$5,231,170 as the Town has implemented the terms of a SAFER grant from US Homeland Security to hire three (3) full-time fire engineers. The Town has also hired its first full-time Fire Chief to lead the new combination Fire Department.

It should also be noted that the Town has appropriated \$198,000 in Powell Bill Reserves (gas tax revenue) along with current Powell Bill Revenue estimated at \$102,000 to resurface a significant amount of town streets while paving prices are somewhat depressed.

The Town expects to enter into a lease agreement for the purchase of three (3) new Chevrolet Impala police cars to replace aging vehicles within the Police Department.

The Town has received a matching grant from the State of North Carolina to purchase a recycling truck and containers to further the Town's curbside recycling efforts.

Business-type Activities: Budgeted expenditures in the Water and Sewer Fund are expected to increase by approximately 5% to \$4,703,100. This increase is to be funded by a 7.5% rate adjustment to all customer classes effective July 1, 2010.

Overall usage has continued to decline for the last few years primarily due to less demand from our industrial customers. The Town does expect this trend to change as Tyson Foods will complete a \$20,000,000 expansion this fall that will allow them to increase their production capacity by as much as 20%. This expected increase has not been factored into the current year budget.

The Town expects to complete two separate capital projects valued at over \$9,000,000 during this fiscal year. These projects include the rehabilitation of the wastewater plant and various interceptor lines and pump stations within the Town. The Town borrowed \$7,363,544 to be repaid over a 20-year term with an interest rate of 2.5%. Total debt service for fiscal year 2011-2012 is expected to be \$563,613.73.

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

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, 2010

	Primary Government			Wilkesboro Tourism Development, Convention, and Visitors Bureau	Wilkesboro ABC Board
	Governmental Activities	Business-type Activities	Total		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,599,656	\$ 1,069,371	\$ 3,669,027	\$ 302,791	\$ 200,310
Taxes receivables (net)	62,396	-	62,396	-	-
Accounts receivable	10,774	522,397	533,171	-	-
Due from other governments	527,697	-	527,697	-	-
Due from component units	87,347	-	87,347	-	-
Due from primary government	-	-	-	34,732	-
Inventories	-	325,201	325,201	-	241,437
Prepaid items	-	-	-	-	5,373
Total current assets	\$ 3,287,870	\$ 1,916,969	\$ 5,204,839	\$ 337,523	\$ 447,120
Restricted assets:					
Cash and cash equivalents	\$ -	\$ 63,942	\$ 63,942	\$ -	\$ -
Capital assets:					
Land, non-depreciable improvements, and construction in progress	\$ 1,011,036	\$ 5,140,329	\$ 6,151,365	\$ -	\$ 11,600
Other capital assets, net of depreciation	3,031,946	20,163,435	23,195,381	-	17,804
Total capital assets	\$ 4,042,982	\$ 25,303,764	\$ 29,346,746	\$ -	\$ 29,404
Total assets	\$ 7,330,852	\$ 27,284,675	\$ 34,615,527	\$ 337,523	\$ 476,524
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 197,901	\$ 1,307,861	\$ 1,505,762	\$ -	\$ 56,648
Unearned revenue	52,029	-	52,029	-	-
Customer deposits	-	32,793	32,793	-	-
Due to primary government	-	-	-	65,447	21,900
Due to other governments	-	-	-	-	42,882
Due to component units	34,732	-	34,732	-	-
Current portion of long-term liabilities	18,727	300,069	318,796	-	-
Payable from restricted assets	-	-	-	-	-
Long-term liabilities:					
Due in more than one year	622,674	3,949,481	4,572,155	-	-
Total liabilities	\$ 926,063	\$ 5,590,204	\$ 6,516,267	\$ 65,447	\$ 121,430
NET ASSETS					
Invested in capital assets, net of related debt	\$ 4,004,945	\$ 21,145,176	\$ 25,150,121	\$ -	\$ 29,404
Restricted for:					
Transportation	387,110	-	387,110	-	-
Public safety	2,291	-	2,291	-	-
Other purposes	-	-	-	-	39,770
Unrestricted	2,010,443	549,295	2,559,738	272,076	285,920
Total net assets	\$ 6,404,789	\$ 21,694,471	\$ 28,099,260	\$ 272,076	\$ 355,094

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

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TOWN OF WILKESBORO, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 2,049,700	\$ 35,822	\$ -	\$ -
Public safety	1,664,147	4,218	151,277	-
Transportation	351,142	-	103,427	-
Environmental protection	221,072	-	-	-
Cultural and recreation	275,125	76,027	994	-
Interest on long-term debt	4,990	-	-	-
Total governmental activities	\$ 4,566,176	\$ 116,067	\$ 255,698	\$ -
Business-type activities:				
Water and sewer	\$ 4,178,229	\$ 4,514,413	\$ -	\$ 989,500
Total business-type activities	\$ 4,178,229	\$ 4,514,413	\$ -	\$ 989,500
Total primary government	\$ 8,744,405	\$ 4,630,480	\$ 255,698	\$ 989,500
Component units:				
Wilkesboro Tourism Development, Convention, and Visitors Bureau	\$ 129,657	\$ -	\$ -	\$ -
Wilkesboro ABC Board	1,337,808	1,343,261	-	-
Total component units	\$ 1,467,465	\$ 1,343,261	\$ -	\$ -

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, 2010

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets				
	Primary Government			Wilkesboro Tourism Development, Convention, and Visitors Bureau	Wilkesboro ABC Board
	Governmental Activities	Business-type Activities	Total		
Primary government:					
Governmental Activities:					
General government	\$ (2,013,878)	\$ -	\$ (2,013,878)	\$ -	\$ -
Public safety	(1,508,652)	-	(1,508,652)	-	-
Transportation	(247,715)	-	(247,715)	-	-
Environmental protection	(221,072)	-	(221,072)	-	-
Cultural and recreation	(198,104)	-	(198,104)	-	-
Interest on long-term debt	(4,990)	-	(4,990)	-	-
Total governmental activities	\$ (4,194,411)	\$ -	\$ (4,194,411)	\$ -	\$ -
Business-type activities:					
Water and sewer	\$ -	\$ 1,325,684	\$ 1,325,684	-	-
Total business-type activities	\$ -	\$ 1,325,684	\$ 1,325,684	-	-
Total primary government	\$ (4,194,411)	\$ 1,325,684	\$ (2,868,727)	-	-
Component units:					
Wilkesboro Tourism Development, Convention, and Visitors Bureau	-	-	-	\$ (129,657)	\$ -
Wilkesboro ABC Board	-	-	-	-	5,453
Total component units	-	-	-	\$ (129,657)	\$ 5,453
General revenues:					
Taxes:					
Property taxes, levied for general purpose	\$ 2,529,680	\$ -	\$ 2,529,680	\$ -	\$ -
Other taxes	1,223,901	-	1,223,901	-	-
Occupancy tax	-	-	-	106,140	-
Grants and contributions not restricted to specific programs	-	-	-	-	-
Unrestricted investment earnings	50,663	606	51,269	1,702	2,047
Miscellaneous	229,106	71,252	300,358	-	-
Transfers	95,000	(95,000)	-	-	-
Total general revenues and transfers	\$ 4,128,350	\$ (23,142)	\$ 4,105,208	\$ 107,842	\$ 2,047
Change in net assets	\$ (66,061)	\$ 1,302,542	\$ 1,236,481	\$ (21,815)	\$ 7,500
Net assets, beginning	6,470,850	20,391,929	26,862,779	293,891	347,594
Net assets, ending	\$ 6,404,789	\$ 21,694,471	\$ 28,099,260	\$ 272,076	\$ 355,094

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

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**TOWN OF WILKESBORO, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010**

	Major Funds		Total Governmental Funds
	General	Total Non-Major Funds	
ASSETS			
Cash and cash equivalents	\$ 2,568,519	\$ 31,137	\$ 2,599,656
Receivables, net:			
Taxes	62,396	-	62,396
Accounts	10,774	-	10,774
Due from other governments	527,697	-	527,697
Due from component units	87,347	-	87,347
Total assets	<u>\$ 3,256,733</u>	<u>\$ 31,137</u>	<u>\$ 3,287,870</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 197,901	\$ -	\$ 197,901
Due to component unit	34,732	-	34,732
Deferred revenue	62,396	-	62,396
Unearned revenue	20,892	31,137	52,029
Total liabilities	<u>\$ 315,921</u>	<u>\$ 31,137</u>	<u>\$ 347,058</u>
Fund balances:			
Reserved for:			
State statute	\$ 625,818	\$ -	\$ 625,818
Streets-Powell bill	387,110	-	387,110
Drug crime prevention	2,291	-	2,291
Unreserved:			
Designated for subsequent year's expenditures	624,670	-	624,670
Undesignated	1,300,923	-	1,300,923
Unreserved, reported in non-major:			
Special Revenue funds	-	-	-
Total fund balances	<u>\$ 2,940,812</u>	<u>\$ -</u>	<u>\$ 2,940,812</u>
Total liabilities and fund balances	<u>\$ 3,256,733</u>	<u>\$ 31,137</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.	4,042,982
Liabilities for earned but deferred revenues in fund statements.	62,396
Some liabilities, including promissory notes, are not due and payable in the current period and therefore are not reported in the funds.	<u>(641,401)</u>
Net assets of governmental activities	<u>\$ 6,404,789</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, 2010

	Major Funds			
	General Fund	Total Non-Major Funds		Total Governmental Funds
REVENUES				
Ad valorem taxes	\$ 2,523,578	\$ -	\$ -	\$ 2,523,578
Other taxes and licenses	21,535	-	-	21,535
Unrestricted intergovernmental	1,177,832	-	-	1,177,832
Restricted intergovernmental	366,300	994	-	367,294
Permits and fees	10,027	-	-	10,027
Sales and services	35,960	-	-	35,960
Investment earnings	50,663	-	-	50,663
Miscellaneous	212,123	-	-	212,123
Total revenues	<u>\$ 4,398,018</u>	<u>\$ 994</u>	<u>\$ -</u>	<u>\$ 4,399,012</u>
EXPENDITURES				
Current:				
General government	\$ 1,796,694	\$ -	\$ -	\$ 1,796,694
Public safety	1,639,477	-	-	1,639,477
Transportation	340,999	-	-	340,999
Environmental protection	207,657	-	-	207,657
Cultural and recreation	384,539	994	-	385,533
Debt service:				
Principal	127,510	-	-	127,510
Interest and other charges	4,990	-	-	4,990
Total expenditures	<u>\$ 4,501,866</u>	<u>\$ 994</u>	<u>\$ -</u>	<u>\$ 4,502,860</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (103,848)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (103,848)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	\$ -	\$ -	\$ -	-
Transfers to other funds	-	-	-	-
Transfers from other funds	95,000	-	-	95,000
Total other financing sources (uses)	<u>\$ 95,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,000</u>
Net change in fund balance	<u>\$ (8,848)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,848)</u>
Fund balances, beginning	<u>\$ 2,949,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,949,660</u>
Fund balances, ending	<u><u>\$ 2,940,812</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,940,812</u></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, 2010**

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

Net changes in fund balances - total governmental funds	\$	(8,848)
<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>		
		204,521
<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		6,101
<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>		
		127,510
<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		(3,863)
Net pension obligation		(21,556)
Other postemployment benefits		(369,926)
		(369,926)
Total changes in net assets of governmental activities	\$	(66,061)

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, 2010

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,634,500	\$ 2,634,500	\$ 2,523,578	\$ (110,922)
Other taxes and licenses	17,000	17,000	21,535	4,535
Unrestricted intergovernmental	1,266,500	1,266,500	1,177,832	(88,668)
Restricted intergovernmental	353,500	351,000	366,300	15,300
Permits and fees	11,000	11,000	10,027	(973)
Sales and services	36,000	35,500	35,960	460
Investment earnings	25,000	25,000	50,663	25,663
Miscellaneous	60,000	70,500	212,123	141,623
Total revenues	<u>\$ 4,403,500</u>	<u>\$ 4,411,000</u>	<u>\$ 4,398,018</u>	<u>\$ (12,982)</u>
Expenditures:				
Current:				
General government	\$ 1,718,050	\$ 1,763,050	\$ 1,796,694	\$ (33,644)
Public safety	1,650,260	1,654,760	1,639,477	15,283
Transportation	520,800	493,800	340,999	152,801
Environmental protection	250,200	250,200	207,657	42,543
Cultural and recreation	464,100	449,100	384,539	64,561
Debt service:				
Principal retirement	127,520	127,520	127,510	10
Interest and other charges	5,000	5,000	4,990	10
Total expenditures	<u>\$ 4,735,930</u>	<u>\$ 4,743,430</u>	<u>\$ 4,501,866</u>	<u>\$ 241,564</u>
Revenues over (under) expenditures	<u>\$ (332,430)</u>	<u>\$ (332,430)</u>	<u>\$ (103,848)</u>	<u>\$ 228,582</u>
Other financing sources (uses):				
Transfers from other funds	\$ 95,000	\$ 95,000	\$ 95,000	\$ -
Total other financing sources (uses)	<u>\$ 95,000</u>	<u>\$ 95,000</u>	<u>\$ 95,000</u>	<u>\$ -</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ (237,430)</u>	<u>\$ (237,430)</u>	<u>\$ (8,848)</u>	<u>\$ 228,582</u>
Fund balance appropriated	237,430	237,430	-	(237,430)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,848)</u>	<u>\$ (8,848)</u>
Fund balance, beginning			<u>2,949,660</u>	
Fund balance, ending			<u>\$ 2,940,812</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, 2010

	Major Enterprise Funds	
	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,069,371	\$ 1,069,371
Accounts receivable - billed	92,362	92,362
Accounts receivable - unbilled	430,035	430,035
Inventories	325,201	325,201
Total current assets	<u>\$ 1,916,969</u>	<u>\$ 1,916,969</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	\$ 63,942	\$ 63,942
Capital assets:		
Land and other non-depreciable assets	\$ 5,140,329	\$ 5,140,329
Other capital assets, net of depreciation	20,163,435	20,163,435
Capital assets (net)	<u>\$ 25,303,764</u>	<u>\$ 25,303,764</u>
Total noncurrent assets	<u>\$ 25,367,706</u>	<u>\$ 25,367,706</u>
Total assets	<u><u>\$ 27,284,675</u></u>	<u><u>\$ 27,284,675</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,307,861	\$ 1,307,861
Customer deposits	32,793	32,793
Installment purchase-current	260,432	260,432
Promissory note-current	39,637	39,637
Total current liabilities	<u>\$ 1,640,723</u>	<u>\$ 1,640,723</u>
Noncurrent liabilities:		
Other noncurrent liabilities:		
Compensated absences	\$ 27,020	\$ 27,020
Installment purchase-noncurrent	2,460,162	2,460,162
Notes payable, net of current portion	1,462,299	1,462,299
Total noncurrent liabilities	<u>\$ 3,949,481</u>	<u>\$ 3,949,481</u>
Total liabilities	<u>\$ 5,590,204</u>	<u>\$ 5,590,204</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 21,145,176	\$ 21,145,176
Unrestricted	549,295	549,295
Total net assets	<u><u>\$ 21,694,471</u></u>	<u><u>\$ 21,694,471</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, 2010

	Major Enterprise Funds	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 4,313,858	\$ 4,313,858
Water and sewer taps	30,185	30,185
Rural Center	41,710	41,710
State Grant	48,028	48,028
Other operating revenue	80,632	80,632
Total operating revenues	\$ 4,514,413	\$ 4,514,413
OPERATING EXPENSES		
Administration	\$ 581,371	\$ 581,371
Water treatment and distribution	956,277	956,277
Waste collection and treatment	983,450	983,450
Maintenance	920,760	920,760
Depreciation	624,959	624,959
Total operating expenses	\$ 4,066,817	\$ 4,066,817
Operating income	\$ 447,596	\$ 447,596
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	\$ 606	\$ 606
Interest and other charges	(111,412)	(111,412)
Miscellaneous Income	71,252	71,252
Total nonoperating revenue (expenses)	\$ (39,554)	\$ (39,554)
Income before contributions and transfers	\$ 408,042	\$ 408,042
Capital Contributions	989,500	989,500
Transfers to other funds	(95,000)	(95,000)
Change in net assets	\$ 1,302,542	\$ 1,302,542
Total net assets, beginning	20,391,929	20,391,929
Total net assets, ending	\$ 21,694,471	\$ 21,694,471

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, 2010

	Major Enterprise Funds	
	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,411,970	\$ 4,411,970
Cash paid for goods and services	(2,064,916)	(2,064,916)
Cash paid to or on behalf of employees for services	(1,281,133)	(1,281,133)
Customer deposits received	6,974	6,974
Customer deposits returned	(1,419)	(1,419)
Net cash provided by operating activities	<u>\$ 1,071,476</u>	<u>\$ 1,071,476</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(95,000)	(95,000)
Net cash used by financing activities	<u>\$ (95,000)</u>	<u>\$ (95,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	\$ (3,194,622)	\$ (3,194,622)
Proceeds from long-term debt	1,379,139	1,379,139
Principal paid on long-term debt	(289,576)	(289,576)
Interest paid on long-term debt	(111,412)	(111,412)
Miscellaneous income	71,252	71,252
Capital Contribution - Federal Grant	989,500	989,500
Net cash used by capital and related financing activities	<u>\$ (1,155,719)</u>	<u>\$ (1,155,719)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	\$ 606	\$ 606
Net decrease in cash and cash equivalents	\$ (178,637)	\$ (178,637)
Balances, beginning	1,311,950	1,311,950
Balances, ending	<u>\$ 1,133,313</u>	<u>\$ 1,133,313</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 447,596	\$ 447,596
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 624,959	\$ 624,959
Changes in assets and liabilities:		
Increase in accounts receivable	(110,664)	(110,664)
Decrease in inventory	107,322	107,322
Decrease in accounts payable and accrued liabilities	(1,799)	(1,799)
Increase in customer deposits	5,555	5,555
Decrease in accrued vacation pay	(1,493)	(1,493)
Total adjustments	<u>\$ 623,880</u>	<u>\$ 623,880</u>
Net cash provided by operating activities	<u>\$ 1,071,476</u>	<u>\$ 1,071,476</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, 2010

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, 2010

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 fund:

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

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, 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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 2009 through February 2010 apply to the fiscal year ended June 30, 2010. 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 Enterprise Capital Project Fund and the Enterprise Capital Reserve Fund. The enterprise fund projects are consolidated with the operating fund 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 and at the project level for multi-year 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 may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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, 2009.

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 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, 2010

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, 2010

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 2010 - 2011 budget ordinance.

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

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2010, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for general government activities by \$87,192 and for public safety by \$31,086. The over-expenditure in general government was due to reporting requirements for a voluntary nonmonetary transaction. The Town received a private donation of real estate. Revenue and expense of \$97,000 was recognized as a result of this donation. The over-expenditure in public safety occurred because of increased expenses, due to the hiring of a full-time fire chief and three full-time firemen. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. 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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 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, 2010, the Town's deposits had a carrying amount of \$3,460,862 and a bank balance of \$3,686,278. Of the Town's bank balance, \$2,372,731 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 \$302,791 and the bank balance was \$302,791. All of the Tourism's bank balance was covered by federal depository insurance. The carrying amount of deposits for the ABC Board was \$198,710 and the bank balance was \$192,813. All of the ABC Board's bank balance was covered by federal depository insurance. At June 30, 2010, the Town's petty cash fund totaled \$200.

2. Investments

At June 30, 2010, the Town had \$271,907 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>6-30-10</u>
General Fund	
Taxes Receivable	<u>\$ 68,650</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Government activities:				
Capital assets not being depreciated:				
Land	\$ 757,400	\$ 213,636		\$ 971,036
Construction in progress	0	40,000	\$	40,000
Total capital assets not being depreciated	\$ 757,400	\$ 253,636	\$	\$ 1,011,036

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings	\$ 2,648,991	\$ 57,000		\$ 2,705,991
Other Improvements	291,520			291,520
Equipment and furniture	319,936	7,500		327,436
Vehicles and motorized equipment	2,604,434	157,611		2,762,045
Computer software	31,000			31,000
Computer equipment	31,034			31,034
Infrastructure	85,120			85,120
Total capital assets being depreciated	<u>\$ 6,012,035</u>	<u>\$ 222,111</u>	<u>\$</u>	<u>\$ 6,234,146</u>
Less accumulated depreciation for:				
Buildings	\$ 725,024	\$ 59,249		\$ 784,273
Other Improvements	225,791	10,104		235,895
Equipment and furniture	237,094	29,218		266,312
Vehicles and motorized equipment	1,703,770	163,073		1,866,843
Computer software	3,321	4,429		7,750
Computer equipment	27,034	1,748		28,782
Infrastructure	8,940	3,405		12,345
Total accumulated depreciation	<u>\$ 2,930,974</u>	<u>\$ 271,226</u>	<u>\$</u>	<u>\$ 3,202,200</u>
Total capital assets being depreciated, net	<u>\$ 3,081,061</u>			<u>\$ 3,031,946</u>
Governmental activity capital assets, net	<u><u>\$ 3,838,461</u></u>			<u><u>\$ 4,042,982</u></u>
Depreciation expense was charged to functions/programs of the primary government as follows:				
General government				\$ 48,176
Public safety				155,937
Transportation				36,749
Environmental protection				14,512
Cultural and recreational				15,852
Total depreciation expense				<u>\$ 271,226</u>
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 593,430			\$ 593,430
Construction in progress	275,624	\$ 4,271,275	\$	4,546,899
Total capital assets not being depreciated	<u>\$ 869,054</u>	<u>\$ 4,271,275</u>	<u>\$</u>	<u>\$ 5,140,329</u>
Capital assets being depreciated:				
Plant and distribution systems	\$ 27,100,088	\$ 122,727		\$ 27,222,815
Equipment	2,177,988	46,837		2,224,825
Total capital assets being depreciated	<u>\$ 29,278,076</u>	<u>\$ 169,564</u>	<u>\$</u>	<u>\$ 29,447,640</u>
Less accumulated depreciation for:				
Plant and distribution systems	\$ 7,282,196	\$ 499,275		\$ 7,781,471
Equipment	1,377,050	125,684		1,502,734
Total accumulated depreciation	<u>\$ 8,659,246</u>	<u>\$ 624,959</u>	<u>\$</u>	<u>\$ 9,284,205</u>
Total capital assets being depreciated, net	<u>\$ 20,618,830</u>			<u>\$ 20,163,435</u>
Business-type activities capital assets, net	<u><u>\$ 21,487,884</u></u>			<u><u>\$ 25,303,764</u></u>

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

Construction commitments

The Town has active construction projects as of June 30, 2010. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Commitment</u>
201 Wastewater Improvement	\$ 3,862,909	\$ 3,699,158
Moravian Creek/School Street Outfall	16,150	578,315
Sewer Tap - CDBG	<u>0</u>	<u>9,250</u>
Total	<u>\$ 3,879,059</u>	<u>\$ 4,286,723</u>

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2010, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 11,600	\$	\$	\$ 11,600
Capital assets being depreciated:				
Buildings and improvements	\$ 191,714			\$ 191,714
Furniture and equipment	12,854	\$ 6,743		19,597
Total capital assets being depreciated	<u>\$ 204,568</u>	<u>\$ 6,743</u>	<u>\$</u>	<u>\$ 211,311</u>
Less accumulated depreciation for:				
Buildings	\$ 174,314	\$ 5,553		\$ 179,867
Furniture and equipment	11,502	2,138		13,640
Total accumulated depreciation	<u>\$ 185,816</u>	<u>\$ 7,691</u>	<u>\$</u>	<u>\$ 193,507</u>
Total capital assets being depreciated, net	<u>\$ 18,752</u>			<u>\$ 17,804</u>
ABC Board capital assets, net	<u>\$ 30,352</u>			<u>\$ 29,404</u>

B. Liabilities

1. Pension Plan and Postemployment 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, 2010, 2009, and 2008 were \$128,250, \$125,454, and \$111,840, respectively. The contributions made by the Town equaled the required contributions for each year.

**TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

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, 2009, 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.

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, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5% 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	\$ 19,920
Interest on net pension obligation	12,480
Adjustment to annual required contribution	<u>(10,844)</u>
Annual pension cost	\$ 21,556
Contributions made	<u>0</u>
Increase (decrease) in net pension obligation	\$ 21,556
Net pension obligation beginning of year	<u>172,141</u>
Net pension obligation end of year	<u>\$ 193,697</u>

**TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

3 Year Trend Information

For Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 17,008	0%	\$ 153,239
2009	\$ 18,902	0%	\$ 172,141
2010	\$ 21,556	0%	\$ 193,697

4. Funded Status and Funding Progress.

As of December 31, 2009, 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 \$238,941. The covered payroll (annual payroll of active employees was covered by the plan) as \$624,316, and the ratio of the UAAL to the covered payroll was 38.27 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.

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, 2010 were \$39,919, which consisted of \$31,537 from the Town and \$8,382 from the law enforcement officers.

d. 401(K) Retirement Plan

For the year ended June 30, 2010, 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, 2010 was \$83,382.

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.

**TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

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, 2010, the Town of Wilkesboro has recognized on behalf of payments for pension contributions made by the State as a revenue and an expenditure of \$6,832 for the twenty volunteer firemen and four employed firemen who perform fire fighting duties for the Town's fire department.

f. Other Postemployment Benefits

1. Healthcare Benefits

Plan Description. The Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides 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 through private insurers. 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. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2009, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	4	0
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	50	18
Total	54	18

Funding Policy. The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by Town Council. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 15.97% of annual covered payroll. For the current year, the Town contributed \$37,907 or 1.5% of annual covered payroll. The Town obtains healthcare coverage through private insurers. The Town's required contributions, under a Town resolution, for employees not engaged in law enforcement and for law enforcement officers represented 15.97% of covered payroll. There were no contributions made by employees. The Town's obligation to contribute to HCB Plan is established and may be amended by the Town Council.

Summary of Significant Accounting Policies. 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.

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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

Annual required contribution	\$ 407,833
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	\$ 407,833
Contributions made	37,907
Increase (decrease) in net OPEB obligation	\$ 369,926
Net OPEB obligation, beginning of year	0
Net OPEB obligation, end of year	\$ 369,926

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 407,833	9.3%	\$ 369,926

Funded Status and Funding Progress. As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$4,743,239. The covered payroll (annual payroll of active employees covered by the plan) was \$2,552,671, and the ratio of the UAAL to the covered payroll was 185.8 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 to 5.00 percent annually. The investment rate included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009, was 30 years.

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 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

**TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

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)		\$ 1,567
Privilege licenses collected in advance (General Fund)		19,325
Taxes receivable, net (General Fund)	\$ 62,396	
Unexpended grant proceeds (Special Revenue Fund)	<u> </u>	<u>31,137</u>
Total	<u>\$ 62,396</u>	<u>\$ 52,029</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 \$910,512.

5. Long-Term Obligations

a. Promissory Notes

Serviced by the General Fund:

Promissory Note due in annual installments of \$19,914 through February 2012;
Interest at 3.12%. Secured by equipment. \$ 38,038

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. \$ 122,797

Promissory Note due in annual installments of \$368,177 beginning May 2012;
Interest at 2.50%. 1,379,139

\$ 1,501,936

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

The Town has been approved for a loan of \$7,363,544 from the State of North Carolina Water Pollution Control Revolving Fund. This loan is to be used for the 201 Wastewater Improvement Capital Project. The Town has received proceeds from this loan of \$1,379,139 as of June 30, 2010. The principal sum will be repaid in not more than 20 annual payments on May 1. The first principal payment is not due earlier than 6 months after completion of the project. Interest is payable semiannually at the rate of 2.50% on May 1 and November 1. The first interest payment is due not earlier than 6 months nor later than 12 months after completion of the project.

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
2011	\$ 18,727	\$ 1,187	\$ 39,637	\$ 3,972
2012	19,311	603	409,096	2,690
2013			410,418	1,368
2014			368,177	0
2015			274,608	0
Total	<u>\$ 38,038</u>	<u>\$ 1,790</u>	<u>\$ 1,501,936</u>	<u>\$ 8,030</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, 2010, including \$495,810 of interest, are as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2011	\$ 260,432	\$ 96,946
2012	270,024	87,354
2013	279,970	77,408
2014	290,282	67,096
2015	300,974	56,404
2016-2019	<u>1,318,912</u>	<u>110,602</u>
Principal payments	<u>\$ 2,720,594</u>	
Total interest payments		<u>\$ 495,810</u>

c. General Obligation Indebtedness

At June 30, 2010, the Town of Wilkesboro had a legal debt margin of \$45,472,918.

d. Changes in Long-Term Liabilities

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Current Portion of Balance
Governmental activities:					
Promissory notes	\$ 165,548		\$ 127,510	\$ 38,038	\$ 18,727
Compensated absences	35,877	\$ 3,863		39,740	
Net pension obligation	172,141	21,556		193,697	
Other postemployment benefits	0	369,926		369,926	
Governmental activity long-term liabilities	<u>\$ 373,566</u>	<u>\$ 395,345</u>	<u>\$ 127,510</u>	<u>\$ 641,401</u>	<u>\$ 18,727</u>

**TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010**

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Current Portion of Balance
Business-type activities:					
Installment purchase	\$ 2,971,774		\$ 251,180	\$ 2,720,594	\$ 260,432
Promissory notes	161,193	\$ 1,379,139	38,396	1,501,936	39,637
Compensated absences	28,513		1,493	27,020	
Business-type activity long-term liabilities	\$ 3,161,480	\$ 1,379,139	\$ 291,069	\$ 4,249,550	\$ 300,069

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, 2010, consist of the following:

Due from component unit-Tourism Bureau for reimbursement of expenses to primary government-General Fund	<u>\$ 65,447</u>
Due from component unit-ABC Board for profit distribution to primary government-General Fund	<u>\$ 21,900</u>
Due from the primary government-General Fund for occupancy tax collected to component unit-Tourism Bureau	<u>\$ 34,732</u>

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2010, consist of the following:

From Water and Sewer Fund to General Fund	\$ (95,000)
From the Water and Sewer Capital Reserve Fund to the Water and Sewer Capital Projects Fund	(198,803)
From the Water and Sewer Fund to the Water and Sewer Capital Projects Fund	<u>(75,000)</u>
Total	<u>\$ (368,803)</u>

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2010, the Town of Wilkesboro has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$6,832 for the twenty volunteer firemen and the four employed firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by the Town for each member, investment income, and a State appropriation.

IV. 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 \$937 to the Council during the fiscal year ended June 30, 2010.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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.

V. 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, 2010. 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.

VI. 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.

**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.**

- **Schedule of Funding Progress for Other Postemployment Benefits.**

- **Schedule of Employer Contributions for Other Postemployment Benefits.**

- **Notes to the Required Schedules for Other Postemployment Benefits.**

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)
12/31/04	\$ 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%
12/31/09	\$ 0	\$ 238,941	\$ 238,941	0%	\$ 624,316	38.27%

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>
2005	\$ 18,427	0%
2006	21,951	0%
2007	20,477	0%
2008	15,502	0%
2009	17,161	0%
2010	19,920	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	12/31/09
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.5% to 12.3%
*Includes inflation at	3.75%
Cost-of-living adjustments	N/A

TOWN OF WILKESBORO, NORTH CAROLINA
 OTHER POSTEMPLOYMENT BENEFITS
 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)
12/31/09	\$ 0	\$ 4,743,239	\$ 4,743,239	0%	\$ 2,552,671	185.8%

TOWN OF WILKESBORO, NORTH CAROLINA
 OTHER POSTEMPLOYMENT BENEFITS
 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>
2010	\$ 407,833	9.3%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at December 31, 2009. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/09
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	30 Years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	10.50% to 5.00%
Post-Medicare trend rate	9.00% to 5.00%
Year of Ultimate trend rate	2017
*Includes inflation at	3.75%

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, 2010

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Ad valorem taxes:			
Taxes	\$ 2,619,500	\$ 2,505,397	\$ (114,103)
Interest	15,000	18,181	3,181
TOTAL	<u>\$ 2,634,500</u>	<u>\$ 2,523,578</u>	<u>\$ (110,922)</u>
Other taxes and licenses:			
Privilege licenses	<u>\$ 17,000</u>	<u>\$ 21,535</u>	<u>\$ 4,535</u>
Unrestricted intergovernmental:			
Local option sales taxes	\$ 710,000	\$ 639,196	\$ (70,804)
Payments in lieu of taxes	0	675	675
Telecommunications sales tax	48,000	43,457	(4,543)
Utility franchise tax	340,000	345,201	5,201
Piped natural gas tax	30,000	16,488	(13,512)
Video franchise fee	44,000	41,891	(2,109)
Beer and wine tax	14,500	4,537	(9,963)
ABC Profit distribution	50,000	37,800	(12,200)
Hold harmless funds	30,000	48,587	18,587
TOTAL	<u>\$ 1,266,500</u>	<u>\$ 1,177,832</u>	<u>\$ (88,668)</u>
Restricted intergovernmental:			
Powell bill allocation	\$ 105,000	\$ 103,427	\$ (1,573)
Other federal and state grants	94,000	137,694	43,694
Controlled substance tax	2,000	752	(1,248)
ABC Revenue for law enforcement	0	6,000	6,000
On behalf of payments	0	6,832	6,832
Solid waste disposal tax	0	2,168	2,168
Occupancy tax	150,000	109,427	(40,573)
TOTAL	<u>\$ 351,000</u>	<u>\$ 366,300</u>	<u>\$ 15,300</u>
Permits and fees:			
Franchise fees	\$ 7,000	\$ 6,212	\$ (788)
Permits	4,000	3,815	(185)
TOTAL	<u>\$ 11,000</u>	<u>\$ 10,027</u>	<u>\$ (973)</u>
Sales and services:			
Rents	\$ 25,000	\$ 29,106	\$ 4,106
Court costs, fees and charges	2,500	4,616	2,116
Parking violation penalties	1,000	403	(597)
Park lights	7,000	1,835	(5,165)
TOTAL	<u>\$ 35,500</u>	<u>\$ 35,960</u>	<u>\$ 460</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, 2010

	Budget	Actual	Variance Positive (Negative)
Investment earnings	\$ 25,000	\$ 50,663	\$ 25,663
Miscellaneous:			
Other	\$ 67,500	\$ 210,023	\$ 142,523
Cemetery donation	3,000	2,100	(900)
TOTAL	\$ 70,500	\$ 212,123	\$ 141,623
 TOTAL REVENUES	 \$ 4,411,000	 \$ 4,398,018	 \$ (12,982)
EXPENDITURES:			
General government:			
Governing body:			
Salaries and employee benefits		\$ 24,316	
Operating expenditures		204,426	
TOTAL	\$ 235,900	\$ 228,742	\$ 7,158
Administration:			
Salaries and employee benefits		\$ 366,802	
Other operating expenditures		141,818	
Insurance		695,140	
TOTAL	\$ 1,250,150	\$ 1,203,760	\$ 46,390
Public buildings:			
Salaries and employee benefits		\$ 94,426	
Other operating expenditures		102,618	
Capital outlay		167,148	
TOTAL	\$ 277,000	\$ 364,192	\$ (87,192)
TOTAL GENERAL GOVERNMENT	\$ 1,763,050	\$ 1,796,694	\$ (33,644)
Public safety:			
Police:			
Salaries and employee benefits		\$ 850,249	
Other operating expenditures		234,767	
Capital outlay		63,175	
TOTAL	\$ 1,153,600	\$ 1,148,191	\$ 5,409
Fire:			
Salaries and benefits		\$ 103,145	
Retirement benefits paid		22,300	
Other operating expenditures		139,764	
Capital outlay		94,437	
TOTAL	\$ 328,560	\$ 359,646	\$ (31,086)

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, 2010

	Budget	Actual	Variance Positive (Negative)
Inspections:			
Salaries and employee benefits		\$ 112,961	
Other operating expenditures		18,679	
TOTAL	<u>\$ 172,600</u>	<u>\$ 131,640</u>	<u>\$ 40,960</u>
 TOTAL PUBLIC SAFETY	 <u>\$ 1,654,760</u>	 <u>\$ 1,639,477</u>	 <u>\$ 15,283</u>
Transportation:			
Streets:			
Salaries and employee benefits		\$ 102,060	
Other operating expenditures		213,939	
Capital outlay		25,000	
TOTAL TRANSPORTATION	<u>\$ 493,800</u>	<u>\$ 340,999</u>	<u>\$ 152,801</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		\$ 142,517	
Other operating expenditures		17,171	
Landfill tipping fees		47,969	
TOTAL ENVIRONMENTAL PROTECTION	<u>\$ 250,200</u>	<u>\$ 207,657</u>	<u>\$ 42,543</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		\$ 79,112	
Other operating expenditures		71,907	
Capital outlay		125,987	
TOTAL	<u>\$ 303,100</u>	<u>\$ 277,006</u>	<u>\$ 26,094</u>
Tourism:			
Tourism development	<u>\$ 146,000</u>	<u>\$ 107,533</u>	<u>\$ 38,467</u>
 TOTAL CULTURE AND RECREATION	 <u>\$ 449,100</u>	 <u>\$ 384,539</u>	 <u>\$ 64,561</u>
Debt service:			
Principal retirement		\$ 127,510	
Interest and other charges		4,990	
TOTAL DEBT SERVICE	<u>\$ 132,520</u>	<u>\$ 132,500</u>	<u>\$ 20</u>
 TOTAL EXPENDITURES	 <u>\$ 4,743,430</u>	 <u>\$ 4,501,866</u>	 <u>\$ 241,564</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, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (332,430)</u>	<u>\$ (103,848)</u>	<u>\$ 228,582</u>
OTHER FINANCING SOURCES (USES):			
Transfers from other funds:			
Water and sewer fund	<u>\$ 95,000</u>	<u>\$ 95,000</u>	<u>\$ 0</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 95,000</u>	<u>\$ 95,000</u>	<u>\$ 0</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (237,430)</u>	<u>\$ (8,848)</u>	<u>\$ 228,582</u>
Fund balance appropriated	<u>237,430</u>	<u>0</u>	<u>(237,430)</u>
Net change in fund balance	<u>\$ 0</u>	<u>\$ (8,848)</u>	<u>\$ (8,848)</u>
Fund balance, beginning		<u>2,949,660</u>	
Fund balance, ending		<u>\$ 2,940,812</u>	

TOWN OF WILKESBORO, NORTH CAROLINA
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND
June 30, 2010

	SPECIAL REVENUE FUND <u>Grant Project Fund</u>
ASSETS	
Cash and cash equivalents	\$ 31,137
TOTAL ASSETS	<u>\$ 31,137</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Unearned revenue	\$ 31,137
TOTAL LIABILITIES	<u>\$ 31,137</u>
FUND BALANCE	
Unreserved	\$ 0
TOTAL FUND BALANCE	<u>\$ 0</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 31,137</u>

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, 2010

	<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	\$ 27,069	\$ 994	\$ 28,063	\$ (31,137)
EXPENDITURES:					
Current:					
Cultural and Recreation	\$ 61,000	\$ 27,069	\$ 994	\$ 28,063	\$ 32,937
REVENUES UNDER EXPENDITURES	\$ (1,800)	\$ 0	\$ 0	\$ 0	\$ 1,800
OTHER FINANCING SOURCES:					
Transfer from General Fund	1,800	0	0	0	(1,800)
REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>\$ 0</u>	<u>\$ 0</u>	\$ 0	<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
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2010

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Operating revenues:			
Water sales	\$ 2,010,000	\$ 1,988,140	\$ (21,860)
Sewer charges	2,085,000	2,210,531	125,531
Water and sewer taps	45,000	30,185	(14,815)
Rural Center	90,000	41,710	(48,290)
State Grant	0	48,028	48,028
Other operating revenue	<u>63,000</u>	<u>80,632</u>	<u>17,632</u>
TOTAL OPERATING REVENUES	<u>\$ 4,293,000</u>	<u>\$ 4,399,226</u>	<u>\$ 106,226</u>
Nonoperating Revenues:			
Interest earnings	\$ 10,000	\$ 605	\$ (9,395)
Miscellaneous	<u>48,000</u>	<u>61,252</u>	<u>13,252</u>
TOTAL NONOPERATING REVENUES	<u>\$ 58,000</u>	<u>\$ 61,857</u>	<u>\$ 3,857</u>
TOTAL REVENUES	<u>\$ 4,351,000</u>	<u>\$ 4,461,083</u>	<u>\$ 110,083</u>
EXPENDITURES:			
Water and sewer administration:			
Salaries and employee benefits		\$ 56,474	
Other operating expenditures		73,170	
Insurance		<u>451,967</u>	
TOTAL	<u>\$ 616,750</u>	<u>581,611</u>	<u>\$ 35,139</u>
Water treatment and distribution:			
Salaries and employee benefits		\$ 428,164	
Utilities		197,007	
Maintenance		72,443	
Other operating expenditures		<u>257,179</u>	
TOTAL	<u>\$ 986,300</u>	<u>\$ 954,793</u>	<u>\$ 31,507</u>
Waste collection and treatment:			
Salaries and employee benefits		\$ 429,745	
Utilities		295,343	
Maintenance		110,515	
Other operating expenditures		<u>159,145</u>	
TOTAL	<u>\$ 1,056,200</u>	<u>\$ 994,748</u>	<u>\$ 61,452</u>
Maintenance:			
Salaries and employee benefits		\$ 369,076	
Maintenance		\$ 31,834	
Other operating expenditures		<u>403,965</u>	
TOTAL	<u>\$ 943,950</u>	<u>\$ 804,875</u>	<u>\$ 139,075</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, 2010

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Interest and other charges		\$ 111,412	
Principal retirement		289,576	
TOTAL	<u>\$ 402,350</u>	<u>\$ 400,988</u>	<u>\$ 1,362</u>
Capital outlay:			
Water improvements and extensions		\$ 46,548	
Sewer improvements and extensions		79,365	
Equipment		46,837	
TOTAL	<u>\$ 262,000</u>	<u>\$ 172,750</u>	<u>\$ 89,250</u>
 TOTAL EXPENDITURES	 <u>\$ 4,267,550</u>	 <u>\$ 3,909,765</u>	 <u>\$ 357,785</u>
 REVENUES OVER (UNDER) EXPENDITURES	 <u>\$ 83,450</u>	 <u>\$ 551,318</u>	 <u>\$ 467,868</u>
OTHER FINANCING SOURCES (USES):			
Transfers to other funds:			
General Fund	\$ (95,000)	\$ (95,000)	\$ 0
Water & Sewer Capital Projects Fund	<u>(75,000)</u>	<u>(75,000)</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (170,000)</u>	<u>\$ (170,000)</u>	<u>\$ 0</u>
 REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 <u>\$ (86,550)</u>	 <u>\$ 381,318</u>	 <u>\$ 467,868</u>
Appropriated Retained Earnings	<u>86,550</u>	<u>0</u>	<u>(86,550)</u>
 REVENUES, OTHER SOURCES, AND APPROPRIATED RETAINED EARNINGS OVER (UNDER) EXPENDITURES AND OTHER USES	 <u>\$ 0</u>	 <u>\$ 381,318</u>	 <u>\$ 381,318</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, 2010

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

REVENUES AND OTHER SOURCES OVER
(UNDER) EXPENDITURES AND OTHER USE \$ 381,318

Reconciling items:

Principal retirement	\$ 289,576
Capital outlay	172,750
(Increase) Decrease in accrued vacation pay	1,489
Depreciation	(624,959)
Increase (Decrease) in inventory	(107,322)
Increase (Decrease) in accounts receivable	115,187
Transfer to water and sewer capital projects fund	75,000
Interest earned in the water and sewer capital reserve fund	3
Capital Contributions	989,500
Rent income in the water and sewer capital reserve fund	<u>10,000</u>
TOTAL RECONCILING ITEMS	<u>\$ 921,224</u>

CHANGE IN NET ASSETS \$ 1,302,542

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, 2010

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues-201 Wastewater Improvements					
Federal Grant	\$ 1,000,000		\$ 989,500	\$ 989,500	\$ (10,500)
Vendor Contribution	15,000				(15,000)
Total	\$ 1,015,000		\$ 989,500	\$ 989,500	\$ (25,500)
Revenues-Moravian Creek/School Street Outfall					
State Grant	\$ 500,000				\$ (500,000)
Grant - Rural Center	100,000				(100,000)
Total	\$ 600,000				\$ (600,000)
TOTAL REVENUES	\$ 1,615,000		\$ 989,500	\$ 989,500	\$ (625,500)
Expenditures-201 Wastewater Improvements					
Closing Fee	\$ 147,271		\$ 144,628	\$ 144,628	\$ 2,643
Administration Cost/Legal	30,000		26,939	26,939	3,061
Engineering	1,174,309	\$ 247,673	528,939	776,612	397,697
Construction - Lynch	4,631,154		2,177,067	2,177,067	2,454,087
Construction - Spur	2,553,075		1,339,786	1,339,786	1,213,289
Contingency	359,211		34,580	34,580	324,631
Total	\$ 8,895,020	\$ 247,673	\$ 4,251,939	\$ 4,499,612	\$ 4,395,408
Expenditures-Moravian Creek/School Street Outfall					
Construction	\$ 594,465		\$ 16,150	\$ 16,150	\$ 578,315
Engineering	49,341				49,341
Construction Observation	40,000				40,000
Grant Observation	40,000				40,000
Total	\$ 723,806		\$ 16,150	\$ 16,150	\$ 707,656
TOTAL EXPENDITURES	\$ 9,618,826	\$ 247,673	\$ 4,268,089	\$ 4,515,762	\$ 5,103,064
REVENUES OVER (UNDER) EXPENDITURES	\$ (8,003,826)	\$ (247,673)	\$ (3,278,589)	\$ (3,526,262)	\$ 4,477,564
OTHER FINANCING SOURCES (USES):					
Proceeds from Issuance of Debt	\$ 7,363,544		\$ 1,379,139	\$ 1,379,139	\$ (5,984,405)
Transfer from Water and Sewer Capital Reserve Fund	441,476	\$ 242,673	198,803	441,476	
Transfer from Water and Sewer Fund	75,000		75,000	75,000	
Transfer from Water and Sewer Fund	123,806				(123,806)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 8,003,826	\$ 242,673	\$ 1,652,942	\$ 1,895,615	\$ (6,108,211)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ 0	\$ (5,000)	\$ (1,625,647)	\$ (1,630,647)	\$ (1,630,647)

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, 2010

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
REVENUES:					
Rent Income-Vulcan Materials		\$ 30,000	\$ 10,000	\$ 40,000	\$ 40,000
Investment Earnings	\$ 137,459	250,597	3	250,600	113,141
Total Revenues	\$ 137,459	\$ 280,597	\$ 10,003	\$ 290,600	\$ 153,141
OTHER FINANCING SOURCES (USES):					
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		25,000		25,000	25,000
Transfer to Water and Sewer Fund	(428,071)	(428,071)		(428,071)	
Transfer to Water and Sewer Capital Projects Fund	(1,285,430)	(569,136)	\$ (198,803)	(767,939)	517,491
Transfer to General Fund	(4,724)	(4,724)		(4,724)	
Transfer to Capital Projects Fund	(25,000)	(25,000)		(25,000)	
TOTAL OTHER FINANCING SOURCES (USES)	\$ (137,459)	\$ (27,855)	\$ (198,803)	\$ (226,658)	\$ (89,199)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES					
	\$ 0	\$ 252,742	\$ (188,800)	\$ 63,942	\$ 63,942

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, 2010

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2009</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2010</u>
2009-2010		\$ 2,515,179	\$ 2,454,804	\$ 60,375
2008-2009	\$ 53,861		47,209	6,652
2007-2008	10,262		3,109	7,153
2006-2007	11,660		681	10,979
2005-2006	3,507		196	3,311
2004-2005	3,567		68	3,499
2003-2004	4,652		64	4,588
2002-2003	5,218			5,218
2001-2002	4,204			4,204
2000-2001	25,073		6	25,067
1999-2000	<u>989</u>		<u>989</u>	<u>0</u>
Total	<u>\$ 122,993</u>	<u>\$ 2,515,179</u>	<u>\$ 2,507,126</u>	\$ 131,046
Less: Allowance for Uncollectible Accounts-General Fund				<u>(68,650)</u>
AD VALOREM TAXES RECEIVABLE - NET				<u>\$ 62,396</u>
RECONCILEMENT WITH REVENUES:				
Taxes - Ad Valorem Taxes - General Fund				<u>\$ 2,523,578</u>
Reconciling Items:				
Interest Collected				\$ (18,181)
Taxes Written off				989
Prior Years Releases				<u>740</u>
Subtotal				<u>\$ (16,452)</u>
TOTAL COLLECTIONS AND CREDITS				<u>\$ 2,507,126</u>

TOWN OF WILKESBORO, NORTH CAROLINA
 ANALYSIS OF CURRENT TAX LEVY
 TOWN-WIDE LEVY
 For the Fiscal Year Ended June 30, 2010

	<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	<u>\$ 621,945,344</u>	<u>\$.40</u>	<u>\$ 2,487,773</u>	<u>\$ 2,367,282</u>	<u>\$ 120,491</u>
Discoveries:					
Current year taxes	\$ 7,668,692		\$ 30,683	\$ 30,683	
Prior year taxes	<u> </u>		<u>28,505</u>	<u>28,505</u>	
TOTAL	<u>\$ 7,668,692</u>		<u>\$ 59,188</u>	<u>\$ 59,188</u>	
Abatements	<u>\$ (7,945,460)</u>		<u>\$ (31,782)</u>	<u>\$ (30,753)</u>	<u>\$ (1,029)</u>
TOTAL PROPERTY VALUATION	<u>\$ 621,668,576</u>				
Net Levy			\$ 2,515,179	\$ 2,395,717	\$ 119,462
Uncollected Taxes at June 30, 2010			<u>60,375</u>	<u>47,857</u>	<u>12,518</u>
Current Year's Taxes Collected			<u>\$ 2,454,804</u>	<u>\$ 2,347,860</u>	<u>\$ 106,944</u>
Current Levy Collection Percentage			<u>97.60%</u>	<u>98.00%</u>	<u>89.52%</u>

Compliance Section

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**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, 2010, which collectively comprises the Town of Wilkesboro's basic financial statements, and have issued our report thereon dated November 29, 2010. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Town of Wilkesboro ABC Board, as described in our report on the Town of Wilkesboro's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item # 2010-1.

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

This report is intended solely for the information and use of the management, others within the entity, 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 29, 2010

HUNTLEY,
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ASSOCIATES, CPAs, PLLC

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Certified Public Accountants

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Report on Compliance With Requirements Applicable to Each
Major Federal Program and Internal Control
Over Compliance in Accordance With OMB Circular A-133
and the State Single Audit Implementation Act

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

Compliance

We have audited the compliance of The Town of Wilkesboro North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2010. The Town of Wilkesboro's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of The Town of Wilkesboro's management. Our responsibility is to express an opinion on The Town of Wilkesboro's compliance based on our audit.

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

In our opinion, the Town of Wilkesboro complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Town of Wilkesboro is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Wilkesboro's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

This report is intended solely for the information and use of management, others within the entity, members of the Board, 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

November 29, 2010

TOWN OF WILKESBORO, NORTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30.2010

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness (es) Identified? yes no

Significant deficiency(s) identified that are not
 considered to be material weaknesses yes none
 reported

Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major federal programs:

Material weakness (es) identified? yes no

Significant deficiency(s) identified that are not considered
 to be material weaknesses yes none
 reported

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

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

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program
66.458	Capitalization Grant for State Revolving Fund

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

Auditee qualified as low-risk auditee? yes no

State Awards

There are no major state awards.

TOWN OF WILKESBORO, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30.2010

Section II. Financial Statement Findings

Finding: 2010-1

Significant Deficiency

Criteria: G. S. 159-28 states that no obligation may be incurred by a local unit unless the budget ordinance includes an appropriation authorizing the obligation.

Condition: The Town of Wilkesboro had the following budget over ordinance violations:

General Fund	
General Government	\$ 87,192
Public Safety-Fire	\$ 31,086

Effect: Moneys were spent that had not been appropriated in violation of state statutes and the acceptance of a non-cash donation created a situation where a statutory violation occurred.

Cause: The over-expenditure in the general government was due to the Town receiving a private donation of real estate and failed to budget both the revenue and the expenditure for the donation. When the real estate was recorded for \$97,000 it produced the over-expenditure as described above. The Fire Department violation was due to the hiring of a Fire Chief and three full-time firemen and the failure to adopt sufficient amounts in the budget for those positions.

Recommendation: The Town should adopt a budget amendment for all donations when received along with recording such donations in the general ledger. They must also revise budgets when new hiring is made.

View of Responsible Officials and Planned Corrective Actions: The Town agrees with this finding and has taken corrective action to implement a system whereby all donations will be budgeted and recorded when the Town's Commissioners accept such items. The oversight regarding the Fire department was due to our failure to adopt the full amount of the cost of the new positions.

Section III. Federal Award Findings and Questioned Costs

NO FINDINGS WERE REPORTED FOR FEDERAL AWARDS

Section IV. State Award Findings and Questioned Costs

NO FINDINGS WERE REPORTED FOR STATE AWARDS

TOWN OF WILKESBORO, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2010

2009-There were no findings for 2009

Finding 2008-1

Criteria: The Town exceeded its budgeted appropriations regarding the Town's Water and Sewer Capital Reserve Fund and the General Fund in violation of state statutes.

Status: We found two instances of this type of violation in 2010.

Finding 2007-1

Criteria: Timely preparation of monthly bank reconciliations is necessary to ensure that all cash transactions are recorded in the Town's monthly financial statements.

Status: We have found no new instances of this finding since 2007.

Finding 2007-2

Criteria: As required by G.S. 159-32, the Town is required to deposit daily, cash on hand that exceeds \$250. There were several instances where larger sums were not deposited for several days.

Status: We have found no new instances of this finding since 2007.

Finding 2007-3

Criteria: The Town also exceeded its budgeted appropriations regarding the Town's Water and Sewer Capital Reserve Fund in violation of state statutes.

Status: We found two instances of this type of violation in 2010.

2006-There were no findings for 2006.

**TOWN OF WILKESBORO, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Federal Grants:			
Cash Programs:			
<u>U. S. Housing and Urban Development</u>			
<u>Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii</u>			
Passed-through the N.C. Department of Commerce-Division of Community Assistance NC Small Cities CDBG and Neighborhood Stabilization Program	14.228	08-E-1919	\$989,500
<u>U.S. Department of Transportation</u>			
<u>Safety Belt Performance Grants</u>			
Passed-through the NC Department of Transportation Governor's Highway Safety Program	20.609	K4-10-04-15	31,093
<u>U. S. Department of Justice</u>			
Bulletproof Vests Program	16.607		948
<u>U. S. Department of Homeland Security</u>			
<u>Federal Emergency Management Agency</u>			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		18,365
<u>U.S. Environmental Protection Agency</u>			
<u>Capitalization Grant for State Revolving Fund</u>			
Passed-through the N.C. Department of Environment and Natural Resources: Division of Water Quality Clean Water State Revolving Fund	66.458	E-SRF-T-05-0149	<u>1,379,139</u>
Total Federal Assistance			<u>2,419,045</u>
State Grants:			
<u>N.C. Department of Transportation:</u>			
Powell Bill			<u>44,176</u>
<u>NC Department of Environment and Natural Resources:</u>			
Clean Water Management Trust Fund Stormwater Minigrant		2008S-006	<u>48,028</u>
<u>N.C. Department of Insurance:</u>			
Volunteer Fire Department Fund			<u>29,950</u>
Total State assistance			<u>122,154</u>
Total federal and State assistance			<u>\$2,541,199</u>

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

- Basis of Presentation**
The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Town of Wilkesboro and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.