

**WILKES COUNTY
WILKESBORO, NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010

**MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.**

"A Professional Association of Certified Public Accountants and Management Consultants"

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Wilkes County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wilkes County, North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wilkes County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wilkes County, North Carolina, as of June 30, 2010, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance, and the Other Post-Employment Benefit schedules are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2010, on our consideration of Wilkes County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on financial statements that collectively comprise the basic financial statements of Wilkes County, North Carolina. The combining and individual major and nonmajor fund financial statements and schedules, budget to actual schedules, and additional financial data are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual major and nonmajor fund financial statements and schedules, budget to actual schedules, and additional financial data 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 29, 2010

Management's Discussion and Analysis

As management of Wilkes County, we offer readers of Wilkes County's financial statements this narrative overview and analysis of the financial activities of Wilkes County for the fiscal year ended June 30, 2010. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

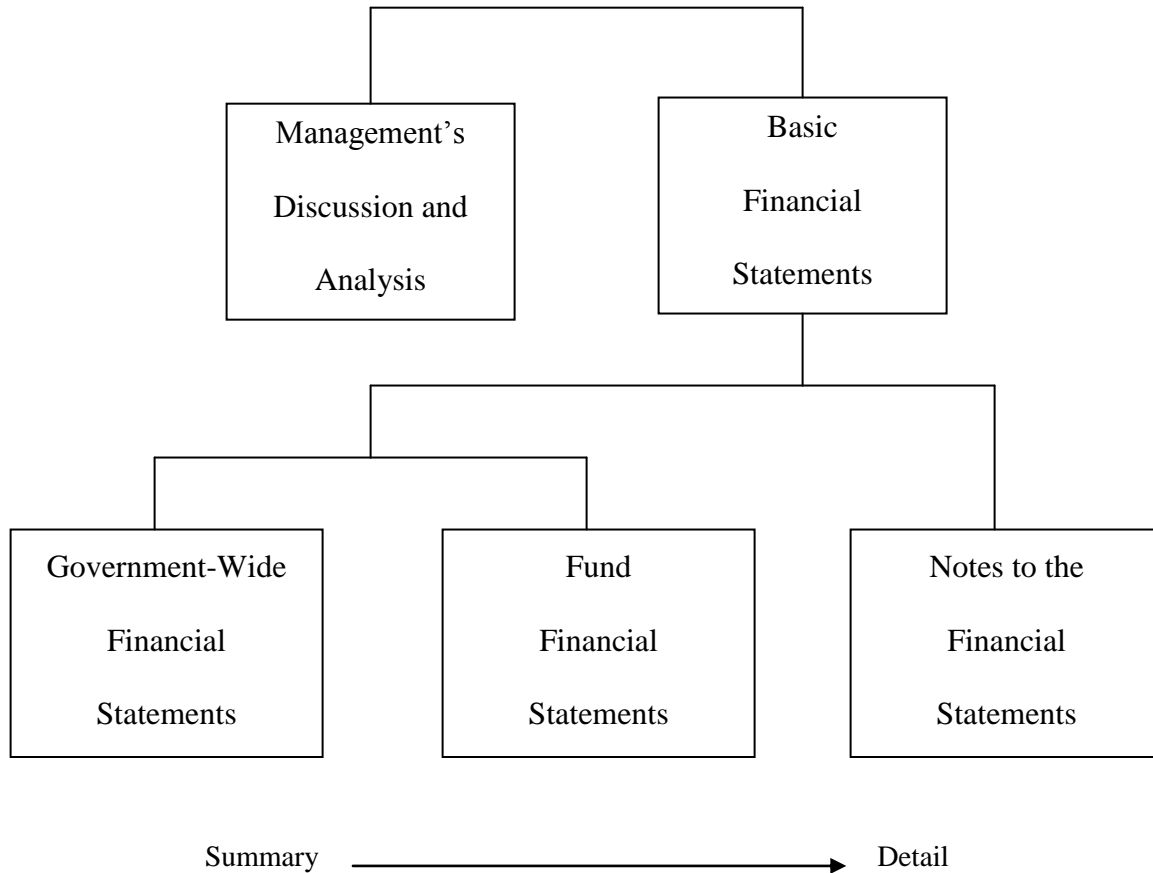
- As of the close of the current fiscal year, Wilkes County's governmental funds reported combined ending fund balances of \$9,195,323. Approximately 35 percent of this total amount, or 3,242,155, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,390,306, or 5.5% percent of total General Fund expenditures for the fiscal year.
- Wilkes County's most recent bond rating from Moody's Investor and from Standard and Poor's Corporation is an A1 and an A+, respectively.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Wilkes County's basic financial statements. The County'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 County 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 Wilkes County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits C through J) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary 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. Following the notes is the **required supplemental information**. This section contains funding information about the County's pension plans.

After the required supplemental information, **supplemental information** is provided to show details about the County's 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 County'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 County's financial status as a whole.

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the County's basic services such as public safety, culture and recreation, and general administration. Property taxes and local option sales tax finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the airport and landfill services offered by Wilkes County.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County'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. Wilkes County, 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 County's budget ordinance. All of the funds of Wilkes County can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 County'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*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County'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.

Wilkes County 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 County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County 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. Wilkes County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Wilkes County uses enterprise funds to account for its airport and landfill operations. These funds represent business-type activities in the Statement of Net Assets and the Statement of Activities.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Wilkes County has three fiduciary funds. The Social Services Trust Fund, an agency fund, was established to account for monies deposited with the Social Services Department for the benefit of certain individuals. The 3% Interest Payable to the State Fund accounts for 3% interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles. The Ad Valorem Tax – Other Municipalities Fund accounts for property taxes and registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County.

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 follow Exhibit J of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Wilkes County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on Schedule A-1 of this report.

Government-Wide Financial Analysis

Wilkes County's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other assets	\$ 14,714,914	\$ 17,063,359	\$ 5,088,804	\$ 3,966,356	\$ 19,803,718	\$ 21,029,715
Capital assets, net	21,441,664	21,949,587	18,007,456	16,461,493	39,449,120	38,411,080
Total assets	<u>36,156,578</u>	<u>39,012,946</u>	<u>23,096,260</u>	<u>20,427,849</u>	<u>59,252,838</u>	<u>59,440,795</u>
Liabilities:						
Long-term liabilities	51,849,378	52,817,545	6,475,959	6,057,898	58,325,337	58,875,443
Other liabilities	1,825,833	2,153,905	482,788	214,389	2,308,621	2,368,294
Total liabilities	<u>53,675,211</u>	<u>54,971,450</u>	<u>6,958,747</u>	<u>6,272,287</u>	<u>60,633,958</u>	<u>61,243,737</u>
Net Assets:						
Invested in capital assets, net of related debt	21,242,153	21,674,045	18,007,456	16,432,907	39,249,609	38,106,952
Restricted	430,113	330,942	-	-	430,113	330,942
Unrestricted	<u>(39,190,899)</u>	<u>(37,963,491)</u>	<u>(1,869,943)</u>	<u>(2,277,345)</u>	<u>(41,060,842)</u>	<u>(40,240,839)</u>
Total net assets	<u>\$ (17,518,633)</u>	<u>\$ (15,958,504)</u>	<u>\$ 16,137,513</u>	<u>\$ 14,155,562</u>	<u>\$ (1,381,120)</u>	<u>\$ (1,802,945)</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The liabilities of Wilkes County exceeded assets by \$1,381,120 as of June 30, 2010. The County's net assets increased by \$421,822 for the fiscal year ended June 30, 2010. The County's net assets also reflect the investment in capital assets (e.g. land, buildings, and equipment), less any related debt still outstanding that was issued to acquire those items. Wilkes County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Wilkes County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the County's net assets, \$430,113, represents resources that are subject to external restrictions on how they may be used. The remaining balance is an unrestricted deficit of \$41,060,842. This deficit is a presentation of the fact that Wilkes County carries \$45,820,000 of debt for the Wilkes County Board of Education for the construction of four new middle schools and renovations to four high schools and one elementary school. The County also carries \$900,000 of debt for Wilkes Community College. The Wilkes County Board of Education and Wilkes Community College show the assets associated with this debt on their books.

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 94.76%.

Wilkes County's Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges from services	\$ 9,440,679	\$ 10,170,660	\$ 2,891,906	\$ 3,022,549	\$ 12,332,585	\$ 13,193,209
Operating grants and contributions	9,818,991	8,883,647	-	-	9,818,991	8,883,647
Capital grants and contributions	1,754,664	1,663,888	481,140	1,050,000	2,235,804	2,713,888
General revenues:						
Property taxes	34,377,871	35,621,901	-	-	34,377,871	35,621,901
Other taxes	10,642,267	13,636,932	-	-	10,642,267	13,636,932
Grants and contributions not restricted to specific programs	-	299,943	-	-	-	299,943
Investment earnings						
Other	44,817	375,507	17,936	106,643	62,753	482,150
Total revenues	<u>66,079,289</u>	<u>70,652,478</u>	<u>3,390,982</u>	<u>4,179,192</u>	<u>69,470,271</u>	<u>74,831,670</u>
Expenses:						
General government	5,566,047	6,749,801	-	-	5,566,047	6,749,801
Public safety	16,132,101	17,741,360	-	-	16,132,101	17,741,360
Economic and physical development	1,781,755	2,370,544	-	-	1,781,755	2,370,544
Environmental protection	153,253	107,506	-	-	153,253	107,506
Human services	20,581,707	22,888,876	-	-	20,581,707	22,888,876
Cultural and recreation	1,625,500	1,852,051	-	-	1,625,500	1,852,051
Education	17,178,652	18,377,654	-	-	17,178,652	18,377,654
Interest on long-term debt	2,325,717	2,472,944	-	-	2,325,717	2,472,944
Airport	-	-	1,271,998	1,363,994	1,271,998	1,363,994
Landfill	-	-	2,431,719	2,614,848	2,431,719	2,614,848
Total expenses	<u>65,344,732</u>	<u>72,560,736</u>	<u>3,703,717</u>	<u>3,978,842</u>	<u>69,048,449</u>	<u>76,539,578</u>
Increase (decrease) in net assets before transfers	734,557	(1,908,258)	(312,735)	200,350	421,822	(1,707,908)
Transfers in (out)	<u>(2,294,686)</u>	<u>-</u>	<u>2,294,686</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(1,560,129)	(1,908,258)	1,981,951	200,350	421,822	(1,707,908)
Net assets - July 1	<u>(15,958,504)</u>	<u>(14,050,246)</u>	<u>14,155,562</u>	<u>13,955,212</u>	<u>(1,802,942)</u>	<u>(95,034)</u>
Net assets - June 30	<u>\$ (17,518,633)</u>	<u>\$ (15,958,504)</u>	<u>\$ 16,137,513</u>	<u>\$ 14,155,562</u>	<u>\$ (1,381,120)</u>	<u>\$ (1,802,942)</u>

Governmental Activities. Governmental activities decreased the County's net assets by \$1,560,129. Key elements of this decrease are as follows:

- Decrease in revenues for local option sales tax and related revenues for the year due to the economy
- Recording of the Other Post-Employment Benefits liability of approximately \$1.1 million in the current year

Business-Type Activities. Business-type activities increased Wilkes County's net assets by \$1,981,951. Key elements of this increase are as follows:

- Transfer of approximately \$2.3 million from the General Fund to fund Airport capital projects

Financial Analysis of the County's Funds

As noted earlier, Wilkes County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The General Fund is the chief operating fund of Wilkes County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,390,306, while total fund balance reached \$9,285,775. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 5.5 percent of total General Fund expenditures, while total fund balance represents 15.15 percent of that same amount.

At June 30, 2010, the governmental funds of Wilkes County reported a combined fund balance of \$9,195,323, a decrease over last year. The primary reason for this decrease is due to an approximately \$2.3 million transfer from the General Fund to the Airport to fund capital project expenses.

General Fund Budgetary Highlights. During the fiscal year, the County 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. Total amendments to the General Fund increased revenues by approximately \$214,435 (.32%). Amendments were necessary due to conservatism used in compiling the original budget and economic changes.

Proprietary Funds. Wilkes County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Airport Fund at the end of the fiscal year totaled a \$193,787 deficit. Unrestricted net assets of the Landfill Fund at the end of the fiscal year totaled a \$1,676,156 deficit.

Capital Asset and Debt Administration

Capital Assets. Wilkes County's capital assets for its governmental and business-type activities as of June 30, 2010, totaled \$39,449,120 (net of accumulated depreciation). These assets include buildings, land, improvements, and equipment.

Major capital asset transactions during the year include:

- Purchase of an excavator for the Landfill for \$220,075
- Purchase of land for the Landfill for \$260,000
- Purchase of land for the Airport for \$517,521

Wilkes County's Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,854,349	\$ 1,854,349	\$ 5,115,945	\$ 4,338,425	\$ 6,970,294	\$ 6,192,774
Buildings	16,160,897	16,160,897	792,737	792,737	16,953,634	16,953,634
Improvements	2,256,858	2,231,300	19,704,890	15,412,361	21,961,748	17,643,661
Machinery and equipment	11,032,024	10,758,387	3,359,294	3,139,219	14,391,318	13,897,606
Construction in progress	<u>1,646,439</u>	<u>1,494,817</u>	<u>171,215</u>	<u>3,329,703</u>	<u>1,817,654</u>	<u>4,824,520</u>
Total	32,950,567	32,499,750	29,144,081	27,012,445	62,094,648	59,512,195
Accumulated depreciation	<u>(11,508,903)</u>	<u>(10,550,163)</u>	<u>(11,136,625)</u>	<u>(10,550,952)</u>	<u>(22,645,528)</u>	<u>(21,101,115)</u>
Capital assets, net	<u>\$ 21,441,664</u>	<u>\$ 21,949,587</u>	<u>\$ 18,007,456</u>	<u>\$ 16,461,493</u>	<u>\$ 39,449,120</u>	<u>\$ 38,411,080</u>

Additional information on the County's capital assets can be found in the Notes to the basic financial statements.

Wilkes County's Outstanding Debt Long-Term Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Installment purchase notes	<u>\$ 46,919,511</u>	<u>\$ 49,700,542</u>	<u>\$ -</u>	<u>\$ 28,586</u>	<u>\$ 46,919,511</u>	<u>\$ 49,729,128</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Wilkes County is \$387,600,000.

Additional information regarding Wilkes County's long-term debt can be found in the Notes of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2011

Governmental Activities. The General Fund's overall revenue budget amount is approximately 3.14% higher than FY 09/10 actual amounts. The increase in the budget is mainly due to County increasing the tax rate to \$.65 which is an \$.08 cent increase over the prior year tax rate. Expenditures amounts are expected to be consistent with the prior year, with no planned salary adjustments, reduced special appropriations, and combined departmental responsibilities.

Business-Type Activities. The budgeted expenditure amounts for the Airport Fund are budgeted fairly consistent to prior year actual amounts with a slight increase of approximately 2%. The budgeted expenditure amounts for the Landfill Fund are budgeted fairly consistent to prior year actual amounts with a slight increase of approximately 2%.

Requests for Information

This report is designed to provide an overview of the County'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 Finance Officer of Wilkes County, Mr. Jerry Shepherd, 110 North Street, Wilkesboro, North Carolina 28697, or jshepherd@wilkescounty.net.

WILKES COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS JUNE 30, 2010

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 7,144,539	\$ 413,822	\$ 7,558,361
Taxes receivable, net	3,060,296	-	3,060,296
Accounts receivable, net	3,982,601	185,876	4,168,477
Due from other governments	321,623	386,311	707,934
Inventories	23,693	50,007	73,700
Prepaid items	-	6,750	6,750
Internal balances	182,162	(182,162)	-
Cash and cash equivalents, restricted	-	4,228,200	4,228,200
Capital assets:			
Land, improvements, and construction in progress	3,500,788	5,287,160	8,787,948
Other capital assets, net	17,940,876	12,720,296	30,661,172
Total assets	<u>36,156,578</u>	<u>23,096,260</u>	<u>59,252,838</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	1,320,886	482,788	1,803,674
Unearned revenues	504,947	-	504,947
Long-term liabilities:			
Due within one year	4,419,202	57,000	4,476,202
Due in more than one year	47,430,176	6,418,959	53,849,135
Total liabilities	<u>53,675,211</u>	<u>6,958,747</u>	<u>60,633,958</u>
Net Assets:			
Invested in capital assets, net of related debt	21,242,153	18,007,456	39,249,609
Restricted for:			
Public safety	96,893	-	96,893
Register of Deeds	333,220	-	333,220
Unrestricted	<u>(39,190,899)</u>	<u>(1,869,943)</u>	<u>(41,060,842)</u>
Total net assets	<u>\$ (17,518,633)</u>	<u>\$ 16,137,513</u>	<u>\$ (1,381,120)</u>

The accompanying notes are an integral part of the financial statements.

WILKES COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 5,566,047	\$ 1,034,625	\$ 190,606	\$ 23,015
Public safety	16,132,101	3,866,771	535,613	140,813
Environmental protection	153,253	371,198	26,461	91,519
Economic and physical development	1,781,755	100,225	135,441	134,252
Human services	20,581,707	3,935,431	8,867,870	-
Cultural and recreational	1,625,500	132,429	-	-
Education	17,178,652	-	63,000	1,365,065
Interest on long-term debt	2,325,717	-	-	-
Total governmental activities	<u>65,344,732</u>	<u>9,440,679</u>	<u>9,818,991</u>	<u>1,754,664</u>
Business-Type Activities:				
Landfill	2,431,719	2,030,921	-	6,535
Airport	1,271,998	860,985	-	474,605
Total business-type activities	<u>3,703,717</u>	<u>2,891,906</u>	<u>-</u>	<u>481,140</u>
Total primary government	<u>\$ 69,048,449</u>	<u>\$ 12,332,585</u>	<u>\$ 9,818,991</u>	<u>\$ 2,235,804</u>

General Revenues:

Ad valorem taxes
Local option sales tax
Other taxes and licenses
Investment earnings
Transfers
Total general revenues

Change in net assets

Net Assets:

Beginning of year - July 1

End of year - June 30

The accompanying notes are an integral part of the financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (4,317,801)	\$ -	\$ (4,317,801)
(11,588,904)	-	(11,588,904)
335,925	-	335,925
(1,411,837)	-	(1,411,837)
(7,778,406)	-	(7,778,406)
(1,493,071)	-	(1,493,071)
(15,750,587)	-	(15,750,587)
(2,325,717)	-	(2,325,717)
(44,330,398)	-	(44,330,398)
-	(394,263)	(394,263)
-	63,592	63,592
-	(330,671)	(330,671)
(44,330,398)	(330,671)	(44,661,069)
34,377,871	-	34,377,871
10,499,526	-	10,499,526
142,741	-	142,741
44,817	17,936	62,753
(2,294,686)	2,294,686	-
42,770,269	2,312,622	45,082,891
(1,560,129)	1,981,951	421,822
(15,958,504)	14,155,562	(1,802,942)
\$ (17,518,633)	\$ 16,137,513	\$ (1,381,120)

The accompanying notes are an integral part of the financial statements.

WILKES COUNTY, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General Fund</u>	<u>Law Enforcement Center/Jail Construction Project</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 5,498,929	\$ -	\$ 1,645,610	\$ 7,144,539
Receivables, net	3,924,902	-	57,699	3,982,601
Taxes receivable, net	2,791,595	-	268,701	3,060,296
Due from other governments	188,370	-	133,253	321,623
Due from other funds	1,961,853	-	-	1,961,853
Inventories	<u>23,693</u>	<u>-</u>	<u>-</u>	<u>23,693</u>
Total assets	<u>\$ 14,389,342</u>	<u>\$ -</u>	<u>\$ 2,105,263</u>	<u>\$ 16,494,605</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,194,371	\$ -	\$ 126,515	\$ 1,320,886
Due to other funds	-	-	133,252	133,252
Loan payable - General Fund	-	1,646,439	-	1,646,439
Deferred revenues	<u>3,909,196</u>	<u>-</u>	<u>289,509</u>	<u>4,198,705</u>
Total liabilities	<u>5,103,567</u>	<u>1,646,439</u>	<u>549,276</u>	<u>7,299,282</u>
Fund Balances:				
Reserved For:				
Inventories	23,693	-	-	23,693
State statue	5,441,663	-	57,699	5,499,362
Crime prevention	96,893	-	-	96,893
Register of Deeds	333,220	-	-	333,220
Unreserved:				
Undesignated	3,390,306	-	-	3,390,306
Unreserved, reported in:				
Special revenue funds	-	-	1,466,083	1,466,083
Capital project funds	<u>-</u>	<u>(1,646,439)</u>	<u>32,205</u>	<u>(1,614,234)</u>
Total fund balances	<u>9,285,775</u>	<u>(1,646,439)</u>	<u>1,555,987</u>	<u>9,195,323</u>
Total liabilities and fund balances	<u>\$ 14,389,342</u>	<u>\$ -</u>	<u>\$ 2,105,263</u>	<u>16,494,605</u>

Amounts reported for governmental activities in the Statement of Net Assets (Exhibit A) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,441,664
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(51,849,378)
Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net assets in the Statement of Net Assets.	<u>3,693,758</u>
Net assets of governmental activities (Exhibit A)	<u>\$ (17,518,633)</u>

The accompanying notes are an integral part of the financial statements.

WILKES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Law Enforcement Center/Jail Construction Project	Other Governmental Funds	Total
Revenues:				
Ad valorem taxes	\$ 31,070,085	\$ -	\$ 3,126,982	\$ 34,197,067
Local option sales taxes	10,499,526	-	-	10,499,526
Other taxes and licenses	142,741	-	-	142,741
Unrestricted intergovernmental revenues	111,437	-	-	111,437
Restricted intergovernmental revenues	11,144,324	-	296,228	11,440,552
Permits and fees	397,672	-	-	397,672
Sales and services	7,590,196	-	560,754	8,150,950
Interest earned on investments	38,556	-	6,261	44,817
Miscellaneous	964,440	-	-	964,440
Total revenues	<u>61,958,977</u>	<u>-</u>	<u>3,990,225</u>	<u>65,949,202</u>
Expenditures:				
Current:				
General government	4,964,175	-	-	4,964,175
Public safety	11,145,042	-	4,197,944	15,342,986
Environmental protection	150,772	-	-	150,772
Economic and physical development	1,504,981	-	192,571	1,697,552
Human services	19,837,498	-	-	19,837,498
Cultural and recreation	1,463,967	-	-	1,463,967
Education	17,114,830	-	-	17,114,830
Capital outlay	-	151,622	-	151,622
Debt service:				
Principal repayments	2,781,031	-	-	2,781,031
Interest	2,325,717	-	-	2,325,717
Total expenditures	<u>61,288,013</u>	<u>151,622</u>	<u>4,390,515</u>	<u>65,830,150</u>
Revenues over (under) expenditures	<u>670,964</u>	<u>(151,622)</u>	<u>(400,290)</u>	<u>119,052</u>
Other Financing Sources (Uses):				
Transfer out	(2,216,738)	-	(77,948)	(2,294,686)
Sale of capital assets	25,174	-	-	25,174
Total other financing sources (uses)	<u>(2,191,564)</u>	<u>-</u>	<u>(77,948)</u>	<u>(2,269,512)</u>
Net change in fund balances	(1,520,600)	(151,622)	(478,238)	(2,150,460)
Fund Balances:				
Beginning of year - July 1	<u>10,806,375</u>	<u>(1,494,817)</u>	<u>2,034,225</u>	<u>11,345,783</u>
End of year - June 30	<u>\$ 9,285,775</u>	<u>\$ (1,646,439)</u>	<u>\$ 1,555,987</u>	<u>\$ 9,195,323</u>

The accompanying notes are an integral part of the financial statements.

WILKES COUNTY, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2010

Amounts reported for governmental activities in the Statement of Activities
(Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D)	\$ (2,150,460)
<p>Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:</p>	
Property taxes	180,804
Sales and services	(50,717)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	626,620
The sale/disposal of capital assets is reported as a revenue in the governmental funds statement without subtracting the net book value of the capital assets sold.	(11,624)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,122,919)
Expenses related to compensated absences, Law Enforcement Officers' Separation Allowance, arbitrage, and non-current health claims payable that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(761,708)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	2,781,031
Increases in other post-employment benefits accrued liability are reported as expenses in the entity-wide financial statements; however, it is not an expenditure in the governmental funds statement.	<u>(1,051,156)</u>
Total changes in net assets of governmental activities	<u>\$ (1,560,129)</u>

The accompanying notes are an integral part of the financial statements.

WILKES COUNTY, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 34,959,293	\$ 34,444,458	\$ 31,070,085	\$ (3,374,373)
Local option sales tax	11,764,214	11,062,882	10,499,526	(563,356)
Other taxes and licenses	155,000	155,000	142,741	(12,259)
Unrestricted intergovernmental revenues	260,500	98,100	111,437	13,337
Restricted intergovernmental revenues	11,032,257	12,484,853	11,144,324	(1,340,529)
Permits and fees	454,500	454,500	397,672	(56,828)
Sales and services	7,538,618	7,639,085	7,590,196	(48,889)
Investment earnings	250,000	250,000	38,556	(211,444)
Miscellaneous	1,172,330	1,212,269	964,440	(247,829)
Total revenues	<u>67,586,712</u>	<u>67,801,147</u>	<u>61,958,977</u>	<u>(5,842,170)</u>
Expenditures:				
General government	6,452,203	6,455,233	4,964,175	1,491,058
Public safety	11,343,016	11,752,491	11,145,042	607,449
Environmental protection	155,000	155,772	150,772	5,000
Economic and physical development	2,331,349	2,110,843	1,504,981	605,862
Human services	21,272,321	22,072,542	19,837,498	2,235,044
Cultural and recreation	1,604,260	1,496,252	1,463,967	32,285
Education	17,924,385	17,280,271	17,114,830	165,441
Debt service:				
Principal repayments	2,781,091	2,781,091	2,781,031	60
Interest	3,726,134	3,681,052	2,325,717	1,355,335
Total expenditures	<u>67,589,759</u>	<u>67,785,547</u>	<u>61,288,013</u>	<u>6,497,534</u>
Revenues over (under) expenditures	<u>(3,047)</u>	<u>15,600</u>	<u>670,964</u>	<u>655,364</u>
Other Financing Sources (Uses):				
Transfers (to) from other funds	-	(2,294,686)	(2,216,738)	77,948
Sale of capital assets	31,000	37,361	25,174	(12,187)
Appropriated fund balance	(27,953)	2,241,725	-	(2,241,725)
Total other financing sources (uses)	<u>3,047</u>	<u>(15,600)</u>	<u>(2,191,564)</u>	<u>(2,175,964)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,520,600)</u>	<u>\$ (1,520,600)</u>
Fund Balance:				
Beginning of year - July 1			<u>10,806,375</u>	
End of year - June 30			<u>\$ 9,285,775</u>	

The accompanying notes are an integral part of the financial statements.

WILKES COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Enterprise Funds		Total
	Landfill Fund	Airport Fund	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 413,322	\$ 500	\$ 413,822
Receivables, net	133,242	52,634	185,876
Inventories	-	50,007	50,007
Due from other governments	36,170	350,141	386,311
Prepays	-	6,750	6,750
Total current assets	<u>582,734</u>	<u>460,032</u>	<u>1,042,766</u>
Non-current assets:			
Restricted cash and cash equivalents	4,228,200	-	4,228,200
Capital assets:			
Land, improvements, and construction in progress	2,272,068	3,015,092	5,287,160
Other capital assets, net	<u>3,630,214</u>	<u>9,090,082</u>	<u>12,720,296</u>
Total capital assets	<u>5,902,282</u>	<u>12,105,174</u>	<u>18,007,456</u>
Total non-current assets	<u>10,130,482</u>	<u>12,105,174</u>	<u>22,235,656</u>
Total assets	<u>10,713,216</u>	<u>12,565,206</u>	<u>23,278,422</u>
Liabilities and Net Assets:			
Liabilities:			
Current liabilities:			
Accounts payable	49,041	433,747	482,788
Due to other funds	-	182,162	182,162
Current portion of compensated absences	<u>48,000</u>	<u>9,000</u>	<u>57,000</u>
Total current liabilities	<u>97,041</u>	<u>624,909</u>	<u>721,950</u>
Non-current liabilities:			
Accrued landfill closure and post-closure care costs	6,265,000	-	6,265,000
Compensated absences - non-current	29,530	770	30,300
OPEB liability	<u>95,519</u>	<u>28,140</u>	<u>123,659</u>
Total non-current liabilities	<u>6,390,049</u>	<u>28,910</u>	<u>6,418,959</u>
Total liabilities	<u>6,487,090</u>	<u>653,819</u>	<u>7,140,909</u>
Net Assets:			
Invested in capital assets	5,902,282	12,105,174	18,007,456
Unrestricted	<u>(1,676,156)</u>	<u>(193,787)</u>	<u>(1,869,943)</u>
Total net assets	<u>\$ 4,226,126</u>	<u>\$ 11,911,387</u>	<u>\$ 16,137,513</u>

The accompanying notes are an integral part of the financial statements.

WILKES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds		
	Landfill Fund	Airport Fund	Total
Operating Revenues:			
Charges for services	\$ 1,757,959	\$ 736,257	\$ 2,494,216
Rents	-	118,633	118,633
Scrap tire disposal grant	69,834	-	69,834
Other operating revenues	203,128	6,095	209,223
Total operating revenues	<u>2,030,921</u>	<u>860,985</u>	<u>2,891,906</u>
Operating Expenses:			
Airport operations	-	909,945	909,945
Landfill operations	1,812,287	-	1,812,287
Landfill closure and post-closure care costs	395,000	-	395,000
Depreciation	224,432	361,241	585,673
Total operating expenses	<u>2,431,719</u>	<u>1,271,186</u>	<u>3,702,905</u>
Operating income (loss)	<u>(400,798)</u>	<u>(410,201)</u>	<u>(810,999)</u>
Non-Operating Revenues (Expenses):			
Interest earned on investments	17,936	-	17,936
Interest expense	-	(812)	(812)
Insurance reimbursements	6,535	-	6,535
Total non-operating revenues (expenses)	<u>24,471</u>	<u>(812)</u>	<u>23,659</u>
Income (loss) before capital contributions	(376,327)	(411,013)	(787,340)
Capital contributions	-	474,605	474,605
Income (loss) before transfers	(376,327)	63,592	(312,735)
Transfers:			
Transfers in	295,571	2,294,686	2,590,257
Transfers out	(295,571)	-	(295,571)
Total transfers	<u>-</u>	<u>2,294,686</u>	<u>2,294,686</u>
Change in net assets	(376,327)	2,358,278	1,981,951
Net Assets:			
Beginning of year - July 1	<u>4,602,453</u>	<u>9,553,109</u>	<u>14,155,562</u>
End of year - June 30	<u>\$ 4,226,126</u>	<u>\$ 11,911,387</u>	<u>\$ 16,137,513</u>

The accompanying notes are an integral part of the financial statements.

WILKES COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds		
	Landfill Fund	Airport Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 2,165,161	\$ 843,394	\$ 3,008,555
Cash paid for goods and services	(1,123,577)	(366,380)	(1,489,957)
Cash paid to employees for services	(726,894)	(221,242)	(948,136)
Net cash provided (used) by operating activities	<u>314,690</u>	<u>255,772</u>	<u>570,462</u>
Cash Flows from Non-Capital Financing Activities:			
Other non-operating revenue	6,535	-	6,535
Change in due to other funds	-	(2,054,042)	(2,054,042)
Transfers in	-	2,294,686	2,294,686
Net cash provided (used) by non-capital financing activities	<u>6,535</u>	<u>240,644</u>	<u>247,179</u>
Cash Flows from Capital and Related Financing Activities:			
Capital grants received	-	1,184,543	1,184,543
Acquisition and construction of capital assets	(480,075)	(1,651,561)	(2,131,636)
Principal paid on long-term debt	-	(28,586)	(28,586)
Interest and fees	-	(812)	(812)
Net cash provided (used) for capital and related financing activities	<u>(480,075)</u>	<u>(496,416)</u>	<u>(976,491)</u>
Cash Flows from Investing Activities:			
Interest on investments	<u>17,936</u>	<u>-</u>	<u>17,936</u>
Net increase (decrease) in cash and cash equivalents	(140,914)	-	(140,914)
Cash and Cash Equivalents - Beginning of Year	<u>4,782,436</u>	<u>500</u>	<u>4,782,936</u>
Cash and Cash Equivalents - End of Year	<u>\$ 4,641,522</u>	<u>\$ 500</u>	<u>\$ 4,642,022</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (400,798)	\$ (410,201)	\$ (810,999)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	224,432	361,241	585,673
Landfill closure and post-closure care costs	395,000	-	395,000
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	75,253	(17,591)	57,662
Increase (decrease) in inventory	-	23,084	23,084
Increase (decrease) in accounts payable and accrued liabilities	(19,459)	287,854	268,395
Increase (decrease) in OPEB	47,170	13,896	61,066
Increase (decrease) in accrued vacation pay	(6,908)	(2,511)	(9,419)
Total adjustments	<u>715,488</u>	<u>665,973</u>	<u>1,381,461</u>
Net cash provided (used) by operating activities	<u>\$ 314,690</u>	<u>\$ 255,772</u>	<u>\$ 570,462</u>

The accompanying notes are an integral part of the financial statements.

WILKES COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2010

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 193,594
Taxes receivable	<u>299,274</u>
Total assets	<u>\$ 492,868</u>
Liabilities:	
Miscellaneous liabilities	\$ 491,072
Intergovernmental payable - State of North Carolina	<u>1,796</u>
Total liabilities	<u>\$ 492,868</u>

The accompanying notes are an integral part of the financial statements.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1. Summary of Significant Accounting Policies

The accounting policies of Wilkes County 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 County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10.

Discretely Presented Component Unit

Wilkes County Industrial Facility and Pollution Control Financing Authority

Wilkes County Industrial Facility and Pollution Control Financing Authority (the "Authority") exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-member board of commissioners, all of who are appointed by the County commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Authority does not issue separate financial statements.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus - Basis of Accounting

Government-Wide Statements. The Statement of Net Assets and the Statement of Activities display information about the County. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. 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 County and for each function of the County'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.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

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. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues such as investment earnings are ancillary activities.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Law Enforcement Center/Jail Construction Project. This fund is used to account for the construction of a law enforcement center and jail.

The County reports the following major enterprise funds:

Airport Fund. This fund accounts for the operation and maintenance of the airport.

Landfill Fund. This fund accounts for the operation, maintenance, and development of the landfill and various recycling centers.

The County reports the following fiduciary fund types:

Agency Fund. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the 3% Interest Payable to the State Fund, which accounts for three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; and the Ad Valorem Tax - Other Municipalities Fund, which accounts for property taxes and registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County.

Measurement Focus, Basis of Accounting

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, 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, entitlements, and donations is recognized in the fiscal year in which 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 non-operating 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 County enterprise funds are charges to customers for sales and services. 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 non-operating revenues and expenses.

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

Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, 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 all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, 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, taxes for vehicles registered from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes, which were billed during this period, are shown as a receivable on these financial statements and are offset by deferred revenues.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the County 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County 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 County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the special revenue funds, and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the capital projects funds and the enterprise capital projects funds, which are consolidated with the enterprise operating funds for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund. 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.

D. Assets, Liabilities, and Fund Equity

Deposits and Investments

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

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

State law [G.S. 159-30(c)] authorizes the County 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 County's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

Cash and Cash Equivalents

The County pools monies 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.

Restricted Assets

Cash in the Landfill Closure and Post-Closure Fund is classified as restricted because its use is completely restricted to closing and monitoring the landfill.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County 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, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2009. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

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.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Inventories and Prepaid Items

The inventories of the County are valued at cost (first-in, first-out), which approximates market. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. The inventory of the County's enterprise funds consist of materials and supplies held for consumption or resale. The cost of the inventory carried in the County's enterprise funds is recorded as an expense as it is consumed or sold.

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

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization cost is \$5,000. 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.

The County holds title to certain Wilkes County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Wilkes County Board of Education.

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Improvements	10-30
Furniture and equipment	9
Vehicles	10
Computer equipment	5-9

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Long-Term Obligations

In the government-wide financial statements and in the 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 another financing source.

Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policy of the County 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 County has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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. Restricted net assets represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through State statute.

Unrestricted net assets. The County has \$46,720,000 of debt outstanding for the acquisition and construction of public school and community college facilities. The assets related to this debt are not reported in the County's net assets since title to the related assets are held by Wilkes County Board of Education and Wilkes Community College.

Fund Balances

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

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

The governmental fund types classify fund balances as follows:

Reserved

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

Reserved by State Statute - portion of fund balance, in addition to reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables that are not offset by deferred revenues.

Reserved for Drug Crime Prevention - portion of fund balance available to pay for drug crime prevention. This amount is comprised of unexpended receipts from State and federal sources from excise taxes and confiscations.

Reserved for Register of Deeds - portion of fund balance that is reserved for technology improvements in Register of Deeds' office. This amount is a percentage of certain revenues in the Register of Deeds' office.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

Deficit Fund Balance or Net Assets of Individual Funds

Governmental:

Capital Projects:

Law Enforcement Center/Jail Construction Project	\$	1,646,439
Scattered Site III Project		271

The County will obtain financing and/or grants to cover expenditures in these funds.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Excess of Expenditures Over Appropriations

	<u>Expenditures</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Governmental:			
Capital Projects:			
High Schools Renovation	\$ 1,356,424	\$ 1,434,372	\$ (77,948)

Management and the Board will more closely review the budget reports to ensure compliance in future years.

The County has monies that are not included in the budget ordinance. Monies held in excess of Trust fund monies at the Department of Social Services are in violation of General Statutes. General Statutes (G.S. 159-8(a)) require that all monies received and expended by a local government be included in the budget ordinance which requires that funds be appropriated before incurring the obligation for funds. Subsequent to year-end, the Department of Social Services transferred all monies in excess of Trust fund monies to the finance officer to be included in the budget ordinance so that appropriations can be made before incurring the obligation for funds.

3. Detail Notes on All Funds

A. Assets

Deposits

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County in the unit's name. 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 County, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for 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 County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, 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 County has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

At June 30, 2010, the County's deposits had a carrying amount of \$11,257,867 and a bank balance of \$11,432,217. Of the bank balance, \$1,657,045 was covered by federal depository insurance and \$9,775,172 in interest-bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2010, Wilkes County had \$4,775 cash on hand.

Investments

At June 30, 2010, Wilkes County had \$717,513 invested with the North Carolina Capital Management Trust's cash portfolio which carried a credit rating of AAAM by Standard and Poor's. The County has no policy regarding credit risk.

Property Tax - Use-Value Assessment on Certain Lands

In accordance with the General Statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 2,733,169	\$ 792,619	\$ 3,525,788
2008	2,944,738	588,947	3,533,685
2009	3,079,955	338,795	3,418,750
2010	<u>3,595,767</u>	<u>71,915</u>	<u>3,667,682</u>
Total	<u>\$ 12,353,629</u>	<u>\$ 1,792,276</u>	<u>\$ 14,145,905</u>

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Receivables

Receivables at the government-wide level at June 30, 2010 were as follows:

	<u>Governmental</u>	<u>Business-Type Activities</u>	
	<u>Activities</u>	<u>Landfill</u>	<u>Airport</u>
Accounts Receivable:			
Local option sales tax distribution	\$ 1,667,407	\$ -	\$ -
Other	1,681,732	-	-
EMS/Landfill/Airport sales	3,213,768	153,242	52,634
Allowance for doubtful accounts	<u>(2,580,306)</u>	<u>(20,000)</u>	<u>-</u>
Total accounts receivable	<u>\$ 3,982,601</u>	<u>\$ 133,242</u>	<u>\$ 52,634</u>
Due From Other Governments:			
Sales tax refund	\$ 188,370	\$ 36,170	\$ 11,526
Grants	<u>133,253</u>	<u>-</u>	<u>338,615</u>
Total due from other governments	<u>\$ 321,623</u>	<u>\$ 36,170</u>	<u>\$ 350,141</u>

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Capital Assets

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

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 1,854,349	\$ -	\$ -	\$ 1,854,349
Construction in progress	<u>1,494,817</u>	<u>151,622</u>	<u>-</u>	<u>1,646,439</u>
Total non-depreciable capital assets	<u>3,349,166</u>	<u>-</u>	<u>-</u>	<u>3,500,788</u>
Depreciable Capital Assets:				
Buildings	16,160,897	-	-	16,160,897
Other improvements	2,231,300	25,558	-	2,256,858
Equipment	<u>10,758,387</u>	<u>449,440</u>	<u>(175,803)</u>	<u>11,032,024</u>
Total depreciable capital assets	<u>29,150,584</u>	<u>474,998</u>	<u>(175,803)</u>	<u>29,449,779</u>
Less Accumulated Depreciation:				
Buildings	3,832,222	331,136	-	4,163,358
Other improvements	538,425	93,034	-	631,459
Equipment	<u>6,179,516</u>	<u>698,749</u>	<u>(164,179)</u>	<u>6,714,086</u>
Total accumulated depreciation	<u>10,550,163</u>	<u>\$ 1,122,919</u>	<u>\$ (164,179)</u>	<u>11,508,903</u>
Total depreciable capital assets, net	<u>18,600,421</u>			<u>17,940,876</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 21,949,587</u>			<u>\$ 21,441,664</u>

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

General government	\$ 388,371
Public safety	481,069
Economic and physical development	2,481
Human services	123,146
Cultural and recreational	<u>127,852</u>
Total	<u>\$ 1,122,919</u>

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Business-Type Activities:				
Landfill:				
Non-Depreciable Capital Assets:				
Land	\$ 2,012,068	\$ 260,000	\$ -	\$ 2,272,068
Depreciable Capital Assets:				
Buildings	363,638	-	-	363,638
Other improvements	5,323,248	-	-	5,323,248
Equipment	3,063,221	220,075	-	3,283,296
Total depreciable capital assets	8,750,107	220,075	-	8,970,182
Less Accumulated Depreciation:				
Buildings	340,103	2,294	-	342,397
Other improvements	3,144,417	27,018	-	3,171,435
Equipment	1,631,016	195,120	-	1,826,136
Total accumulated depreciation	5,115,536	\$ 224,432	\$ -	5,339,968
Total depreciable capital assets, net	3,634,571			3,630,214
Landfill capital assets, net	5,646,639			5,902,282
Airport:				
Depreciable Capital Assets:				
Land	2,326,357	\$ 517,520	\$ -	2,843,877
Construction in progress	3,329,703	-	(3,158,488)	171,215
Total depreciable capital assets	5,656,060	517,520	-	3,015,092
Depreciable Capital Assets:				
Buildings	429,099	-	-	429,099
Other improvements	10,089,113	4,292,529	-	14,381,642
Equipment	75,998	-	-	75,998
Total depreciable capital assets	10,594,210	4,292,529	-	14,886,739
Less Accumulated Depreciation:				
Buildings	48,360	14,210	-	62,570
Other improvements	5,311,059	347,030	-	5,658,089
Equipment	75,997	1	-	75,998
Total accumulated depreciation	5,435,416	\$ 361,241	\$ -	5,796,657
Total depreciable capital assets, net	5,158,794			9,090,082
Airport capital assets, net	10,814,854			12,105,174
Business-Type Activities				
Capital Assets, Net	\$ 16,461,493			\$ 18,007,456

WILKES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

Invested in Capital Assets, Net of Debt

The total invested in capital assets, net of related debt at June 30, 2010 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 21,441,664	\$ 18,007,456
Long-term debt	46,919,511	-
Long-term debt for assets not owned by the County	(46,720,000)	-
Invested in capital assets, net of related debt	<u>199,511</u>	<u>-</u>
Capital assets, net of related debt	<u>\$ 21,242,153</u>	<u>\$ 18,007,456</u>

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2010 were as follows:

	Governmental Activities	Business-Type Activities	Total
Vendors	\$ 1,164,218	\$ 423,505	\$ 1,587,723
Payable to Fire Districts	106,745	-	106,745
Other expenses	49,923	104	50,027
Retainage payable	<u>-</u>	<u>59,179</u>	<u>59,179</u>
Total business-type activities	<u>\$ 1,320,886</u>	<u>\$ 482,788</u>	<u>\$ 1,803,674</u>

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. Wilkes County 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 LGERS 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 County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.91% and 4.86%, respectively, of annual covered payroll. The contribution requirements of members and of Wilkes County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$753,532, \$759,817, and \$726,566, respectively. The contributions made by the County equaled the required contributions for each year.

Law Enforcement Officers' Special Separation Allowance

Plan Description

Wilkes County administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85% 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 County law enforcement officers are covered by the Separation Allowance. At December 31, 2009, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>70</u>
Total	<u>74</u>

A separate report was not issued for the Plan.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Summary of Significant Accounting Policies

Basis of Accounting. The County 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 will be paid as they come due.

Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefit payments 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 County'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 of December 31, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5 - 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include post-employment benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2008 was 22 years.

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

Annual required contribution	\$ 105,202
Interest on net pension obligation	28,533
Adjustment to annual required contribution	<u>(24,791)</u>
Annual pension costs	108,944
Contributions made	<u>43,962</u>
Increase (decrease) in net pension obligation	64,982
Net pension obligation, beginning of year	<u>393,556</u>
Net pension obligation, end of year	<u>\$ 458,538</u>

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2008	\$ 83,070	22.39%	\$ 326,437
6/30/2009	96,078	30.14%	393,556
6/30/2010	108,944	40.35%	458,538

Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,276,889. The covered payroll was \$2,542,423, and the ratio of the UAAL to the covered payroll was 50.22 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County 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 County. 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) 9891-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2010 were \$125,367, which consisted of \$125,367 from the County and \$-0- from the law enforcement officers.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Registers of Deeds' Supplemental Pension Fund

Plan Description. Wilkes County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a non-contributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible County register of deeds whom is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 9891-5454.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2010, the County's required and actual contributions were \$6,076.

Other Post-employment Benefits

Plan Description. In accordance with a County resolution, the County provides healthcare benefits through the Healthcare Benefits Plan (HCB Plan) as a single-employer defined benefit plan to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and retire with thirty (30) years of certified local government service and are at least 55 years of age at time of retirement, or ten (10) years of certified local government service and are at least 62 years old at the time of retirement. These retirees can purchase coverage for themselves and their dependents at the County's group rates. The County will pay 100% of insurance premiums for retirees with thirty (30) years of full-time service, of which fifteen (15) years must be with Wilkes County. The County will pay 75% of insurance premiums for retirees with twenty-five (25) years of service, of which fifteen (15) years must be with Wilkes County. Currently 13 retirees are purchasing health insurance through the County. The County is paying all or part of retirees' health insurance for 36 retirees based on years of service. For the fiscal year ended June 30, 2010, the County made payments for post-retirement health benefit premiums of \$263,759. A separate report was not issued for the Plan.

Membership of the post-employment health benefit plan consisted of the following at December 31, 2007, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	36
Active members	447
Total	<u>483</u>

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Funding Policy. The County agrees to provide medical insurance to certain retired employees as an extended benefit. Eligible retirees who elect this coverage will be enrolled in the group health plan. For members who participate in the North Carolina Local Governmental Employees' Retirement System (System) and retire with thirty (30) years of certified local government service and are at least 55 years of age at time of retirement, or ten (10) years of certified local government service and are at least 62 years old at the time of retirement. These retirees can purchase coverage for themselves and their dependents at the County's group rates. The County will pay 100% of insurance premiums for retirees with thirty (30) years of full-time service, of which fifteen (15) years must be with Wilkes County. The County will pay 75% of insurance premiums for retirees with twenty-five (25) years of service, of which fifteen (15) years must be with Wilkes County. The retiree will be responsible for paying the cost of dependent coverage if dependent coverage is elected. The County has chosen to fund healthcare benefits on a pay as you go basis.

The current annual required contribution rate (ARC) is 10.59% of annual covered payroll. For fiscal year 2010, the County contributed \$263,759, or 1.8 % of annual covered payroll. Contributions by employees for the fiscal year ended June 30, 2010 were \$154,195. The County's obligation to contribute to the post-retirement benefit plan is established and may be amended by the County.

Summary of Significant Accounting Policies. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The 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 County's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation for the post-retirement benefits:

Annual required contribution	\$ 1,530,176
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	1,530,176
Contributions made	417,954
Increase (decrease) in net OPEB obligation	1,112,222
Net OPEB obligation, beginning of year	1,301,293
Net OPEB obligation, end of year	<u>\$ 2,413,515</u>

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 1,530,176	17.59%	\$ 1,301,293
2010	1,530,176	27.31%	2,413,515

Funded Status and Funding Progress. As of December 31, 2007, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$17,830,366. The covered payroll (annual payroll of active employees covered by the plan) was \$14,442,616, and the ratio of the UAAL to the covered payroll was 123.5%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include 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 multi-year 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 annual required contribution for the current year was determined as part of the December 31, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4.00% investment rate of return, which included an inflation component of 3.75%, and (b) 11.00% - 5.00% medical cost trend rate with 2016 the year of ultimate trend rate. The actuarial value of assets was determined using the market value of assets. The unfunded actuarial accrued liability is being amortized as level percentage of pay on an open basis. The remaining amortization period at December 31, 2007 was (30) years.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Other Employment Benefits

The County has 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 will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County 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 County considers these contributions to be immaterial.

Closure and Post-Closure Care Costs - Landfill Facility

Federal and State laws and regulations require the County to place a final cover on its landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$6,265,000 reported as landfill closure and post-closure care liability at June 30, 2010 represents a cumulative amount reported to date based on the use of 100% of cell 1, 100% of cell 2, and 31% of cell 3. The facility has 4 cells. These amounts are based on what it would cost to perform all closure and postclosure care in 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that help determine if a unit is financially able to meet closure and post-closure care requirements. However, the County has also elected to establish a reserve fund to accumulate resources for the payment of closure and post-closure care costs. Net transfers of \$224,429 were made from the Landfill Closure and Post-Closure Reserve Fund during the fiscal year ended June 30, 2010. These funds and transfers from prior years are held in investments with a cost of \$4,228,200 (market value \$4,228,200) at year-end. The County expects that future inflation costs will be paid from the interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or by future tax revenues.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Deferred/Unearned Revenues

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

	<u>Deferred Revenues</u>	<u>Unearned Revenues</u>
Prepaid taxes not yet earned (General)	\$ 142,825	\$ 142,825
Taxes receivable, net (General)	2,791,595	-
Taxes receivable, net (Special Revenue)	268,701	-
Other receivables, net (General)	633,462	-
Other unearned revenues (Special Revenue)	20,808	20,808
Unexpended grant proceeds (General)	341,314	341,314
Total	<u>\$ 4,198,705</u>	<u>\$ 504,947</u>

Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in the St. Paul Guardian Insurance Group administered by Faw Insurance Agency. Through Faw Insurance, the County obtains insurance coverage of \$5 million per occurrence for commercial excess liability, general liability coverage of \$6 million per any one occurrence and workers' compensation coverage up to the statutory limits. Public official and law enforcement liability coverage is up to \$1 million per each claim with a commercial excess policy of \$5 million per each claim. Law enforcement liability coverage is up to \$5 million per each wrongful act. Through Faw Insurance, the County has blanket coverage for property and contents of \$37,184,981.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded, through commercial security bonds. The Tax Collector is bonded for \$100,000; the Finance Officer, Register of Deeds, and Sheriff are bonded for \$50,000 each; and the Captain of the Sheriff Department is bonded for \$25,000. The remaining employees that have access to funds are bonded under a blanket bond for \$1,000,000.

There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

The County carries commercial flood insurance with a limit of \$1,000,000 per occurrence.

The County's employee healthcare program is financed using an entirely self funded plan. One health plan is available to employees, retirees, covered dependents, and eligible former employees. The County administers the healthcare plan through a self-funded program, supplemented by employee contributions, to pay claims administration and medical claims of the employees and their covered dependents. Specific stop loss insurance with a deductible of \$75,000 for all occurrences and an aggregate stop loss insurance of 125% of estimated claims are

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

purchased to limit the County's losses for the overall program. Liabilities of the program are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount of claims that have been incurred but not reported (IBNRs). The County reasonably expects these claims to be paid within one year of occurrence. Changes in the County's claims liability balance are as follows:

	<u>2010</u>
Balance, beginning of year	\$ -
Incurred claims (including IBNRs) and changes in estimates	4,120,582
Less claims payments	<u>(3,452,894)</u>
Balance, end of year	<u>\$ 667,688</u>

Contingent Liabilities

At June 30, 2010, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

Long-Term Obligations

Installment Purchase Agreements

2.03% note, issued in 1970, payable in annual installments of \$17,336 with final payment due in 2020; secured by real estate; proceeds used to construct a dam and a lake	\$ 199,511
3.27% note, issued in 2004, payable in quarterly installments of \$50,000 plus interest with final payment due in 2015; issued for Wilkes Community College capital improvements	900,000
Certificate of Participation issued in 2006 with interest rates ranging from 4.00% - 5.00%; payable in annual installments ranging from \$1,215,000 to \$1,225,000 plus interest; issued for renovation of four schools used for the renovations of four schools for Wilkes County Board of Education	31,720,000
Certificate of Participation issued in 2000 with interest rates ranging from 4.75% - 5.375%; payable in annual installments ranging from \$815,000 to \$1,285,000 plus interest; used for the construction of middle schools for Wilkes County Board of Education	<u>14,100,000</u>
Total installment purchase agreements	<u>\$ 46,919,511</u>

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

For Wilkes County, the future minimum payments as of June 30, 2010 are as follows:

Year Ending	Governmental Activities		
	Principal	Interest	Total
June 30			
2011	\$ 2,718,283	\$ 2,197,352	\$ 4,915,635
2012	2,718,641	2,077,457	4,796,098
2013	2,719,010	1,957,445	4,676,455
2014	2,719,387	1,837,155	4,556,542
2015	2,614,775	1,711,606	4,326,381
2016-2020	12,634,415	6,770,299	19,404,714
2021-2025	7,380,000	4,171,969	11,551,969
2026-2030	6,105,000	2,726,488	8,831,488
2031-2035	6,095,000	1,216,131	7,311,131
2036	1,215,000	60,750	1,275,750
Total	<u>\$ 46,919,511</u>	<u>\$ 24,726,652</u>	<u>\$ 71,646,163</u>

Arbitrage

In accordance with Section 148 of the Internal Revenue Code of 1986, as amended, and Sections 1.103-13 to 1.103-15 of the related Treasury Regulations, the County must rebate to the federal government "arbitrage profits" earned on governmental bonds issued after August 31, 1986. Arbitrage profits are the excess of the amount earned on investments over the interest paid on the borrowings. At June 30, 2010, arbitrage liabilities reported in the governmental activities had a balance of \$63,822.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2010:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental Activities:					
Installment purchase	\$ 49,700,542	\$ -	\$ (2,781,031)	\$ 46,919,511	\$ 2,718,283
Compensated absences	1,484,747	1,121,812	(1,156,596)	1,449,963	1,100,000
Incurred, but not reported, health claims	-	667,688	-	667,688	600,919
Arbitrage	-	63,822	-	63,822	-
Net pension obligation	393,556	108,944	(43,962)	458,538	-
Net OPEB obligation	1,238,700	1,446,162	(395,006)	2,289,856	-
Total governmental activities	<u>\$ 52,817,545</u>	<u>\$ 3,408,428</u>	<u>\$ (4,376,595)</u>	<u>\$ 51,849,378</u>	<u>\$ 4,419,202</u>
Business-Type Activities:					
Installment purchase	\$ 28,586	\$ -	\$ (28,586)	\$ -	\$ -
Accrued landfill closure and post-closure care costs	5,870,000	395,000	-	6,265,000	-
Compensated absences	96,719	47,609	(57,028)	87,300	57,000
Net OPEB obligation	62,593	84,014	(22,948)	123,659	-
Total business-type activities	<u>\$ 6,057,898</u>	<u>\$ 526,623</u>	<u>\$ (108,562)</u>	<u>\$ 6,475,959</u>	<u>\$ 57,000</u>

Compensated absences, net pension obligation, and post-employment benefits typically have been liquidated in the General Fund. Compensated absences are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

Conduit Debt Obligations

Wilkes County Industrial Facility and Pollution Control Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2010, there were no industrial revenue bonds outstanding.

WILKES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

D. Interfund Balances and Activity

	Transfers		
	From	To	Purpose
Operating Transfers			
From/To Other Funds:			
General Fund	\$ 2,294,686	\$ 77,948	
High schools renovation	77,948	-	To close project
Airport	<u>-</u>	<u>2,294,686</u>	To fund capital project expenses
Total transfers	<u>\$ 2,372,634</u>	<u>\$ 2,372,634</u>	

Due To/Due From Other Funds:

Due to General Fund from Law Enforcement Center Capital Project Fund to fund preliminary costs of Law Enforcement Center until loan is obtained	\$ 1,646,439
Due to General Fund from the Scattered Site III Project Fund for advances until grant funds are received.	100,632
Due to General Fund from the Poplar Spring Water Project Fund for advances until grant funds are received	32,620
Due to General Fund from Airport Fund to provide operating capital for airport	<u>182,162</u>
Total due to/due from other funds	<u>\$ 1,961,853</u>
This amount is not expected to be repaid within one year	<u>\$ 1,600,000</u>

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

4. Related Organization

The County's governing board is responsible for appointing the members of the board of the Wilkes Transportation Authority, but the County's accountability for this organization does not extend beyond making these appointments. Wilkes Transportation Authority is a public authority that exists to provide transportation services to the citizens of Wilkes County. It is funded primarily with federal and State grants and service fees.

5. Joint Ventures

The County, in conjunction with the State of North Carolina and the Wilkes County Board of Education, participates in a joint venture to operate the Wilkes Campus of Wilkes Community College. Wilkes County appoints four members of the seventeen-member board of trustees of the community college. The community college is included as a component unit of the State. The County provides financial support for the community college's operations. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the Wilkes Campus of Wilkes Community College's facilities.

The County contributed \$3,440,029 and \$150,000 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2010. Wilkes County does not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2010. Complete financial statements for the community college may be obtained from the community college's administrative offices at P.O. Box 120, Wilkesboro, North Carolina 28697.

The County also participates in a joint venture to operate Smokey Mountain Center with fifteen other local governments. Wilkes County appoints two board members to the thirty-member board and one member to the advisory board of Smokey Mountain Center. The County has an ongoing financial responsibility for the joint venture because Smokey Mountain Center's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in Smokey Mountain Center, so no equity interest has been reflected in the financial statements at June 30, 2010. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$324,000 to Smokey Mountain Center to supplement its activities. Complete financial statements for Smokey Mountain Center can be obtained from the entity's offices at 44 Bonnie Lane, Sylva, North Carolina 28779.

The County also participates in a joint venture to operate Appalachian Regional Library with two other local governments. Wilkes County appoints four board members to the twelve-member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2010. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$600,252 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at 148 Library Drive, West Jefferson, North Carolina 28694.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The County participates in a joint venture to operate Wilkes Economic Development Corporation, a non-profit corporation, with two municipalities and the Wilkes Chamber of Commerce. Wilkes County appoints four board members to the nine-member board of the corporation. The County 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 any equity interest in the non-profit corporation, so no equity interests have been reflected in the financial statements at June 30, 2010. The County appropriated \$215,912 to the Wilkes Economic Development Corporation during the year. Complete financial statements for the Corporation can be obtained from the Corporation's offices at P.O. Box 727, North Wilkesboro, North Carolina 28659.

6. Jointly Governed Organization

The County, in conjunction with six other counties and nineteen 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 County paid membership fees of \$33,341 to the Council during the fiscal year ended June 30, 2010.

The County, in conjunction with six other counties, established the Northwest Regional Housing Authority. The participating governments established the Authority for housing and urban development. Each participating government appoints one member of the Authority's governing board.

WILKES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

7. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations, which cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients which do not appear in the general purpose financial statements, because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 68,438,081	\$ 23,741,503
Women, Infants, and Children	1,211,941	-
Temporary Assistance to Needy Families	1,024,784	(168)
Low Income Home Energy Assistance	929,467	-
LINKS	16,950	-
Foster Care	431,282	88,179
Adoption Assistance	523,886	106,812
State/County Special Assistane for Adults	-	559,878
CWS Adoption Subsidy	150,655	313,122
State Foster Home	-	173,997
State Foster Care HIV	-	4,800
SFHF Maximization	-	231,401
F/C at Risk Maximization	-	12,670
Foster Care at Risk	-	2,070
Foster Care Special Provision	-	73,287

8. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

WILKES COUNTY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
		Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)			
12/31/2009	\$ -	\$ 1,276,889	\$ 1,276,889	0.00%	\$ 2,542,423	50.22%
12/31/2008	-	938,611	938,611	0.00%	2,528,173	37.13%
12/31/2007	-	845,571	845,571	0.00%	2,231,243	37.90%
12/31/2006	-	665,756	665,756	0.00%	2,271,030	29.32%
12/31/2005	-	615,955	615,955	0.00%	2,160,847	28.51%
12/31/2004	-	661,523	661,523	0.00%	1,925,400	34.36%
12/31/2003	-	529,940	529,940	0.00%	1,909,004	27.76%
12/31/2002	-	465,043	465,043	0.00%	1,801,392	26.00%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2010	\$ 105,202	41.79%
2009	93,042	31.12%
2008	83,070	22.39%
2007	75,823	11.49%
2006	79,931	10.90%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated.
 Additional information as of the latest valuation follows:

Valuation date	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	22 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	7.25%
Projected salary increases *	4.5 - 12.3%
Cost-of-living adjustments	N/A

* Includes inflation at 3.75%

WILKES COUNTY, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets A	Actuarial Accrued Liability (AAL) - Projected Unit Credit		Unfunded AAL (UAAL) B - A	Funded Ratio A / B	Covered Payroll C	UAAL as a Percentage Covered Payroll (B - A) / C
		B					
12/31/2007	\$ -	\$ 17,830,366		\$ 17,830,366	0.00%	\$ 14,442,616	123.5%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2010	\$ 1,530,176	27.31%
2009	1,530,176	14.96%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated.
Additional information as of the latest valuation follows:

Valuation date	12/31/2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate	5% - 11%
Year of Ultimate trend rate	2016

* Includes inflation at 3.75%

WILKES COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over /Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 34,208,458	\$ 30,701,731	\$ (3,506,727)	\$ 31,137,494
Penalties and interest	236,000	368,354	132,354	279,315
Total	<u>34,444,458</u>	<u>31,070,085</u>	<u>(3,374,373)</u>	<u>31,416,809</u>
Local Option Sales Taxes:				
Article 39 one percent	4,611,981	4,645,813	33,832	4,799,935
Article 40 one-half of one percent	3,235,974	2,947,655	(288,319)	3,472,535
Article 42 one-half of one percent	3,100,463	2,627,561	(472,902)	3,475,281
Article 44 one-half of one percent	114,464	278,497	164,033	1,515,156
Total	<u>11,062,882</u>	<u>10,499,526</u>	<u>(563,356)</u>	<u>13,262,907</u>
Other Taxes and Licenses:				
Real estate transfer taxes	150,000	132,441	(17,559)	118,497
Privilege licenses	5,000	10,300	5,300	11,245
Total	<u>155,000</u>	<u>142,741</u>	<u>(12,259)</u>	<u>129,742</u>
Unrestricted Intergovernmental:				
Payments in lieu of taxes	10,500	27,198	16,698	35,441
Beer and wine tax	87,600	84,239	(3,361)	264,502
Total	<u>98,100</u>	<u>111,437</u>	<u>13,337</u>	<u>299,943</u>
Restricted Intergovernmental:				
Federal and State grants	10,641,367	9,406,099	(1,235,268)	9,212,742
Lottery proceeds	1,350,000	1,350,000	-	851,910
Court facility fees	150,000	140,857	(9,143)	163,883
Fines and forfeitures	41,094	38,191	(2,903)	27,939
Other	302,392	209,177	(93,215)	222,806
Total	<u>12,484,853</u>	<u>11,144,324</u>	<u>(1,340,529)</u>	<u>10,479,280</u>
Permits and Fees:				
Building permits	239,500	189,719	(49,781)	238,293
Register of Deeds	215,000	207,953	(7,047)	221,257
Total	<u>454,500</u>	<u>397,672</u>	<u>(56,828)</u>	<u>459,550</u>

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over /Under</u>	<u>Actual</u>
Sales and Services:				
Ambulance and rescue squad fees	2,472,520	2,815,156	342,636	2,628,493
Jail fees	135,000	112,422	(22,578)	129,772
Rents and fees	4,873,225	4,530,189	(343,036)	4,776,014
Recreation fees	158,340	132,429	(25,911)	135,391
Total	<u>7,639,085</u>	<u>7,590,196</u>	<u>(48,889)</u>	<u>7,669,670</u>
Investment Earnings:				
Investment earnings	<u>250,000</u>	<u>38,556</u>	<u>(211,444)</u>	<u>314,171</u>
Miscellaneous:				
Other	<u>1,212,269</u>	<u>964,440</u>	<u>(247,829)</u>	<u>1,365,873</u>
Total revenues	<u>67,801,147</u>	<u>61,958,977</u>	<u>(5,842,170)</u>	<u>65,397,945</u>
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	89,426	87,233		82,174
Other operating expenditures	143,450	129,135		165,948
Total	<u>232,876</u>	<u>216,368</u>	<u>16,508</u>	<u>248,122</u>
Administration:				
Salaries and employee benefits	298,211	293,988		286,600
Other operating expenditures	9,173	8,091		9,999
Total	<u>307,384</u>	<u>302,079</u>	<u>5,305</u>	<u>296,599</u>
Elections:				
Salaries and employee benefits	210,646	183,318		206,436
Other operating expenditures	83,034	59,662		51,196
Total	<u>293,680</u>	<u>242,980</u>	<u>50,700</u>	<u>257,632</u>

WILKES COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>2010</u>		<u>Variance Over /Under</u>	<u>2009</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Finance:				
Salaries and employee benefits	327,634	306,677		312,821
Other operating expenditures	15,470	12,297		14,857
Total	<u>343,104</u>	<u>318,974</u>	24,130	<u>327,678</u>
Tax Administration:				
Salaries and employee benefits	903,753	892,523		900,748
Other operating expenditures	165,250	129,142		172,438
Capital outlay	-	-		20,639
Total	<u>1,069,003</u>	<u>1,021,665</u>	47,338	<u>1,093,825</u>
Legal:				
Professional services	188,500	167,599	20,901	187,894
Register of Deeds:				
Salaries and employee benefits	289,495	283,969		273,499
Other operating expenditures	101,971	83,174		88,489
Total	<u>391,466</u>	<u>367,143</u>	24,323	<u>361,988</u>
Public Buildings:				
Salaries and employee benefits	86,632	85,396		85,351
Other operating expenditures	163,437	143,085		145,163
Capital outlay	25,558	25,558		194,962
Total	<u>275,627</u>	<u>254,039</u>	21,588	<u>425,476</u>
Court Facilities:				
Salaries and employee benefits	113,412	111,804		95,843
Other operating expenditures	188,890	164,512		183,088
Capital outlay	-	-		43,265
Total	<u>302,302</u>	<u>276,316</u>	25,986	<u>322,196</u>

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2010		Variance Over /Under	2009
	Budget	Actual		Actual
Central Services:				
Data Processing:				
Salaries and employee benefits	135,902	134,457		135,462
Other operating expenditures	136,612	110,369		111,454
Capital outlay	35,812	35,811		34,993
Total	308,326	280,637	27,689	281,909
Central Garage:				
Salaries and employee benefits	263,015	260,209		257,687
Other operating expenditures	371,500	281,772		291,618
Capital outlay	-	-		21,879
Total	634,515	541,981	92,534	571,184
Purchasing:				
Salaries and employee benefits	85,673	84,840		84,092
Other operating expenditures	4,495	2,920		4,004
Total	90,168	87,760	2,408	88,096
Other Central Services:				
Other expenditures	723,282	514,266		542,349
Group insurance	1,295,000	372,368		617,128
Total	2,018,282	886,634	1,131,648	1,159,477
Total general government	6,455,233	4,964,175	1,491,058	5,622,076
Public Safety:				
Sheriff:				
Salaries and employee benefits	3,482,835	3,472,267		3,405,281
Other operating expenditures	341,201	266,474		294,820
Capital outlay	-	-		274,414
Total	3,824,036	3,738,741	85,295	3,974,515

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2010		Variance Over /Under	2009
	Budget	Actual		Actual
Drug Crime Prevention:				
Other operating expenditures	100,000	68,771		49,575
Total	100,000	68,771	31,229	49,575
JAG Critical Response GRA:				
Other operating expenditures	46,545	23,559		4,660
Capital outlay	285,656	285,107		-
Total	332,201	308,666	23,535	4,660
Animal Control:				
Salaries and employee benefits	412,018	404,819		337,174
Other operating expenditures	109,200	83,604		105,537
Total	521,218	488,423	32,795	442,711
Jail:				
Salaries and employee benefits	1,317,140	1,308,345		1,332,059
Other operating expenditures	728,496	625,214		593,333
Total	2,045,636	1,933,559	112,077	1,925,392
Criminal Justice:				
Salaries and employee benefits	56,353	55,840		54,004
Other operating expenditures	64,565	52,452		51,198
Total	120,918	108,292	12,626	105,202
Emergency Management:				
Salaries and employee benefits	56,731	56,119		55,992
Other operating expenditures	42,875	22,661		28,742
Total	99,606	78,780	20,826	84,734
Fire:				
Salaries and employee benefits	104,991	103,962		102,683
Other operating expenditures	68,142	54,090		93,851
Assistance to local fire departments	10,530	5,359		7,018
Total	183,663	163,411	20,252	203,552

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>2010</u>		<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
		<u>Variance</u>	
		<u>Over /Under</u>	
Inspections:			
Salaries and employee benefits	581,954	532,700	618,976
Other operating expenditures	38,980	26,176	34,500
Total	<u>620,934</u>	<u>558,876</u>	<u>653,476</u>
Medical Examiner:			
Salaries and employee benefits	5,276	5,275	-
Other operating expenditures	61,000	57,900	59,500
Total	<u>66,276</u>	<u>63,175</u>	<u>59,500</u>
Emergency Medical Services:			
Salaries and employee benefits	2,251,769	2,210,608	2,236,358
Other operating expenditures	588,484	557,128	528,155
Capital outlay	16,499	16,499	410,028
Total	<u>2,856,752</u>	<u>2,784,235</u>	<u>3,174,541</u>
Emergency Communications Center:			
Salaries and employee benefits	682,621	666,760	675,993
Other operating expenditures	259,805	149,475	236,132
Capital outlay	38,825	33,878	-
Total	<u>981,251</u>	<u>850,113</u>	<u>912,125</u>
Total public safety	<u>11,752,491</u>	<u>11,145,042</u>	<u>11,589,983</u>
Environmental Protection:			
Reservoir expenditures	155,772	150,772	104,025
Total environmental protection	<u>155,772</u>	<u>150,772</u>	<u>104,025</u>
Economic and Physical Development:			
Economic Development:			
Other operating expenditures	428,386	286,257	521,182
Total	<u>428,386</u>	<u>286,257</u>	<u>521,182</u>

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2010		Variance Over /Under	2009
	Budget	Actual		Actual
Grants Administration:				
Salaries and employee benefits	57,807	57,805		49,403
Other operating expenditures	6,393	198		822
Total	64,200	58,003	6,197	50,225
Planning and Zoning:				
Salaries and employee benefits	206,168	204,366		199,310
Other operating expenditures	77,354	52,808		36,233
Total	283,522	257,174	26,348	235,543
Agricultural Extension:				
Salaries and employee benefits	253,452	196,547		252,544
Other operating expenditures	43,232	32,674		45,620
Total	296,684	229,221	67,463	298,164
Support Our Students				
Salaries and employee benefits	55,382	-		47,312
Other operating expenditures	18,948	-		21,836
Total	74,330	-	74,330	69,148
4-H SACC:				
Salaries and employee benefits	252,353	164,838		221,408
Other operating expenditures	158,177	37,973		58,362
Total	410,530	202,811	207,719	279,770
Extension Local:				
Other operating expenditures	56,951	24,486		34,955
Total	56,951	24,486	32,465	34,955
4-H United Way				
Other operating expenditures	14,400	12,787		15,199
Total	14,400	12,787	1,613	15,199

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2010		Variance Over /Under	2009
	Budget	Actual		Actual
Forestry:				
Salaries and employee benefits	4,187	4,185		7,595
Other operating expenditures	100,913	89,585		96,366
Total	105,100	93,770	11,330	103,961
Soil Conservation:				
Salaries and employee benefits	212,908	209,775		204,458
Other operating expenditures	51,675	49,271		59,109
Total	264,583	259,046	5,537	263,567
Community Development:				
Other operating expenditures	112,157	81,426		295,245
Total	112,157	81,426	30,731	295,245
Total economic and physical development	2,110,843	1,504,981	605,862	2,166,959
Human Services:				
Health:				
Administration:				
Salaries and employee benefits	1,784,150	1,654,991		1,680,047
Other operating expenditures	345,953	307,461		424,238
Capital outlay	-	-		291,542
Total	2,130,103	1,962,452	167,651	2,395,827
Program Salaries:				
Salaries and employee benefits	147,020	500		1,663,132
Total	147,020	500	146,520	1,663,132
Environmental Health:				
Other operating expenditures	5,580	5,580		6,000
Total	5,580	5,580	-	6,000
Food and Lodging:				
Other operating expenditures	6,031	6,031	-	7,459

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over /Under	Actual
Tuberculosis:				
Other operating expenditures	3,305	3,305	-	3,305
Bioterrorism:				
Salaries and employee benefits	51,298	46,081		-
Other operating expenditures	130,893	122,419		-
Capital outlay	13,000	12,880		-
Total	195,191	181,380	13,811	-
Health Immunization Other:				
Salaries and employee benefits	23,830	20,426		-
Other operating expenditures	7,000	7,000		-
Total	30,830	27,426	3,404	-
Health Case Management:				
Salaries and employee benefits	253,985	253,985		-
Other operating expenditures	18,869	13,805		16,087
Total	272,854	267,790	5,064	16,087
Adult Health:				
Salaries and employee benefits	190,935	190,934		-
Other operating expenditures	86,025	53,772		69,538
Total	276,960	244,706	32,254	69,538
Health Care Connection:				
Salaries and employee benefits	92,886	92,885		-
Other operating expenditures	167,853	144,768		157,039
Total	260,739	237,653	23,086	157,039
Communicable Disease:				
Other operating expenditures	2,293	2,293		2,293
Total	2,293	2,293	-	2,293

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2010		Variance Over /Under	2009
	Budget	Actual		Actual
Comprehensive Cancer Control:				
Salaries and employee benefits	4,200	4,200		-
Other operating expenditures	52,453	39,890		26,127
Total	56,653	44,090	12,563	26,127
Family Planning:				
Salaries and employee benefits	105,595	105,587		-
Other operating expenditures	84,295	63,260		73,021
Total	189,890	168,847	21,043	73,021
Health Diabetes Grant:				
Other operating expenditures	46,478	30,954		29,785
Total	46,478	30,954	15,524	29,785
Healthy Carolinians:				
Other operating expenditures	-	-	-	5,727
Health Eat Smart Move More:				
Other operating expenditures	16,254	16,245	9	-
Health Promotion:				
Salaries and employee benefits	24,767	24,766		-
Other operating expenditures	6,822	4,338		8,300
Total	31,589	29,104	2,485	8,300
Mesh Units - Schools:				
Salaries and employee benefits	79,017	76,144		-
Other operating expenditures	46,550	41,399		47,189
Total	125,567	117,543	8,024	47,189
Wilkes Dental Clinic:				
Other operating expenditures	1,830,000	1,648,373	181,627	1,860,405

WILKES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2010		Variance Over /Under	2009
	Budget	Actual		Actual
Maternal Clinic:				
Salaries and employee benefits	43,460	43,460		-
Other operating expenditures	61,939	24,849		36,683
Total	105,399	68,309	37,090	36,683
MCC and MOW:				
Salaries and employee benefits	277,391	176,060		-
Other operating expenditures	8,500	7,731		10,178
Total	285,891	183,791	102,100	10,178
Child Health:				
Salaries and employee benefits	292,661	282,145		-
Other operating expenditures	66,625	26,110		61,853
Total	359,286	308,255	51,031	61,853
CSC and MOW:				
Salaries and employee benefits	153,561	108,916		-
Other operating expenditures	5,300	1,330		4,557
Total	158,861	110,246	48,615	4,557
Women, Infants, and Children:				
Salaries and employee benefits	124,186	124,186		-
Other operating expenditures	39,172	39,171		15,300
Capital outlay	6,000	6,000		-
Total	169,358	169,357	1	15,300
Total health	6,706,132	5,834,230	871,902	6,499,805
Mental Health:				
Contribution to other agencies	640,416	635,684	4,732	790,550
Total mental health	640,416	635,684	4,732	790,550

WILKES COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>2010</u>		<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over /Under</u>
Social Services:			
Administration:			
Salaries and employee benefits	4,935,169	4,723,361	4,657,477
Other operating expenditures	370,482	334,054	390,518
Total	<u>5,305,651</u>	<u>5,057,415</u>	<u>248,236</u>
Medicaid Program:			
Salaries and employee benefits	-	-	-
County participation only	1,402,813	1,095,194	2,968,819
Total	<u>1,402,813</u>	<u>1,095,194</u>	<u>307,619</u>
Food Stamps Program:			
Other operating expenditures	625,768	620,019	588,921
Capital outlay	-	-	-
Total	<u>625,768</u>	<u>620,019</u>	<u>5,749</u>
WorkFirst:			
Contract services	410,609	353,944	294,450
Total	<u>410,609</u>	<u>353,944</u>	<u>56,665</u>
Daycare Operations:			
Contract services	2,852,505	2,659,926	2,813,307
Total	<u>2,852,505</u>	<u>2,659,926</u>	<u>192,579</u>
In-Home Service:			
Other operating expenditures	41,075	19,987	2,036
Total	<u>41,075</u>	<u>19,987</u>	<u>21,088</u>
Foster Care:			
Salaries and employee benefits	1,260	1,260	-
Other operating expenditures	2,249,682	1,794,763	1,842,397
Total	<u>2,250,942</u>	<u>1,796,023</u>	<u>454,919</u>

WILKES COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>2010</u>		<u>Variance Over /Under</u>	<u>2009</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Other Assistance:				
Other operating expenditures	35,475	25,162		20,580
Total	<u>35,475</u>	<u>25,162</u>	<u>10,313</u>	<u>20,580</u>
Total social services	<u>12,924,838</u>	<u>11,627,670</u>	<u>1,297,168</u>	<u>13,578,505</u>
Other Human Services:				
Veterans Service Officer:				
Salaries and employee benefits	140,133	138,309		137,825
Other operating expenditures	7,175	4,629		5,171
Total	<u>147,308</u>	<u>142,938</u>	<u>4,370</u>	<u>142,996</u>
Youth Services:				
Salaries and employee benefits	16,284	16,276		13,692
Other operating expenditures	4,400	3,594		4,381
Contributions to other agencies	293,207	265,550		256,045
Total	<u>313,891</u>	<u>285,420</u>	<u>28,471</u>	<u>274,118</u>
Senior Citizens Services:				
Contributions to other services	<u>600,000</u>	<u>599,391</u>	<u>609</u>	<u>518,289</u>
Other Services:				
Contributions to other agencies	<u>739,957</u>	<u>712,165</u>	<u>27,792</u>	<u>782,660</u>
Total other human services	<u>1,801,156</u>	<u>1,739,914</u>	<u>61,242</u>	<u>1,718,063</u>
Total human services	<u>22,072,542</u>	<u>19,837,498</u>	<u>2,235,044</u>	<u>22,586,923</u>
Cultural and Recreation:				
Recreation:				
Salaries and employee benefits	540,382	529,811		506,758
Other operating expenditures	304,903	283,189		326,187
Capital outlay	-	-		18,900
Total	<u>845,285</u>	<u>813,000</u>	<u>32,285</u>	<u>851,845</u>

WILKES COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over /Under</u>	<u>Actual</u>
Libraries:				
Contribution to regional library	600,252	600,252	-	762,246
Museums and Art				
	50,715	50,715	-	91,923
Total cultural and recreation	<u>1,496,252</u>	<u>1,463,967</u>	<u>32,285</u>	<u>1,706,014</u>
Education:				
Public schools - current expenses	11,440,593	11,440,593		11,651,055
Public schools - capital outlay	899,649	734,208		3,002,918
Public schools - (lottery) capital outlay	1,350,000	1,350,000		-
Community colleges - current	3,440,029	3,440,029		3,573,681
Community colleges - capital outlay	150,000	150,000		150,000
Total education	<u>17,280,271</u>	<u>17,114,830</u>	<u>165,441</u>	<u>18,377,654</u>
Debt Service:				
Principal retirement	2,781,091	2,781,031		3,867,769
Interest and fees	3,681,052	2,325,717		2,472,941
Total debt service	<u>6,462,143</u>	<u>5,106,748</u>	<u>1,355,395</u>	<u>6,340,710</u>
Total expenditures	<u>67,785,547</u>	<u>61,288,013</u>	<u>6,497,534</u>	<u>68,494,344</u>
Revenues over (under) expenditures	<u>15,600</u>	<u>670,964</u>	<u>655,364</u>	<u>(3,096,399)</u>
Other Financing Sources (Uses):				
Transfers in	-	77,948	77,948	-
Transfers out	(2,294,686)	(2,294,686)		-
Sale of capital assets	37,361	25,174	(12,187)	32,482
Appropriated fund balance	2,241,725	-	(2,241,725)	-
Total other financing sources (uses)	<u>(15,600)</u>	<u>(2,191,564)</u>	<u>(2,175,964)</u>	<u>32,482</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,520,600)</u>	<u>\$ (1,520,600)</u>	<u>(3,063,916)</u>
Fund Balance:				
Beginning of year - July 1		<u>10,806,375</u>		<u>13,870,291</u>
End of year - June 30		<u>\$ 9,285,775</u>		<u>\$ 10,806,375</u>