
HUNTLEY
SIGMON &
ASSOCIATES
CPAs, PLLC

HS&A
Certified Public Accountants

TOWN OF WILKESBORO
NORTH CAROLINA
ANNUAL FINANCIAL
FOR THE YEAR ENDED JUNE 30, 2011

CERTIFIED PUBLIC ACCOUNTANTS
LENOIR, NORTH CAROLINA

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
Bob Urness, Finance Director
Jim Byrd, Tax Collector and Town Clerk

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FINANCIAL SECTION

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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, 2011, 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 basic 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, 2011, 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 December 7, 2011, 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, 38 through 41 respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditor have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statement of the Town of Wilkesboro, North Carolina. The combining and individual fund statements and schedules, 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 fund statements and schedules, 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.

Huntley, Sigmon & Associates, CPAs, PLLC

HUNTLEY, SIGMON & ASSOCIATES, CPAs, PLLC
December 7, 2011

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, 2011. 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

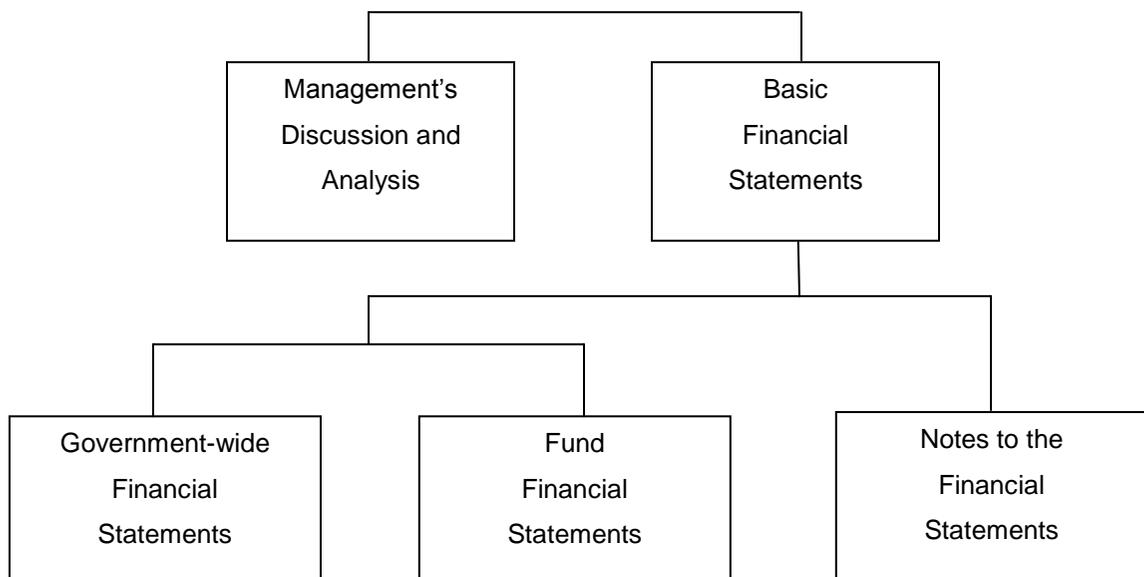
- The assets of the Town of Wilkesboro exceeded its liabilities at the close of the fiscal year by \$29,205,604 (*net assets*).
- The government's total net assets increased by \$1,028,695, primarily due to an increase in the business-type activities net assets.
- As of the close of the current fiscal year, the Town of Wilkesboro's governmental funds reported combined ending fund balances of \$2,832,532. Approximately 62.4% of this total amount or \$1,768,719 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,768,719 or 36.3% of total general fund expenditures for the fiscal year.
- The Town of Wilkesboro's total long-term liabilities increased by \$5,451,677 (111.5%) during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Summary → Detail

Management's Discussion and Analysis

Town of Wilkesboro

Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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 20-37 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 38 of this report.

Government-Wide Financial Analysis

Town of Wilkesboro's Net Assets

Figure 2

	Governmental Activities		Business-type Activities		Total	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Current and other assets	\$ 3,407,160	\$ 3,287,870	\$ 3,092,578	\$ 1,980,911	\$ 6,499,738	\$ 5,268,781
Capital assets	<u>4,124,742</u>	<u>4,042,982</u>	<u>29,659,191</u>	<u>25,303,764</u>	<u>33,783,933</u>	<u>29,346,746</u>
Total assets	<u>\$ 7,531,902</u>	<u>\$ 7,330,852</u>	<u>\$ 32,751,769</u>	<u>\$ 27,284,675</u>	<u>\$ 40,283,671</u>	<u>\$ 34,615,527</u>
Long-term liabilities outstanding	\$ 697,942	\$ 641,401	\$ 9,644,686	\$ 4,249,550	\$ 10,342,628	\$ 4,890,951
Other liabilities	<u>461,938</u>	<u>284,662</u>	<u>273,501</u>	<u>1,340,654</u>	<u>735,439</u>	<u>1,625,316</u>
Total liabilities	<u>\$ 1,159,880</u>	<u>\$ 926,063</u>	<u>\$ 9,918,187</u>	<u>\$ 5,590,204</u>	<u>\$ 11,078,067</u>	<u>\$ 6,516,267</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 4,058,361	\$ 4,004,945	\$ 20,246,847	\$ 21,145,176	\$ 24,305,208	\$ 25,150,121
Restricted	1,063,813	389,401	-	-	1,063,813	389,401
Unrestricted	<u>1,249,848</u>	<u>2,010,443</u>	<u>2,586,735</u>	<u>549,295</u>	<u>3,836,583</u>	<u>2,559,738</u>
Total net assets	<u>\$ 6,372,022</u>	<u>\$ 6,404,789</u>	<u>\$ 22,833,582</u>	<u>\$ 21,694,471</u>	<u>\$ 29,205,604</u>	<u>\$ 28,099,267</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 \$29,205,604 as of June 30, 2011. The Town's net assets increased by \$1,028,695 for the fiscal year ended June 30, 2011. 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 \$1,063,813 (3.64%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,836,583 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 96.55%, which is comparable to the statewide average of 97.62%.

Town of Wilkesboro Changes in Net Assets

Figure 3

	Governmental Activities		Business-type Activities		Total	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Revenues:						
Program revenues:						
Charges for services	\$ 225,945	\$ 116,067	\$ 4,854,762	\$ 4,514,413	\$ 5,080,707	\$ 4,630,480
Operating grants and contributions	477,791	255,698			477,791	255,698
Capital grants and contributions			643,314	989,500	643,314	989,500
General revenues:						
Property taxes	2,590,223	2,529,680			2,590,223	2,529,680
Other taxes	1,250,876	1,223,901			1,250,876	1,223,901
Other	<u>237,969</u>	<u>279,769</u>	<u>93,789</u>	<u>71,858</u>	<u>331,758</u>	<u>351,627</u>
Total revenues	<u>\$ 4,782,804</u>	<u>\$ 4,405,115</u>	<u>\$ 5,591,865</u>	<u>\$ 5,575,771</u>	<u>\$ 10,374,669</u>	<u>\$ 9,980,886</u>
Expenses:						
General government	\$ 2,052,859	\$ 2,049,700			\$ 2,052,859	\$ 2,049,700
Public safety	2,068,806	1,664,147			2,068,806	1,664,147
Highways/Streets	432,600	351,142			432,600	351,142
Sanitation	288,787	221,072			288,787	221,072
Culture and recreation	289,839	275,125			289,839	275,125
Interest on long-term debt	1,186	4,990			1,186	4,990
Water and sewer			\$ 4,211,897	\$ 4,178,229	4,211,897	4,178,229
Total expenses	<u>\$ 5,134,077</u>	<u>\$ 4,566,176</u>	<u>\$ 4,211,897</u>	<u>\$ 4,178,229</u>	<u>\$ 9,345,974</u>	<u>\$ 8,744,405</u>
Increase (decrease) in net assets before transfers	\$ (351,273)	\$ (161,061)	\$ 1,379,968	\$ 1,397,542	\$ 1,028,695	\$ 1,236,481
Transfers	<u>138,500</u>	<u>95,000</u>	<u>(138,500)</u>	<u>(95,000)</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net assets	<u>\$ (212,773)</u>	<u>\$ (66,061)</u>	<u>\$ 1,241,468</u>	<u>\$ 1,302,542</u>	<u>\$ 1,028,695</u>	<u>\$ 1,236,481</u>
Net assets, July 1	\$ 6,404,789	\$ 6,470,850	\$ 21,694,471	\$ 20,391,929	\$ 28,099,260	\$ 26,862,779
Prior period adjustment	<u>180,006</u>		<u>(102,357)</u>		<u>77,649</u>	
Net assets, July 1 restated	\$ 6,584,795	\$ 6,470,850	\$ 21,592,114	\$ 20,391,929	\$ 28,176,909	\$ 26,862,779
Net assets, June 30	<u>\$ 6,372,022</u>	<u>\$ 6,404,789</u>	<u>\$ 22,833,582</u>	<u>\$ 21,694,471</u>	<u>\$ 29,205,604</u>	<u>\$ 28,099,260</u>

Governmental activities: Governmental activities decreased the Town's net assets by \$212,773. The key element of this decrease in net assets is the increase in public safety expenses.

Business-type activities: Business-type activities increased the Town of Wilkesboro's net assets by \$1,241,468. 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.

The general fund is the chief operating fund of the Town of Wilkesboro. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,768,719, while total fund balance reached \$2,832,532. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 36.3% of total General Fund expenditures, while total fund balance represents 58.2% of that same amount.

At June 30, 2011, the governmental funds of the Town of Wilkesboro reported a combined fund balance of \$2,832,532, a 3.68% 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 \$2,586,735. The total change in net assets was \$1,241,468. 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, 2011, totals \$33,783,933 (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 \$4,992,767.
- General fund capital asset additions of \$352,190.

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

Figure 4

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>6/30/2011</u>	<u>6/30/2010</u>
Land	\$ 971,036	\$ 971,036	\$ 609,932	\$ 593,430	\$ 1,580,968	\$ 1,564,466
Building & improvements	1,917,187	1,977,343			1,917,187	1,977,343
Plant & distribution systems			18,951,788	19,441,344	18,951,788	19,441,344
Machinery & equipment	953,123	981,828	773,598	722,091	1,726,721	1,703,919
Infrastructure	69,371	72,775			69,371	72,775
Construction in progress	<u>214,025</u>	<u>40,000</u>	<u>9,323,873</u>	<u>4,546,899</u>	<u>9,537,898</u>	<u>4,586,899</u>
Total	<u>\$ 4,124,742</u>	<u>\$ 4,042,982</u>	<u>\$ 29,659,191</u>	<u>\$ 25,303,764</u>	<u>\$ 33,783,933</u>	<u>\$ 29,346,746</u>

Additional information on the Town's capital assets can be found in note II.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 \$5,451,677 (111.5%) 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 \$41,893,053.

Additional information regarding the Town of Wilkesboro's long-term debt can be found in note II.B.5. beginning on page 34 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, 2011 stands at 12.5%, which is a slight decrease over last year's 12.7% rate. This rate is indicative of the national economic downturn and is significantly above the state-wide average of 10.3%.
- 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. As part of these efforts, our local Economic Development Corporation has embarked on a fund-raising campaign to raise \$750,000 from the private sector to help in industrial recruitment and existing expansion efforts. To date, pledges have been received totaling \$600,000.
- The retail development along the US 421 business corridor continues to develop despite the current economic 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 decreased from last year by 6.7% to \$4,879,710. This reduction in expenditures is in direct correlation to the economic condition of the Town and the surrounding area. The cuts to the budget were made primarily in the form of reductions in purchasing, particularly capital purchasing, as well as the practice of holding vacant positions unfilled.

It should also be noted that the Town has appropriated \$105,000 in Powell Bill Reserves (gas tax revenue) along with current Powell Bill Revenue estimated at \$110,000 to resurface a significant amount of town streets while paving prices are somewhat depressed. The rehabilitation of sidewalks on Main St. will be part of this program as well.

The Town has secured a substantial grant from FEMA that could produce \$1.5 million in zero match reimbursements over the next 4 years. The nature of the grant is to assist the Town with its existing volunteer fire program staffing, recruitment, and retention.

Business-type Activities: Budgeted expenditures in the Water and Sewer Fund are expected to increase by approximately 8.3% to \$5,241,005. This increase is to be funded by a 7.5% rate adjustment to all customer classes effective July 1, 2011.

Tyson Foods completed a \$20,000,000 expansion last fall that has increased their production by as much as 20%. While Tyson's water usage does have some seasonality, the overall usage increase has been very positive for the Town. Overall usage, which has been decreasing for the last couple of years, is showing signs of leveling out with an upward trend.

Management's Discussion and Analysis
Town of Wilkesboro

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.

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.

BASIC FINANCIAL STATEMENTS

TOWN OF WILKESBORO, NORTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government			Wilkesboro Tourism Development, and Visitors Bureau	Wilkesboro ABC Board
	Governmental Activities	Business-type Activities	Total		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,075,659	\$ 2,052,336	\$ 4,127,995	\$ 243,388	\$ 234,182
Taxes receivables (net)	112,690	-	112,690	-	-
Accounts receivable	59,307	502,820	562,127	-	-
Due from other governments	758,320	32,814	791,134	-	-
Due from component units	69,056	-	69,056	-	-
Due from primary government	-	-	-	33,554	-
Inventories	-	346,743	346,743	-	240,965
Prepaid items	-	-	-	-	5,399
Restricted cash and cash equivalents	332,128	157,865	489,993	-	-
Total current assets	<u>\$ 3,407,160</u>	<u>\$ 3,092,578</u>	<u>\$ 6,499,738</u>	<u>\$ 276,942</u>	<u>\$ 480,546</u>
Capital assets:					
Land, non-depreciable improvements, and construction in progress	\$ 1,185,061	\$ 9,933,805	\$ 11,118,866	\$ -	\$ 11,600
Other capital assets, net of depreciation	2,939,681	19,725,386	22,665,067	-	15,789
Total capital assets	<u>\$ 4,124,742</u>	<u>\$ 29,659,191</u>	<u>\$ 33,783,933</u>	<u>\$ -</u>	<u>\$ 27,389</u>
Total assets	<u>\$ 7,531,902</u>	<u>\$ 32,751,769</u>	<u>\$ 40,283,671</u>	<u>\$ 276,942</u>	<u>\$ 507,935</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 341,208	\$ 235,908	\$ 577,116	\$ -	\$ 60,140
Unearned revenue	87,176	-	87,176	-	-
Customer deposits	-	37,593	37,593	-	-
Due to primary government	-	-	-	32,556	36,500
Due to other governments	-	-	-	-	48,948
Due to component units	33,554	-	33,554	-	-
Current portion of long-term liabilities	42,538	679,120	721,658	-	-
Payable from restricted assets	-	-	-	-	-
Long-term liabilities:					
Due in more than one year	655,404	8,965,566	9,620,970	-	-
Total liabilities	<u>\$ 1,159,880</u>	<u>\$ 9,918,187</u>	<u>\$ 11,078,067</u>	<u>\$ 32,556</u>	<u>\$ 145,588</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 4,058,361	\$ 20,246,847	\$ 24,305,208	\$ -	\$ 27,389
Restricted for:					
Stabilization by state statute	731,685	-	731,685	33,554	-
Transportation	330,146	-	330,146	-	-
Public safety	1,982	-	1,982	-	-
Other purposes	-	-	-	-	41,504
Unrestricted	1,249,848	2,586,735	3,836,583	210,832	293,454
Total net assets	<u>\$ 6,372,022</u>	<u>\$ 22,833,582</u>	<u>\$ 29,205,604</u>	<u>\$ 244,386</u>	<u>\$ 362,347</u>

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, 2011

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 2,052,859	\$ 36,746	\$ -	\$ -
Public safety	2,068,806	13,780	218,733	-
Transportation	432,600	-	103,863	-
Environmental protection	288,787	98,500	-	-
Cultural and recreation	289,839	76,919	155,195	-
Interest on long-term debt	1,186	-	-	-
Total governmental activities	\$ 5,134,077	\$ 225,945	\$ 477,791	\$ -
Business-type activities:				
Water and sewer	\$ 4,211,897	\$ 4,854,762	\$ -	\$ 643,314
Total business-type activities	\$ 4,211,897	\$ 4,854,762	\$ -	\$ 643,314
Total primary government	\$ 9,345,974	\$ 5,080,707	\$ 477,791	\$ 643,314
Component units:				
Wilkesboro Tourism Development, Convention, and Visitors Bureau	\$ 147,505	\$ -	\$ -	\$ -
Wilkesboro ABC Board	1,395,590	1,401,663	-	-
Total component units	\$ 1,543,095	\$ 1,401,663	\$ -	\$ -

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, 2011

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	\$ (2,016,113)	\$ -	\$ (2,016,113)	\$ -	\$ -
Public safety	(1,836,293)	-	(1,836,293)	-	-
Transportation	(328,737)	-	(328,737)	-	-
Environmental protection	(190,287)	-	(190,287)	-	-
Cultural and recreation	(57,725)	-	(57,725)	-	-
Interest on long-term debt	(1,186)	-	(1,186)	-	-
Total governmental activities	\$ (4,430,341)	\$ -	\$ (4,430,341)	\$ -	\$ -
Business-type activities:					
Water and sewer	\$ -	\$ 1,286,179	\$ 1,286,179	-	-
Total business-type activities	\$ -	\$ 1,286,179	\$ 1,286,179	-	-
Total primary government	\$ (4,430,341)	\$ 1,286,179	\$ (3,144,162)	-	-
Component units:					
Wilkesboro Tourism Development, Convention, and Visitors Bureau	-	-	-	\$ (147,505)	\$ -
Wilkesboro ABC Board	-	-	-	-	6,073
Total component units	-	-	-	\$ (147,505)	\$ 6,073
General revenues:					
Taxes:					
Property taxes, levied for general purpose	\$ 2,590,223	\$ -	\$ 2,590,223	\$ -	\$ -
Other taxes	1,250,876	-	1,250,876	-	-
Occupancy tax	-	-	-	111,295	-
Grants and contributions not restricted to specific programs	-	-	-	-	-
Unrestricted investment earnings	17,399	6,760	24,159	8,520	1,180
Miscellaneous	220,570	87,029	307,599	-	-
Total general revenues	4,079,068	93,789	4,172,857	119,815	1,180
Transfers	138,500	(138,500)	-	-	-
Total general revenues and transfers	\$ 4,217,568	\$ (44,711)	\$ 4,172,857	\$ 119,815	\$ 1,180
Change in net assets	\$ (212,773)	\$ 1,241,468	\$ 1,028,695	\$ (27,690)	\$ 7,253
Net assets, beginning	\$ 6,404,789	\$ 21,694,471	\$ 28,099,260	\$ 272,076	\$ 355,094
Prior period adjustment (Note VII)	180,006	(102,357)	77,649	-	-
Net assets, beginning as restated	\$ 6,584,795	\$ 21,592,114	\$ 28,176,909	\$ 272,076	\$ 355,094
Net assets, ending	\$ 6,372,022	\$ 22,833,582	\$ 29,205,604	\$ 244,386	\$ 362,347

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

TOWN OF WILKESBORO, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	Major Funds		Total Governmental Funds
	General	Total Non-Major Funds	
ASSETS			
Cash and cash equivalents	\$ 2,044,716	\$ 30,943	\$ 2,075,659
Restricted Cash	332,128	-	332,128
Receivables, net:			
Taxes	112,690	-	112,690
Accounts	59,307	-	59,307
Due from other governments	603,320	155,000	758,320
Due from component units	69,056	-	69,056
Total assets	\$ 3,221,217	\$ 185,943	\$ 3,407,160
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 186,208	\$ 155,000	\$ 341,208
Due to component unit	33,554	-	33,554
Deferred revenue	112,690	-	112,690
Unearned revenue	56,233	30,943	87,176
Total liabilities	\$ 388,685	\$ 185,943	\$ 574,628
Fund balances:			
Restricted:			
Stabilization by State Statute	\$ 731,685	\$ -	\$ 731,685
Streets-Powell bill	330,146	-	330,146
Drug crime prevention	1,982	-	1,982
Unassigned:			
Designated for subsequent year's expenditures	217,810	-	217,810
Undesignated	1,550,909	-	1,550,909
Unassigned, reported in non-major:			
Special Revenue funds	-	-	-
Total fund balances	\$ 2,832,532	\$ -	\$ 2,832,532
Total liabilities and fund balances	\$ 3,221,217	\$ 185,943	

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.	4,124,742
Liabilities for earned but deferred revenues in fund statements.	112,690
Some liabilities, including promissory notes, are not due and payable in the current period and therefore are not reported in the funds.	(697,942)
Net assets of governmental activities	\$ 6,372,022

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, 2011

	Major Funds		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,539,929	\$ -	\$ 2,539,929
Other taxes and licenses	34,818	-	34,818
Unrestricted intergovernmental	1,205,085	-	1,205,085
Restricted intergovernmental	439,650	155,194	594,844
Permits and fees	20,509	-	20,509
Sales and services	132,570	-	132,570
Investment earnings	17,399	-	17,399
Miscellaneous	187,352	-	187,352
Total revenues	<u>\$ 4,577,312</u>	<u>\$ 155,194</u>	<u>\$ 4,732,506</u>
EXPENDITURES			
Current:			
General government	\$ 1,846,680	\$ -	\$ 1,846,680
Public safety	1,963,410	-	1,963,410
Transportation	438,479	-	438,479
Environmental protection	318,180	-	318,180
Cultural and recreation	284,500	155,194	439,694
Debt service:			
Principal	18,727	-	18,727
Interest and other charges	1,186	-	1,186
Total expenditures	<u>\$ 4,871,162</u>	<u>\$ 155,194</u>	<u>\$ 5,026,356</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (293,850)</u>	<u>\$ -</u>	<u>\$ (293,850)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	\$ -	\$ -	\$ -
Transfers to other funds	-	-	-
Transfers from other funds	138,500	-	138,500
Proceeds from issuance of debt	47,070	-	47,070
Total other financing sources (uses)	<u>\$ 185,570</u>	<u>\$ -</u>	<u>\$ 185,570</u>
Net change in fund balance	<u>\$ (108,280)</u>	<u>\$ -</u>	<u>\$ (108,280)</u>
Fund balances, beginning	<u>\$ 2,940,812</u>	<u>\$ -</u>	<u>\$ 2,940,812</u>
Fund balances, ending	<u>\$ 2,832,532</u>	<u>\$ -</u>	<u>\$ 2,832,532</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, 2011**

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

Net changes in fund balances - total governmental funds	\$	(108,280)
<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>		
		81,760
<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		50,294
Loan proceeds		(47,070)
<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>		
		18,727
<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		(1,666)
Net pension obligation		(28,364)
Other postemployment benefits		(178,174)
		(212,773)
Total changes in net assets of governmental activities	\$	(212,773)

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, 2011

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,604,000	\$ 2,604,000	\$ 2,539,929	\$ (64,071)
Other taxes and licenses	21,000	21,000	34,818	13,818
Unrestricted intergovernmental	1,235,400	1,235,400	1,205,085	(30,315)
Restricted intergovernmental	401,000	422,777	439,650	16,873
Permits and fees	34,100	42,135	20,509	(21,626)
Sales and services	34,500	34,500	132,570	98,070
Investment earnings	40,000	40,000	17,399	(22,601)
Miscellaneous	98,000	122,112	187,352	65,240
Total revenues	<u>\$ 4,468,000</u>	<u>\$ 4,521,924</u>	<u>\$ 4,577,312</u>	<u>\$ 55,388</u>
Expenditures:				
Current:				
General government	\$ 1,869,250	\$ 2,119,250	\$ 1,846,680	\$ 272,570
Public safety	1,927,100	2,028,094	1,963,410	64,684
Transportation	752,800	752,800	438,479	314,321
Environmental protection	346,200	346,200	318,180	28,020
Cultural and recreation	315,900	315,900	284,500	31,400
Debt service:				
Principal retirement	18,730	18,730	18,727	3
Interest and other charges	1,190	1,190	1,186	4
Total expenditures	<u>\$ 5,231,170</u>	<u>\$ 5,582,164</u>	<u>\$ 4,871,162</u>	<u>\$ 711,002</u>
Revenues over (under) expenditures	<u>\$ (763,170)</u>	<u>\$ (1,060,240)</u>	<u>\$ (293,850)</u>	<u>\$ 766,390</u>
Other financing sources (uses):				
Transfers from other funds	\$ 138,500	\$ 138,500	\$ 138,500	\$ -
Proceeds from issuance of debt	\$ -	\$ 47,070	\$ 47,070	\$ -
Total other financing sources (uses)	<u>\$ 138,500</u>	<u>\$ 185,570</u>	<u>\$ 185,570</u>	<u>\$ -</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ (624,670)</u>	<u>\$ (874,670)</u>	<u>\$ (108,280)</u>	<u>\$ 766,390</u>
Fund balance appropriated	<u>624,670</u>	<u>874,670</u>	<u>-</u>	<u>(874,670)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (108,280)</u>	<u>\$ (108,280)</u>
Fund balance, beginning			<u>2,940,812</u>	
Fund balance, ending			<u>\$ 2,832,532</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, 2011

	Major Enterprise Funds	
	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,052,336	\$ 2,052,336
Accounts receivable - billed	46,429	46,429
Accounts receivable - unbilled	456,391	456,391
Due from other governments	32,814	32,814
Inventories	346,743	346,743
Restricted cash and cash equivalents	157,865	157,865
Total current assets	\$ 3,092,578	\$ 3,092,578
Capital assets:		
Land and other non-depreciable assets	\$ 9,933,805	\$ 9,933,805
Other capital assets, net of depreciation	19,725,386	19,725,386
Capital assets (net)	\$ 29,659,191	\$ 29,659,191
Total assets	\$ 32,751,769	\$ 32,751,769
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 235,908	\$ 235,908
Customer deposits	37,593	37,593
Installment purchase-current	270,024	270,024
Promissory note-current	409,096	409,096
Total current liabilities	\$ 952,621	\$ 952,621
Noncurrent liabilities:		
Other noncurrent liabilities:		
Compensated absences	\$ 29,949	\$ 29,949
Other postemployment benefits	202,393	202,393
Installment purchase-noncurrent	2,190,138	2,190,138
Notes payable, net of current portion	6,543,086	6,543,086
Total noncurrent liabilities	\$ 8,965,566	\$ 8,965,566
Total liabilities	\$ 9,918,187	\$ 9,918,187
NET ASSETS		
Invested in capital assets, net of related debt	\$ 20,246,847	\$ 20,246,847
Unrestricted	2,586,735	2,586,735
Total net assets	\$ 22,833,582	\$ 22,833,582

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, 2011

	Major Enterprise Funds	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 4,741,424	\$ 4,741,424
Water and sewer taps	27,550	27,550
Other operating revenue	85,788	85,788
Total operating revenues	\$ 4,854,762	\$ 4,854,762
OPERATING EXPENSES		
Administration	\$ 628,703	\$ 628,703
Water treatment and distribution	947,123	947,123
Waste collection and treatment	1,002,821	1,002,821
Maintenance	895,039	895,039
Depreciation	637,339	637,339
Total operating expenses	\$ 4,111,025	\$ 4,111,025
Operating income	\$ 743,737	\$ 743,737
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	\$ 6,760	\$ 6,760
Interest and other charges	(100,872)	(100,872)
Miscellaneous Income	87,029	87,029
Total nonoperating revenue (expenses)	\$ (7,083)	\$ (7,083)
Income before contributions and transfers	\$ 736,654	\$ 736,654
Capital Contributions	643,314	643,314
Transfers to other funds	(138,500)	(138,500)
Change in net assets	\$ 1,241,468	\$ 1,241,468
Total net assets, beginning	\$ 21,694,471	\$ 21,694,471
Prior period adjustment (Note VII)	(102,357)	(102,357)
Total net assets, beginning as restated	\$ 21,592,114	\$ 21,592,114
Total net assets, ending	\$ 22,833,582	\$ 22,833,582

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, 2011

	Major Enterprise Funds	
	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,875,459	\$ 4,875,459
Cash paid for goods and services	(2,002,407)	(2,002,407)
Cash paid to or on behalf of employees for services	(1,388,200)	(1,388,200)
Customer deposits received	6,859	6,859
Customer deposits returned	(2,059)	(2,059)
Net cash provided by operating activities	<u>\$ 1,489,652</u>	<u>\$ 1,489,652</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(138,500)	(138,500)
Net cash used by financing activities	<u>\$ (138,500)</u>	<u>\$ (138,500)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	\$ (6,067,496)	\$ (6,067,496)
Proceeds from long-term debt	5,489,931	5,489,931
Principal paid on long-term debt	(300,116)	(300,116)
Interest paid on long-term debt	(100,872)	(100,872)
Miscellaneous income	87,029	87,029
Capital Contribution - Federal Grant	10,500	10,500
Capital Contribution - State Grant	500,000	500,000
Capital Contribution - Rural Center	100,000	100,000
Net cash used by capital and related financing activities	<u>\$ (281,024)</u>	<u>\$ (281,024)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	<u>\$ 6,760</u>	<u>\$ 6,760</u>
Net increase in cash and cash equivalents	\$ 1,076,888	\$ 1,076,888
Balances, beginning	1,133,313	1,133,313
Balances, ending	<u><u>\$ 2,210,201</u></u>	<u><u>\$ 2,210,201</u></u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	<u>\$ 743,737</u>	<u>\$ 743,737</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 637,339	\$ 637,339
Changes in assets and liabilities:		
Decrease in accounts receivable	19,577	19,577
Increase in inventory	(21,542)	(21,542)
Increase in accounts payable and accrued liabilities	2,777	2,777
Increase in customer deposits	4,800	4,800
Increase in accrued vacation pay	2,928	2,928
Increase in OPEB liability	100,036	100,036
Total adjustments	<u>\$ 745,915</u>	<u>\$ 745,915</u>
Net cash provided by operating activities	<u><u>\$ 1,489,652</u></u>	<u><u>\$ 1,489,652</u></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, 2011

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

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separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental funds:

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

Cub Creek Restoration Capital Project Fund. This fund is used to account for the stabilization and restoration of the banks of Cub Creek.

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.

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Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The 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 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Grant Project Special Revenue Fund, the Cub Creek Restoration Capital Project, 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,

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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.

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. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. The unexpended Controlled Substance Tax is also classified as restricted cash because it can be expended only for drug crime prevention.

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, 2010.

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

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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.

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.

TOWN OF WILKESBORO, NORTH CAROLINA
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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.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Public Safety-Drug Crime Prevention - portion of fund balance that is restricted by revenue source to investigate, combat, prevent and reduce drug crimes. The amount represents the balance of the unexpended Controlled Substance Tax.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Wilkesboro's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Assigned fund balance - portion of fund balance that Town of Wilkesboro intends to use for specific purposes.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$500.

Unassigned fund balance - the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town, the Tourism Bureau, and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's, the Tourism

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Bureau's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, the Tourism Bureau, and the ABC Board, these deposits are considered to be held by the Town's, the Tourism Bureau's, and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the Tourism Bureau, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town, the Tourism Bureau, and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town, the Tourism Bureau and the ABC Board have no formal policy regarding custodial credit risk for deposits, but rely on the State Treasurer to enforce standards of minimum 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, 2011, the Town's deposits had a carrying amount of \$4,345,545 and a bank balance of \$4,495,056. Of the Town's bank balance, \$3,056,563 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 \$243,388, and the bank balance was \$268,844. All of the Tourism's bank balance was covered by federal depository insurance. The carrying amount of deposits for the ABC Board was \$232,582 and the bank balance was \$225,401. All of the ABC Board's bank balance was covered by federal depository insurance. At June 30, 2011, the Town's petty cash fund totaled \$200.

2. Investments

At June 30, 2011, the Town had \$272,241 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 for the year ended June 30, 2011 are net of the following allowances for doubtful accounts:

General Fund	
Taxes Receivable	<u>\$ 46,700</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Government activities:				
Capital assets not being depreciated:				
Land	\$ 971,036			\$ 971,036
Construction in progress	40,000	\$ 174,025		214,025
Total capital assets not being depreciated	\$ 1,011,036	\$ 174,025		\$ 1,185,061

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	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings	\$ 2,658,121	\$ 10,977		\$ 2,669,098
Other Improvements	339,390			339,390
Equipment and furniture	327,436	22,010		349,446
Vehicles and motorized equipment	2,762,045	145,178		2,907,223
Computer software	31,000			31,000
Computer equipment	31,034			31,034
Infrastructure	85,120			85,120
Total capital assets being depreciated	<u>\$ 6,234,146</u>	<u>\$ 178,165</u>		<u>\$ 6,412,311</u>
Less accumulated depreciation for:				
Buildings	\$ 773,006	\$ 56,243		\$ 829,249
Other Improvements	247,162	14,890		262,052
Equipment and furniture	266,312	29,435		295,747
Vehicles and motorized equipment	1,866,843	161,064		2,027,907
Computer software	7,750	4,429		12,179
Computer equipment	28,782	965		29,747
Infrastructure	12,345	3,404		15,749
Total accumulated depreciation	<u>\$ 3,202,200</u>	<u>\$ 270,430</u>		<u>\$ 3,472,630</u>
Total capital assets being depreciated, net	<u>\$ 3,031,946</u>			<u>\$ 2,939,681</u>
Governmental activity capital assets, net	<u><u>\$ 4,042,982</u></u>			<u><u>\$ 4,124,742</u></u>

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

General government	\$ 47,667
Public safety	160,474
Transportation	30,607
Environmental protection	16,443
Cultural and recreational	15,239
Total depreciation expense	<u>\$ 270,430</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 593,430	\$ 16,502		\$ 609,932
Construction in progress	4,546,899	4,776,974		9,323,873
Total capital assets not being depreciated	<u>\$ 5,140,329</u>	<u>\$ 4,793,476</u>		<u>\$ 9,933,805</u>
Capital assets being depreciated:				
Plant and distribution systems	\$ 27,222,815			\$ 27,222,815
Equipment	2,224,825	\$ 199,290	\$ 147,405	2,276,710
Total capital assets being depreciated	<u>\$ 29,447,640</u>	<u>\$ 199,290</u>	<u>\$ 147,405</u>	<u>\$ 29,499,525</u>
Less accumulated depreciation for:				
Plant and distribution systems	\$ 7,781,283	\$ 489,744		\$ 8,271,027
Equipment	1,502,922	147,595	\$ 147,405	1,503,112
Total accumulated depreciation	<u>\$ 9,284,205</u>	<u>\$ 637,339</u>	<u>\$ 147,405</u>	<u>\$ 9,774,139</u>
Total capital assets being depreciated, net	<u>\$ 20,163,435</u>			<u>\$ 19,725,386</u>
Business-type activities capital assets, net	<u><u>\$ 25,303,764</u></u>			<u><u>\$ 29,659,191</u></u>

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Construction commitments

The Town has active construction projects as of June 30, 2011. 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	\$ 2,501,030	\$ 130,246
Sewer Tap - CDBG	<u>7,671</u>	<u>1,579</u>
Total	<u>\$ 2,508,701</u>	<u>\$ 131,825</u>

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2011, 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	\$ 6,700	\$ 4,445	\$ 193,969
Furniture and equipment	<u>19,597</u>			<u>19,597</u>
Total capital assets being depreciated	<u>\$ 211,311</u>	<u>\$ 6,700</u>	<u>\$ 4,445</u>	<u>\$ 213,566</u>
Less accumulated depreciation for:				
Buildings	\$ 179,867	\$ 5,589	\$ 2,667	\$ 182,789
Furniture and equipment	<u>13,640</u>	<u>1,348</u>		<u>14,988</u>
Total accumulated depreciation	<u>\$ 193,507</u>	<u>\$ 6,937</u>	<u>\$ 2,667</u>	<u>\$ 197,777</u>
Total capital assets being depreciated, net	<u>\$ 17,804</u>			<u>\$ 15,789</u>
ABC Board capital assets, net	<u>\$ 29,404</u>			<u>\$ 27,389</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 6.47% and 6.41%, 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, 2011, 2010, and 2009 were \$177,074, \$128,250, and \$125,454, respectively. The contributions made by the Town equaled the required contributions for each year.

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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, 2010, 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>21</u>
Total	<u>21</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, 2010 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 4.25% - 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. 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	\$ 29,049
Interest on net pension obligation	9,685
Adjustment to annual required contribution	<u>(10,370)</u>
Annual pension cost	\$ 28,364
Contributions made	<u>0</u>
Increase (decrease) in net pension obligation	\$ 28,364
Net pension obligation beginning of year	<u>193,697</u>
Net pension obligation end of year	<u><u>\$ 222,061</u></u>

TOWN OF WILKESBORO, NORTH CAROLINA
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3 Year Trend Information

For Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 18,902	0%	\$ 172,141
2010	\$ 21,556	0%	\$ 193,697
2011	\$ 28,364	0%	\$ 222,061

4. Funded Status and Funding Progress.

As of December 31, 2010, 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 \$209,398. The covered payroll (annual payroll of active employees was covered by the plan) as \$700,128, and the ratio of the UAAL to the covered payroll was 29.91 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, 2011 were \$46,937, which consisted of \$34,856 from the Town and \$12,081 from the law enforcement officers.

d. 401(K) Retirement Plan

For the year ended June 30, 2011, 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, 2011 was \$85,461.

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, 2011

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, 2011, the Town of Wilkesboro has recognized on behalf of payments for pension contributions made by the State as a revenue and an expenditure of \$7,690 for the nineteen volunteer firemen and four employed firemen who perform fire fighting duties for the Town's fire department.

f. Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit healthcare plan ("the Retiree Health 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 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 pays the full cost of coverage for these benefits through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Funding Policy. By Town resolution, the Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the responsible fund. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In the fiscal year ended June 30, 2011, the Town's total contributions were \$44,488.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC).

The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	\$ 322,698
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>\$ 322,698</u>
Contributions made	<u>(44,488)</u>
Increase (decrease) in net OPEB obligation	\$ 278,210
Net OPEB obligation, beginning of year	<u>292,277</u>
Net OPEB obligation, end of year	<u><u>\$ 570,487</u></u>

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 322,698	13.8%	\$ 570,487
2010	\$ 330,184	11.5%	\$ 292,277

Funded Status and Funding Progress. As of June 30, 2011, the actuarial accrued liability for benefits was \$3,165,920, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,862,767, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 110.6 percent.

The projection of future benefit payments for an ongoing plan involves 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.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2005 United States Life Tables for Males and for Females were used.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 9.5 percent initially, reduced to an ultimate rate of 5.0 percent after six years, was used.

Health insurance premiums – 2009 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 3.75 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2007*

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

Annual Report of the Board of Trustees of Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds for an intermediate growth scenario.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Town’s short-term investment portfolio, a discount rate of 4.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount. The remaining amortization period at June 30, 2011, was thirty 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 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)		\$ 3,584
Privilege licenses collected in advance (General Fund)		46,863
Taxes receivable, net (General Fund)	\$ 112,690	
Other receivable (General Fund)		5,786
Unexpended grant proceeds (Special Revenue Fund)	<u> </u>	<u>30,943</u>
Total	<u>\$112,690</u>	<u>\$ 87,176</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.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 \$944,196.

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. \$ 19,311

Promissory Note due in annual installments of \$24,475 through December 2012;
 Interest at 2.65%. Secured by equipment. 47,070

Total General Fund \$ 66,381

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. \$ 83,112

Promissory Note due in annual installments of \$563,614 beginning May 2012;
 Interest at 2.50%. Secured by water and sewer revenues. 6,869,070

Total Water and Sewer Fund \$ 6,952,182

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 \$6,869,070 as of June 30, 2011. The principal sum will be repaid in not more than 20 annual payments. The first principal payment is due May 1, 2012. Interest is payable semiannually at the rate of 2.50% on May 1 and November 1. The first interest payment is due November 1, 2011.

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
2012	\$ 42,538	\$ 1,850	\$ 409,096	\$ 198,127
2013	23,843	632	410,371	176,300
2014			368,177	165,680
2015			368,177	156,476
2016			368,177	147,271
Next 5 years			1,840,886	598,288
Next 5 years			1,840,886	368,177
Next 5 years			<u>1,346,412</u>	<u>138,066</u>
Total	<u>\$ 66,381</u>	<u>\$ 2,482</u>	<u>\$ 6,952,182</u>	<u>\$1,948,385</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%.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

The future minimum payments of the installment purchase as of June 30, 2011, including \$398,864 of interest, are as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2012	\$ 270,024	\$ 87,354
2013	279,970	77,408
2014	290,282	67,096
2015	300,974	56,404
2016	312,060	45,318
2017-2019	<u>1,006,852</u>	<u>65,284</u>
Principal payments	<u>\$ 2,460,162</u>	
Total interest payments		<u>\$ 398,864</u>

c. General Obligation Indebtedness

At June 30, 2011, the Town of Wilkesboro had a legal debt margin of \$41,893,053.

d. Changes in Long-Term Liabilities

	Balance			Balance	Current Portion
	July 1, 2010	Increases	Decreases	June 30, 2011	of Balance
Governmental activities:					
Promissory notes	\$ 38,038	\$ 47,070	\$ 18,727	\$ 66,381	\$ 42,538
Compensated absences	39,740	1,666		41,406	
Net pension obligation	193,697	28,364		222,061	
Other postemployment benefits	189,920	178,174		368,094	
Governmental activity long-term liabilities	<u>\$ 461,395</u>	<u>\$ 255,274</u>	<u>\$ 18,727</u>	<u>\$ 697,942</u>	<u>\$ 42,538</u>
Business-type activities:					
Installment purchase	\$ 2,720,594		\$ 260,432	\$ 2,460,162	\$ 270,024
Promissory notes	1,501,936	\$ 5,489,931	39,685	6,952,182	409,096
Compensated absences	27,020	2,929		29,949	
Other postemployment benefits	102,357	100,036		202,393	
Business-type activity long-term liabilities	<u>\$ 4,351,907</u>	<u>\$ 5,592,896</u>	<u>\$ 300,117</u>	<u>\$ 9,644,686</u>	<u>\$ 679,120</u>

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

C. Interfund Balances and Activity

Balances due to/from Primary Government and Component Units

Balances due to/from primary government and component units at June 30, 2011, consist of the following:

Due from component unit-Tourism Bureau for reimbursement of expenses to primary government-General Fund	<u>\$ 32,556</u>
Due from component unit-ABC Board for profit distribution to primary government-General Fund	<u>\$ 36,500</u>
Due from the primary government-General Fund for occupancy tax collected for component unit-Tourism Bureau	<u>\$ 33,554</u>

**TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011**

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2011, consist of the following:

From Water and Sewer Fund to General Fund	\$ (138,500)
From the Water and Sewer Fund to the Water and Sewer Capital Projects Fund	<u>(179,032)</u>
Total	<u>\$ (317,532)</u>

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2011, the Town of Wilkesboro has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$7,690 for the nineteen 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.

E. Fund Balance

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

Total fund balance - General Fund	<u>\$ 2,832,532</u>
Less:	
Stabilization by State Statute	731,685
Streets - Powell Bill	330,146
Public Safety - Drug Crime Prevention	1,982
Appropriated Fund Balance in 2012 budget	217,810
Remaining Fund Balance	1,550,909

III. Jointly Governed Organization

The Town, in conjunction with seven counties and nineteen other municipalities established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$937 to the Council during the fiscal year ended June 30, 2011.

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

IV. Joint Ventures

The Town participates in a joint venture to operate the Wilkes Economic Development Corporation, a nonprofit corporation, with Wilkes County, another municipality, and the Wilkes Chamber of Commerce. The Town appoints one board member to the eighteen-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, 2011. The Town appropriated \$70,000 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.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Significant Effect of Subsequent Events

The Town has evaluated subsequent events through December 7, 2011, the date which the financial statements were available to be issued. No events have taken place that would require disclosure in the financial statements.

VII. Prior Period Adjustment

During the fiscal year ended June 30, 2011, the Town determined that the liability for other postemployment benefits was overstated by \$77,649 for the year ended June 30, 2010. Also, it was determined that \$102,357 of the liability for other postemployment benefits recorded in the General Fund as of June 30, 2010, should have been recorded in the Water and Sewer Fund. This adjustment increased beginning net assets of governmental activities and decreased beginning net assets of business-type activities.

Required
Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- 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)
12/31/05	\$ -	\$ 158,546	\$ 158,546	0%	\$ 601,685	26.35%
12/31/06	\$ -	\$ 111,924	\$ 111,924	0%	\$ 515,959	21.69%
12/31/07	\$ -	\$ 133,579	\$ 133,579	0%	\$ 524,689	25.46%
12/31/08	\$ -	\$ 154,247	\$ 154,247	0%	\$ 598,339	25.78%
12/31/09	\$ -	\$ 238,941	\$ 238,941	0%	\$ 624,316	38.27%
12/31/10	\$ -	\$ 209,398	\$ 209,398	0%	\$ 700,128	29.91%

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>
2006	\$ 21,951	0%
2007	20,477	0%
2008	15,502	0%
2009	17,161	0%
2010	19,920	0%
2011	29,049	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	12/31/10
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
*Includes inflation at	3.00%
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 Ration (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ([(b-a)/c])
12/31/09	\$ -	\$ 3,802,148	\$ 3,802,148	0%	\$ 2,552,671	148.9%
6/30/11	-	3,165,920	3,165,920	0%	2,862,767	110.6%

TOWN OF WILKESBORO, NORTH CAROLINA
 OTHER POSTEMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 330,184	11.5%
2011	\$ 322,698	13.8%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at June 30, 2011. Additional information as of the latest actuarial valuation follows:

Valuation date	6/30/2011
Actuarial cost method	Unit Credit Cost
Amortization method	Level dollar amount
Remaining amortization period	30 Years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.0%
Medical cost trend rate	
Pre-Medicare trend rate	9.5% to 5.0%
Post-Medicare trend rate	9.5% to 5.0%
Year of Ultimate trend rate	2017
*Includes inflation at	3.75%

SUPPLEMENTARY INFORMATION:

Combining and Individual Fund Statements and Schedules

Schedule of Revenues, Expenditures, and Changes
In Fund Balance-Budget to Actual

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, 2011

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Ad valorem taxes:			
Taxes	\$ 2,586,000	\$ 2,523,828	\$ (62,172)
Interest	18,000	16,101	(1,899)
TOTAL	<u>\$ 2,604,000</u>	<u>\$ 2,539,929</u>	<u>\$ (64,071)</u>
Other taxes and licenses:			
Privilege licenses	<u>\$ 21,000</u>	<u>\$ 34,818</u>	<u>\$ 13,818</u>
Unrestricted intergovernmental:			
Local option sales taxes	\$ 675,000	\$ 651,617	\$ (23,383)
Payments in lieu of taxes	2,000	811	(1,189)
Telecommunications sales tax	40,000	41,227	1,227
Utility franchise tax	330,000	344,216	14,216
Piped natural gas tax	30,000	6,561	(23,439)
Video franchise fee	44,000	41,371	(2,629)
Beer and wine tax	14,400	14,011	(389)
ABC Profit distribution	50,000	50,400	400
Hold harmless funds	50,000	54,871	4,871
TOTAL	<u>\$ 1,235,400</u>	<u>\$ 1,205,085</u>	<u>\$ (30,315)</u>
Restricted intergovernmental:			
Powell bill allocation	\$ 102,000	\$ 103,863	\$ 1,863
Other federal and state grants	188,777	202,552	13,775
Controlled substance tax	2,000	491	(1,509)
ABC Revenue for law enforcement	-	8,000	8,000
On behalf of payments	-	7,690	7,690
Solid waste disposal tax	-	2,156	2,156
Occupancy tax	130,000	114,898	(15,102)
TOTAL	<u>\$ 422,777</u>	<u>\$ 439,650</u>	<u>\$ 16,873</u>
Permits and fees:			
Franchise fees	\$ 7,000	\$ 7,099	\$ 99
Permits	35,135	13,410	(21,725)
TOTAL	<u>\$ 42,135</u>	<u>\$ 20,509</u>	<u>\$ (21,626)</u>
Sales and services:			
Rents	\$ 25,000	\$ 26,942	\$ 1,942
Court costs, fees and charges	3,500	4,069	569
Parking violation penalties	1,000	295	(705)
Sanitation fees	-	98,500	98,500
Park lights	5,000	2,764	(2,236)
TOTAL	<u>\$ 34,500</u>	<u>\$ 132,570</u>	<u>\$ 98,070</u>
Investment earnings	<u>\$ 40,000</u>	<u>\$ 17,399</u>	<u>\$ (22,601)</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, 2011

	Budget	Actual	Variance Positive (Negative)
Miscellaneous:			
Other	\$ 119,112	\$ 181,617	\$ 62,505
Cemetery donation	3,000	5,735	2,735
TOTAL	<u>\$ 122,112</u>	<u>\$ 187,352</u>	<u>\$ 65,240</u>
 TOTAL REVENUES	 <u>\$ 4,521,924</u>	 <u>\$ 4,577,312</u>	 <u>\$ 55,388</u>
EXPENDITURES:			
General government:			
Governing body:			
Salaries and employee benefits		\$ 22,445	
Operating expenditures		206,146	
TOTAL	<u>\$ 237,000</u>	<u>\$ 228,591</u>	<u>\$ 8,409</u>
Administration:			
Salaries and employee benefits		\$ 378,443	
Other operating expenditures		207,036	
Insurance		811,806	
TOTAL	<u>\$ 1,598,350</u>	<u>\$ 1,397,285</u>	<u>\$ 201,065</u>
Public buildings:			
Salaries and employee benefits		\$ 87,917	
Other operating expenditures		113,862	
Capital outlay		19,025	
TOTAL	<u>\$ 283,900</u>	<u>\$ 220,804</u>	<u>\$ 63,096</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 2,119,250</u>	<u>\$ 1,846,680</u>	<u>\$ 272,570</u>
Public safety:			
Police:			
Salaries and employee benefits		\$ 918,893	
Other operating expenditures		256,114	
Capital outlay		83,860	
TOTAL	<u>\$ 1,285,848</u>	<u>\$ 1,258,867</u>	<u>\$ 26,981</u>
Fire:			
Salaries and benefits		\$ 290,730	
Retirement benefits paid		36,140	
Other operating expenditures		222,371	
TOTAL	<u>\$ 566,446</u>	<u>\$ 549,241</u>	<u>\$ 17,205</u>
Inspections:			
Salaries and employee benefits		\$ 97,638	
Other operating expenditures		57,664	
TOTAL	<u>\$ 175,800</u>	<u>\$ 155,302</u>	<u>\$ 20,498</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, 2011

	Budget	Actual	Variance Positive (Negative)
TOTAL PUBLIC SAFETY	\$ 2,028,094	\$ 1,963,410	\$ 64,684
Transportation:			
Streets:			
Salaries and employee benefits		\$ 76,925	
Other operating expenditures		324,564	
Capital outlay		36,990	
TOTAL TRANSPORTATION	\$ 752,800	\$ 438,479	\$ 314,321
Environmental protection:			
Sanitation:			
Salaries and employee benefits		\$ 143,486	
Other operating expenditures		85,308	
Landfill tipping fees		43,050	
Capital outlay		46,336	
TOTAL ENVIRONMENTAL PROTECTION	\$ 346,200	\$ 318,180	\$ 28,020
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		\$ 86,943	
Other operating expenditures		73,348	
Capital outlay		10,976	
TOTAL	\$ 190,900	\$ 171,267	\$ 19,633
Tourism:			
Tourism development	\$ 125,000	\$ 113,233	\$ 11,767
TOTAL CULTURE AND RECREATION	\$ 315,900	\$ 284,500	\$ 31,400
Debt service:			
Principal retirement		\$ 18,727	
Interest and other charges		1,186	
TOTAL DEBT SERVICE	\$ 19,920	\$ 19,913	\$ 7
TOTAL EXPENDITURES	\$ 5,582,164	\$ 4,871,162	\$ 711,002
REVENUES OVER (UNDER) EXPENDITURES	\$ (1,060,240)	\$ (293,850)	\$ 766,390
OTHER FINANCING SOURCES (USES):			
Transfers from other funds:			
Water and sewer fund	\$ 138,500	\$ 138,500	\$ -
Proceeds from issuance of debt	47,070	47,070	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ 185,570	\$ 185,570	\$ -

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (874,670)	\$ (108,280)	\$ 766,390
Fund balance appropriated	<u>874,670</u>	<u>-</u>	<u>(874,670)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (108,280)</u>	<u>\$ (108,280)</u>
Fund balance, beginning		<u>2,940,812</u>	
Fund balance, ending		<u>\$ 2,832,532</u>	

TOWN OF WILKESBORO, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	SPECIAL REVENUE FUND Grant Project Fund	CAPITAL PROJECT FUND Cub Creek Restoration	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 30,943	\$ -	\$ 30,943
Due from other governments	-	155,000	155,000
TOTAL ASSETS	\$ 30,943	\$ 155,000	\$ 185,943
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ -	\$ 155,000	\$ 155,000
Unearned revenue	30,943	-	30,943
TOTAL LIABILITIES	\$ 30,943	\$ 155,000	\$ 185,943
FUND BALANCE			
Unassigned	\$ -	\$ -	\$ -
TOTAL FUND BALANCE	\$ -	\$ -	\$ -
TOTAL LIABILITIES AND FUND BALANCE	\$ 30,943	\$ 155,000	\$ 185,943

TOWN OF WILKESBORO, NORTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2011

	SPECIAL REVENUE FUND Grant Project Fund	CAPITAL PROJECT FUND Cub Creek Restoration	Total Nonmajor Governmental Funds
REVENUES:			
Restricted intergovernmental	\$ 194	\$ 155,000	\$ 155,194
EXPENDITURES:			
Cultural and recreation	194	155,000	155,194
REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	\$ -
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

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, 2011

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Restricted intergovernmental Government Grant	\$ 59,200	\$ 28,063	\$ 194	\$ 28,257	\$ (30,943)
EXPENDITURES:					
Cultural and Recreation	\$ 61,000	\$ 28,063	\$ 194	\$ 28,257	\$ 32,743
REVENUES UNDER EXPENDITURES	\$ (1,800)	\$ -	\$ -	\$ -	\$ 1,800
OTHER FINANCING SOURCES:					
Transfer from General Fund	1,800	-	-	-	(1,800)
REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>		
Fund balance, end of year			<u>\$ -</u>		

TOWN OF WILKESBORO, NORTH CAROLINA
 CAPITAL PROJECT FUND - CUB CREEK RESTORATION PHASE II
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 From Inception and for the Fiscal Year Ended June 30, 2011

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Restricted intergovernmental					
State Grant - Clean Water Management Trust Fund	\$ 219,000	\$ -	\$ 95,000	\$ 95,000	\$ (124,000)
State Grant - Division of Water Resources	167,000	-	60,000	60,000	(107,000)
TOTAL REVENUES	\$ 386,000	\$ -	\$ 155,000	\$ 155,000	\$ (231,000)
EXPENDITURES:					
Capital Outlay:					
Design and Permitting	\$ 155,000	\$ -	\$ 155,000	\$ 155,000	\$ -
Construction	518,500	-	-	-	518,500
TOTAL EXPENDITURES	\$ 673,500	\$ -	\$ 155,000	\$ 155,000	\$ 518,500
REVENUES UNDER EXPENDITURES	\$ (287,500)	\$ -	\$ -	\$ -	\$ 287,500
OTHER FINANCING SOURCES:					
Transfer from General Fund	287,500	-	-	-	(287,500)
REVENUES AND OTHER SOURCES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2011

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Operating revenues:			
Water sales	\$ 2,100,000	\$ 2,233,115	\$ 133,115
Sewer charges	2,330,000	2,493,158	163,158
Water and sewer taps	40,000	27,550	(12,450)
Rural Center	75,000	-	(75,000)
Other operating revenue	75,000	85,788	10,788
TOTAL OPERATING REVENUES	\$ 4,620,000	\$ 4,839,611	\$ 219,611
Nonoperating Revenues:			
Interest earnings	\$ 10,000	\$ 6,760	\$ (3,240)
Miscellaneous	58,000	77,029	19,029
TOTAL NONOPERATING REVENUES	\$ 68,000	\$ 83,789	\$ 15,789
TOTAL REVENUES	\$ 4,688,000	\$ 4,923,400	\$ 235,400
EXPENDITURES:			
Water and sewer administration:			
Salaries and employee benefits		\$ 117,008	
Other operating expenditures		16,210	
Insurance		395,206	
TOTAL	\$ 658,400	\$ 528,424	\$ 129,976
Water treatment and distribution:			
Salaries and employee benefits		\$ 437,854	
Utilities		192,344	
Maintenance		107,586	
Other operating expenditures		209,932	
TOTAL	\$ 1,010,100	\$ 947,716	\$ 62,384
Waste collection and treatment:			
Salaries and employee benefits		\$ 424,660	
Utilities		298,706	
Maintenance		101,026	
Other operating expenditures		186,363	
TOTAL	\$ 1,028,468	\$ 1,010,755	\$ 17,713
Maintenance:			
Salaries and employee benefits		\$ 403,307	
Maintenance		\$ 22,315	
Other operating expenditures		479,745	
TOTAL	\$ 985,200	\$ 905,367	\$ 79,833

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, 2011

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Interest and other charges		\$ 100,872	
Principal retirement		300,116	
TOTAL	<u>\$ 402,340</u>	<u>\$ 400,988</u>	<u>\$ 1,352</u>
Capital outlay:			
Water improvements and extensions		\$ 39,989	
Land		16,503	
Equipment		162,300	
TOTAL	<u>\$ 301,060</u>	<u>\$ 218,792</u>	<u>\$ 82,268</u>
TOTAL EXPENDITURES	<u>\$ 4,385,568</u>	<u>\$ 4,012,042</u>	<u>\$ 373,526</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 302,432</u>	<u>\$ 911,358</u>	<u>\$ 608,926</u>
OTHER FINANCING SOURCES (USES):			
Transfers to other funds:			
General Fund	\$ (138,500)	\$ (138,500)	\$ -
Water & Sewer Capital Projects Fund	<u>(179,032)</u>	<u>(179,032)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (317,532)</u>	<u>\$ (317,532)</u>	<u>\$ -</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (15,100)</u>	<u>\$ 593,826</u>	<u>\$ 608,926</u>
Appropriated Retained Earnings	<u>15,100</u>	<u>-</u>	<u>(15,100)</u>
REVENUES, OTHER SOURCES, AND APPROPRIATED RETAINED EARNINGS OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ 593,826</u>	<u>\$ 593,826</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, 2011

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

REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 593,826</u>
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Reconciling items:

Principal retirement	\$ 300,116
Capital outlay	218,792
(Increase) Decrease in accrued vacation pay	(2,930)
(Increase) Decrease in OPEB liability	(100,036)
Depreciation	(637,339)
Increase (Decrease) in inventory	21,542
Increase (Decrease) in accounts receivable	15,151
Transfer to water and sewer capital projects fund	179,032
Capital Contributions	643,314
Rent income in the water and sewer capital reserve fund	10,000
TOTAL RECONCILING ITEMS	<u>\$ 647,642</u>

CHANGE IN NET ASSETS	<u>\$ 1,241,468</u>
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TOWN OF WILKESBORO, NORTH CAROLINA
 WATER AND SEWER CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 BUDGET AND ACTUAL (Non-GAAP)
 From Inception and for the Fiscal Year Ended June 30, 2011

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues - 201 Wastewater Improvements					
Federal Grant	\$ 1,000,000	\$ 989,500	\$ 10,500	\$ 1,000,000	\$ -
Vendor Contribution	15,000	-	-	-	(15,000)
Total	\$ 1,015,000	\$ 989,500	\$ 10,500	\$ 1,000,000	\$ (15,000)
Revenues - Moravian Creek/School Street Outfall					
Grant - CDBG	\$ 500,000	\$ -	\$ 500,000	\$ 500,000	\$ -
Grant - Rural Center	100,000	-	100,000	100,000	-
Total	\$ 600,000	\$ -	\$ 600,000	\$ 600,000	\$ -
Revenues - CDBG Infrastructure Hookup					
Grant - CDBG	\$ 75,000	\$ -	\$ 32,814	\$ 32,814	\$ (42,186)
Total	\$ 75,000	\$ -	\$ 32,814	\$ 32,814	\$ (42,186)
TOTAL REVENUES	\$ 1,690,000	\$ 989,500	\$ 643,314	\$ 1,632,814	\$ (57,186)
Expenditures - 201 Wastewater Improvements					
Closing Fee	\$ 147,271	\$ 144,628	\$ -	\$ 144,628	\$ 2,643
Administration Cost/Legal	40,000	26,939	9,190	36,129	3,871
Engineering	1,174,309	776,612	363,512	1,140,124	34,185
Construction - Lynch	4,761,154	2,177,067	2,574,279	4,751,346	9,808
Construction - Spur	2,553,075	1,339,786	1,018,956	2,358,742	194,333
Contingency	219,211	34,580	13,520	48,100	171,111
Total	\$ 8,895,020	\$ 4,499,612	\$ 3,979,457	\$ 8,479,069	\$ 415,951
Expenditures - Moravian Creek/School Street Outfall					
Construction	\$ 617,217	\$ 16,150	\$ 601,067	\$ 617,217	\$ -
Engineering	67,545	-	67,545	67,545	-
Construction Observation	74,160	-	74,160	74,160	-
Grant Observation	20,110	-	20,110	20,110	-
Total	\$ 779,032	\$ 16,150	\$ 762,882	\$ 779,032	\$ -
Expenditures - CDBG Infrastructure Hookup					
Rehabilitation	\$ 64,450	\$ -	\$ 21,965	\$ 21,965	\$ 42,485
Planning	2,000	-	2,000	2,000	-
Administration	9,250	-	7,671	7,671	1,579
Total	\$ 75,700	\$ -	\$ 31,636	\$ 31,636	\$ 44,064
TOTAL EXPENDITURES	\$ 9,749,752	\$ 4,515,762	\$ 4,773,975	\$ 9,289,737	\$ 460,015
REVENUES OVER (UNDER) EXPENDITURES	\$ (8,059,752)	\$ (3,526,262)	\$ (4,130,661)	\$ (7,656,923)	\$ 402,829
OTHER FINANCING SOURCES (USES):					
Proceeds from Issuance of Debt	\$ 7,363,544	\$ 1,379,139	\$ 5,489,931	\$ 6,869,070	\$ (494,474)
Transfer from Water and Sewer Capital Reserve Fund	441,476	441,476	-	441,476	-
Transfer from Water and Sewer Fund	75,000	75,000	-	75,000	-
Transfer from Water and Sewer Fund	179,032	-	179,032	179,032	-
Transfer from Water and Sewer Fund	700	-	-	-	(700)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 8,059,752	\$ 1,895,615	\$ 5,668,963	\$ 7,564,578	\$ (495,174)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ (1,630,647)	\$ 1,538,302	\$ (92,345)	\$ (92,345)

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, 2011

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
Rent Income-Vulcan Materials	\$ -	\$ 40,000	\$ 10,000	\$ 50,000	\$ 50,000
Investment Earnings	137,459	250,600	-	250,600	113,141
Total Revenues	\$ 137,459	\$ 290,600	\$ 10,000	\$ 300,600	\$ 163,141
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)	(767,939)	-	(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)	\$ (226,658)	-	\$ (226,658)	\$ (89,199)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ 63,942	\$ 10,000	\$ 73,942	\$ 73,942

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, 2011

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2010</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2011</u>
2010-2011	\$ -	\$ 2,579,125	\$ 2,490,157	\$ 88,968
2009-2010	60,375	-	33,722	26,653
2008-2009	6,652	-	805	5,847
2007-2008	7,153	-	498	6,655
2006-2007	10,979	-	171	10,808
2005-2006	3,311	-	166	3,145
2004-2005	3,499	-	25	3,474
2003-2004	4,588	-	93	4,495
2002-2003	5,218	-	35	5,183
2001-2002	4,204	-	42	4,162
2000-2001	<u>25,067</u>	<u>-</u>	<u>25,067</u>	<u>-</u>
Total	<u>\$ 131,046</u>	<u>\$ 2,579,125</u>	<u>\$ 2,550,781</u>	\$ 159,390
Less: Allowance for Uncollectible Accounts-General Fund				<u>(46,700)</u>
AD VALOREM TAXES RECEIVABLE - NET				<u>\$ 112,690</u>
RECONCILEMENT WITH REVENUES:				
Taxes - Ad Valorem Taxes - General Fund				<u>\$ 2,539,929</u>
Reconciling Items:				
Interest Collected				\$ (16,101)
Taxes Written off				25,067
Prior Years Releases				<u>1,886</u>
Subtotal				<u>\$ 10,852</u>
TOTAL COLLECTIONS AND CREDITS				<u>\$ 2,550,781</u>

TOWN OF WILKESBORO, NORTH CAROLINA
 ANALYSIS OF CURRENT TAX LEVY
 TOWN-WIDE LEVY
 For the Fiscal Year Ended June 30, 2011

	Town-Wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	<u>\$ 635,402,969</u>	<u>\$ 0.40</u>	<u>\$ 2,541,604</u>	<u>\$ 2,436,656</u>	<u>\$ 104,948</u>
Discoveries:					
Current year taxes	\$ 7,600,475		\$ 30,402	\$ 30,402	
Prior year taxes			8,419	8,419	
Penalties			<u>2,125</u>	<u>2,125</u>	
TOTAL	<u>\$ 7,600,475</u>		<u>\$ 40,946</u>	<u>\$ 40,946</u>	<u>\$ -</u>
Abatements	<u>\$ (856,210)</u>		<u>\$ (3,425)</u>	<u>\$ (1,405)</u>	<u>\$ (2,020)</u>
TOTAL PROPERTY VALUATION	<u><u>\$ 642,147,234</u></u>				
Net Levy			\$ 2,579,125	\$ 2,476,197	\$ 102,928
Uncollected Taxes at June 30, 2011			<u>88,968</u>	<u>81,480</u>	<u>7,488</u>
Current Year's Taxes Collected			<u><u>\$ 2,490,157</u></u>	<u><u>\$ 2,394,717</u></u>	<u><u>\$ 95,440</u></u>
Current Levy Collection Percentage			<u><u>96.55%</u></u>	<u><u>96.71%</u></u>	<u><u>92.73%</u></u>

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 *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of Town of Wilkesboro, North Carolina, as of and for the year ended June 30, 2011, which collectively comprises Town of Wilkesboro's basic financial statements, and have issued our report thereon dated December 7, 2011. 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.

Internal Control Over Financial Reporting

Management of Town of Wilkesboro, North Carolina is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered 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 Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A deficiency in internal control exists when designed or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, 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 Town of Wilkesboro's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 specified parties.

Huntley, Sigmon & Associates, CPAs, PLLC

HUNTLEY, SIGMON & ASSOCIATES, CPAs, PLLC

December 7, 2011

HUNTLEY,
SIGMON &
ASSOCIATES, CPAs, PLLC

HS&A

Certified Public Accountants

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Lenoir, North Carolina 28645

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 Town of Wilkesboro, North Carolina's, compliance 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 could have a direct and material effect on each of the Town of Wilkesboro's major federal programs for the year ended June 30, 2011. 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 Town of Wilkesboro's management. Our responsibility is to express an opinion on 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 Town of Wilkesboro's compliance with those requirements.

In our opinion, Town of Wilkesboro complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of 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 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

December 7, 2011

HUNTLEY,
SIGMON &
ASSOCIATES, CPAs, PLLC

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Lenoir, North Carolina 28645

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

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

Compliance

We have audited the Town of Wilkesboro, North Carolina's, compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission that could have a direct and material effect on each of its major State programs for the year ended June 30, 2011. Town of Wilkesboro's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Town of Wilkesboro's management. Our responsibility is to express an opinion on 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 applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about 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 Town of Wilkesboro's compliance with those requirements.

In our opinion, Town of Wilkesboro complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Town of Wilkesboro is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Town of Wilkesboro's internal control over compliance with the requirements that could have a direct and material effect on a major State 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 with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was 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 organization, 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 specified parties.

Huntley, Sigmon & Associates, CPAs, PLLC

HUNTLEY, SIGMON & ASSOCIATES, CPAs, PLLC

December 7, 2011

TOWN OF WILKESBORO, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30.2011

Section II. Financial Statement Findings

NO FINDINGS WERE REPORTED FOR FINANCIAL STATEMENTS

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, 2011

Finding 2010-1

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.

Status: We found no new instances in 2011.

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, 2011

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>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	\$ 10,500
NC Small Cities CDBG and Neighborhood Stabilization Program	14.228	09-C-2051	<u>32,814</u>
			43,314
<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	37,322
<u>U. S. Department of Homeland Security</u>			
<u>Federal Emergency Management Agency</u>			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		113,200
<u>Homeland Security Grant-Emergency Management Performance Grants</u>			
Passed-through Rockingham and Wilkes County			
Divisional PreParedness Region	97.067		12,030
<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>5,489,931</u>
Total Federal Assistance			<u>5,695,797</u>
State Grants:			
<u>N.C. Department of Transportation:</u>			
Powell Bill			160,827
<u>N. C. Environmental and Natural Resources</u>			
Recycle Grant		3261	40,000
<u>N.C. Department of Commerce</u>			
<u>G.S. 143B-437A Industrial Development Grant</u>			
<u>2006-2007 Appropriation Funds Supplemental Grant</u>			
Passed-through the N.C. Rural Economic Development Center, Inc.:			
School Street Sewer Rehabilitation		2007-276-40101-102	<u>100,000</u>
Total State assistance			<u>800,827</u>
Total federal and State assistance			<u>\$ 6,496,624</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