

**TOWN OF YADKINVILLE, NORTH CAROLINA**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2011**

# TOWN OF YADKINVILLE, NORTH CAROLINA

## TABLE OF CONTENTS

	<u>Page No.</u>
<b>Members of Board of Commissioners and Town Officials</b> .....	1
<b>Independent Auditor’s Report</b> .....	2
<b>Management’s Discussion and Analysis</b> .....	4
<b>Basic Financial Statements:</b>	
<u>Government-wide Financial Statements</u>	
Statement of Net Assets (Exhibit 1).....	12
Statement of Activities (Exhibit 2) .....	13
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds (Exhibit 3).....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets (Exhibit 3).....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Exhibit 4) .....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Funds Balances of Governmental Funds to the Statement of Activities (Exhibit 5) .....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund (Exhibit 6) .....	17
Statement of Net Assets – Proprietary Fund (Exhibit 7).....	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund (Exhibit 8).....	19
Statement of Cash Flows – Proprietary Fund (Exhibit 9) .....	20
<b>Notes to Financial Statements</b> .....	22

**TOWN OF YADKINVILLE, NORTH CAROLINA**

**TABLE OF CONTENTS  
(CONTINUED)**

	<u>Page No.</u>
<b>Individual Fund Financial Statements Section</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund.....	39
Combining Balance Sheet - Non-Major Governmental Funds .....	44
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds.....	45
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Fund .....	46
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - From Inception to Date Water and Sewer Capital Project Fund – Reservoir Project .....	50
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) Component Unit - Yadkinville Tourism Development Authority .....	51
<b>Other Schedules</b>	
Schedule of Ad Valorem Taxes Receivable.....	52
Analysis of Current Tax Levy-Town-Wide Levy .....	53

**TOWN OF YADKINVILLE, NORTH CAROLINA**

**MEMBERS OF BOARD OF COMMISSIONERS**

William E. Brannon

Betty Driver

Phillip R. Graham

Tony L. Hall

Thomas E. Norman, Jr.

**TOWN OFFICIALS**

Hubert L. Gregory ..... Mayor

Christopher Ong ..... Town Manager

Nancy B. Hollar ..... Town Clerk

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Yadkinville, North Carolina, as of and for the year ended June 30, 2011 which collectively comprise the Town of Yadkinville's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Yadkinville's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Yadkinville, North Carolina as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, 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 on pages 4 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Yadkinville, North Carolina's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Carron & Company, L.L.P.*  
October 28, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



# Town of Yadkinville

*"A Town in progress"*

## Management Discussion and Analysis

As management of the Town of Yadkinville, we offer readers of the Town of Yadkinville's financial statements this narrative overview and analysis of the financial activities of the Town of Yadkinville for the fiscal year ended June 30, 2011. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the town's financial statements, which follow this narrative.

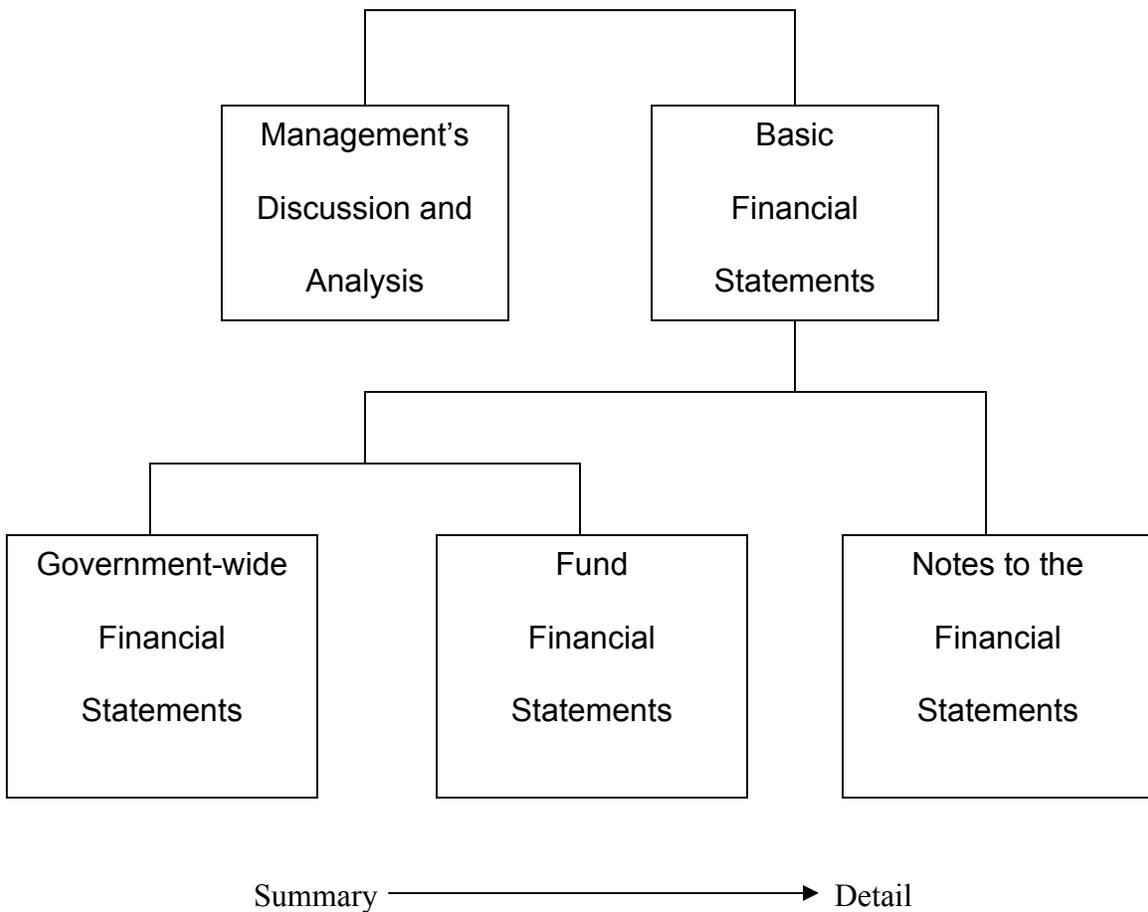
### Financial Highlights

- The assets of the Town of Yadkinville *exceeded* its liabilities at the close of the fiscal year by \$19,946,367 (*net assets*).
- The government's total net assets *decreased* by \$82,486, primarily due to a *decrease* in the *Business-type* activities net assets. As of the close of the current fiscal year, the Town of Yadkinville's governmental funds reported combined ending fund balances of \$1,863,996 an *increase* of \$96,386 in comparison with the prior year. Approximately 69 percent of this total amount, or \$1,292,071, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,292,071, or 66 percent of total general fund expenditures for the fiscal year.
- The Town of Yadkinville's total debt *decreased* by \$37,974 (5%) during the current fiscal year.

### Overview of the Financial Statements

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

**Figure 1**



**Basic Financial Statements**

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

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

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

## **Government-wide Financial Statements**

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town basic services such as public safety, recreation, and general administration. Property taxes, sales taxes, utility franchise taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town.

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

## **Fund Financial Statements**

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

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

The Town of Yadkinville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The Town of Yadkinville has just one type of proprietary fund – an *Enterprise Fund*. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Yadkinville uses enterprise funds to account for its water and sewer activity operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 22 to 38 of this report.

### **Government-Wide Financial Analysis**

#### **The Town of Yadkinville’s Net Assets**

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2010	2010
Current and other assets	\$ 1,998,303	\$ 1,893,076	\$ 1,443,296	\$ 1,179,507	\$ 3,441,599	\$ 3,072,583
Capital assets	3,521,979	3,575,063	13,840,299	14,309,072	17,362,278	17,884,135
Total assets	<u>5,520,282</u>	<u>5,468,139</u>	<u>15,283,595</u>	<u>15,488,579</u>	<u>20,803,877</u>	<u>20,956,718</u>
Long-term liabilities outstanding	593,315	637,811	29,195	28,861	622,510	666,672
Other liabilities	143,044	143,034	91,956	118,159	235,000	261,193
Total liabilities	<u>736,359</u>	<u>780,845</u>	<u>121,151</u>	<u>147,020</u>	<u>857,510</u>	<u>927,865</u>
Net assets:						
Invested in capital assets, net of related debt	2,915,312	2,921,730	13,840,299	14,309,072	16,755,611	17,230,802
Restricted	453,826	249,631	-	-	453,826	249,631
Unrestricted	1,414,785	1,515,933	1,322,145	1,032,487	2,736,930	2,548,420
Total net assets	<u>\$ 4,783,923</u>	<u>\$ 4,687,294</u>	<u>\$ 15,162,444</u>	<u>\$ 15,341,559</u>	<u>\$ 19,946,367</u>	<u>\$ 20,028,853</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Yadkinville exceeded liabilities by \$19,946,367 as of June 30, 2011. The town's net assets *decreased* by \$82,486 for the fiscal year ended June 30, 2011. However, the largest portion (84%) reflects the town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Yadkinville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Yadkinville's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Yadkinville's net assets (2.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,736,930 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 94.36%.
- Long-term debt decreased by 37,974.

**Governmental activities.** Governmental activities *increased* the Town of Yadkinville's net assets by \$96,629 as compared to a total *decrease* of \$82,486 in net assets.

**Business-type activities:** Business-type activities *decreased* the Town of Yadkinville's net assets by \$179,115 as compared to a total *decrease* of \$82,486 in net assets.

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

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

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

The general fund is the chief operating fund of the Town of Yadkinville. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,292,071 while total fund balance reached \$1,863,996. 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 66 percent of total General Fund expenditures.

At June 30, 2011, the governmental funds of the Town of Yadkinville reported a combined fund balance of \$1,863,996, a 5 percent increase over last year.

**Town of Yadkinville Changes in Net Assets**  
Figure 3

	Governmental Activities 2011	Governmental Activities 2010	Business Type Activities 2011	Business Type Activities 2010	Total 2011	Total 2010
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,976	\$ 5,938	\$ 2,167,463	\$ 2,035,990	\$ 2,171,439	\$ 2,041,928
Operating grants and contributions	109,644	99,062	-	-	109,644	99,062
Capital grants and contributions	-	49,354	27,000	762,423	27,000	811,777
General revenues:						
Property taxes	941,411	843,497	-	-	941,411	843,497
Other taxes	12,828	19,577	-	-	12,828	19,577
Grants and contributions not restricted to specific programs	826,357	808,371	-	-	826,357	808,371
Other	29,685	32,900	1,472	3,329	31,157	36,229
<b>Total revenues</b>	<b>1,923,901</b>	<b>1,858,699</b>	<b>2,195,935</b>	<b>2,801,742</b>	<b>4,119,836</b>	<b>4,660,441</b>
<b>Expenses:</b>						
General government	509,121	570,208	-	-	509,121	570,208
Public safety	907,417	882,724	-	-	907,417	882,724
Transportation	233,562	313,057	-	-	233,562	313,057
Environmental protection	196,534	192,497	-	-	196,534	192,497
Economic development	-	6,048	-	-	-	6,048
Culture and recreation	107,096	60,335	-	-	107,096	60,335
Interest on long-term debt	23,542	30,964	-	-	23,542	30,964
Water and sewer	-	-	2,225,050	2,297,696	2,225,050	2,297,696
<b>Total expenses</b>	<b>1,977,272</b>	<b>2,055,833</b>	<b>2,225,050</b>	<b>2,297,696</b>	<b>4,202,322</b>	<b>4,353,529</b>
Increase/(decrease) in net assets before transfers	(53,371)	(197,134)	(29,115)	504,046	(82,486)	306,912
Transfers	150,000	150,000	(150,000)	(150,000)	-	-
Increase/(decrease) in net assets	96,629	(47,134)	(179,115)	354,046	(82,486)	306,912
Net assets, July 1	4,687,294	4,734,428	15,341,559	14,987,513	20,028,853	19,721,941
Net assets, June 30	\$ 4,783,923	\$ 4,687,294	\$ 15,162,444	\$ 15,341,559	\$ 19,946,367	\$ 20,028,853

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

and 3) increases in appropriations that become necessary to maintain services. During 2011 there were no significant budget amendments..

**Proprietary Funds.** The town’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer District at the end of the fiscal year amounted to \$1,322,145. The total decrease in net assets for the fund was \$179,115 which consisted of a loss of \$56,115, capital contributions from donations of \$27,000 and a transfer to the general fund of \$150,000 for administrative expenses. Other factors concerning the finances of this fund have already been addressed in the discussion of the town’s business-type activities.

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Yadkinville’s investment in capital assets for its governmental and business–type activities as of June 30, 2011, totals \$17,362,278 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, and vehicles.

**Town of Yadkinville’s Capital Assets**

**Figure 4**

(net of depreciation)

	Governmental Activities 2011	Governmental Activities 2010	Business-type Activities 2011	Business-type Activities 2010	Total 2011	Total 2010
Land	\$ 1,110,231	\$ 1,110,231	\$ 1,003,196	\$ 1,003,196	\$ 2,113,427	\$ 2,113,427
Buildings	1,185,142	1,216,734	-	-	1,185,142	1,216,734
Improvements	654,275	687,212	-	-	654,275	687,212
Water and Sewer system equipment	-	-	12,467,347	12,931,310	12,467,347	12,931,310
Other equipment	98,585	114,883	257,428	280,221	356,013	395,104
Automotive equipment	144,935	138,258	34,283	23,376	179,218	161,634
Infrastructure	328,811	307,745	-	-	328,811	307,745
Construction in progress	-	-	78,045	70,969	78,045	70,969
<b>Total</b>	<b>\$ 3,521,979</b>	<b>\$ 3,575,063</b>	<b>\$ 13,840,299</b>	<b>\$ 14,309,072</b>	<b>\$ 17,362,278</b>	<b>\$ 17,884,135</b>

Additional information on the town capital assets can be found in note 3.A.3 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2011, the Town of Yadkinville had an installment purchase agreement totaling \$606,666. The installment purchase agreement was issued to finance a park project.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Yadkinville is \$17,868,816.

### **Economic Factors and Next Year's Budgets and Rates**

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

- Lydall, Inc. expanded operations and hired additional employees in Yadkinville.
- Relative low unemployment. Yadkin County's unemployment rate of 9.3% is below the State average of 10.4%.
- New commercial and residential development.

### **Budget Highlights for the Fiscal Year Ending June 30, 2012**

**Governmental Activities:** The General Fund is balanced with a tax rate of \$0.41 per \$100 valuation. This rate will provide approximately \$846,000 in property tax revenues. The property tax base is estimated to be \$214,110,000 which is a 3.0% increase over FY 2010-2011, and is realistically based on information from the Yadkinville Tax Administrator. A penny on the tax rate is projected to generate about \$21,411 in revenue.

The FY 2011-2012 Adopted Budget for the General Fund totals approximately \$2,100,000, which is about a 7% increase from the FY 2010-2011 Adopted Budget of \$1,966,310.

**Business – type Activities:** The FY 2011-2012 Adopted Budget for the Water and Sewer Fund totals approximately \$2,029,000. This is about a 3% increase from the FY 2010-2011 Adopted Budget of \$1,973,539.

### **Requests for Information**

This report is designed to provide an overview of the Town finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Christopher Ong by phone at 336-679-8732, by e-mail at [jsloop@yadkinville.org](mailto:jsloop@yadkinville.org) or by mail at P.O. Box 816, Yadkinville, North Carolina 27055. The Town of Yadkinville's website is [www.yadkinville.org](http://www.yadkinville.org).

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Yadkinville Tourism Authority
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,709,503	\$ 956,661	\$ 2,666,164	\$ 36,311
Taxes receivables (net)	84,192	-	84,192	-
Accrued interest receivable on taxes	11,752	-	11,752	-
Accounts receivable (net)	24,564	243,759	268,323	-
Unbilled receivables	-	98,502	98,502	-
Due from other governments	168,292	39,520	207,812	10,219
Inventories	-	104,854	104,854	-
Total current assets	<u>1,998,303</u>	<u>1,443,296</u>	<u>3,441,599</u>	<u>46,530</u>
Capital assets (Note 1):				
Land, non-depreciable improvements	1,110,231	1,081,241	2,191,472	-
Other capital assets, net of depreciation	2,411,748	12,759,058	15,170,806	-
Total capital assets	<u>3,521,979</u>	<u>13,840,299</u>	<u>17,362,278</u>	<u>-</u>
Total assets	<u>\$ 5,520,282</u>	<u>\$ 15,283,595</u>	<u>\$ 20,803,877</u>	<u>\$ 46,530</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 39,572	\$ 19,690	\$ 59,262	\$ 821
Internal balances	(1,328)	1,328	-	-
Due to tourism authority	10,219	-	10,219	-
Customer deposits	-	29,573	29,573	-
Current portion of long-term liabilities	94,581	41,365	135,946	-
	<u>143,044</u>	<u>91,956</u>	<u>235,000</u>	<u>821</u>
Long-term liabilities:				
Due in more than one year	593,315	29,195	622,510	-
Total liabilities	<u>736,359</u>	<u>121,151</u>	<u>857,510</u>	<u>821</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,915,312	13,840,299	16,755,611	-
Restricted for:				-
Care of Hinshaw Gardens	97,998	-	97,998	-
Stablization by State Statute	192,856	-	192,856	-
Streets	162,972	-	162,972	-
Other purposes	-	-	-	45,709
Unrestricted	1,414,785	1,322,145	2,736,930	-
Total net assets	<u>\$ 4,783,923</u>	<u>\$ 15,162,444</u>	<u>\$ 19,946,367</u>	<u>\$ 45,709</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 509,121	\$ 946	\$ -	\$ -
Public safety	907,417	780	26,115	-
Transportation	261,562	-	82,782	28,000
Environmental protection	196,534	-	-	-
Cultural and recreation	107,096	2,250	747	-
Interest on long-term debt	23,542	-	-	-
Total governmental activities	2,005,272	3,976	109,644	28,000
Business-type activities:				
Water and sewer	2,225,050	2,167,463	-	27,000
Total business-type activities	2,225,050	2,167,463	-	27,000
Total primary government	\$ 4,230,322	\$ 2,171,439	\$ 109,644	\$ 55,000
Component unit:				
Yadkinville Tourism Authority	\$ (12,277)	\$ -	\$ -	\$ -
Total component unit	\$ (12,277)	\$ -	\$ -	\$ -
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Other taxes				
Grants and contributions not related to specific programs				
Payment from Town of Yadkinville				
Unrestricted investment earnings				
Miscellaneous				
Total general revenues not including transfers				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning				
Net assets, ending				

**Exhibit 2**

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Yadkinville</u>
<u>Activities</u>	<u>Activities</u>		<u>Tourism</u>
			<u>Authority</u>
\$ (508,175)	\$ -	\$ (508,175)	\$ -
(880,522)	-	(880,522)	-
(150,780)	-	(150,780)	-
(196,534)	-	(196,534)	-
(104,099)	-	(104,099)	-
(23,542)	-	(23,542)	-
<u>(1,863,652)</u>	<u>-</u>	<u>(1,863,652)</u>	<u>-</u>
-	(30,587)	(30,587)	-
-	(30,587)	(30,587)	-
<u>(1,863,652)</u>	<u>(30,587)</u>	<u>(1,894,239)</u>	<u>-</u>
-	-	-	(12,277)
-	-	-	(12,277)
941,411	-	941,411	-
12,828	-	12,828	-
826,357	-	826,357	-
-	-	-	12,828
7,672	1,472	9,144	-
22,013	-	22,013	1,949
<u>1,810,281</u>	<u>1,472</u>	<u>1,811,753</u>	<u>14,777</u>
<u>150,000</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>
<u>1,960,281</u>	<u>(148,528)</u>	<u>1,811,753</u>	<u>14,777</u>
96,629	(179,115)	(82,486)	2,500
<u>4,687,294</u>	<u>15,341,559</u>	<u>20,028,853</u>	<u>43,209</u>
<u>\$ 4,783,923</u>	<u>\$ 15,162,444</u>	<u>\$ 19,946,367</u>	<u>\$ 45,709</u>

The accompanying notes are an integral part of this statement.

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	<b>Major Fund</b>	<b>Total</b>	<b>Total</b>
	<b>General</b>	<b>Non-Major</b>	<b>Governmental</b>
	<b>Fund</b>	<b>Funds</b>	<b>Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,611,038	\$ 98,465	\$ 1,709,503
Due from other funds	1,795		1,795
Taxes receivable, net:	84,192	-	84,192
Accounts receivable, net	24,564	-	24,564
Due from other governments	168,292	-	168,292
Total assets	\$ 1,889,881	\$ 98,465	\$ 1,988,346
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 29,470	\$ -	\$ 29,470
Due to other funds	-	467	467
Due to Yadkin County Tourism Authority	10,219	-	10,219
Deferred revenue	84,192	-	84,192
Total liabilities	123,881	467	124,348
 Fund balances:			
Nonspendable			
Care of Hinshaw Gardens		97,998	97,998
Stablization by State statute	192,856	-	192,856
Streets	162,972	-	162,972
Assigned:			
Subsequent year expenditures	118,099	-	118,099
Unassigned	1,292,071	-	1,292,071
Total fund balances	1,765,998	97,998	1,863,996
Total liabilities and fund balances	\$ 1,889,879	\$ 98,465	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets, at cost	4,971,086
Accumulated depreciation	(1,449,107)

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	11,752
---	--------

Liabilities for earned but deferred revenues in fund statements.	84,192
--	--------

Some liabilities, including installment purchase agreements, accrued interest and compensated absences are not due and payable in the current period and therefor are not included in the fund statements	(697,996)
---	-----------

Net assets of governmental activities	\$ 4,783,923
---------------------------------------	--------------

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Major</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 929,468	\$ -	\$ 929,468
Other taxes	12,828	-	12,828
Unrestricted intergovernmental	826,357	-	826,357
Restricted intergovernmental	99,524	-	99,524
Permits and fees	1,471	-	1,471
Investment earnings	8,045	747	8,792
Other revenues	33,518	-	33,518
Total revenues	<u>1,911,211</u>	<u>747</u>	<u>1,911,958</u>
<b>EXPENDITURES</b>			
Current:			
General government	478,310	-	478,310
Public safety	896,544	-	896,544
Transportation	246,740	-	246,740
Environmental protection	196,534	-	196,534
Cultural and recreation	76,458	-	76,458
Debt service	70,986	-	70,986
Total expenditures	<u>1,965,572</u>	<u>-</u>	<u>1,965,572</u>
Revenues over (under) expenditures	<u>(54,361)</u>	<u>747</u>	<u>(53,614)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers from other funds	156,323	-	156,323
Transfer to other funds	-	(6,323)	(6,323)
Total other financing sources (uses):	<u>156,323</u>	<u>(6,323)</u>	<u>150,000</u>
Net change in fund balance	101,962	(5,576)	96,386
Fund balances, beginning	<u>1,664,036</u>	<u>103,574</u>	<u>1,767,610</u>
Fund balances, ending	<u>\$ 1,765,998</u>	<u>\$ 97,998</u>	<u>\$ 1,863,996</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

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

Net changes in fund balances - total governmental funds	\$	96,386
---	----	--------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay expenditures which were capitalized	60,910	
Depreciation expense for governmental assets	<u>(141,994)</u>	(81,084)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Amount of donated capital assets	28,000	
Change in:		
Deferred revenue for tax revenues	11,244	
Interest on taxes receivable	699	39,943

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term consumes the current financial resources of governmental funds. Neither transactions has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Long-term debt paid		46,667
---------------------	--	--------

Expenses reported in the statement of activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Change in compensated absences		(6,060)
Change in accrued interest		<u>777</u>

Total changes in net assets of governmental activities	\$	<u><u>96,629</u></u>
--	----	----------------------

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>General Fund</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>Revenues:</b>				
Ad valorem taxes	\$ 870,270	\$ 916,263	\$ 929,468	\$ 13,205
Other taxes	25,000	25,000	12,828	(12,172)
Unrestricted intergovernmental	812,500	825,397	826,357	960
Restricted intergovernmental	82,500	95,865	99,524	3,659
Permits and fees	2,000	2,000	1,471	(529)
Investment earnings	5,000	5,000	8,045	3,045
Other revenues	11,160	28,634	33,518	4,884
<b>Total revenues</b>	<b>1,808,430</b>	<b>1,898,159</b>	<b>1,911,211</b>	<b>13,052</b>
<b>Expenditures:</b>				
Current:		28,634		
General government	519,930	538,236	478,310	59,926
Public safety	847,456	906,816	896,544	10,272
Transportation	269,383	270,638	246,740	23,898
Environmental protection	190,850	199,374	196,534	2,840
Cultural and recreation	65,936	81,216	76,458	4,758
Debt service:	72,755	71,335	70,986	349
<b>Total expenditures</b>	<b>1,966,310</b>	<b>2,067,615</b>	<b>1,965,572</b>	<b>102,043</b>
<b>Revenues over (under) expenditures</b>	<b>(157,880)</b>	<b>(169,456)</b>	<b>(54,361)</b>	<b>115,095</b>
<b>Other financing sources:</b>				
Transfers from Trust fund	7,880	7,880	6,323	(1,557)
Transfer from Water and SewerFund	150,000	150,000	150,000	-
Fund balance appropriated	-	11,576	-	(11,576)
<b>Total other financing sources:</b>	<b>157,880</b>	<b>169,456</b>	<b>156,323</b>	<b>(13,133)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>101,962</b>	<b>\$ 101,962</b>
Fund balances, beginning			1,664,036	
Fund balances, ending			<b>\$ 1,765,998</b>	

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**JUNE 30, 2011**

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 956,661
Accounts receivable (net) - billed	243,759
Unbilled receivables	98,502
Due from other governments	39,520
Inventories	104,854
Total current assets	1,443,296
Capital assets:	
Land and construction in progress	1,081,241
Other capital assets, net of depreciation	12,759,058
Capital assets (net)	13,840,299
Total noncurrent assets	13,840,299
Total assets	\$ 15,283,595
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 19,690
Due to other funds	1,328
Customer deposits	29,573
Current installments of long-term debt	41,365
Total current liabilities	91,956
Non-current liabilities:	
Long-term debt, less current installments	29,195
Total liabilities	121,151
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	13,840,299
Unrestricted	1,322,145
Total net assets	\$ 15,162,444

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Water and Sewer Fund</b>
<b>OPERATING REVENUES:</b>	
Water and sewer charges	\$ 2,094,036
Water and sewer taps	11,850
Reconnection fees and late charges	46,889
Other operating revenues	14,688
Total operating revenues	2,167,463
<b>OPERATING EXPENSES:</b>	
Operating expenses:	
Administration	249,976
Water plant	413,545
Sewer plant	325,141
Laboratory	103,663
Water/sewer operations	548,050
Depreciation	584,675
Total operating expenses	2,225,050
Operating loss	(57,587)
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Investment earnings	1,472
Total nonoperating revenues (expenses), net	1,472
Loss before contributions and transfers	(56,115)
Transfer to General fund	(150,000)
Capital contributions	27,000
Increase in net assets	(179,115)
Total net assets, beginning	15,341,559
Total net assets, ending	\$ 15,162,444

**TOWN OF YADKINVILLE, NORTH CAROLINA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 2,089,522
Cash paid for goods and services	(919,048)
Cash paid to or on behalf of employees for services	(717,826)
Customer deposits received	10,582
Customer deposits returned	(10,269)
Other operating revenues	51,192
	504,153
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Payment received from General Fund	2,656
Transfer to General Fund	(150,000)
Net cash used by noncapital financing activities	- (147,344)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(130,378)
Net cash used by capital and related financing activities	(130,378)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	1,472
Net Increase in cash and cash equivalents	227,903
Balances, beginning	728,758
Balances, ending	\$ 956,661

**TOWN OF YADKINVILLE, NORTH CAROLINA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Water and Sewer Fund</u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating loss	\$ (57,587)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	584,675
Changes in assets and liabilities:	
Increase in accounts receivable	(26,749)
Increase in inventories	(9,137)
Increase in accounts payable and accrued liabilities	10,004
Increase in customer deposits	313
Increase in compensated absences	2,634
Total adjustments	<u>561,740</u>
Net cash provided by operating activities	<u>\$ 504,153</u>

**NOTES TO FINANCIAL STATEMENTS**

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

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

The accounting policies of the Town of Yadkinville, North Carolina (Town) and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The Town of Yadkinville is a municipal corporation, which is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

**Yadkinville Tourism Development Authority**

The members of the Yadkinville Tourism Development Authority's governing board are appointed by the Town. The Yadkinville Tourism Development Authority (authority) receives revenue through a three percent occupancy tax, which is levied and collected by the Town. The Town remits the taxes collected to the authority, net of administration and collection costs not to exceed three percent of collections up to \$500,000, and one percent thereafter. The authority, which has a June 30 year end, is presented as if it were a governmental fund.

**B. Basis of Presentation**

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

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

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

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

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

**B. Basis of Presentation (Continued)**

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 and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental fund:

**Hinshaw Gardens Trust Fund.** This fund is used to account for the endowment received and for which earnings are required to be used for the maintenance of Hinshaw Gardens.

The Town reports the following major enterprise funds:

**Water and Sewer Fund.** This fund is used to account for the Town's water and sewer operations. Included as sub-funds are the Water and Sewer Capital Project Fund.

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

All funds of the Town are accounted for on the cash basis of accounting during the year, and are converted to the modified accrual or accrual basis of accounting at year end in accordance with North Carolina General Statutes.

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

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

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

**C. Measurement Focus and Basis of Accounting (Continued)**

Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Yadkin County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Yadkin County from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain

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

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

**C. Measurement Focus and Basis of Accounting (Continued)**

programs by a combination of specific cost reimbursement grants, categorical block grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost reimbursement resources to such programs, followed by categorical block grants and then by general revenues

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

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Water and Sewer Capital Project Funds, which are consolidated with the operating fund for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional 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 or that change functional appropriations. All amendments must be approved by the governing board. During the year, some 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 the time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

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

State law [G. S. 159-30(c)] authorizes the Town 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).

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

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

**E. Assets, Liabilities, and Fund Equity (Continued)**

**2. Cash and Cash Equivalents**

The Town pools money from the General Fund, the Water and Sewer Fund and all other 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.

**3. Ad Valorem Taxes Receivable**

In accordance with state law [G. S. 105-347 and G. S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2010. As allowed by State law, the Town has established a schedule of discounts that apply to taxes, which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**4. 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.

**5. Inventories**

Inventories of the Town consist of expendable parts and supplies, and are valued at cost (first in, first out), which approximates market.

**6. Capital Assets**

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. 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. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Buildings	15-50 years
Other improvements	10-40 years
Automotive equipment	5 years
Other equipment	5-10 years
Infrastructure	50 years

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

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

**E. Assets, Liabilities, and Fund Equity (Continued)**

**7. Compensated Absences**

The vacation policy of the Town provides that earned vacation may be accumulated up to a maximum of 40 vacation days. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary related payments are recorded as the vacation is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year had been designated as a current liability in the government-wide financial statements.

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

**8. Long Term Obligations**

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

**9. Net Assets/ Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Care of Hinshaw Gardens – portion of fund balance that is restricted for the maintenance of Hinshaw Gardens.

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

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

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

**E. Assets, Liabilities, and Fund Equity (Continued)**

**9. Net Assets/ Fund Balances (Continued)**

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

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

**Assigned Fund Balance** - portion of fund balance that the Town intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already in restricted or committed. The governing body approves the appropriation.

**Unassigned Fund Balance** – portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

**Note 2. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

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

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

**Note 2. Detail Notes on All Funds (Continued)**

**A. Assets (Continued)**

**1. Deposits (continued)**

The Town and the Tourism Authority have no 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 Town and the Tourism Authority comply with the provisions of G. S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2011, the Town's deposits had a carrying amount of \$2,666,116 and a bank balance of \$2,836,204. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2011, the Town's petty cash fund totals \$48.

At June 30, 2011, the Tourism Authority's deposits had a carrying amount and a bank balance of \$36,311. The entire balance was covered by federal depository insurance.

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

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

General Fund - taxes receivable	\$ 25,474
Enterprise Fund - accounts receivable	<u>1,500</u>
	<u>\$ 26,974</u>

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

**Note 2. Detail Notes on All Funds (Continued)**

**A. Assets (Continued)**

**3. Capital Assets**

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

<u>Governmental Activities:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 1,110,231	\$ -	\$ -	\$ 1,110,231
Total capital assets not being depreciated	<u>1,110,231</u>	<u>-</u>	<u>-</u>	<u>1,110,231</u>
Capital assets being depreciated:				
Buildings	1,559,882	-	-	1,559,882
Other improvements	773,637	-	-	773,637
Automotive equipment	563,147	57,915	-	621,062
Other equipment	556,570	2,995	-	559,565
Infrastructure	<u>318,709</u>	<u>28,000</u>	<u>-</u>	<u>346,709</u>
	<u>3,771,945</u>	<u>88,910</u>	<u>-</u>	<u>3,860,855</u>
Less accumulated depreciation for:				
Buildings	343,148	31,592	-	374,740
Other improvements	86,425	32,937	-	119,362
Automotive equipment	424,889	51,238	-	476,127
Other equipment	441,687	19,293	-	460,980
Infrastructure	<u>10,964</u>	<u>6,934</u>	<u>-</u>	<u>17,898</u>
	<u>1,307,113</u>	<u>\$ 141,994</u>	<u>\$ -</u>	<u>1,449,107</u>
Capital assets being depreciated, net	<u>2,464,832</u>			<u>2,411,748</u>
Governmental activity capital assets, net	<u>\$ 3,575,063</u>			<u>\$ 3,521,979</u>

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

General government	\$ 25,978
Public safety	66,268
Transportation	17,145
Cultural and recreation	<u>32,603</u>
	<u>\$ 141,994</u>

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

**Note 2. Detail Notes on All Funds (Continued)**

**A. Assets (Continued)**

**3. Capital Assets (Continued)**

<u>Business Type Activities:</u> <u>Water and Sewer Fund</u>	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Capital assets not being depreciated:				
Land	\$ 1,003,196	\$ -	\$ -	\$ 1,003,196
Construction in progress	<u>70,969</u>	<u>7,076</u>	<u>-</u>	<u>78,045</u>
Capital assets not being depreciated	<u>1,074,165</u>	<u>7,076</u>	<u>-</u>	<u>1,081,241</u>
Capital assets being depreciated:				
Water and sewer system	20,475,790	59,000	-	20,534,790
Other equipment	2,158,614	30,287	-	2,188,901
Automotive equipment	<u>174,517</u>	<u>19,539</u>	<u>28,979</u>	<u>165,077</u>
Total assets being depreciated	<u>22,808,921</u>	<u>108,826</u>	<u>28,979</u>	<u>22,888,768</u>
Less accumulated depreciation for:				
Water and sewer system	7,544,480	522,963	-	8,067,443
Other equipment	1,878,393	53,080	-	1,931,473
Automotive equipment	<u>151,141</u>	<u>8,632</u>	<u>28,979</u>	<u>130,794</u>
	<u>9,574,014</u>	<u>\$ 584,675</u>	<u>\$ 28,979</u>	<u>10,129,710</u>
Capital assets being depreciated, net	<u>13,234,907</u>			<u>12,759,058</u>
Business type activity capital assets, net	<u>\$ 14,309,072</u>			<u>\$ 13,840,299</u>

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

**Note 2. Detail Notes on All Funds (Continued)**

**B. Liabilities**

**1. Pension Plan Obligations**

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

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

**Funding Policy.** Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.44% and 6.41%, respectively, of annual covered payroll. The contribution requirements of members and of the Town are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2011, 2010 and 2009 were \$97,496, \$74,614, and \$73,429, respectively. The contributions made by the Town equaled the required contributions for each year.

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

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance.

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

**Note 2. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**b. Law Enforcement Officers' Special Separation Allowance (Continued)**

At June 30, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>12</u>
Total	<u><u>12</u></u>

A separate report was not issued for the plan.

**2. Summary of Significant Accounting Policies**

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

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

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

The Town has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

**Plan Description.** The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to employees not engaged in law enforcement and law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers.

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

**Note 2. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**c. Supplemental Retirement Income Plan for Law Enforcement Officers (Continued)**

That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410 or by calling (919) 981-5454.

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary. The town has also elected to contribute an amount equal to five percent of each employee's salary who are not engaged in law enforcement. All amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Voluntary contributions from employees amounted to \$54,018 for the year ended June 30, 2011. The Town's required contributions for the year ended June 30, 2011 were \$51,652 for employees not engaged in law enforcement and \$24,157 for law enforcement officers.

**2. Other Employment Benefits**

The Town 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 may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment and the other benefit amount. The Town considers these contributions to be immaterial.

**3. Deferred Revenues**

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

	<u>Deferred Revenue</u>
Taxes receivable (general fund)	<u>\$ 84,192</u>

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

**Note 2. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**4. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has property, general liability, auto liability, worker's compensation and employee health coverages. There have been no significant reductions in insurance coverage in the prior year, and settled claims from these risks have not exceeded the commercial coverage in any of the past three fiscal years.

The Town and the Yadkinville Tourism Authority do not carry flood insurance as the Town limits and the Yadkinville Tourism Authority are not in a designated flood area. In accordance with G.S. 159-29, the Town and the Yadkinville Tourism Authority's employees that have access to \$100 or more at any given time of the Town and the Yadkinville Tourism Authority's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond of \$100,000.

**5. Changes in Long-Term Obligations**

During the year ended June 30, 2011, the following changes occurred in long-term liabilities:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Current Portion of Balance
<u>Governmental activities</u>					
Compensated absences	\$ 75,171	\$ 6,059	\$ -	\$ 81,230	\$ 47,914
Installment purchase agreement	<u>653,333</u>	<u>-</u>	<u>46,667</u>	<u>606,666</u>	<u>46,667</u>
	728,504	6,059	46,667	687,896	94,581
<u>Business-type activities</u>					
Compensated absences	<u>67,926</u>	<u>2,634</u>	<u>-</u>	<u>70,560</u>	<u>41,365</u>
Total long-term obligations	<u>\$ 796,430</u>	<u>\$ 8,693</u>	<u>\$ 46,667</u>	<u>\$ 758,456</u>	<u>\$ 135,946</u>

In January, 2009, the Town entered into an installment purchase agreement in the amount of \$700,000 to finance the construction of a park.. This financing agreement requires semi-annual principal payments of \$23,333 plus interest at 3.79% per annum. .

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

**Note 2. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**5. Changes in Long-Term Obligations (Continued)**

Annual debt service requirements to maturity of the installment purchase agreement are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 46,667	\$ 22,551
2013	46,667	20,782
2014	46,667	19,013
2015	46,667	17,245
2016	46,667	15,476
2017-2021	233,333	50,849
2022-2024	<u>139,998</u>	<u>9,285</u>
	<u>\$ 606,666</u>	<u>\$ 155,201</u>

The Town had a legal debt margin of \$17,868,816 at June 30, 2011.

**C. Interfund Balances and Activity**

Balances due to/from other funds as of June 30, 2011 consist of the following:

Due to the General Fund from

Water & Sewer Reservoir Capital Project Fund \$ 1,328

The amount due consists of a duplicate reimbursement of advances made by the General Fund by the Capital Project Fund for operating needs of the Special Revenue Fund.

Transfers to/from other funds during the year were as follows:

<u>Transfer from</u>	<u>Amount</u>	<u>Transfer to</u>	<u>Amount</u>
Water and Sewer Fund	\$ 150,000	General Fund	\$ 150,000
Trust Fund	<u>6,323</u>	General Fund	<u>6,323</u>
	<u>\$ 156,323</u>		<u>\$ 156,323</u>

During the 2011 fiscal year, the Town made transfers amounting to \$150,000 from the Water and Sewer Fund to the General Fund for unreimbursed administrative expenses and \$6,323 from the Trust Fund to the General Fund for the expenses of Hinshaw Gardens.

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

**Note 3. Joint Venture and Jointly Governed Organization**

**Joint Venture.** The Town of Yadkinville, City of Winston-Salem, Village of Clemmons, Town of Kernersville, Town of Lewisville, Town of Oak Ridge and Town of Bermuda Run jointly appoint the nine member Triad Municipal Alcoholic Beverage Control Board, which operates 15 liquor stores in Yadkin County, Forsyth County, Davie County and Guilford County. North Carolina General Statute 18B-805 requires the Triad Municipal Alcoholic Beverage Control Board to distribute its net income to the seven municipalities who appoint the Board and to Forsyth County. During fiscal year 2011, the Town of Yadkinville received \$39,246 distributed net income. The participating governments do not have equity interest in the joint venture. The Town of Yadkinville does not have financial responsibility for the Triad Board and is not held responsible for its debts. Audited financial statements for the Triad Municipal Alcoholic Beverage Control Board are available through their administrative offices at 3127 Starlight Drive, Winston-Salem, North Carolina 27107-4141.

**Jointly Governed Organization.** The Town, in conjunction with six counties and twenty other municipalities established the Northwest Piedmont Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$932 to the Council during the fiscal year ended June 30, 2011.

**Note 4. Reconciliation of Powell Bill Expenditures**

Per financial statements	\$ 65,866
Deduct accounts payable as of June 30, 2011	(253)
Add accounts payable as of June 30, 2010	<u>113</u>
Per Powell Bill report	<u>\$ 65,726</u>

**Note 5. Trust Fund**

The Town has received contributions from an individual and has assumed responsibility for the maintenance of Hinshaw Gardens, a park within the Town limits. The Town has included this endowment in a trust fund and will use the income from these contributions to assist in the maintenance of the park.

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

**Note 6. Summary of Significant Contingencies**

**Indemnification Agreement**

The Town has entered into a Performance Agreement with a local business and the Rural Economic Development Center, Inc. (Center). The Center has committed \$1,000,000 in grant funds to be expended by the Town on water and sewer improvements for the benefit of the business. The agreement requires the business to provide a specified minimum number of jobs within certain time limits or the grant or a portion thereof, as specified in the agreement, is to be repaid to the Center by the business.

The Town has also entered into a separate Indemnification Agreement with the business whereby it has agreed to indemnify the business of its obligation to repay the Center should the business not meet the terms of the Performance Agreement. The Town has agreed to reimburse the Center all sums that may be due under the terms of the performance agreement, and to indemnify and hold the business harmless against any and all liabilities, costs and expenses including reasonable attorney fees under the agreement.

**Federal and State Assisted Programs**

The Town has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under 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 moneys.

**INDIVIDUAL FUND  
FINANCIAL STATEMENTS SECTION**

**TOWN OF YADKINVILLE, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Current year, net of discounts	\$	\$ 886,942	\$
Prior years		34,715	
Penalties and interest		7,811	
Total	916,263	929,468	13,205
Other taxes - room occupancy tax	25,000	12,828	(12,172)
Unrestricted intergovernmental:			
Local option sales taxes		256,602	
Hold harmless payment		44,838	
Telecommunications sales tax		37,202	
Utility franchise tax		386,678	
Piped natural gas tax		3,650	
Video franchise fee		19,106	
Solid waste disposal		1,876	
Beer and wine tax		12,341	
ABC profit distribution		39,246	
Tax refunds		24,818	
Total	825,397	826,357	960
Restricted intergovernmental:			
Powell Bill allocation		82,409	
Controlled substance tax		81	
Federal drug monies		17,034	
Total	95,865	99,524	3,659
Permits and fees:			
Building permits		946	
Privelege license		525	
Total	2,000	1,471	(529)
Investment earnings	5,000	8,045	3,045
Other revenues:			
Parking violations		1,825	
Cablevision fees		2,670	
Court costs		780	
Rents		2,250	
Sale of property		12,310	
Donations		10,020	
Miscellaneous		3,663	
Total	28,634	33,518	4,884
Total revenues	1,898,159	1,911,211	13,052

(continued)

**TOWN OF YADKINVILLE, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries		20,700	
Employee benefits		1,584	
Telephone and postage		1,332	
Printing		915	
Miscellaneous		6,158	
	<u>37,460</u>	<u>30,689</u>	<u>6,771</u>
Administration:			
Salaries		198,595	
Employee benefits		71,858	
Professional services		32,192	
Training		4,241	
Telephone and postage		7,181	
Printing		1,014	
Travel		1,266	
Maintenance and repairs		3,607	
Safety		189	
Advertising		1,170	
Auto supplies		2,690	
Insurance and bonds		43,363	
Supplies and materials		2,876	
Contract services		9,992	
Dues and subscriptions		4,414	
Other departmental expense		294	
Capital outlay		378	
	<u>416,915</u>	<u>385,320</u>	<u>31,595</u>
Planning and zoning:			
Fees		969	
Professional services		3,806	
Training		200	
Advertising		235	
Supplies and materials		143	
Miscellaneous		3	
	<u>8,496</u>	<u>5,356</u>	<u>3,140</u>

(continued)

**TOWN OF YADKINVILLE, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budget	Actual	Variance Positive (Negative)
Public buildings:			
Utilities		11,890	
Maintenance and repairs		17,662	
Supplies and materials		922	
Contract services		5,420	
Miscellaneous		600	
Capital outlay		226	
		<u>          </u>	
Total	40,150	36,720	3,430
Special appropriations:			
Sales taxes		7,397	
Yadkin County Tourism Authority		12,828	
		<u>          </u>	
Total	35,215	20,225	14,990
Total general government	538,236	478,310	59,926
Public Safety - Police:			
Salaries		536,713	
Employee benefits		187,738	
Professional services		321	
Telephone and postage		13,458	
Printing		516	
Utilities		7,683	
Maintenance and repairs		18,707	
OSHA safety		64	
Advertising		120	
Automotive supplies		40,509	
Supplies and materials		6,209	
Uniforms		3,029	
Contracted services		13,024	
K-9 care		815	
Drug buy money		1,000	
Miscellaneous		2,308	
Capital outlay		64,330	
		<u>          </u>	
Total public safety	906,816	896,544	10,272
Transportation - Garage:			
Utilities		6,290	
Telephone		3,193	
Maintenance and repair		1,307	
Supplies and materials		1,009	
Contracted services		7,339	
Miscellaneous		250	
		<u>          </u>	
Total	21,250	19,388	1,862

(continued)

**TOWN OF YADKINVILLE, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budget	Actual	Variance Positive (Negative)
Transportation - Streets and highways:			
Salaries		72,998	
Employee benefits		27,609	
Professional services		437	
Training		300	
Telephone and postage		404	
Utilities		34,861	
Maintenance and repairs		5,738	
OSHA safety		724	
Automotive supplies		8,432	
Supplies and materials		2,887	
Uniforms		1,167	
Contracted services		4,641	
Miscellaneous		537	
Capital outlay		751	
Total	<u>167,388</u>	<u>161,486</u>	<u>5,902</u>
Transportation - Powell Bill:			
Professional services		550	
Maintenance and repairs		8672	
Automotive supplies		7,165	
Supplies and materials		2,623	
Paving and resurfacing		46,606	
Miscellaneous		250	
Total	<u>82,000</u>	<u>65,866</u>	<u>16,134</u>
Total transportation	<u>270,638</u>	<u>246,740</u>	<u>23,898</u>
Environmental protection:			
Sanitation:			
Maintenance and repairs		65	
Automotive supplies		244	
Supplies and materials		140	
Contracted services		193,524	
Tipping fees		2,561	
Total environmental protection	<u>199,374</u>	<u>196,534</u>	<u>2,840</u>
Cultural and recreation:			
Town park:			
Salaries		15,162	
Employee benefits		6,304	
Professional services		80	
Utilities		4,272	
Maintenance and repairs		11,878	
Supplies and materials		744	
Contracted services		7,885	
Park events		1,703	
Insurance		113	
Miscellaneous		955	
Capital outlay		7,919	
Total	<u>59,816</u>	<u>57,015</u>	<u>2,801</u>

(continued)

**TOWN OF YADKINVILLE, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budget	Actual	Variance Positive (Negative)
Hinshaw Gardens:			
Salaries		2,880	
Employee benefits		220	
Utilities		185	
Maintenance and repairs		1,963	
Supplies and materials		890	
Insurance		113	
Miscellaneous		72	
Total	<u>7,880</u>	<u>6,323</u>	<u>1,557</u>
Special appropriations:			
Yadkin County Library		2,500	
Yadkin County Arts Council		2,500	
Yadkin County YMCA		2,000	
Sports club		2,500	
Downtown Association		3,620	
Total	<u>13,520</u>	<u>13,120</u>	<u>400</u>
Total cultural and recreation	<u>81,216</u>	<u>76,458</u>	<u>4,758</u>
Debt Service:			
Principal retirement		24,319	
Interest and other charges		46,667	
	<u>71,335</u>	<u>70,986</u>	<u>349</u>
Total expenditures	<u>2,067,615</u>	<u>1,965,572</u>	<u>102,043</u>
Revenues over (under) expenditures	<u>(169,456)</u>	<u>(54,361)</u>	<u>115,095</u>
Other financing sources:			
Transfers from Trust Fund	7,880	6,323	(1,557)
Transfer from Water & Sewer Fund	150,000	150,000	-
Fund balance appropriated	<u>11,576</u>		<u>(11,576)</u>
Total other financing sources	<u>169,456</u>	<u>156,323</u>	<u>(13,133)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>101,962</u>	<u>\$ 101,962</u>
Fund balances, beginning		<u>1,664,036</u>	
Fund balances, ending		<u>\$ 1,765,998</u>	

**TOWN OF YADKINVILLE, NORTH CAROLINA  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011**

	<b>Hinshaw Gardens Fund</b>	<b>Total Nonmajor Governmental Funds</b>
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash and cash equalivants	\$ 98,465	\$ 98,465
	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 98,465</u>	<u>\$ 98,465</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Due to General Fund	\$ 467	\$ 467
Fund Balances	<u>97,998</u>	<u>97,998</u>
	<u>\$ 98,465</u>	<u>\$ 98,465</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011**

	<b>Hinshaw Gardens Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>		
Investment earnings	\$ 747	\$ 747
Total revenues	747	747
<b>EXPENDITURES</b>		
Professional services	-	-
Park construction	-	-
Capital outlay - equipment	-	-
Total expenditures	-	-
Revenues over (under) expenditures	747	747
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfer (to) from General Fund	(6,323)	(6,323)
Total other financing sources (uses)	(6,323)	(6,323)
Net change in fund balances	(5,576)	(5,576)
Fund balances, beginning	103,574	103,574
Fund balances, ending	\$ 97,998	\$ 97,998

**TOWN OF YADKINVILLE, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues:</b>			
Operating revenues:			
Water and sewer charges	\$	\$ 2,071,180	\$
Water and sewer taps		11,850	
Water reconnection fees and penalties		42,996	
Tax refunds		10,689	
Sale of materials		3,188	
Miscellaneous		811	
Total operating revenues	<u>2,033,052</u>	<u>2,140,714</u>	<u>107,662</u>
Nonoperating revenues:			
Interest earnings	<u>2,500</u>	<u>1,472</u>	
Total nonoperating revenues	<u>2,500</u>	<u>1,472</u>	<u>(1,028)</u>
Total revenues	<u>2,035,552</u>	<u>2,142,186</u>	<u>106,634</u>
<b>Expenditures:</b>			
Administration:			
Salaries		125,317	
Employee benefits		51,056	
Training		300	
Telephone and postage		8,127	
Printing		572	
Travel		12	
Maintenance and repairs		2,806	
OSHA safety		138	
Automotive supplies		2,882	
Supplies and materials		3,479	
Uniforms		451	
Contracted services		4,509	
Sales tax		-	15,124
Insurance		-	33,169
Other expense		-	269
Total administration	<u>266,026</u>	<u>248,211</u>	<u>17,815</u>

(continued)

**TOWN OF YADKINVILLE, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Water plant:			
Salaries		156,675	
Employee benefits		57,213	
Professional services		7,894	
Employee training		67	
Telephone and postage		2,442	
Printing		104	
Utilities		75,817	
Travel		6	
Maintenance and repairs		17,514	
OSHA safety		532	
Automotive supplies		3,960	
Supplies and materials		6,294	
Other supplies - chemicals		45,772	
Uniforms		1,659	
Contracted services		17,263	
Permits		3,187	
Insurance		3,496	
Miscellaneous		17,713	
Total water plant	<u>427,513</u>	<u>417,608</u>	<u>9,905</u>
Sewer plant:			
Salaries		95,856	
Employee benefits		35,193	
Professional services		3,062	
Employee training		808	
Telephone and postage		1,713	
Utilities		77,434	
Travel		468	
Maintenance and repairs		28,981	
OSHA safety		346	
Automotive supplies		3,585	
Supplies and materials		2,276	
Other supplies - chemicals		21,654	
Uniforms		1,127	
Contracted services		49,362	
Permits		4,435	
Miscellaneous		1,677	
Total sewer plant	<u>343,593</u>	<u>327,977</u>	<u>15,616</u>

(continued)

**TOWN OF YADKINVILLE, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Laboratory:			
Salaries		60,942	
Employee benefits		21,773	
Professional services		1,094	
Employee training		254	
Telephone and postage		66	
Travel		48	
Maintenance and repairs		1,291	
OSHA safety		113	
Automotive supplies		923	
Supplies and materials		6,411	
Other supplies - chemicals		2,828	
Uniforms		871	
Contracted services		2,062	
Dues and subscriptions		363	
Permits		1,380	
Miscellaneous		798	
Total laboratory	<u>111,320</u>	<u>101,217</u>	<u>10,103</u>
Water/sewer operations:			
Salaries		279,035	
Employee benefits		104,451	
Employee training		1,983	
Telephone and postage		4,440	
Utilities		20,260	
Travel		431	
Maintenance and repairs		47,795	
OSHA safety		1,876	
Automotive supplies		17,609	
Supplies and materials		29,443	
Uniforms		3,302	
Contracted services		35,024	
Permits		2,192	
Miscellaneous		4,024	
Total water/sewer operations	<u>586,644</u>	<u>551,865</u>	<u>34,779</u>
Capital outlay	<u>138,006</u>	<u>81,826</u>	<u>56,180</u>
Total expenditures	<u>1,873,102</u>	<u>1,728,704</u>	<u>144,398</u>
Revenue over (under) expenditures	<u>162,450</u>	<u>413,482</u>	<u>251,032</u>

(continued)

**TOWN OF YADKINVILLE, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfers to General Fund	(150,000)	(150,000)	-
Fund Balance appropriated	(12,450)	-	12,450
Total other financing sources (uses)	<u>(162,450)</u>	<u>(150,000)</u>	<u>12,450</u>
Revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 263,482</u>	<u>\$ 263,482</u>

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

Revenues and other financing sources over expenditures	\$ 263,482
Reconciling items:	
Capital outlay	81,826
Depreciation	(584,675)
Increase in accounts receivable, net of allowance for doubtful accounts	26,749
Increase in inventory	9,137
Increase in compensated absences	(2,634)
Capital contributions	27,000
Total reconciling items	<u>(442,597)</u>
Decrease in net assets	<u>\$ (179,115)</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**WATER AND SEWER FUND CAPITAL PROJECT FUND - RESERVOIR PROJECT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR YEAR ENDED JUNE 30, 2011**

	<u>Project Autho- rization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
<b>RESERVOIR AND WATER LINE EXTENSION</b>					
<b>REVENUES</b>					
CDBG grant	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
ARC grant	200,000	200,000	-	200,000	-
Rural Center Grant	1,000,000	762,423	-	762,423	237,577
Total revenues	<u>2,200,000</u>	<u>1,962,423</u>	<u>-</u>	<u>1,962,423</u>	<u>237,577</u>
<b>EXPENDITURES</b>					
Professional services	402,000	393,147	6,821	399,968	2,032
Water lines	938,675	490,984	-	490,984	447,691
Reservoir	998,550	1,307,918	255	1,308,173	(309,623)
Total expenditures	<u>2,339,225</u>	<u>2,192,049</u>	<u>7,076</u>	<u>2,199,125</u>	<u>140,100</u>
Revenue over (under) Expenditures	(139,225)	(229,626)	(7,076)	(236,702)	(97,477)
<b>OTHER FINANCING SOURCES</b>					
Transfers from Water and Sewer Fund	139,225	313,708	-	313,708	174,483
Total Revenues and other financing sources over (under) expenditures	<u>-</u>	<u>\$ 84,082</u>	<u>(7,076)</u>	<u>\$ 77,006</u>	<u>\$ 77,006</u>
Fund balance, beginning			<u>84,082</u>		
Fund balance, ending			<u>\$ 77,006</u>		

**OTHER SCHEDULES**

**TOWN OF YADKINVILLE, NORTH CAROLINA  
 COMPONENT UNIT - YADKINVILLE TOURISM DEVELOPMENT AUTHORITY  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Occupancy tax	\$ 26,000	\$ 12,828	\$ (13,172)
Wine events	-	1,949	1,949
Interest income	750	-	(750)
Total revenues	26,750	14,777	(11,973)
 Expenditures:			
Administration	4,084	4,905	(821)
Travel and tourism promotion	33,507	7,152	26,355
Tourism related programs	14,199	220	13,979
Total expenditures	51,790	12,277	39,513
 Revenues over (under) expenditures	(25,040)	2,500	27,540
 Other financing sources (uses)			
Fund balance appropriated	25,040	-	(25,040)
 Total other financing sources (uses)	25,040	-	(25,040)
 Net change in fund balances	\$ -	2,500	\$ 2,500
 Fund balance, beginning		43,209	
Fund balance, ending		\$ 45,709	

**TOWN OF YADKINVILLE, NORTH CAROLINA  
SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2011**

<u>Fiscal Year</u>	Uncollected Balance <u>June 30, 2010</u>	Additions	Collections And Credits	Uncollected Balance <u>June 30, 2011</u>
2010-2011	\$	\$ 945,486	892,198	\$ 53,288
2009-2010	47,518		27,485	20,033
2008-2009	16,137		4,635	11,502
2007-2008	7,387		2,840	4,547
2006-2007	3,549		248	3,301
2005-2006	3,517		171	3,346
2004-2005	3,651		64	3,587
2003-2004	3,210		108	3,102
2002-2003	3,370		69	3,301
2001-2002	3,721		62	3,659
2000-2001	3,861		3,861	-
	<u>\$ 95,921</u>	<u>\$ 945,486</u>	<u>\$ 931,741</u>	<u>109,666</u>

Less: allowance for uncollectible accounts:

General Fund	<u>25,474</u>
--------------	---------------

Ad valorem taxes receivable - net	<u>\$ 84,192</u>
-----------------------------------	------------------

**Reconcilement with revenues:**

Ad valorem taxes - General Fund	\$ 929,468
---------------------------------	------------

Reconciling items:

Interest collected	(7,811)
--------------------	---------

Discounts and collection fees	5,385
-------------------------------	-------

Adjustments to taxes	933
----------------------	-----

Taxes written off	<u>3,766</u>
-------------------	--------------

Total collections and credits	<u>\$ 931,741</u>
-------------------------------	-------------------

**TOWN OF YADKINVILLE NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
TOWN-WIDE LEVY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 222,656,508	\$ 0.0041	\$ 912,902	\$ 872,694	\$ 40,208
Motor vehicles taxed at prior year's rate	6,150,559	0.0037	22,757	-	22,757
Penalty			378	378	-
	<u>228,807,067</u>		<u>936,037</u>	<u>873,072</u>	<u>62,965</u>
Discoveries:					
Current year taxes	3,438,263		14,928	14,172	756
Abatements	<u>(1,301,796)</u>		<u>(5,479)</u>	<u>(3,771)</u>	<u>(1,708)</u>
Total property valuation	<u>\$ 230,943,534</u>				
Net levy			945,486	883,473	62,013
Uncollected taxes at June 30, 2011			<u>(53,288)</u>	<u>(41,671)</u>	<u>(11,617)</u>
Current year's taxes collected			<u>\$ 892,198</u>	<u>\$ 841,802</u>	<u>\$ 50,396</u>
Current levy collection percentage			<u>94.36%</u>	<u>95.28%</u>	<u>81.27%</u>