

TOWN OF DOBSON
NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2011

TOWN OF DOBSON
NORTH CAROLINA

TOWN COUNCIL MEMBERS

Ricky K. Draughn, Mayor
J. Wayne Atkins
Lana W. Brendle
Todd C. Dockery
John D. Lawson
Dr. Gerri P. Martin

OFFICIALS

Josh C. Smith
Tom C. Hart
Ricky K. Draughn
Hugh B. Campbell

Town Manager
Asst. Town Manager/Finance Officer
Fire Chief
Attorney

TOWN OF DOBSON
NORTH CAROLINA

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NORTH CAROLINA ASSOCIATION OF
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board
of Commissioners
Town of Dobson, 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 funds information of the Town of Dobson, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Dobson's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Town of Dobson ABC Board. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Dobson ABC Board, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Dobson ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the 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 Dobson, North Carolina, as of June 30, 2011, and the respective changes in financial position and the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2011, on our consideration of the Town of Dobson's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

Management's Discussion and Analysis on pages 6 through 15 and the Other Postemployment Benefits Schedule of Funding Progress and Employer Contributions on page 59 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Dobson, North Carolina. The combining and individual fund financial statements, budgetary schedules, and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Certified Public Accountant

November 11, 2011

Management's Discussion and Analysis

As management of the Town of Dobson, we offer readers of the Town of Dobson's financial statements this narrative overview and analysis of the financial activities of the Town of Dobson 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

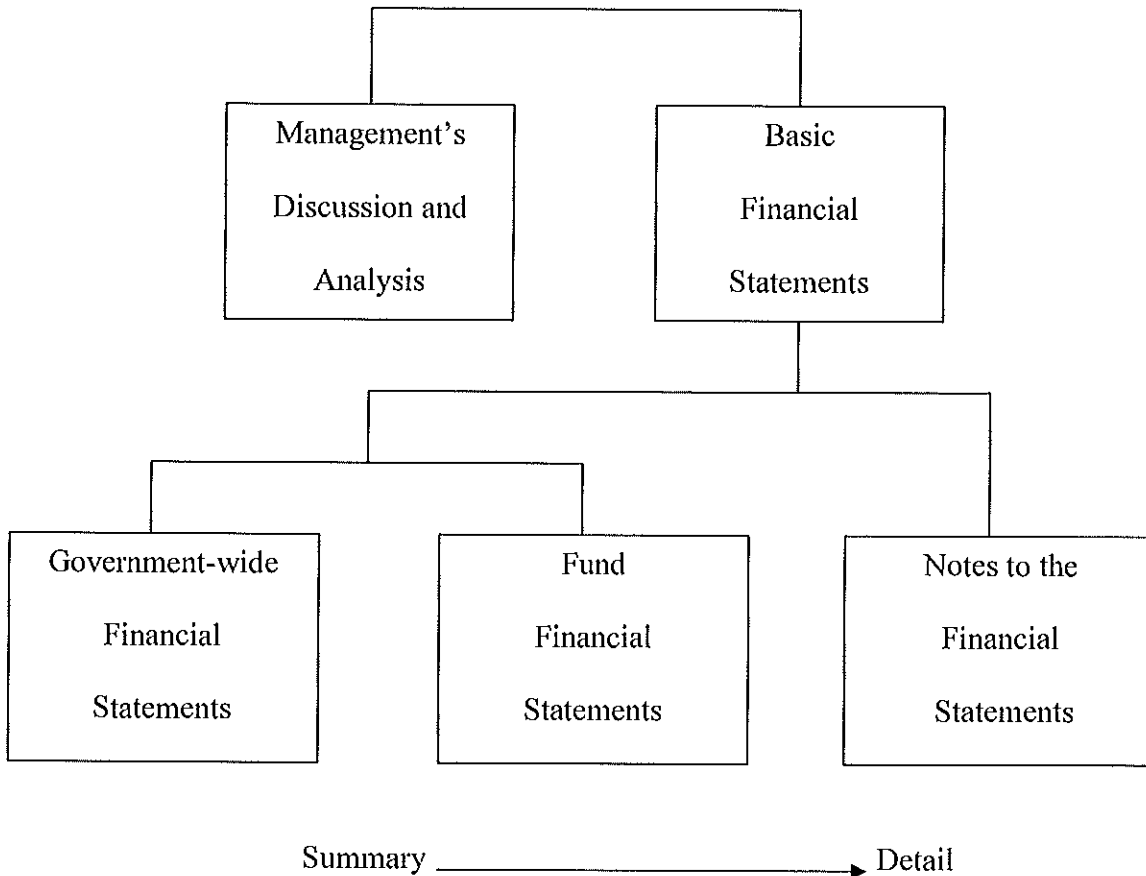
- The assets of the Town of Dobson exceeded its liabilities at the close of the fiscal year by \$6,758,086 (*net assets*).
- The government's total net assets *increased by* \$860,310, primarily due to the water/sewer fund capital contributions from grants and Surry County for capital projects as compared to the prior year.
- As of the close of the current fiscal year, the Town of Dobson's governmental funds reported combined ending fund balances of \$1,196,657 an increase of \$62,255 in comparison with the prior year. Approximately 88 percent of this total amount, or \$1,047,195, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, *unassigned* fund balance for the General Fund was \$1,047,195 or 89 percent of total general fund expenditures for the fiscal year.
- Debt for the Town decreased by \$10,531 in this fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Dobson'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 Dobson.

Required Components of Annual Financial Report

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's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Dobson. The final category is the component units. Although legally separate from the Town, the ABC Board is an important part of the Town because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town. The Town exercises no control over the Tourism Authority's board.

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

Fund Financial Statements

The fund financial statements (see Figure 2) 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 Dobson, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Dobson 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 Dobson 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 – Town of Dobson has one proprietary fund. *Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Dobson uses enterprise funds to account for its water and sewer activity. This fund is 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 28-58 of this report.

Government-Wide Financial Analysis

The Town of Dobson's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 1,259,946	\$ 1,172,072	\$ 813,295	\$ 710,760	\$ 2,073,241	\$ 1,882,832
Capital assets	1,189,004	1,248,047	5,650,104	4,887,228	6,839,108	6,135,275
Total assets	2,448,950	2,420,119	6,463,399	5,597,988	8,912,349	8,018,107
Long-term liabilities outstanding	359,642	315,565	1,674,212	1,728,770	2,033,854	2,044,335
Other liabilities	44,470	19,704	75,940	56,292	120,410	75,996
Total liabilities	404,112	335,269	1,750,152	1,785,062	2,154,264	2,120,331
Net assets:						
Invested in capital assets, net of related debt	924,043	962,324	4,035,266	3,171,420	4,959,309	4,133,744
Restricted	149,462	45,241			149,462	45,241
Unrestricted	971,333	1,077,285	677,981	641,506	1,649,314	1,718,791
Total net assets	\$ 2,044,838	\$ 2,084,850	\$ 4,713,248	\$ 3,812,926	\$ 6,758,086	\$ 5,897,776

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 Dobson exceeded liabilities by \$6,758,086 as of June 30, 2011. The Town net assets increased by \$860,310 for the fiscal year ended June 30, 2011. However, the largest portion (73%) 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 Dobson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Dobson'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 Dobson's net assets \$149,462 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,649,314 (29%) 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 98.00%, which is comparable to the statewide average of 97.07%.
- Capital contribution for capital outlay projects amounted to \$754,740.
- Water/Sewer fees increased from prior year.
- Major expenditures in water/sewer will be less during the next fiscal year.

Town of Dobson Changes in Net Assets
Figure 3

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	Total	Total
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 21,324	\$ 19,385	\$ 909,950	\$ 792,475	\$ 931,274	\$ 811,860
Operating grants and contributions	231,154	155,328	324,193	177,545	555,347	332,873
Capital grants and contributions			754,740			
General revenues:						
Property taxes	485,015	483,544			485,015	483,544
Other taxes	1,460	2,404			1,460	2,404
Grants and contributions not restricted to specific programs	466,461	462,010			466,461	462,010
Other	36,643	44,169	23,094	15,814	59,737	59,983
Total revenues	1,242,057	1,166,840	2,011,977	985,834	2,499,294	2,152,674
Expenses:						
General government	284,485	247,132			284,485	247,132
Public safety	586,146	470,865			586,146	470,865
Transportation	178,383	151,615			178,383	151,615
Environmental Protection	86,782	94,277			86,782	94,277
Economic development	102,390	105,418			102,390	105,418
Culture and recreation	32,155	38,674			32,155	38,674
Interest on long-term debt	11,728	12,159			11,728	12,159
Water and sewer			1,111,656	1,038,937	1,111,656	1,038,937
Total expenses	1,282,069	1,120,140	1,111,656	1,038,937	2,393,725	2,159,077
Increase in net assets before transfers	(40,012)	46,700	900,322	(53,103)	860,310	(6,403)
Transfers		(10,000)		10,000		
Increase in net assets	(40,012)	36,700	900,322	(43,103)	860,310	(6,403)
Net assets, July 1	2,084,850	2,048,150	3,812,926	3,856,029	5,897,776	5,904,179
Net assets, June 30	\$ 2,044,838	\$ 2,084,850	\$ 4,713,248	\$ 3,812,926	\$ 6,758,086	\$ 5,897,776

Governmental activities. Governmental activities decreased the Town's net assets by \$40,012 thereby accounting for (5 %) of the total growth in the net assets of the Town of Dobson. Key elements of this increase are as follows:

- Property taxes remained constant.
- Controlling cost during the fiscal year.
- Money for sidewalks received from the Town of Elkin in current year.

Business-type activities: Business-type activities increased the Town of Dobson's net assets by \$900,322, accounting for 105% of the total increase in the government's net assets. Key elements of this increase are as follows:

- Charges for water/sewer were up.
- Overall operating expenses were down
- Capital contributions were received this year.
- Increase in depreciation due to asset purchases.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Dobson'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 Dobson'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 Dobson. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,047,195, while total fund balance reached \$1,196,657. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 89 percent of total General Fund expenditures.

At June 30, 2011, the governmental funds of Town of Dobson reported a combined fund balance of \$1,196,657, a 5 percent increase over last year. Included in this change in fund balance are increases in fund balance in the General Fund.

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.

Revenues were less than the budgeted amounts primarily because some of expected restricted money was less than anticipated. However, expenditures were held in check to compensate for the lack of funding and the town was able to comply with its budgetary requirements.

Proprietary Funds. The Town of Dobson'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 \$677,981. The total increase in net assets for the fund was \$900,322. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Dobson's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Dobson's investment in capital assets for its governmental and business-type activities as of June 30, 2011, totals \$6,839,108 (net of accumulated depreciation). These assets include buildings, roads, land, machinery, equipment, vehicles, and construction in progress.

During the year, the 601-connector construction project continued construction costs. There were no major demolitions or disposals for the year.

Town of Dobson's Capital Assets

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 35,000	\$ 35,000	\$ 29,269	\$ 29,269	\$ 64,269	\$ 64,269
Buildings and systems	627,237	644,927	3,496,022	3,647,940	4,123,259	4,292,867
Improvements other than buildings						
Machinery and equipment	79,211	92,014	405,930	312,872	485,141	404,886
Infrastructure						
Vehicles and motorized equipment	447,555	476,106	93,218	24,938	540,773	501,044
Construction in progress			1,625,666	872,209	1,625,666	872,209
Total	\$ 1,189,004	\$ 1,248,048	\$ 5,650,104	\$ 4,887,228	\$ 6,839,108	\$ 6,135,275

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

Long-term Debt. As of June 30, 2011, the Town of Dobson had total bonded debt outstanding of \$410,288. Of this, \$1,369,961 is debt backed by the full faith and credit of the town. The remainder of the town's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

**Town of Dobson's Outstanding Debt
General Obligation and Revenue Bonds**

Figure 5

	Governmental Activities 2011	Governmental Activities 2010	Business-type Activities 2011	Business-type Activities 2010	Total 2011	Total 2010
General obligation bonds	\$ -	\$ -	\$ 209,000	\$ 229,000	\$ 209,000	\$ 229,000
Notes Payable	264,961	285,723	1,204,550	1,245,263	1,469,511	1,530,986
Revenue bonds	-	-	201,288	241,545	201,288	241,545
Total	\$ 264,961	\$ 285,723	\$ 1,614,838	\$ 1,715,808	\$ 1,879,799	\$ 2,001,531

The Town of Dobson's total debt decreased by \$121,732 during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Dobson is \$10,133,870.

Additional information regarding the Town of Dobson's long-term debt can be found in note II. B. 4 beginning on page 52-57 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- The Town continues to sell more water to Surry County, which increases utility revenues.
- The Town is working towards developing a Town park which will increase the quality of life for residents. Since there is a strong relationship between quality of life and economic development the Town expects this project to have a positive impact on economic development efforts.
- Several new businesses have located in town including a new bank branch and several sole proprietorships that have redeveloped vacant commercial space.
- The Town is involved in a lawsuit regarding a water interconnect with a neighboring municipality which is expected to be resolved in the fiscal year ending June 30, 2012.

Budget Highlights for the Fiscal Year Ending June 30, 2012

Governmental Activities: Property tax collection rate should remain steady at 98% with a slight growth in revenues due to several newly developed and redeveloped properties in town.

The Town continues to reduce budget expenditures through strict spending oversight and the adoption of policies intended to increase efficiencies.

Revenues are expected to increase due to several fee and penalty increases and through aggressive collection of various penalties and fees.

Business Activities: The Town agreements with Surry County to maintain County water lines provide the Town with 1.5 FTEs, approximately \$90,000 in capital costs, and several directly reimbursed expenses related to the County's water lines. This provides additional revenues and enables the Town to continue to offer competitive water rates to utility customers.

The Town's Capital Projects Fund will be completed this year bringing the new water lines and public works building associated with the project online.

Water rates have been increased in the fiscal year ending June 30, 2012 to provide additional revenues and fund several capital improvements to the Town's water plant.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Mayor, Ricky K. Draughn or the Town Finance Officer, Tom Hart, Post Office Box 351, Dobson, NC 27017, (336) 356-8962 or email address at customerservice@dobson-nc.com.

TOWN OF DOBSON, NORTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Town of Dobson Tourism Development Authority	Town of Dobson ABC Board
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,086,695	\$ 620,537	\$ 1,707,232	\$ 150,888	\$ 110,891
Taxes receivables (net)	13,579	-	13,579	-	-
Accrued interest receivable on taxes	5,240	-	5,240	-	-
Accounts receivable (net)	9,639	94,627	104,266	19,225	499
Due from other governments	59,912	19,820	79,732	-	-
Due from component units	4,785	-	4,785	-	-
Inventories	-	38,560	38,560	-	62,529
Prepaid items	-	-	-	-	6,112
Restricted cash and cash equivalents	80,096	39,751	119,847	-	-
Total current assets	\$ 1,259,946	\$ 813,295	\$ 2,073,241	\$ 170,113	\$ 180,032
Non-current assets:					
Capital assets (Note D):					
Land, non-depreciable improvements, and construction in progress	\$ 35,000	\$ 1,654,935	\$ 1,689,935	\$ -	\$ 4,500
Other capital assets, net of depreciation	1,154,004	3,995,170	5,149,174	-	21,776
Total capital assets	\$ 1,189,004	\$ 5,650,104	\$ 6,839,108	\$ -	\$ 26,276
Total non-current assets	\$ 1,189,004	\$ 5,650,104	\$ 6,839,108	\$ -	\$ 26,276
Total assets	\$ 2,448,950	\$ 6,463,399	\$ 8,912,349	\$ 170,113	\$ 206,308
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 39,501	\$ 36,189	\$ 75,690	\$ 678	\$ 44,854
Accrued interest payable	-	-	-	-	-
Customer deposits	-	39,751	39,751	-	-
Due to primary government	-	-	-	-	-
Due to other governments	-	-	-	-	-
Payable from restricted assets	4,969	-	4,969	-	-
Long-term liabilities:					
Due within one year	21,612	92,470	114,082	-	-
Due in more than one year	338,030	1,581,742	1,919,772	-	-
Total liabilities	\$ 404,112	\$ 1,750,152	\$ 2,154,264	\$ 678	\$ 44,854
NET ASSETS					
Invested in capital assets, net of related debt	\$ 924,043	\$ 4,035,266	\$ 4,959,309	\$ -	\$ 26,276
Restricted for:					
Capital projects	-	-	-	-	-
Stabilization by State Statute	74,335	-	74,335	19,225	-
Streets	75,127	-	75,127	-	-
Other Functions	-	-	-	-	14,835
Unrestricted	971,333	677,981	1,649,314	150,210	120,343
Total net assets	\$ 2,044,838	\$ 4,713,248	\$ 6,758,086	\$ 169,436	\$ 161,454

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 284,485	\$ 9,588	\$ -	\$ -
Public safety	586,146	1,536	19,090	-
Transportation	178,383	-	109,674	-
Economic and physical development	102,390	-	102,390	-
Environmental protection	86,782	-	-	-
Cultural and recreation	32,155	10,200	-	-
Interest on long-term debt	11,728	-	-	-
Total governmental activities (See Note I)	<u>1,282,069</u>	<u>21,324</u>	<u>231,154</u>	<u>-</u>
Business-type activities:				
Water and sewer	\$ 1,111,656	\$ 909,950	\$ 324,193	\$ 754,740
Total business-type activities	<u>\$ 1,111,656</u>	<u>\$ 909,950</u>	<u>\$ 324,193</u>	<u>\$ 754,740</u>
Total primary government	<u>\$ 2,393,725</u>	<u>\$ 931,274</u>	<u>\$ 555,347</u>	<u>\$ 754,740</u>
Component units:				
Town of Dobson TDA	\$ 66,346	\$ -	\$ -	\$ -
ABC Board	506,887	499,849	-	-
Total component units	<u>\$ 573,233</u>	<u>\$ 499,849</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes

Grants and contributions not restricted to specific programs

Payments from Town of Dobson

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

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-type Activities	Total	Town of Dobson Tourism Development Authority	Town of Dobson ABC Board
\$ (274,897)	\$ -	\$ (274,897)	\$ -	\$ -
(565,520)	-	(565,520)	-	-
(68,709)	-	(68,709)	-	-
-	-	-	-	-
(86,782)	-	(86,782)	-	-
(21,955)	-	(21,955)	-	-
(11,728)	-	(11,728)	-	-
<u>(1,029,591)</u>	<u>-</u>	<u>(1,029,591)</u>	<u>-</u>	<u>-</u>
\$ -	\$ 877,228	\$ 877,228	\$ -	\$ -
\$ -	\$ 877,228	\$ 877,228	\$ -	\$ -
\$ (1,029,591)	\$ 877,228	\$ (152,364)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ (66,346)	\$ -
-	-	-	-	(7,038)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (66,346)</u>	<u>\$ (7,038)</u>
\$ 485,015	\$ -	\$ 485,015	\$ -	\$ -
1,460	-	1,460	-	-
466,461	-	466,461	-	-
-	-	-	102,390	-
7,966	3,275	11,241	5	661
28,677	19,820	48,497	-	-
<u>989,579</u>	<u>23,094</u>	<u>1,012,673</u>	<u>102,395</u>	<u>661</u>
\$ 989,579	\$ 23,094	\$ 1,012,673	\$ 102,395	\$ 661
\$ (40,012)	\$ 900,322	\$ 860,310	\$ 36,049	\$ (6,377)
2,084,850	3,812,926	5,897,776	133,387	167,831
<u>\$ 2,044,838</u>	<u>\$ 4,713,248</u>	<u>\$ 6,758,086</u>	<u>\$ 169,436</u>	<u>\$ 161,454</u>

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

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

	<u>Major Funds</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
		<u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,086,695	\$ 1,086,695
Restricted cash	80,096	80,096
Receivables, net:		
Taxes	13,579	13,579
Accounts	9,639	9,639
Due from other governments	59,912	59,912
Due from component unit	4,785	4,785
Total assets	<u>\$ 1,254,706</u>	<u>\$ 1,254,706</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 44,470	\$ 44,470
Due to other funds	-	-
Deferred revenue	13,579	13,579
Unearned revenue	-	-
Total liabilities	<u>\$ 58,049</u>	<u>\$ 58,049</u>
Fund balances:		
Restricted:		
Stabilization by State Statute	\$ 74,335	\$ 74,335
Streets	75,127	75,127
Unassigned	1,047,195	1,047,195
Total fund balances	<u>\$ 1,196,657</u>	<u>\$ 1,196,657</u>
Total liabilities and fund balances	<u>\$ 1,254,706</u>	<u>\$ 1,254,706</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:		
Total Fund Balance, Governmental Funds		\$ 1,196,657
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 2,072,479	
Accumulated depreciation	<u>(883,475)</u>	1,189,004
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.		
		5,240
Liabilities for earned but deferred revenues in fund statements.		
		13,579
Some long term liabilities, including bonds payable, accrued interest, and other postemployment benefits are not due and payable in the current period and therefore are not reported in the funds.		
		<u>(359,642)</u>
Net assets of governmental activities		<u>\$ 2,044,838</u>

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

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

	<u>Major Funds</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
REVENUES		
Ad valorem taxes	\$ 484,162	\$ 484,162
Other taxes and licenses	1,460	1,460
Unrestricted intergovernmental	466,461	466,461
Restricted intergovernmental	231,078	231,078
Investment earnings	8,043	8,043
Miscellaneous	50,001	50,001
Total revenues	<u>\$ 1,241,204</u>	<u>\$ 1,241,204</u>
EXPENDITURES		
Current:		
General government	\$ 256,372	\$ 256,372
Public safety	494,022	494,022
Transportation	179,738	179,738
Environmental protection	86,782	86,782
Culture and recreation	27,155	27,155
Payments to Dobson Tourism Authority	102,390	102,390
Debt service:		
Principal	20,762	20,762
Interest and other charges	11,728	11,728
Total expenditures	<u>\$ 1,178,949</u>	<u>\$ 1,178,949</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 62,255</u>	<u>\$ 62,255</u>
OTHER FINANCING SOURCES (USES)		
Transfers from other funds	\$ -	\$ -
Transfers to other funds	-	-
Capital Contributions	-	-
Sales of capital assets	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ 62,255	\$ 62,255
Fund balances-beginning	1,134,402	1,134,402
Fund balances-ending	<u>\$ 1,196,657</u>	<u>\$ 1,196,657</u>

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

TOWN OF DOBSON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
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 \$ 62,255

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

Capital outlay expenditures which were capitalized	\$ 39,528	
Depreciation expense for governmental assets	<u>(98,571)</u>	(59,043)

In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of capital assets disposed of.

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

Amount of donated assets	
Change in deferred revenue for tax revenues	853

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

20,762

Decrease in accrued interest payable -

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

Compensated absences	
Net pension obligation	
Other postemployment benefits	<u>(64,839)</u>

Total changes in net assets of governmental activities	<u>\$ (40,012)</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF DOBSON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ANNUAL BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad Valorem Taxes	\$ 487,350.00	\$ 487,350.00	\$ 484,161.98	\$ (3,188.02)
Other Taxes and Licenses	2,300.00	2,300.00	1,459.50	(840.50)
Unrestricted Intergovernmental	459,100.00	459,100.00	466,460.77	7,360.77
Restricted Intergovernmental	197,500.00	290,100.00	231,077.88	(59,022.12)
Investment Earnings	16,550.00	16,550.00	8,043.15	(8,506.85)
Miscellaneous	41,200.00	41,200.00	50,001.02	8,801.02
Total Reveaues	\$ 1,204,000.00	\$ 1,296,600.00	\$ 1,241,204.30	\$ (55,395.70)
Expenditures:				
Current:				
General Government	\$ 264,700.00	\$ 274,700.00	\$ 256,372.20	\$ 18,327.80
Public Safety	469,400.00	489,000.00	494,022.24	(5,022.24)
Transportation	227,600.00	282,600.00	179,737.94	102,862.06
Environmental Protection	100,000.00	100,000.00	86,781.74	13,218.26
Cultural and Recreation	34,500.00	34,500.00	27,155.30	7,344.70
Payment to Dobson Tourism Authority	95,000.00	103,000.00	102,389.97	610.03
Debt Service:				
Debt Service Principal	32,800.00	32,800.00	20,761.85	12,038.15
Debt Service Interest			11,727.94	(11,727.94)
Total Expenditures	\$ 1,224,000.00	\$ 1,316,600.00	\$ 1,178,949.18	\$ 137,650.82
Revenues Over (Under) Expenditures	\$ (20,000.00)	\$ (20,000.00)	\$ 62,255.12	\$ 82,255.12
Other Financing Sources (Uses):				
Transfers to Water/Sewer Fund	\$	\$	\$	\$
Capital Contributions				
Sale of Capital Assets				
Total Other Financing Sources (Uses)	\$	\$	\$	\$
Fund Balance Appropriated	20,000.00	20,000.00		20,000.00
Net Change in Fund Balance			\$ 62,255.12	62,255.12
Fund Balance, Beginning			1,134,401.97	
Fund Balance, Ending			\$ 1,196,657.09	

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

TOWN OF DOBSON, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Enterprise Fund	
	Water and Sewer Fund	Total
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 620,537.23	\$ 620,537.23
Accounts receivable (net)-billed	94,626.94	94,626.94
Due from other governments	19,819.50	19,819.50
Inventories	38,560.29	38,560.29
Restricted Cash and Cash Equivalents	\$ 39,751.25	\$ 39,751.25
Total Current Assets	\$ 813,295.21	\$ 813,295.21
Capital Assets:		
Land, construction in progress and other non-depreciable assets	\$ 1,654,934.61	\$ 1,654,934.61
Other capital assets, net of depreciation	3,995,169.76	3,995,169.76
Capital asset (net)	5,650,104.37	5,650,104.37
Total noncurrent assets	5,650,104.37	5,650,104.37
Total Assets	\$ 6,463,399.58	\$ 6,463,399.58

TOWN OF DOBSON, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Enterprise Fund	
	Water and Sewer Fund	Total
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 36,188.54	\$ 36,188.54
Customer Deposits	39,751.25	39,751.25
General Obligation Bonds Payable-Current	11,500.00	11,500.00
Notes Payable-Current	80,970.10	80,970.10
Total Current Liabilities	\$ 168,409.89	\$ 168,409.89
Noncurrent Liabilities:		
General Obligation Bonds Payable-Noncurrent (net)	\$ 197,500.00	\$ 197,500.00
Note Payable-Noncurrent	1,324,867.90	1,324,867.90
Other Post Employment Benefits.	59,374.00	59,374.00
Total Noncurrent Liabilities	\$ 1,581,741.90	\$ 1,581,741.90
Total Liabilities	\$ 1,750,151.79	\$ 1,750,151.79
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 4,035,266.37	\$ 4,035,266.37
Unrestricted	677,981.42	677,981.42
Total Net Assets	\$ 4,713,247.79	\$ 4,713,247.79
Net Assets of Business-type activities		\$ 4,713,247.79

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

	Enterprise Fund	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for Services	\$ 1,151,429.30	\$ 1,151,429.30
Water and Sewer Taps	13,554.62	13,554.62
Other Operating Revenues	69,159.18	69,159.18
Total Operating Revenues	\$ 1,234,143.10	\$ 1,234,143.10
OPERATING EXPENSES		
Total Operating Expenses	\$ 872,423.07	\$ 872,423.07
Depreciation	182,907.07	182,907.07
Total Operating Expenses	\$ 1,055,330.14	\$ 1,055,330.14
Operating Income (loss)	\$ 178,812.96	\$ 178,812.96
NON-OPERATING REVENUES (EXPENSES)		
Investment Earnings	\$ 3,274.81	\$ 3,274.81
Tax Refunds	19,819.50	19,819.50
Interest Fees on Long-Term Debt	(56,325.77)	(56,325.77)
Total Non-operating Revenues (Expenses)	\$ (33,231.46)	\$ (33,231.46)
Income (Loss) Before Contributions and Transfers	\$ 145,581.50	\$ 145,581.50
Capital Contributions	754,740.34	754,740.34
Transfers from General Fund		
Change in Net Assets	\$ 900,321.84	\$ 900,321.84
Total Net Assets, Beginning	3,812,925.95	3,812,925.95
Total Net Assets, Ending	\$ 4,713,247.79	\$ 4,713,247.79

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

TOWN OF DOBSON, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds	
	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 1,152,412.77	\$ 1,152,412.77
Cash Paid for Goods and Services	(383,925.42)	(383,925.42)
Cash Paid to or on Behalf of Employees for Services	(442,891.48)	(442,891.48)
Customer Deposits Received	7,794.66	7,794.66
Customer Deposits Returned	(4,000.00)	(4,000.00)
Other Operating Revenues	69,159.18	69,159.18
	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	\$ 398,549.71	\$ 398,549.71
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from Other Funds	\$	\$
Transfers to Other Funds		
Due from other governments	19,819.50	19,819.50
	<hr/>	<hr/>
Total Cash Flows from Noncapital Financing Activities	\$ 19,819.50	\$ 19,819.50
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	\$ (945,783.30)	\$ (945,783.30)
Proceeds from Capital Debt		
Principal Paid on Bond Maturities and Notes	(100,970.10)	(100,970.10)
Interest Paid on Bond Maturities and Notes	(56,325.77)	(56,325.77)
Capital Contributions	754,740.34	754,740.34
Tax Refunds	368.60	368.60
	<hr/>	<hr/>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (347,970.23)	\$ (347,970.23)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	\$ 3,274.81	\$ 3,274.81
Sale of Property & Equipment		
	<hr/>	<hr/>
Total Cash Flows from Investing Activities	\$ 3,274.81	\$ 3,274.81
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 73,673.79	\$ 73,673.79
Balance, Beginning of the Year	586,614.69	586,614.69
	<hr/>	<hr/>
Balance, End of the Year	\$ 660,288.48	\$ 660,288.48
	<hr/>	<hr/>

TOWN OF DOBSON, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds	
	Water and Sewer Fund	Totals
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income	\$ 178,812.96	\$ 178,812.96
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	\$ 182,907.07	\$ 182,907.07
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(12,571.15)	(12,571.15)
(Increase) Decrease in Inventories	(8,438.78)	(8,438.78)
(Increase) Decrease in Prepaid Items		
(Increase) Decrease in due from other governments	(7,852.07)	(7,852.07)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	61,897.02	61,897.02
(Increase) Decrease in amounts payable related to equipment purchases		
Increase (Decrease) in due to other governments		
Increase (Decrease) in Customer Deposits	3,794.66	3,794.66
Total Adjustments	\$ 219,736.75	\$ 219,736.75
Net Cash Provided (Used) by Operating Activities	\$ 398,549.71	\$ 398,549.71

TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Dobson, North Carolina, 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 Dobson, North Carolina 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.

Town of Dobson ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative office at Town of Dobson ABC Board, P.O. Box 825, Dobson, North Carolina 27017.

Town of Dobson Tourism Development Authority

The members of the Town of Dobson Tourism Development Authority's (Authority) governing board are appointed by the Town. The Authority receives revenue through a six percent occupancy tax, which is levied and collected by the Town of Dobson. The Town remits the taxes collected to the Authority. The Authority, which has a June 30 year-end, is presented as if it were a governmental fund. Additional information should be directed to Town of Dobson Tourism Development Authority, P.O. Box 351, Dobson, NC 27017.

B. BASIS OF PRESENTATION

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government and its component unit. 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.

TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies 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, sanitation services, and general government services.

TOWN OF DOBSON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Concluded)

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.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund is charges to customers for sales and service. 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.

TOWN OF DOBSON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

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 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, Surry County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Dobson.

For motor vehicles registered under the staggered system and for vehicles newly registered under the annual 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 Surry County from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes, which were billed during this period, are shown as a receivable in these financial statements and are offset by deferred revenues. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2011, because they are intended to finance the Town's operations during the 2012 fiscal year.

TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Concluded)

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

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

D. BUDGETARY DATA

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Water and Sewer Capital Project Funds. 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 by more than \$2,500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. A budget calendar is included in the North Carolina General Statutes, which prescribes the last day on which certain steps of that budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed:

- | | |
|------------|--|
| April 30 - | Each department head will transmit to the budget officer the budget requests and the revenue estimates for their department for the budget year. |
| June 1 - | The budget and the budget message shall be submitted to the governing board. The public hearing on the budget shall be scheduled at this time. |
| July 1 - | The budget ordinance shall be adopted by the governing board. |

TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, AND FUND EQUITY (Continued)

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Town, Tourism Authority, and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized costs. Non-participating interest earnings and investment contracts are reported at cost.

2. Cash and Cash Equivalents

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

TOWN OF DOBSON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, AND FUND EQUITY (Continued)

3. Restricted Assets

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

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2009. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased. The ABC Board's inventory consists of merchandise for resale. The costs of these inventories are recorded as an expense as the inventories are consumed or sold.

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

TOWN OF DOBSON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, AND FUND EQUITY (Continued)

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are set at \$2,000. 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 assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Useful Life</u>
Infrastructure	30 years
Plant and distribution systems	40 years
Equipment	3 to 10 years
Furniture and maintenance equipment	3 to 20 years
Vehicles	3 to 20 years

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

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	40 years
Paving	5 to 10 years
Furniture and Equipment	5 to 20 years

Property, plant, and equipment of the Town of Dobson Tourism Development Authority are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Useful Life</u>
Equipment	3 to 10 years
Furniture and Maintenance Equipment	3 to 10 years
Vehicles	3 to 10 years

TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, AND FUND EQUITY (Continued)

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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Compensated Absences

The vacation policies of the Town do not provide for the accumulation or vesting of vacation leave. Therefore, no provision has been made in the accompanying financial statements for accrued vacation pay. The ABC Board employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. Accumulated earned vacation at June 30, 2011 amounted to approximately \$3,500, which was accrued at year-end.

The Town's sick leave policy provides for an accumulation of up to 180 days of earned sick leave. The ABC Board employees can accumulate an unlimited amount 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 and ABC Board have no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, AND FUND EQUITY (Continued)

10. Net Assets/Fund Balances

Net Assets

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

Fund Balances

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

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

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

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

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

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

Assigned fund balance – portion of fund balance that Town of Dobson intends to use for specific purposes.

TOWN OF DOBSON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

E. ASSETS, LIABILITIES, AND FUND EQUITY (Concluded)

10. Net Assets/Fund Balances (Concluded)

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

II. DETAIL NOTES OF ALL FUNDS

A. ASSETS

1. Deposits

All of the deposits of the Town, the ABC Board, and the Town of Dobson Tourism Development 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, the ABC Board's, or the Authority's agents in these units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, the ABC Board and the Authority, these deposits are considered to be held by the Town's, the ABC Board's and the Authority's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, and the Authority or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town, the ABC Board, and the 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. The Town, the ABC Board, 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, ABC Board and Tourism Authority complies with the provisions of G.S. 159-31 when designating official depositors and verifying that deposits are properly secured.

TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

11. DETAIL NOTES OF ALL FUNDS (Continued)

A. ASSETS (Continued)

1. Deposits (Concluded)

At June 30, 2011, the Town's deposits had a carrying amount of \$1,827,079 and a bank balance of \$1,886,578. Of the bank balance, \$500,000.00 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board's was \$110,191 and a bank balance of \$111,299. Of the bank balance, \$111,299 was covered by Federal depository insurance. The carrying amount of deposits for the Authority's was \$150,888 and a bank balance of \$154,051. Of the bank balance, \$154,051 was covered by Federal depository insurance. The Pooling Method is used for collateralization of the bank balance over the federal depository insurance limits. At June 30, 2011, the Town's petty cash fund totaled \$150.

2. Receivables - Allowances for Doubtful Accounts

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

<u>Fund</u>	<u>June 30, 2011</u>
General Fund:	
Taxes Receivable	\$ <u>7,610</u>
Total	\$ <u>7,610</u>

TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

II. DETAIL NOTES OF ALL FUNDS (Continued)

A. ASSETS (Continued)

3. Capital Assets

Primary Government

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

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 35,000	\$	\$	\$ 35,000
Construction in progress				
Total capital assets not being depreciated	<u>\$ 35,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 35,000</u>
Capital assets being depreciated:				
Buildings	\$ 834,523	\$	\$	\$ 834,523
Other improvements				
Equipment	289,340	15,030		304,370
Vehicles	874,088	24,498		898,586
Infrastructure				
Total capital assets being depreciated	<u>\$ 1,997,951</u>	<u>\$ 39,528</u>	<u>\$</u>	<u>\$ 2,037,479</u>
Less accumulated depreciation for:				
Buildings	\$ 189,596	\$ 17,690	\$	\$ 207,286
Other improvements				
Equipment	197,326	27,833		225,159
Vehicles	397,982	53,048		451,031
Infrastructure				
Total accumulated depreciation	<u>\$ 784,904</u>	<u>\$ 98,571</u>	<u>\$</u>	<u>\$ 883,475</u>
Total capital assets being depreciated, net	<u>1,213,047</u>			<u>1,154,004</u>
Governmental activity capital assets, net	<u>\$ 1,248,047</u>			<u>\$ 1,189,004</u>

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

General government	\$ 11,716
Public safety	75,297
Transportation	<u>11,558</u>
Total depreciation expense	<u>\$ 98,571</u>

TOWN OF DOBSON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

II. DETAIL NOTES OF ALL FUNDS (Continued)

A. ASSETS (Concluded)

3. Capital Assets (Concluded)

Business-type activities:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 29,269	\$	\$	\$ 29,269
Construction in progress	<u>872,209</u>	<u>753,456</u>	<u> </u>	<u>1,625,666</u>
Total capital assets not being depreciated	<u>\$ 901,478</u>	<u>\$ 865,893</u>	<u>\$</u>	<u>\$ 1,654,935</u>
Capital assets being depreciated:				
Plant and distribution systems	\$ 5,829,226	\$	\$	\$ 5,829,226
Furniture and maintenance equipment	797,335	112,045	<u> </u>	909,380
Vehicles	<u>79,351</u>	<u>80,282</u>	<u> </u>	<u>159,633</u>
Total capital assets being depreciated	<u>\$ 6,705,912</u>	<u>\$ 192,326</u>	<u>\$</u>	<u>\$ 6,898,239</u>
Less accumulated depreciation for:				
Plant and distribution systems	\$ 2,181,286	\$ 151,918	\$	\$ 2,333,204
Furniture and maintenance equipment	484,463	18,987	<u> </u>	503,450
Vehicles	<u>54,413</u>	<u>12,002</u>	<u> </u>	<u>66,415</u>
Total accumulated depreciation	<u>\$ 2,720,162</u>	<u>\$ 182,907</u>	<u>\$</u>	<u>\$ 2,903,069</u>
Total capital assets being depreciated, net	<u>3,985,750</u>			<u>3,995,170</u>
Water and Sewer fund capital assets, net	<u>4,887,228</u>			<u>5,650,104</u>
Business-type activities capital assets, net	<u>\$ 4,887,228</u>			<u>\$ 5,650,104</u>

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2011, was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 4,500	\$	\$	\$ 4,500
Total capital assets not being depreciated	<u>4,500</u>	<u> </u>	<u> </u>	<u>4,500</u>
Capital assets being depreciated:				
Buildings	\$ 42,431	\$	\$	\$ 42,431
Paving	12,768	<u> </u>	<u> </u>	12,768
Equipment	<u>62,482</u>	<u> </u>	<u> </u>	<u>62,482</u>
Total capital assets being depreciated	<u>\$ 117,681</u>	<u>\$</u>	<u>\$</u>	<u>\$ 117,681</u>
Less accumulated depreciation for:				
Buildings	\$ 39,790	\$ 1,083	\$	\$ 40,873
Paving	638	638	<u> </u>	1,277
Equipment	<u>49,353</u>	<u>4,401</u>	<u> </u>	<u>53,755</u>
Total accumulated depreciation	<u>89,782</u>	<u>\$ 6,123</u>	<u>\$</u>	<u>95,905</u>
ABC capital assets, net	<u>\$ 27,899</u>			<u>\$ 21,776</u>

TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

II. DETAIL NOTES OF ALL FUNDS (Continued)

B. LIABILITIES

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town and ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost sharing, and 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 and the ABC Board are required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.47% and 6.41%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 4.80% of annual covered payroll. The contribution requirements of members and of the Town of Dobson and of the ABC Board are established and may be amended by the North Carolina General Assembly. The Town's contributions to the LGERS for the years ended June 30, 2011, 2010 and 2009 were \$32,072 \$20,334 and \$25,220, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2011, 2010 and 2009 were \$1,248, \$1,398 and \$1,347, respectively. The contributions made by the Town and the ABC Board equaled the required contributions for each year.

TOWN OF DOBSON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

II. DETAIL NOTES OF ALL FUNDS (Continued)

B. LIABILITIES (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At June 30, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to benefits but not Yet receiving them	0
Active plan members	<u>6</u>
Total	<u>6</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 will be made from the General Fund, which is maintained on the modified accrual basis of accounting.

TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

II. DETAIL NOTES OF ALL FUNDS (Continued)

B. LIABILITIES (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

b. Law Enforcement Officers' Special Separation Allowance (Concluded)

2. *Summary of Significant Accounting Policies (Concluded):*

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

3. *Contributions.*

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

The 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 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.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2011, were \$24,125, which consisted of \$12,517 from the Town and \$11,608 from the law enforcement officers.

TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

II. DETAIL NOTES OF ALL FUNDS (Continued)

B. LIABILITIES (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

d. Firemen's and Rescue Squad Workers' Pension Fund

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

Funding Policy. Plan members are required to contribute \$10 per month per member to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town contributes money to the Fund for the plan members. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

TOWN OF DOBSON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

II. DETAIL NOTES OF ALL FUNDS (Continued)

B. LIABILITIES (Continued)

I. Pension Plan and Postemployment Obligations (Continued)

e. Other Post-employment Benefits

Healthcare Benefits

Plan Description. The Town administers a single-employer defined Healthcare Benefits Plan (“the Retiree Health Plan”). The plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees’ Retirement System (System) and are at least 55 years of age with at least twenty years of creditable service with the Town. The retiree pays 35% and the Town pays 65% cost of coverage for these benefits. Also, the Town’s retirees can purchase coverage for their dependents at the Town’s group rates. The Town’s Board may amend the benefit provisions. A separate report was not issued for the plan.

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	1	0
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	<u>17</u>	<u>6</u>
Total	<u>18</u>	<u>6</u>

Funding Policy. The Town pays 65% and the retiree pays 35% of the cost of healthcare benefit coverage to qualified retirees and the plan can be amended by the Town’s Board. The Town members pay 35% of cost of insurance per month for dependent coverage. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In fiscal year ended, June 30, 2011, the Town made no contributions and total member contributions were \$0.00.

TOWN OF DOBSON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

II. DETAIL NOTES OF ALL FUNDS (Continued)

B. LIABILITIES (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

e. Other Post-employment Benefits (Continued)

Healthcare Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation. The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	\$ 109,619
Interest on net OPEB obligation	1,632
Adjustment to annual required contribution	<u>0</u>
Annual OPEB cost (expense)	111,251
Contributions made	<u>0</u>
Increase (decrease) in net OPEB obligation	111,251
Net OPEB obligation, beginning of year	<u>42,804</u>
Net OPEB obligation, end of year	<u>\$ 154,055</u>

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

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 111,251	0.0%	\$ 154,055
2010	\$ 42,804	0.0%	\$ 42,804

TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

II. DETAIL NOTES OF ALL FUNDS (Continued)

B. LIABILITIES (Continued)

I. Pension Plan and Postemployment Obligations (Continued)

e. Other Post-employment Benefits (Continued)

Healthcare Benefits (Continued)

Funding Status and Funding Progress. As of June 30, 2011, the actuarial accrued liability for benefits was \$733,858 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$559,270 and the ratio of the UAAL to the covered payroll was 131 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

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

TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

II. DETAIL NOTES OF ALL FUNDS (Continued)

B. LIABILITIES (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

e. Other Post-employment Benefits (Continued)

Healthcare Benefits (Concluded)

The following simplifying assumptions were made:

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

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

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

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

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections from the Town's private insurance carrier. A rate of 9.5 percent initially, reduced to an ultimate rate of 5.0 percent after nine years, was used.

Health insurance premiums – 2011 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 4.0 percent.

Payroll growth rate – The expected long-term growth rate of 3.0 percent was assumed.

TOWN OF DOBSON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

II. DETAIL NOTES OF ALL FUNDS (Continued)

B. LIABILITIES (Continued)

I. Pension Plan and Postemployment Obligations (Concluded)

e. Other Post-employment Benefits (Concluded)

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000.00 or be less than \$25,000.00. All death benefit payments are made from the Death Benefit Plan.

The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2011, the Town made contributions to the State for death benefits of \$636. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .12% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

2. Deferred/Unearned Revenues

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

	<u>Deferred Revenue</u>
Taxes receivable (General Fund)	<u>\$13,579</u>

TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

II. DETAIL NOTES OF ALL FUNDS (Continued)

B. LIABILITIES (Continued)

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town has worker's compensation coverage up to the statutory limit and employee health coverage up to a \$1,000,000 lifetime limit. The pools are reinsured for annual employee health claims in excess of \$150,000 Long-Term Debt.

The Town carries commercial insurance coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town carries no flood insurance on the property or equipment. This is due to the areas around the Town are not susceptible to flooding.

In accordance with G.S. 159-29, the Town's employees that have access of \$100 or more at any given time are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. All remaining employees are bonded under a blanket bond for \$10,000 each.

4. Claims, Judgments and Contingent Liabilities

The Town is involved in litigation with the City of Mount Airy regarding an alleged breach of contract with respect to an Interlocal Agreement for the purchase and sale of potable water. This matter is in mediated settlement and is still pending as of June 30, 2011.

TOWN OF DOBSON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

II. DETAIL NOTES OF ALL FUNDS (Continued)

B. LIABILITIES (Continued)

5. Long-Term Obligations

a. Loan Agreements

In July 2007, the Town entered into a loan agreement for the purchase of a fire truck. The agreement requires annual payments of \$24,769 including interest until maturity in August 2018.

A summary of the annual requirements of the General Fund long-term debt outstanding follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 18,709	\$ 6,060	\$ 24,769
2013	19,474	5,295	24,769
2014	20,270	4,499	24,769
2015	21,099	3,669	24,768
2016	21,962	2,806	24,768
2017-2018	<u>46,656</u>	<u>2,882</u>	<u>49,538</u>
	<u>\$ 148,170</u>	<u>\$ 25,211</u>	<u>\$ 173,381</u>

TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

II. DETAIL NOTES OF ALL FUNDS (Continued)

B. LIABILITIES (Continued)

5. Long-Term Obligations

a. Loan Agreements

In July 2007, the Town entered into a loan agreement for the purchase of a building for the Dobson Library. The agreement requires annual payments of \$7,721.00 including interest until maturity in August 2035.

A summary of the annual requirements of the General Fund long-term debt outstanding follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,903	\$ 4,818	\$ 7,721
2013	3,023	4,698	7,721
2014	3,148	4,573	7,721
2015	3,278	4,443	7,721
2016	3,413	4,308	7,721
2017-2021	19,296	19,309	38,605
2022-2026	23,618	14,987	38,605
2027-2031	28,908	9,697	38,605
2032-2035	<u>29,204</u>	<u>3,568</u>	<u>32,772</u>
	<u>\$ 116,791</u>	<u>\$ 70,401</u>	<u>\$ 187,192</u>

b. General Obligation Indebtedness

The Town's general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

II. DETAIL NOTES OF ALL FUNDS (Continued)

B. LIABILITIES (Continued)

5. Long-Term Obligations (Continued)

b. General Obligation Indebtedness (Continued)

Bonds and notes payable at June 30, 2011, are comprised of the following individual issues:

General Obligation Bonds:

Serviced by the Water and Sewer Fund:

\$350,000, 1989, Water Bonds, due in annual installments of from \$3,500 to \$14,000 through June 1, 2027; interest at 6% \$ 209,000

Notes Payable:

\$411,400, 2006, DENR Revolving Loan, due in annual installments of \$25,713 through May 1, 2023; interest at 2.27% \$ 308,550

\$911,000, 2010, USDA Water RBANS Loan, due in annual installments of from \$15,000 to \$34,000 through June 1, 2050; total interest of \$468,569 \$ 896,000

\$805,152, 1995, State Bond Loan, due in annual installments of \$40,258 through May 1, 2016; interest at 5.85% \$ 201,288

\$ 1,614,838

The amount of interest expense on these bonds and notes totaled \$56,326 for 2011.

TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

II. DETAIL NOTES OF ALL FUNDS (Continued)

B. LIABILITIES (Concluded)

5. Long-Term Obligations (Continued)

b. General Obligation Indebtedness (Concluded)

A summary of the annual requirements to amortize all Water and Sewer long-term debt outstanding follows:

	<u>Note Payable</u>		<u>Obligation Bonds</u>		<u>Total Debt Due</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Water and Sewer						
2012	\$ 40,258	\$ 10,049	\$ 11,500	\$ 12,540	\$ 51,758	\$ 22,589
2013	40,258	7,594	12,500	11,850	52,758	19,444
2014	40,258	5,259	13,000	11,100	53,258	16,359
2015	40,258	2,939	14,000	10,320	54,258	13,259
2016	40,256	553	14,000	9,480	54,256	10,033
2017-2021			70,000	34,800	70,000	34,800
2022-2026			70,000	13,800	70,000	13,800
2027			4,000	240	4,000	240
	<u>\$ 201,288</u>	<u>\$ 26,394</u>	<u>\$ 209,000</u>	<u>\$ 104,130</u>	<u>\$ 410,288</u>	<u>\$ 130,524</u>

c. DENR Revolving Loan

A summary of the Water/Sewer annual requirements of the DENR long-term debt outstanding follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 25,713	\$ 6,989	\$ 32,702
2013	25,713	6,406	32,119
2014	25,713	5,824	31,537
2015	25,713	5,242	30,955
2016	25,713	4,659	30,372
2017-2021	128,565	14,558	143,123
2022-2023	<u>51,420</u>	<u>1,749</u>	<u>53,169</u>
	<u>\$ 308,550</u>	<u>\$ 45,427</u>	<u>\$ 353,977</u>

TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

II. DETAIL NOTES OF ALL FUNDS (Continued)

B. LIABILITIES (Continued)

5. Long-Term Obligations (Continued)

d. USDA Water RBANS Loan

A summary of the Water/Sewer annual requirements of the USDA Water RBANS long-term debt outstanding follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 15,000	\$ 20,160	\$ 35,160
2013	15,000	19,823	34,823
2014	15,000	19,485	34,485
2015	16,000	19,148	35,148
2016	16,000	18,788	34,788
2017-2021	85,000	88,403	173,403
2022-2026	96,000	78,368	174,368
2027-2031	106,000	67,118	173,118
2032-2036	119,000	54,608	173,608
2037-2041	133,000	40,635	173,635
2042-2046	148,000	24,998	172,998
2047-2050	<u>132,000</u>	<u>7,493</u>	<u>139,493</u>
	<u>\$ 896,000</u>	<u>\$ 459,027</u>	<u>\$ 1,355,027</u>

At June 30, 2011, the Town had a legal debt margin of \$10,133,870.

TOWN OF DOBSON, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)

II. DETAIL NOTES OF ALL FUNDS (Continued)

B. LIABILITIES (Concluded)

5. Long-Term Obligations (Concluded)

e. Changes in Long-Term Liabilities

Governmental activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Library building loan	\$ 119,579	\$ -	\$ 2,788	\$ 116,791	\$ 2,903
Fire truck loan	166,144	-	17,974	148,170	18,709
Other postemployment benefits	29,842	64,839	-	94,681	-

Governmental activity

long-term liabilities	<u>\$ 315,565</u>	<u>\$ 64,839</u>	<u>\$ 20,762</u>	<u>\$ 359,642</u>	<u>\$ 21,612</u>
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Business-type activities:

General obligation bonds	\$ 229,000	\$ -	\$ 20,000	\$ 209,000	\$ 11,500
State bond loan	241,545	-	40,257	201,288	40,258
USDA RBANS loan	911,000	-	15,000	896,000	15,000
DENR Revolving loan	334,263	-	25,714	308,550	25,712
Other postemployment benefits	12,963	46,412	-	59,375	-

Business-type activity

long-term liabilities	<u>\$ 1,728,771</u>	<u>\$ 46,412</u>	<u>\$ 100,971</u>	<u>\$ 1,674,212</u>	<u>\$ 92,470</u>
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TOWN OF DOBSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONCLUDED)

II. DETAIL NOTES OF ALL FUNDS (Concluded)

C. FUND BALANCE

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

Total fund balance – General Fund	\$ 1,196,657
Less:	
Stabilization by State Statute	74,335
Streets-Powell Bill	<u>75,127</u>
Remaining Fund Balance	<u>\$ 1,047,195</u>

D. JOINTLY GOVERNED ORGANIZATION

The Town in conjunction with five (5) counties and twenty-one (21) 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.

E. FEDERAL AND STATE ASSISTED PROGRAMS

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

TOWN OF DOBSON
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((b-a)/c)</u>
06/30/11		733,858	733,858	0%	559,270	131%
06/30/10		352,241	352,241	0%	534,138	66%

TOWN OF DOBSON
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2011	111,251	0%
2010	42,804	0%

TOWN OF DOBSON, NORTH CAROLINA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	2011		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	\$ 483,850.00	\$ 481,689.18	\$ (2,160.82)
Penalty & Interest on Tax	3,500.00	2,472.80	(1,027.20)
Total	\$ 487,350.00	\$ 484,161.98	\$ (3,188.02)
Other Taxes and Licenses:			
Privilege License	\$ 1,800.00	\$ 1,459.50	\$ (340.50)
Elderly Exemption Tax Loss	500.00		(500.00)
Total	\$ 2,300.00	\$ 1,459.50	\$ (840.50)
Unrestricted Intergovernmental:			
Local Option Sales Tax	\$ 360,000.00	\$ 327,686.23	\$ (32,313.77)
Telecommunication Tax		11,735.00	11,735.00
Video Franchise Fee		9,731.61	9,731.61
Controlled Substance Tax		443.76	443.76
Franchise Taxes	85,000.00	98,266.85	13,266.85
Beer & Wine Taxes		6,681.60	6,681.60
NC Sales Tax Refund	2,500.00	6,606.50	4,106.50
Court Costs & Fees	2,000.00	1,481.96	(518.04)
ABC profit distribution	9,600.00	3,827.26	(5,772.74)
Total	\$ 459,100.00	\$ 466,460.77	\$ 7,360.77
Restricted Intergovernmental:			
Contribution From Powell Bill	\$ 100,100.00	\$ 44,598.01	\$ (55,501.99)
Occupancy Taxes	103,000.00	102,390.30	(609.70)
Police Department Grant	3,600.00	3,567.76	(32.24)
Fire Department Grant	16,000.00	14,565.00	1,435.00
Town of Elkin Step Grant Contribution	65,000.00	65,000.00	
ABC revenue for law enforcement	2,400.00	956.81	(1,443.19)
Total	\$ 290,100.00	\$ 231,077.88	\$ (59,022.12)
Investment Earnings	\$ 16,550.00	\$ 8,043.15	\$ (8,506.85)
Miscellaneous:			
Cable Franchise	\$ 800.00	\$ 981.72	\$ 181.72
Miscellaneous	40,400.00	49,019.30	8,619.30
Total	\$ 41,200.00	\$ 50,001.02	\$ 8,801.02
Total Revenues	\$ 1,296,600.00	\$ 1,241,204.30	\$ (55,395.70)

TOWN OF DOBSON, NORTH CAROLINA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	2011		Variance Positive (Negative)
	Budget	Actual	
Expenditures:			
General Government:			
Governing Body/Town Council			
Professional Services	\$ 46,000.00	\$ 92,113.85	\$ (46,113.85)
Other Operating Expenditures	5,500.00	1,988.20	3,511.80
Total	\$ 51,500.00	\$ 94,102.05	\$ (42,602.05)
Administration:			
Salaries and Employee Benefits	\$ 148,300.00	\$ 90,114.51	\$ 58,185.49
Professional Services	25,000.00	22,056.03	2,943.97
Other Operating Expenditures	48,400.00	50,099.61	(1,699.61)
Capital Outlay	1,500.00	1,500.00	1,500.00
Total	\$ 223,200.00	\$ 162,270.15	\$ 60,929.85
Total General Government	\$ 274,700.00	\$ 256,372.20	\$ 18,327.80
Public Safety:			
Police Department:			
Salaries and Employee Benefits	\$ 301,900.00	\$ 306,435.31	\$ (4,535.31)
Other Operating Expenditures	61,100.00	71,264.00	(10,164.00)
Capital Outlay	27,000.00	26,615.17	384.83
Total	\$ 390,000.00	\$ 404,314.48	\$ (14,314.48)
Fire Department:			
Salaries and Employee Benefits	\$ 14,500.00	\$ 12,585.88	\$ 1,914.12
Other Operating Expenditures	71,500.00	72,121.88	(621.88)
Capital Outlay	8,000.00	8,000.00	8,000.00
Total	\$ 94,000.00	\$ 84,707.76	\$ 9,292.24
Rescue:			
Contribution to Rescue Squad	\$ 5,000.00	\$ 5,000.00	\$
Total Public Safety	\$ 489,000.00	\$ 494,022.24	\$ (5,022.24)
Transportation:			
Other Operating Expenditures	\$ 40,100.00	\$	\$ 40,100.00
Total	\$ 40,100.00	\$	\$ 40,100.00

TOWN OF DOBSON, NORTH CAROLINA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	2011		Variance Positive (Negative)
	Budget	Actual	
Street Department:			
Salaries and Employment Benefits	\$ 65,400.00	\$ 63,293.96	\$ 2,106.04
Other Operating Expenditures	122,100.00	103,531.30	18,568.70
Capital Outlay	55,000.00	12,912.68	42,087.32
Total	\$ 242,500.00	\$ 179,737.94	\$ 62,762.06
Total Transportation	\$ 282,600.00	\$ 179,737.94	\$ 102,862.06
Environmental Protection:			
Sanitation			
Contracted Services	\$ 100,000.00	\$ 86,781.74	\$ 13,218.26
Cultural and Recreational:			
Recreation:			
Other Operating Expenses	\$ 11,500.00	\$ 4,155.30	\$ 7,344.70
Other:			
Contribution to Regional Library	\$ 23,000.00	\$ 23,000.00	\$
Total Cultural and Recreational	\$ 34,500.00	\$ 27,155.30	\$ 7,344.70
Payment to Dobson Tourism Authority	103,000.00	102,389.97	610.03
Debt Service:			
Principal Retirement	\$ 20,641.00	\$ 20,761.85	\$ (120.85)
Interest and Other Charges	12,159.00	11,727.94	431.06
Total Debt Service	\$ 32,800.00	\$ 32,489.79	\$ 310.21
Total Expenditures	\$ 1,316,600.00	\$ 1,178,949.18	\$ 137,650.82
Revenues Over (Under) Expenditures	\$ (20,000.00)	\$ 62,255.12	\$ 82,255.12
Other Financing Sources (Uses):			
Transfers to Water/Sewer Fund	\$	\$	\$
Sale of Capital Assets	\$	\$	\$
Total	\$	\$	\$
Fund Balance Appropriated	20,000.00		20,000.00
Net Change in Fund Balance		\$ 62,255.12	62,255.12
Fund Balance, Beginning		1,134,401.97	
Fund Balance, Ending		\$ 1,196,657.09	

TOWN OF DOBSON, NORTH CAROLINA
WATER AND SEWER FUND

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	2011		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Operating Revenues:			
Water Sales and Sewer Charges	\$ 1,110,000.00	\$ 1,151,429.30	\$ 41,429.30
Water and Sewer Taps	4,500.00	13,554.62	9,054.62
Other Operating Revenues	54,950.00	69,159.18	14,209.18
Total Operating Revenues	\$ 1,169,450.00	\$ 1,234,143.10	\$ 64,693.10
Non-operating Revenues:			
Interest Earnings	\$ 3,450.00	\$ 3,204.02	\$ (245.98)
Tax Refunds	6,000.00	19,819.50	13,819.50
Total Non-operating Revenues	\$ 9,450.00	\$ 23,023.52	\$ 13,573.52
Total Revenues	\$ 1,178,900.00	\$ 1,257,166.62	\$ 78,266.62

TOWN OF DOBSON, NORTH CAROLINA
WATER AND SEWER FUND

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	2011		
	Budget	Actual	Variance Positive (Negative)
Expenditures			
Operating Expenditures:			
Salaries and Employee Benefits	\$ 388,900.00	\$ 362,327.02	\$ 26,572.98
Contracted Services	31,000.00	34,103.96	(3,103.96)
Utilities	100,000.00	97,726.22	2,273.78
Chemical Supplies	160,000.00	135,833.46	24,166.54
Other Operating Expenditures	216,000.00	196,020.41	19,979.59
Total Operating Expenditures	\$ 895,900.00	\$ 826,011.07	\$ 69,888.93
Debt Service:			
Interest and Other Charges	\$ 35,000.00	\$ 32,361.13	\$ 2,638.87
Principal Retirement	87,000.00	100,970.10	(13,970.10)
Total Debt Service	\$ 122,000.00	\$ 133,331.23	\$ (11,331.23)
Capital Outlay:			
Equipment	\$ 161,000.00	\$ 192,327.02	\$ (31,327.02)
Total Capital Outlay	\$ 161,000.00	\$ 192,327.02	\$ (31,327.02)
Total Expenditures	\$ 1,178,900.00	\$ 1,151,669.32	\$ 27,230.68
Revenues Over (Under) Expenditures	\$	\$ 105,497.30	\$ 105,497.30
Other Financing Sources (Uses)			
Operating transfers from General Fund			
Appropriated Fund Balance			
Total Other Financing Sources (Uses)			
Revenues and Other Sources Over/(Under) Expenditures and Other Uses		\$ 105,497.30	

Prepared on the modified accrual method of accounting for comparison with the adopted budgetary basis.

TOWN OF DOBSON, NORTH CAROLINA
WATER AND SEWER FUND

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	2011		
	Budget	Actual	Variance Positive Negative
Reconciliation from Budgetary Basis (Modified Accrual) To Full Accrual:			
Revenues and Other Sources Over/(Under)			
Expenditures and Other Uses		\$ 105,497.30	
Reconciling Items:			
Principal Retirement		100,970.10	
Depreciation		(182,907.07)	
Interest Expense from Capital Projects		(23,964.64)	
Capital Outlay and Improvements		192,327.02	
Increase in Accrued OPEB Liability		(46,412.00)	
Capital Contributions		754,740.34	
Interest Income from Water and Sewer Capital Projects Fund		70.79	
Total Reconciling Items		794,824.54	
Change in Net Assets		\$ 900,321.84	

TOWN OF DOBSON
WATER AND SEWER CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total to Date	Variance Favorable (Unfavorable)
Revenues					
NC Rural Center	\$ 500,000.00	\$	\$ 500,000.00	\$ 500,000.00	\$
Surry County	275,000.00		254,740.34	254,740.34	(20,259.66)
Income - Gold Leaf					
Interest on Checking	14,000.00	656.98	70.79	727.77	(13,272.23)
Total Revenues	\$ 789,000.00	\$ 656.98	\$ 754,811.13	\$ 755,468.11	\$ (33,531.89)
Expenditures					
Construction Costs	\$ 1,444,000.00	\$ 733,416.88	\$ 699,551.00	\$ 1,432,967.88	\$ 11,032.12
Eng./Arct. Fees	146,000.00	111,438.40	43,271.60	154,710.00	(8,710.00)
Professional Fees	25,000.00	21,563.62	7,500.00	29,063.62	(4,063.62)
Interest	35,000.00	28,373.71	23,964.64	52,338.35	(17,338.35)
Miscellaneous	50,000.00	5,790.47	3,133.68	8,924.15	41,075.85
Total Expenditures	\$ 1,700,000.00	\$ 900,583.08	\$ 777,420.92	\$ 1,678,004.00	\$ 21,996.00
Revenues Over (Under) Expenditures	\$ (911,000.00)	\$ (899,926.10)	\$ (22,609.79)	\$ (922,535.89)	\$ (11,535.89)
Other Financing Sources (Uses)					
Transfers from other funds:					
From Water/Sewer Fund	\$	\$	\$	\$	\$
To Water/Sewer Fund					
USDA Loan Issued	911,000.00	911,000.00		911,000.00	
Net Financing Sources	\$ 911,000.00	\$ 911,000.00	\$	\$ 911,000.00	\$
Revenues and Other Financing Sources Over (Under) Expenditures	\$	\$ 11,073.90	\$ (22,609.79)	\$ (11,535.89)	\$ (11,535.89)

TOWN OF DOBSON, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Year</u>	Uncollected Balance July 1, 2010	<u>Added</u>	Collections and Credits	Uncollected Balance June 30, 2011
2010-2011	\$	\$ 491,584.56	\$ 483,843.86	\$ 7,740.70
2009-2010	5,207.00		3,092.08	2,114.92
2008-2009	5,476.14		916.52	4,559.62
2007-2008	2,430.37		404.39	2,025.98
2006-2007	860.84		135.98	724.86
2005-2006	907.45		70.49	836.96
2004-2005	712.97		0.00	712.97
2003-2004	972.98		0.00	972.98
2002-2003	1,500.01		0.00	1,500.01
2001-2002	1,437.06		1,437.06	0.00
	<u>\$ 19,504.82</u>	<u>\$ 491,584.56</u>	<u>\$ 489,900.38</u>	<u>\$ 21,189.00</u>
Less Allowance for Uncollectible Ad Valorem Taxes				<u>7,610.05</u>
Ad Valorem Taxes Receivable - Net				<u>\$ 13,578.95</u>
General Fund - Ad Valorem Taxes				\$ 481,689.18
Reconciling Items:				
Penalties and Interest Collected				(2,472.80)
Insolvents				1,985.31
Service Fees				7,261.63
Taxes Written Off				<u>1,437.06</u>
				<u>\$ 489,900.38</u>

TOWN OF DOBSON, NORTH CAROLINA
ANALYSIS OF CURRENT TAX 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	\$ 129,310,476.00	.38	\$ 491,379.81	\$ 457,369.43	\$ 34,010.38
Penalties			298.25	298.25	
Total	\$ 129,310,476.00		\$ 491,678.06	\$ 457,667.68	\$ 34,010.38
Discoveries:					
Current Year Taxes	\$ 129,596.00	.38	\$ 492.46	\$ 492.46	\$
Penalties					
Total	\$ 129,596.00		\$ 492.46	\$ 492.46	\$
Abatements:	\$ (154,201.00)	.38	\$ (585.96)	\$ (585.96)	\$
Total Property Valuation	\$ 129,285,871.00				
Net Levy			\$ 491,584.56	\$ 457,574.18	\$ 34,010.38
Uncollected Taxes at June 30, 2011			(7,740.70)	(6,151.79)	(1,588.91)
Current Year's Taxes Collected			\$ 483,843.86	451,422.39	\$ 32,421.47
Current Levy Collection Percentage			98.43%	98.66%	95.33%

TOWN OF DOBSON, NORTH CAROLINA
SCHEDULE OF NET ASSETS
WATER AND SEWER FUND BY FUNCTION
JUNE 30, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 496,429.78	\$ 124,107.45	\$ 620,537.23
Accounts receivable (net)	75,701.55	18,925.39	94,626.94
Due from other governments	15,855.60	3,963.90	19,819.50
Inventories	30,848.23	7,712.06	38,560.29
Restricted cash and cash equivalents	39,751.25		39,751.25
	<u>\$ 658,586.42</u>	<u>\$ 154,708.79</u>	<u>\$ 813,295.21</u>
Total current assets			
Non-current assets:			
Capital assets (Note I):			
Land, non-depreciable improvements, and construction in progress	\$ 1,323,947.69	\$ 330,986.92	\$ 1,654,934.61
Other capital assets, net of depreciation	3,196,135.81	799,033.95	3,995,169.76
Total capital assets	<u>\$ 4,520,083.50</u>	<u>\$ 1,130,020.87</u>	<u>\$ 5,650,104.37</u>
Total non-current assets	<u>\$ 4,520,083.50</u>	<u>\$ 1,130,020.87</u>	<u>\$ 5,650,104.37</u>
	<u>\$ 5,178,669.91</u>	<u>\$ 1,284,729.67</u>	<u>\$ 6,463,399.58</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 28,950.83	\$ 7,237.71	\$ 36,188.54
Customer deposits	39,751.25		39,751.25
General obligation bonds payable-current	11,500.00		11,500.00
Notes payable-current	40,712.50	40,257.60	80,970.10
	<u>\$ 120,914.58</u>	<u>\$ 47,495.31</u>	<u>\$ 168,409.89</u>
Total current liabilities			
Noncurrent liabilities			
General obligation bonds payable-noncurrent (net)	\$ 197,500.00	\$	\$ 197,500.00
Note payable-noncurrent	1,163,837.50	\$ 161,030.40	1,324,867.90
Other post employment benefits	47,499.20	11,874.80	59,374.00
Total noncurrent liabilities	<u>\$ 1,408,836.70</u>	<u>\$ 172,905.20</u>	<u>\$ 1,581,741.90</u>
	<u>\$ 1,529,751.28</u>	<u>\$ 220,400.51</u>	<u>\$ 1,750,151.79</u>
Total liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	\$ 3,106,533.50	\$ 928,732.87	\$ 4,035,266.37
Restricted for:			
Unrestricted	542,385.14	135,596.28	677,981.42
Total net assets	<u>\$ 3,648,918.63</u>	<u>\$ 1,064,329.16</u>	<u>\$ 4,713,247.79</u>

TOWN OF DOBSON, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
WATER AND SEWER FUND BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 921,143.44	\$ 230,285.86	\$ 1,151,429.30
Water and sewer Taps	10,843.70	2,710.92	13,554.62
Other operating revenues	55,327.34	13,831.84	69,159.18
Total operating revenues	\$ 987,314.48	\$ 246,828.62	\$ 1,234,143.10
OPERATING EXPENSES			
Total operating expenses	\$ 697,938.46	\$ 174,484.61	\$ 872,423.07
Depreciation	146,325.66	36,581.41	182,907.07
Total operating expenses	\$ 844,264.11	\$ 211,066.03	\$ 1,055,330.14
Operating income (loss)	\$ 143,050.37	\$ 35,762.59	\$ 178,812.96
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	\$ 2,619.85	\$ 654.96	\$ 3,274.81
Tax refunds	15,855.60	3,963.90	19,819.50
Interest fees on long-term debt	(42,767.01)	(13,558.76)	(56,325.77)
Total non-operating revenues (expenses)	\$ (24,291.56)	\$ (8,939.90)	\$ (33,231.46)
Income (loss) before contributions and transfers	\$ 118,758.81	\$ 26,822.69	\$ 145,581.50
Capital contributions	754,740.34		754,740.34
Transfers from general fund			
Change in net assets	\$ 873,499.15	\$ 26,822.69	\$ 900,321.84
Total net assets, beginning	2,775,419.48	1,037,506.47	3,812,925.95
Total net assets, ending	\$ 3,648,918.63	\$ 1,064,329.16	\$ 4,713,247.79

TOWN OF DOBSON, NORTH CAROLINA
SCHEDULE OF CASH FLOWS
WATER AND SEWER FUND BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 921,930.22	\$ 230,482.55	\$ 1,152,412.77
Cash paid for goods and services	(307,140.34)	(76,785.08)	(383,925.42)
Cash paid to or on behalf of employees for services	(354,313.18)	(88,578.30)	(442,891.48)
Customer deposits received	7,794.66		7,794.66
Customer deposits returned	(4,000.00)		(4,000.00)
Other operating revenues	55,327.34	13,831.84	69,159.18
Net cash provided (used) by operating activities	\$ 319,598.70	\$ 78,951.01	\$ 398,549.71
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	\$	\$	\$
Transfers to other funds			
Due from other governments	19,819.50		19,819.50
Total cash flows from noncapital financing activities	\$ 19,819.50	\$	\$ 19,819.50
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	\$ (945,783.30)	\$	\$ (945,783.30)
Proceeds from capital debt			
Principal paid on bond maturities and notes	\$ (51,541.50)	(49,428.60)	(100,970.10)
Interest paid on bond maturities and notes	(44,751.40)	(11,574.37)	(56,325.77)
Capital contributions	754,740.34		754,740.34
Tax refunds	294.88	73.72	368.60
Net cash provided (used) by capital and related financing activities	\$ (287,040.98)	\$ (60,929.25)	\$ (347,970.23)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	\$ 2,619.85	\$ 654.96	\$ 3,274.81
Sale of property & equipment			
Total cash flows from investing activities	\$ 2,619.85	\$ 654.96	\$ 3,274.81
Net increase (decrease) in cash and cash equivalents	\$ 54,997.07	\$ 18,676.72	\$ 73,673.79
Balance, beginning of the year	469,291.75	117,322.94	586,614.69
Balance, end of the year	\$ 524,288.82	\$ 135,999.66	\$ 660,288.48

TOWN OF DOBSON, NORTH CAROLINA
SCHEDULE OF CASH FLOWS
WATER AND SEWER FUND BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2011

	Water	Sewer	Total
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income	143,050.37	35,762.59	178,812.96
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	\$ 146,325.66	\$ 36,581.41	\$ 182,907.07
Change in assets and liabilities:			
(Increase) Decrease in accounts receivable	(10,056.92)	(2,514.23)	(12,571.15)
(Increase) Decrease in inventories	(6,751.02)	(1,687.76)	(8,438.78)
(Increase) Decrease in prepaid items			
(Increase) Decrease in due from other governments	(6,281.66)	(1,570.41)	(7,852.07)
Increase (Decrease) in accounts payable and accrued liabilities	49,517.62	12,379.40	61,897.02
(Increase) Decrease in amounts payable related to equipment purchases			
Increase (Decrease) in due to other governments			
Increase (Decrease) in customer deposits	3,794.66		3,794.66
Total adjustments	\$ 176,548.33	\$ 43,188.42	\$ 219,736.75
Net cash provided (used) by operating activities	\$ 319,598.70	\$ 78,951.01	\$ 398,549.71

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NORTH CAROLINA ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregated remaining fund information of the Town of Dobson, North Carolina as of and for the year then ended June 30, 2011, which collectively comprises the Town of Dobson's basic financial statements, and have issued our report thereon dated November 11, 2011. We did not audit the financial statements of the Town of Dobson's ABC Board. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Dobson's ABC Board is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Town of Dobson's ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

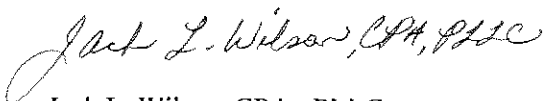
A control deficiency exists when designed or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting [2011-1], [2011-2], and [2011-3]. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider 2011-1, 2011-2, and 2011-3 are material weaknesses.

Compliance and Other Matters

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

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



Jack L. Wilson, CPA, PLLC
Mount Airy, NC 27030
November 11, 2011

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

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

Compliance

We have audited Town of Dobson, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2011. The Town of Dobson's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Town of Dobson's management. Our responsibility is to express an opinion on Town of Dobson's compliance based on our audit.

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

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


Internal Control Over Compliance

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

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

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

This report is intended for the information and use of the governing board, management, State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Jack L. Wilson, CPA, PLLC
Mount Airy, North Carolina
November 11, 2011

TOWN OF DOBSON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant Deficiency(s) identified
that are not considered to be
material weaknesses? yes X none reported

Noncompliance material to financial
statements noted yes X no

State Awards

Internal control over major state programs:

- Material weakness(es) identified? yes X no
- Significant Deficiency (s) identified
that are not considered to be
material weaknesses? yes X none reported

Type of auditor's report issued on compliance for major State programs: Unqualified.

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

Identification of major State programs:

Program Name

Powell Bill
Supplemental Physical Infrastructure
Grant

TOWN OF DOBSON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section II – Financial Statement Findings

MATERIAL WEAKNESS

2011-1 Limited accounting knowledge by finance officer.

Criteria: Finance officer should have reasonable accounting knowledge in order to assure proper financial record keeping.

Condition: The finance department staff is competent, capable and performs daily and monthly functions, but their expertise is limited in the overall accounting procedure and financial statement preparation in accordance with generally accepted accounting principles with full accrual basis statements now required by GASB 34.

Effect: Transactions could be mishandled.

Cause: Lack of adequate accounting knowledge.

Recommendation: Finance officer and accounting personnel should obtain adequate accounting knowledge in order to perform their duties.

Views of responsible officials and planned corrective actions: The Town agrees with this finding.

2011-2 Failure to reconcile accounts with support documents.

Criteria: Accounts are not being adjusted to reconciliations and support documents.

Condition: Various General Ledger accounts are not being adjusted on a frequent nature to bank reconciliations and other support documentations.

Effect: Accounts could be incorrectly valued.

Cause: Lack of adequate accounting knowledge and adjustment to accounts.

Recommendation: Finance officer and accounting personnel should reconcile various accounts with the General Ledger on a frequent basis.

Views of responsible officials and planned corrective actions: The Town agrees with this finding.

TOWN OF DOBSON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section II – Financial Statement Findings

2011-3 Failure to approve disbursements.

Criteria: Disbursements are being made without prior approval.

Condition: Several disbursements were made without proper approval.

Effect: Improper disbursements could be made.

Cause: Failure to obtain proper approval for disbursements.

Recommendation: Town should obtain proper approval for all disbursement, before disbursements are actually made.

Views of responsible officials and planned corrective actions: The Town agrees with this finding.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

TOWN OF DOBSON, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2011

Section II – Financial Statement Findings

MATERIAL WEAKNESS

2011-1 Limited accounting knowledge by finance officer.

Name of contact person: Josh Smith, Town Manager

Corrective Action: Finance personnel will acquire appropriate accounting knowledge to perform duties.

Proposed Completion Date: The Commissioners will implement the above procedure immediately.

2011-2 Failure to reconcile accounts with support documents.

Name of contact person: Josh Smith, Town Manager

Corrective Action: General ledger account will be adjusted to reconciliation and support documentation in a frequent manner.

Proposed Completion Date: The Commissioners will implement the above procedure immediately.

2011-3 Failure to approve disbursements.

Name of contact person: Josh Smith, Town Manager

Corrective Action: All disbursements will be approved before payments are made.

Proposed Completion Date: The Commissioners will implement the above procedure immediately.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

TOWN OF DOBSON, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Grants:					
Cash Programs:					
<u>U.S. Department of Agriculture (USDA)</u>					
Water and Waste Disposal System for Rural Communities	10.760		\$ 45,107		
Total assistance - federal programs			<u>\$ 45,107</u>		
State Grants:					
Cash Assistance:					
<u>N.C. Department of Transportation</u>					
Powell Bill				\$ 14,775	
<u>N.C. Department of Commerce</u>					
Supplemental Physical Infrastructure Grant Award				\$ 500,000	
Total assistance - State programs				<u>\$ 514,775</u>	
Total assistance			<u>\$ 45,107</u>	<u>\$ 514,775</u>	

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

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