

# CITY OF WILSON, NORTH CAROLINA

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## Notes to Basic Financial Statements For the Year Ended June 30, 2008

### Note 1 - Summary of Significant Accounting Policies

The City of Wilson, North Carolina “the City” was incorporated in 1849 and operates under a Council-Manager form of government. The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, water and sewer, gas, electric, planning and zoning, recreation, broadband, and general administrative services.

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

#### A - Reporting Entity

The City is a municipal corporation, which is governed by an elected mayor and a seven-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position and results of the operations of the City and its component units, legally separate entities for which the City is financially accountable. Blended component units are in substance part of the City’s operations and are combined with amounts of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Included within the reporting entity -

#### City of Wilson Financing Assistance Corporation

The City of Wilson Financing Assistance Corporation (COWFAC) assists the City in acquiring, constructing, financing, selling, and/or leasing of real property, improvements, facilities, equipment and other tangible and intangible personal property. The sole purpose of the COWFAC is to provide a funding source for City assets and enter into lease or financing arrangements with the City to repay the debt. The COWFAC governing board is appointed by City Council. The City is required to make payments to the COWFAC in an amount sufficient to pay the scheduled debt service on COWFAC debt. As a blended component unit, with a June 30 year-end, the assets and liabilities of the corporation are combined with the assets and liabilities of the primary government.

#### Downtown Development Corporation

Downtown Development Corporation is a not-for-profit corporation, established to promote economic development in a municipal service district created by the act of City Council. A municipal service district tax is levied under the taxing authority of the City and remitted to the Downtown Development Corporation for use in the downtown district. The Downtown Development Corporation’s budget is subject to the approval of City Council. The Downtown Development Corporation, which has a June 30 year-end, is presented as a governmental type fund.

#### Wilson Cemetery Commission

Wilson Cemetery Commission is responsible for maintaining and operating the municipal cemeteries. A five-member board appointed by City Council manages it. The Wilson Cemetery Commission’s operating budget is subject to the approval of the City Council. The City Council sets charges for cemetery services. The City is required to provide sufficient appropriation in the annual budget for the care and maintenance of cemeteries within the geographic boundaries of the City. The Wilson Cemetery Commission, which has a June 30 year-end, is presented as a proprietary type fund.

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There are no significant disclosures related to the above entities, which are not already included herein; therefore, no separate financial statements have been issued for these entities.

Excluded from the reporting entity – None

## **B – Government-wide and Fund Financial Statements**

### **Government-Wide Financial Statements**

The government-wide financial statements report information on all activities of the City as a whole (Primary Government and its Component Units). Primary government activities are reported separately from legally separate component units, for which the primary government is financially accountable. Fiduciary funds (Employee Supplemental Retirement Trust Fund, John Glover Fire Education Trust Fund, and the Law Enforcement Special Separation Allowance Pension Trust Fund) are excluded from the government-wide financial statements, since these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City. Governmental activities, defined as activities supported through taxes and intergovernmental revenues, are reported separately from business-type activities, defined as activities financed in whole or part by fees charged to external parties for goods or services. Interfund transactions are eliminated for the most part. Net assets may serve over time as a useful indicator of a government's financial position. The government-wide Statement of Net Assets shows all assets and liabilities of the City and the net assets, which is the difference between assets and liabilities.

The Statement of Activities demonstrates the degree to which the direct expenses (gross and net) of a given function are offset by directly identifiable program revenues. Direct expenses are those that are clearly identifiable with a specific functional activity. Program revenues include a) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by the functional activity and b) grants and contributions restricted to meeting the operational or capital requirements of a particular functional activity. Taxes and other revenues not associated with a particular functional activity are reported as general revenues, which offset the net costs of all functional activities.

Interfund activity has been eliminated from the government-wide financial statements. Exceptions are services provided between funds at market or near market rates, are treated as revenues and expenses and net residual amounts due between governmental and business-like activities, which are presented as internal balances. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

The General Fund has charged an administrative service fee to the Electric, Gas, Water Resources and Storm Water Management funds. This charge is for General Fund services (management, financial administration and personnel administration).

### **Fund Financial Statements**

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as a separate column in the funds financial statements. Non-major funds are summarized in a separate column and detailed in the supplementary financial information. Internal service funds are presented in summary form as part of the proprietary fund statements. These fund financial statements are very similar to the financial statements presented in our previous financial reporting model statements.

The City reports the following major funds:

#### **Governmental Funds**

The General Fund is the general operating fund of the City. It is used to account for all financial resources with the exception of those funds that are required by law to be accounted for in another fund.

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## **Proprietary Funds**

The Electric Fund accounts for the operation of the City's electric power distribution system. The Gas Fund accounts for the operation of the City's gas distribution system. The Water Resources Fund accounts for the operation of the City's water and sewer system. The Mass Transit Fund accounts for the operation of the City's mass transit system. The Industrial Air Center Fund accounts for the operation of the City's municipal airport. The Stormwater Management Fund accounts for the storm water management system of the City. The Broadband Fund accounts for the operation of the City's broadband services providing video, voice, and data services.

Additionally, the government reports the following fund types:

## **Other Fund Types**

Internal Service Funds account for a risk management (insurance) program, limited risk self-insurance health program and operation center facility operations and maintenance program. The Pension Trust Funds account for a supplemental retirement benefit plan and a special separation allowance for eligible law enforcement officers as required by state statute. The Private Purpose Trust Fund accounts for monies held in trust for a private individual that provides financial assistance to private individuals for their education in fire fighting.

## **C – Basis of Accounting**

### **Economic Resources Measurement and Accrual Basis**

The government-wide financial statements and the proprietary and fiduciary fund financial statements are presented using the economic resources measurements focus and the accrual basis of accounting. Economic resources measurement focus requires all assets and liabilities are included on the statement of net assets or balance sheet. Accrual basis accounting requires revenues to be recognized when earned and expenses to be recognized when a liability is incurred, regardless of the timing of related cash flow. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Employer contributions to pension trust funds are recognized when due and the City has made a formal commitment to provide the contributions.

Proprietary funds report operating revenues and expenses separately from non-operating transactions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations of a proprietary fund. The main operating revenues are charges for sales and services related to electric, gas, water, sanitary sewer, storm water management services and broadband services. Restoration of services, service taps, bus fares, and airport rentals are also recognized as operating revenues. Operating expenses include cost of sales, production and distribution, administration, depreciation and bad debts. All revenues not meeting these criteria, such as investment earnings, are reported as non-operating revenues and expenses.

### **Financial Resources Measurement and Modified Accrual Basis**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting for financial reporting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Additionally, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources.

The city recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Non-exchange transactions occur when one government provides (or receives) value to (or from) another party without receiving (or giving) equal value in return. The City regards all revenues as available if they are collected within 90 days after year-end, except for property taxes.

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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 subsequent 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, Wilson 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 City. Property taxes on motor vehicles are registered on a staggered system and 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 City's vehicle taxes for vehicles registered in Wilson County from March 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes, which were billed during this period, are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes collected and held by the State at year-end on behalf of the City 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 deferred revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The City reports deferred revenue on its Governmental Funds Balance Sheet. Deferred revenues arise when potential revenue does not meet the "available" criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the governmental funds balance sheet and revenue is recognized.

All Governmental and Business-type Activities and Proprietary funds follow all GASB statements, and all Financial Accounting Standards Board (FASB) statements issued on or before November 30, 1989, except those that conflict with the GASB.

### **D - Budgets and Budgetary Accounting**

The City's budgetary process entails the preparation of budgetary documents within an established timetable. The timetable includes the following steps:

Prior to June 1, the City Manager submits a proposed operating budget of estimated revenues and expenditures to the City Council for the fiscal year commencing July 1. Expenditures may not legally exceed appropriations on a departmental level as defined by the City, e.g., Administrative Services, Police, Fire, etc. Public hearings are conducted to obtain taxpayer comments.

Prior to June 30, the budget is legally enacted through passage of an ordinance. The budget includes all funds with the exception of Trust Funds and the Internal Service Funds.

The City Manager is authorized to transfer budgeted amounts between objects of expenditures within any department without limitation. The City Manager is also authorized to transfer up to \$50,000 in budgeted expenditures between departments within each fund. Other budgetary modifications may only be made by resolution of City Council.

Budgets for all funds are adopted on a modified accrual basis.

Annual appropriated budgets are adopted for the General Fund, Community Development Fund, Redevelopment Reserve Fund, General Government Capital Reserve Fund, Economic Development Reserve Fund and Enterprise Funds. All appropriations lapse at year-end. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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The financial statement budget columns reflect all budget amendments adopted by the City Council through June 30. During the year, several supplementary appropriations were necessary; however, individual amendments were not material in relation to the original appropriations.

Budget amounts include City Council authorizations for borrowings and related expenditures not reflected in the form of budget amendments.

Project ordinances are adopted for Special Revenue Grant Projects, Capital Projects and Enterprise Fund Capital Projects, which are consolidated with the operating funds for reporting purposes.

Also as required by State law, the City's internal service funds (Risk Management, Group Insurance Benefit, Operation's Center) and the Pension Trust Fund operate under financial plans that were adopted by the governing board at the time the City's budget ordinance was approved. The financial plan also was entered into the minutes of the governing board.

## E - Encumbrances

Encumbrance accounting, under which commitments for the expenditures of resources are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental and proprietary fund types and the component units. Encumbrances at year-end are reported as reservations of fund balances in governmental fund types and the Downtown Development Corporation since they do not constitute expenditures or liabilities.

Encumbrances outstanding at June 30, 2008 include:

<u>Fund</u>	<u>Amount</u>
General	\$ 1,800,805
Non-Major Funds	<u>794</u>
Total reporting entity	<u>\$ 1,801,599</u>

## F - Cash and Cash Equivalents

Pooled cash and investments are maintained and used by all funds. Funds are available on demand from the pool. Accordingly, all cash and investments are considered cash and cash equivalents in the statements of cash flows. It is the City's policy to use unrestricted resources first, and then restricted resources as needed.

## G - Inventories and Prepaids

Inventories are valued at cost using the average cost method. The City's General Fund inventory consists of supplies that are recorded as expenditures when consumed.

The inventories of the City's Enterprise Funds consist of materials and supplies held for consumption. The cost of these inventories is recorded as an expense as the inventories are used.

Certain payments to vendors that are for future periods are recorded as prepaid.

## H - Restricted Assets

Certain proceeds of certificates of participation and notes payable financings, as well as certain resources set aside for repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants or lender restrictions.

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## I - Property Taxes Receivable

All property taxes (excluding registered motor vehicles), including those for the Downtown Development Corporation, are levied based on a calendar year (January 1 - December 31). Property values at January 2 determine the basis for the tax levy for the fiscal year beginning July 1. The property tax assessment is formally levied on July 1. Property tax bills are mailed during August and are not due until September 1. Taxes are considered past due on January 6. By the following June 30, taxes receivable are delinquent and are not considered a resource to finance current year operations. A lien attaches to real property as of the listing date (January 2) and to personal property when the levy or garnishment attachment is made. Registered motor vehicles are levied under either a staggered system or an annual system.

## J - 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 and considering collectibles of accounts actually due at year-end.

## K - Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Fund financial statements of governmental funds do not include capital assets since they are on the current financial measurement focus and the modified accrual accounting basis. Capital assets include individual assets that have a life of longer than one year and a value of \$2,500 or greater, except for the cost of software and infrastructure assets, which must have a value of at least \$5,000 or \$50,000, respectively.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Any interest incurred during the construction phase of proprietary capital assets is reflected in the capitalized value of the asset constructed.

Depreciation of all exhaustible capital assets is charged as an expense in the government-wide and proprietary funds financial statements. Fund financial statements for governmental funds do not show depreciation as expenditures since the measurement focus of these statements is the current financial measurement focus and the modified accrual basis of accounting. Depreciation has been provided over the estimated useful lives of the capital assets using the straight line method. The estimated useful lives are as follows:

Equipment	5 - 30 years
Land improvements	25 - 30 years
Buildings	30 - 50 years
Distribution systems	30 - 50 years
Infrastructure	30 - 50 years

## L - Long-Term Debt

Long-term liabilities are reported as liabilities in the government-wide statements and the proprietary fund financial statements. Bond premiums, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Governmental fund types do not show long-term liabilities in the fund financial statements since their measurement focus is on current financial resources and the modified accrual basis of accounting.

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## **M – Deferred Revenues**

Fund statement receivables recorded in the governmental funds that have been assessed for improvements and amounts accrued in the Community Development and the Downtown Development Funds are recognized as a receivable on the assessment date and have been reduced by a provision for uncollectibles. The receivables are recognized as revenue when collected during the year. Government-wide and proprietary fund statements record revenue from receivables when the transaction occurs and have also been reduced by a provision for uncollectibles.

## **N - Compensated Absences**

The vacation policy of the City provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City, the current portion of the accumulated vacation pay is not considered to be material; therefore no expenditure or liability has been reported in the fund financial statements. The City also has a compensatory time policy that allows employees to accrue leave in lieu of payment for overtime worked. The City's liability for accumulated compensatory time, earned vacation and salary related payments as of June 30, 2008 are not recorded in the fund financial statements for governmental funds financial statements and are a reconciling item to government-wide financials. For the City's proprietary funds financial statements and government-wide financials, an expense and a liability for compensated absences, and the salary related payments, are accrued within those funds when incurred. Vacation leave accrued over the 30 day limit is converted to sick leave annually. The liability for compensated absences at June 30, 2008 is \$ 2,625,997. The Wilson Cemetery Commission includes compensated absences in accrued wages and amounts withheld totaling \$6,166.

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

## **O - Long-Term Receivables**

Assessments that can be paid over a ten-year period only require an annual payment amount that equals 10% of the original amount are considered long-term receivables. Other receivables include an amount of \$24,868 which has been financed over a 15-year period for the sale of a shell building in the industrial park. Notes receivable are for Community Development loans that were incurred to improve substandard properties for rent to low-income people are financed for periods of 10 to 20 years. All of the above receivables have a lien against real property for collateral.

## **P - Other Resources**

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Transfers to other funds" in the General Fund and "Transfers from other funds" in the receiving fund in the fund financial statements.

## **Q - Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

## **Note 2 - Cash and Cash Equivalents/Investments**

Pooled cash and investments are maintained and used by all funds.

## **Deposits**

The deposits of the City and each of its component units are governed by North Carolina G.S. 159-31. Each of these units may establish official depositories with any bank or savings and loan institution whose principal office is located in North Carolina. Each of these units may also establish time deposits in the form of NOW, Super NOW and money market

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accounts, and certificates of deposit. Depositories must collateralize public deposits in excess of federal depository insurance coverage by using one of two methods. Under the dedicated method, each depository in the name of each local unit establishes a separate escrow account, and the responsibility of monitoring collateralization rests with the local unit.

Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all its public deposits. 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 City or its component units or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City or its component units 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 pooling method depository.

At June 30, 2008 the carrying amount of the City's deposits, including restricted deposits, was \$7,338,670. The carrying amount of the Downtown Development Corporation's and the Wilson Cemetery deposits was \$14,137 and \$27,786, respectively. The Wilson Cemetery Commission also has a compensating balance of \$7,280 invested in certificates of deposit. The bank balance for the above deposits was \$7,869,021 including all certificates of deposit. At June 30, 2008, the City's petty cash fund totaled \$9,650. The Downtown Development Commission and the Wilson Cemetery petty cash funds totaled \$25 and \$125, respectively.

All deposits were maintained with financial institutions, which collateralize deposits in excess of FDIC, by the pooling method. Federal depository insurance covers \$272,300 and \$7,271 of the City's and the Cemetery Commission's bank balance, respectively. The remainder of deposits are maintained at depositories covered under the pooling method and is collateralized by an escrow account in the name of the State Treasurer.

### Investments

As of June 30, 2008 the City had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>		
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>
Federal Home Loan Bank	\$ 7,215,067	\$ 615,729	\$ 6,599,337
Federal Farm Credit Bank	3,446,966	3,446,966	
Federal Home Loan Mortgage Corporation	17,966,439	5,933,531	12,032,908
Federal National Mortgage Association	19,601,929	8,395,796	11,201,132
U. S. Treasury Notes	-	-	
NC Capital Management Trust- Cash Portfolio	<u>21,958,587</u>	<u>21,958,587</u>	
	<u>\$70,188,988</u>	<u>\$40,350,609</u>	<u>\$ 29,838,377</u>

As of June 30, 2008 the Wilson Cemetery Commission had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>		
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>
Federal Home Loan Bank	\$ 36,906	\$ 3,321	\$ 33,585
Federal Farm Credit Bank	17,632	17,632	-
Federal Home Loan Mortgage Corporation	91,901	30,328	61,574
Federal National Mortgage Association	100,268	43,115	57,152
U. S. Treasury Notes	-	-	-
NC Capital Management Trust - Cash Portfolio	<u>113,323</u>	<u>113,323</u>	
	<u>\$ 360,030</u>	<u>\$ 207,719</u>	<u>\$ 152,311</u>

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As of June 30, 2008 the Downtown Development Commission had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>		
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>
Federal Home Loan Bank	\$ 19,156	\$ 1,724	\$ 17,432
Federal Farm Credit Bank	9,152	9,152	-
Federal Home Loan Mortgage Corporation	47,702	15,742	31,960
Federal National Mortgage Association	52,044	22,379	29,665
U. S. Treasury Notes	-	-	-
NC Capital Management Trust – Cash Portfolio	58,824	58,825	-
	<u>\$ 186,878</u>	<u>\$ 107,821</u>	<u>\$ 79,057</u>

Interest rate risk is not managed by a formal investment policy to limit exposure to fair value losses arising from rising interest rates.

The City has no policy on managing credit risk. General Statute 159-30(c) authorizes the City and its component units to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust, an SEC registered mutual fund. During the year, all investments were of these authorized types.

The credit risk for the City and its component units are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>
Federal Home Loan Bank	AAA
Federal Farm Credit Bank	AAA
Federal Home Loan Mortgage Corporation	AAA
Federal National Mortgage Association	AAA
NC Capital Management Trust – Cash Portfolio	AAAm

Concentration of credit risk is not managed by a formal investment policy limiting the amount that may be invested in any one issuer.

The concentration of credit risk for the City and its component units are as follows:

<u>Investment Type</u>	<u>% of Total Investments</u>
Federal Home Loan Bank	10%
Federal Farm Credit Bank	5%
Federal Home Loan Mortgage Corporation	26%
Federal National Mortgage Association	28%
U. S. Treasury Notes	0%
NC Capital Management Trust – Cash Portfolio	31%

Custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no custodial credit risk because all investments are held by City's bank trust department in the City's name. The City has no policy on custodial credit risk.

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Investment income is allocated to the various funds based on their equity in a pooled account. Each fund's equity in pooled cash and investments is set forth in the accompanying financial statements. As required for periods beginning after June 15, 1997 by Statement 31 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the City and its component units are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price.

During fiscal year ended June 30, 2008, the City, Downtown Development Corporation, and the Wilson Cemetery Commission have realized a net gain of \$497,129, \$1,148, and \$2,538 from the sale of investments. The calculation of realized gains is independent of the calculation of the net decrease in the fair value of investments. Realized gains and losses in investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of the investments reported in the prior year. The net increase in the fair value of the City's, Downtown Development Corporation's and the Wilson Cemetery Commission's investments during fiscal year ended June 30, 2008 were \$823,112, \$2,281 and \$4,396 respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year. The City's, Downtown Development Corporation's, and the Wilson Cemetery Commission's unrealized gain on investments held at June 30, 2008 were \$1,061,244, \$2,813, and \$5,530 respectively.

As of June 30, 2008, the City had \$2,000,000 invested in callable securities to increase yield and diversify the portfolio. The issuer may call the security at any interest payment date. The issuer will be required to pay a call premium on the redemption based on the call date at which the issuer elects to redeem the securities. In periods of declining interest rates, the issuer is more likely to call the security and obtain alternative financing at lower interest rates. If the securities were called, the City would most likely invest the proceeds at a lower interest rate due to lower prevailing rates in the marketplace.

### 3 - Receivables - Allowance for Uncollectibles

The receivables shown for Governmental and Business-type activities are presented net of the following allowances for doubtful accounts as of June 30, 2008:

<u>Funds</u>		
Governmental		\$ 1,782,625
Business-type		<u>541,471</u>
Total		<u>\$ 2,324,096</u>

Accounts receivable for the Downtown Development Corporation are presented net of a \$2,050 allowance for doubtful accounts.

### Note 4 - Due From Other Agencies and Governments

The following summarizes amounts due from other agencies and governments by source as of June 30, 2008:

<u>Funds</u>	<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
Governmental	\$ 493,176	\$ 45,728	\$ 317,426	\$ 856,330
Business-type		<u>475,525</u>	<u>67,369</u>	<u>542,894</u>
Total	<u>\$ 493,176</u>	<u>\$ 521,253</u>	<u>\$ 384,795</u>	<u>\$ 1,399,224</u>

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## Note 5 – Capital Assets

The following summarizes the changes in capital assets for the governmental activities:

### Primary Government

	Beginning Balances	Additions	Transfers In (Out)	Retirements	Ending Balances
<b>Governmental Activities</b>					
Capital Assets, not being depreciated					
Land	\$ 19,101,170	\$ 200,020	\$(50,349)	\$ ( 19,182)	\$ 19,231,659
Construction in progress	22,942	1,023,014	(22,942)		1,023,014
	<u>19,124,112</u>	<u>1,223,034</u>	<u>(73,291)</u>	<u>(19,182)</u>	<u>20,254,673</u>
Capital assets, being depreciated:					
Land improvements	6,107,113	164,074		(1,900)	6,269,287
Buildings	12,103,012	1,681,811	73,290	(41,908)	13,816,205
Rolling stock	12,806,345	713,620	14,407	(554,269)	12,980,103
General equipment	4,246,342	358,497	(149,891)	(143,784)	4,311,164
Furniture, fixtures, and equipment	4,255,216	306,974	28,995	(74,971)	4,516,214
Infrastructure	33,432,523	1,380,940			34,813,463
Sidewalks	312,735				312,735
Total capital assets, being depreciated	<u>73,263,286</u>	<u>4,605,916</u>	<u>(33,199)</u>	<u>(816,832)</u>	<u>77,019,171</u>
Less accumulated depreciation for:					
Land improvements	(1,921,448)	(183,931)		1,351	(2,104,028)
Buildings	(4,562,257)	(235,945)		41,909	(4,756,293)
Rolling stock	(9,151,691)	(1,030,401)	(16,710)	540,895	(9,657,907)
General equipment	(2,423,950)	(354,626)	28,995	143,783	(2,605,798)
Furniture, fixtures, and equipment	(2,292,439)	(483,279)	(28,995)	71,138	(2,733,575)
Infrastructure	(13,747,321)	(1,118,253)			(14,865,574)
Sidewalks	(34,416)	(10,425)			(44,841)
Total accumulated depreciation	<u>(34,133,522)</u>	<u>(3,416,860)</u>	<u>(16,710)</u>	<u>799,076</u>	<u>(36,768,016)</u>
Total capital assets, being depreciated, net	<u>39,129,764</u>	<u>1,189,056</u>	<u>(49,909)</u>	<u>( 17,756)</u>	<u>40,251,155</u>
			\$(123,200		
Governmental activities capital assets, net	<u>\$ 58,253,876</u>	<u>\$ 2,412,090</u>	<u>)</u>	<u>\$ (36,938)</u>	<u>\$ 60,505,828</u>

## CITY OF WILSON, NORTH CAROLINA

The following summarizes the changes in capital assets for the business-type activities:

	Beginning Balances	Additions	Transfers In (Out)	Retirements	Ending Balances
<b>Business-type activities</b>					
Capital Assets, not being depreciated					
Land	\$ 20,489,136	\$ 2,031,819	\$	\$ (402,989)	\$ 22,117,966
Construction in progress	<u>33,068,069</u>	<u>32,239,822</u>	<u>(148,350)</u>	<u>(22,531,257)</u>	<u>42,628,284</u>
Total capital assets, not being depreciated	<u>53,557,205</u>	<u>34,271,641</u>	<u>(148,350)</u>	<u>(22,934,246)</u>	<u>64,746,250</u>
Capital assets, being depreciated:					
Land improvements	5,779,477	1,247,426			7,026,903
Buildings	15,279,654	1,288,742			16,568,396
Utility distribution system	214,549,071	22,805,366	120,896	( 64,170)	237,411,163
Tanks reservoirs dams waterways	33,452,773	63,200			33,515,973
Rolling stock and other vehicles	14,001,531	1,698,300	(14,407)	(450,306)	15,235,118
Furniture, fixtures, and equipment	<u>14,483,178</u>	<u>909,917</u>		<u>(76,192)</u>	<u>15,316,903</u>
Total capital assets, being depreciated	<u>297,545,684</u>	<u>28,012,951</u>	<u>106,489</u>	<u>(590,668)</u>	<u>325,074,456</u>
Less accumulated depreciation for:					
Land improvements	(2,607,737)	(116,686)			(2,724,423)
Buildings	(5,722,984)	(299,170)			(6,022,154)
Utility distribution system	(81,758,765)	(4,602,170)		42,693	(86,318,242)
Tanks, reservoirs, dams, waterways	(5,872,570)	(666,348)			(6,538,918)
Rolling stock and other vehicles	(8,791,874)	(1,264,232)	16,709	450,306	(9,589,091)
Furniture, fixtures, and equipment	<u>(7,767,945)</u>	<u>(960,458)</u>		<u>72,491</u>	<u>(8,655,912)</u>
Total accumulated depreciation	<u>(112,521,875)</u>	<u>(7,909,064)</u>	<u>16,709</u>	<u>565,490</u>	<u>(119,848,740)</u>
Total capital assets, being depreciated, net	<u>185,023,809</u>	<u>20,103,887</u>	<u>123,198</u>	<u>(25,178)</u>	<u>205,225,716</u>
Business-type activities capital assets, net	<u>\$ 238,581,014</u>	<u>\$ 54,375,528</u>	<u>(25,152)</u>	<u>\$(22,959,424)</u>	<u>\$ 269,971,966</u>

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

Governmental activities:	
General government	\$ 562,033
Public safety	648,614
Highways and streets, including depreciation of general infrastructure assets	1,460,194
Sanitation	374,802
Culture and recreation	362,310
Economic development	8,907
Human services	
Total depreciation expense - governmental activities	<u>\$3,416,860</u>
Business-type activities:	
Electric	\$3,283,004
Gas	509,375
Water	3,510,698
Mass Transit	129,856
Industrial Air Center	12,554
Broadband	51,236
Storm Water	242,006
Operations Center	<u>170,335</u>
	<u>\$7,909,064</u>

## CITY OF WILSON, NORTH CAROLINA

A summary of Downtown Development Corporation capital assets activity by type at June 30, 2008:

	Beginning Balances	Additions	Transfers In (Out)	Retirements	Ending Balances
Capital assets, being depreciated:					
Furniture, fixtures and equipment	\$ 3,560	\$	\$	\$	\$ 3,560
Total capital assets, being depreciated	3,560				3,560
Less accumulated depreciation for:					
Furniture, fixtures and equipment	(3,560)				(3,560)
Total accumulated depreciation	(3,560)				(3,560)
Total capital assets, being depreciated					
Total Capital Assets, net	\$	\$	\$	\$	\$

A summary of Wilson Cemetery Commission capital assets activity by type at June 30, 2008:

	Beginning Balances	Additions	Transfers In (Out)	Retirements	Ending Balances
Capital assets, not being depreciated:					
Land	\$ 25,754	\$	\$	\$	\$ 25,754
Construction in progress	92,489	3,865			96,354
Total capital assets, not being depreciated	118,243	3,865			122,108
Capital assets, being depreciated:					
Land improvements	560,983				560,983
Buildings	76,609				76,609
Rolling stock	160,306	4,200		(4,525)	159,981
Furniture, fixtures and equipment	31,016	5,549			36,565
Total capital assets, being depreciated	828,914	9,749		(4,525)	834,138
Less accumulated depreciation:					
Land improvements	(342,454)	(10,267)			(352,721)
Buildings	(62,244)	(1,170)			(63,414)
Rolling stock	(120,051)	(11,384)		3,695	(127,740)
Furniture, fixtures and equipment	(26,500)	(2,103)			(28,603)
Total accumulated depreciation	(551,249)	(24,924)		3,695	(572,478)
Total capital assets, being depreciated net	277,665	(15,175)		(830)	261,660
Total capital assets, net	\$ 395,908	(11,310)	\$	\$ (830)	\$ 383,768

# CITY OF WILSON, NORTH CAROLINA

## Note 6 - Operating Leases

The City is committed under various operating leases. Lease expenditures for the year ended June 30, 2008 amounted to \$ 679,232.

Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2009	\$ 438,634
2010	268,851
2011	100,810
2012	780
<u>2013</u>	<u>0</u>
 Total	 <u>\$ 809,075</u>

## Note 7 - Long-Term Debt

The City is subject to the Local Government Bond Act of North Carolina, which limits the amount of net bonded debt the City may have outstanding to eight percent (8%) of the appraised value of property subject to taxation. At June 30, 2008 the statutory legal debt margin for the City was \$196,311,742.

Principal and interest requirements for Governmental Activities debt will be provided by appropriation in the General Fund in the year in which they become due. Principal and interest requirements for Business-type Activities debt will be provided through operating revenues in the respective Business-type Activities Funds and appropriated in the year in which they become due.

Revenue Bonds issued in fiscal year 2003 pledge the income derived from the Combined Utility System for payment of the debt. Currently the Combined Utility System is composed of the Water System, Wastewater System and Gas System. Certain financial covenants are contained in the revenue bond order, among the most restrictive of which provide that the City maintain a long-term revenue bonded debt service coverage ratio of not less than 120%. The overall Combined Utility System debt service coverage ratio must be maintained at a ratio of 100%. The coverage ratio as of June 30, 2008 for revenue bonded debt service is 817.06% and 173.48% for all debt.

A summary of changes in long-term liabilities is as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within 1 year</u>
Notes payable	\$ 1,432,465	\$ 1,350,000	\$ (567,024)	\$ 2,215,441	\$ 347,302
Post employment benefits		4,678,911	(1,048,527)	3,630,384	
Accrued compensated absences	<u>1,757,622</u>	<u>1,466,925</u>	<u>(1,387,905)</u>	<u>1,836,642</u>	<u>1,260,782</u>
 <b>Total</b>	 <u>\$ 3,190,087</u>	 <u>\$ 7,495,836</u>	 <u>\$(3,003,456)</u>	 <u>\$ 7,682,467</u>	 <u>\$ 1,608,084</u>

For the governmental funds, accrued compensated absences are generally liquidated in the General Fund.

## CITY OF WILSON, NORTH CAROLINA

<u>Business Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within 1 Year</u>
Electric Notes Payable	\$ 136,828	\$	\$ (67,514)	\$ 69,314	\$ 69,314
Electric COPS Payable	17,400,000		(330,000)	17,070,000	405,000
Electric Deferred COPS Premium	819,095		(33,094)	786,001	
Water & Sewer Notes Payable	28,594,471		(1,716,824)	26,877,647	1,738,419
Water & Sewer GO Bonds	18,300,000		(1,200,000)	17,100,000	1,200,000
Gas Revenue Bonds	3,687,750		(114,750)	3,573,000	118,125
Water & Sewer Revenue Bonds	12,702,250		(395,250)	12,307,000	406,875
Gas Deferred Revenue					
Bond Premium	3,997		(190)	3,807	
Water & Sewer Deferred					
Revenue Bond Premium	13,430		(639)	12,791	
Operation Center COPS Payable	527,521	2,310,000		2,837,521	
Operation Center Deferred COPS					
Premium	30,480		(2,177)	28,303	
Broadband COPS Payable	18,012,479	(2,310,000)		15,702,479	945,000
Broadband Deferred COPS					
Premium	612,906		(41,553)	571,353	
Broadband Deferred COPS					
Discount	(4334)		754	(3580)	
Post employment benefits		1,646,769	(369,036)	1,277,733	
Accrued Compensated Absences	743,563	634,260	(588,468)	789,355	312,321
<b>Total</b>	<b><u>\$101,580,436</u></b>	<b><u>\$ 2,281,029</u></b>	<b><u>\$ (4,858,741)</u></b>	<b><u>\$ 99,002,724</u></b>	<b><u>\$ 5,195,054</u></b>

At June 30, 2008 long-term debt, excluding accrued compensated absences, consists of the following:

### Governmental Activities:

#### **General Fund**

#### **Notes Payable:**

Fire truck; note due in monthly installments at \$ 3,745 Including interest through June 2009; interest at 2.69%	\$ 44,270
Industrial building; note payable as interest only through October 1996, then in monthly installments of \$8,168 Including interest through October 2009; interest at 6.5%	40,513
Cisco telephone infrastructure, note due in monthly installments at \$4,293 Including interest through June 2011; interest at 4.02%.	145,365
Avaya telephone system lease purchase due in annual payments at \$120,444 Including interest through November 2009, interest at 1.9%	234,188
Police Sunguard OSSI Software lease purchase due in annual payments at \$141,530 Including interest through July 2011, interest at 2.9%	401,105
Carter National Bank Land and Building purchase due in annual installment payments of \$154,000 to \$52,000 including interest through November 2022, interest at 4.00%	<u>1,350,000</u>

Total Governmental Activities \$ 2,215,441

# CITY OF WILSON, NORTH CAROLINA

## Business-Type Activities

### Gas Fund:

#### Revenue Bonds:

3,910,500 – 2002 Revenue Bonds due in annual principal installments of \$110,250 to \$268,875 through June 2028; Including interest at 1.9% to 5.25% \$ 3,573,000

### Water Resources Fund:

#### Notes Payable:

Water Reuse and Longview Generator; note due in annual principal installments of \$93,202, beginning after the completion of the capital project and continuing through May 2014; interest at 2.87% 559,213

Wastewater Facility upgrades to 14MGD; note due in annual principal installments of \$654,601 through May 1, 2021; interest at 2.91% 8,509,812

Happy Valley Water Reuse and Sewer Rehabilitation note due in annual principal installments of \$22,468 beginning after the completion of the capital project and continuing through May 2025, interest at 2.205%. 381,963

Wastewater Facility Phase III Upgrade; note due in annual principal installments of 946,551, beginning after completion of the project and continuing through May 2026, interest at 2.205%. 17,426,659

#### General Obligation Bonds:

\$25,000,000 – 2000 Water serial bonds due in annual principal installments of \$300,000 to \$1,200,000 through June 1, 2023; interest at 5.0% to 5.10%. 17,100,000

#### Revenue Bonds:

\$7,683,560 – 2002 Sewer Revenue Bonds due in annual principal installments of \$216,625 to \$528,300 through December 2027; interest at 1.9% and 5.25% 7,023,756

\$5,785,940 – 2002 Water Revenue Bonds due in annual principal installments of \$163,125 to \$216,625 through December 2027; interest rate at 1.9% to 5.25% 5,283,244

56,284,647

### Operation Center Fund:

#### Certificates of Participation Payable:

Operations Center Building certificates due in annual principal installments of \$102,846 to 364,075 through May 2022; interest at 4.009% to 5.00% 2,837,521

### Electric Fund:

#### Notes Payable:

Electric substation transformers; note due in monthly installments of \$5,863 including interest, through June 2009; interest at 2.69% 69,314

#### Certificate of Participation Payable

Electric system improvements due in annual installments of \$330,000 to \$1,155,000 through May 2032, interest at 4.00% to 5.00% 17,070,000

17,139,314

# CITY OF WILSON, NORTH CAROLINA

**Broadband Fund:**

**Certificates of Participation Payable**

Broadband system development Series 2007A-1 and Series 2007A-2 certificates due in monthly principal installments of \$397,154 to \$1,405,925 through May 2022, interest at 4.00% to 5.00% 10,957,479

Broadband system development Series 2007B certificates due in monthly principal installments of \$660,000 to \$1,100,000 through May 1, 2013, interest at 4.00% to 5.00% 4,745,000

15,702,479

Total Business Activities Long-Term Debt \$ 95,536,961

Notes payable are collateralized by capital assets with a carrying value of \$2,613,558, a lien on property sold to a third party and pledges of water resources revenues.

The annual requirements to amortize all long-term debt (except accrued compensated absences) outstanding as of June 30, 2008, including interest payments, are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 347,302	\$ 64,760	\$ 4,882,733	\$ 3,935,669	\$ 5,230,035	\$ 4,000,429
2010	396,521	66,964	4,893,419	3,751,243	5,289,940	3,814,207
2011	284,076	54,969	4,978,419	3,562,931	5,262,495	3,617,900
2012	237,542	45,988	5,068,419	3,369,794	5,305,961	3,415,782
2013	100,000	38,000	5,168,419	3,171,191	5,268,419	3,209,191
2014 – 2018	500,000	130,000	27,084,287	12,671,343	27,584,287	12,801,343
2019 – 2023	350,000	32,000	26,336,883	6,713,126	26,686,883	6,745,126
2024 – 2028			12,784,382	2,448,826	12,784,382	2,448,826
2029 – 2033			4,340,000	483,940	4,340,000	483,940
	<u>\$ 2,215,441</u>	<u>\$ 432,681</u>	<u>\$ 95,536,961</u>	<u>\$ 40,108,063</u>	<u>\$ 97,752,402</u>	<u>\$ 40,540,744</u>

The annual requirements to amortize general obligation bonded debt outstanding as of June 30, 2008 including interest payments are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$	\$	\$ 1,200,000	\$ 866,100	\$ 1,200,000	\$ 866,100
2010			1,200,000	806,100	1,200,000	806,100
2011			1,200,000	746,100	1,200,000	746,100
2012			1,200,000	686,100	1,200,000	686,100
2013			1,200,000	626,100	1,200,000	626,100
2014 – 2018			6,000,000	2,218,500	6,000,000	2,218,500
2019 – 2023			5,100,000	688,500	5,100,000	688,500
	<u>\$</u>	<u>\$</u>	<u>\$ 17,100,000</u>	<u>\$ 6,637,500</u>	<u>\$ 17,100,000</u>	<u>\$ 6,637,500</u>

## CITY OF WILSON, NORTH CAROLINA

The annual requirements to amortize revenue obligation bonded debt outstanding as of June 30, 2008 including interest payments are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$	\$	\$ 525,000	\$ 697,645	\$ 525,000	\$ 697,645
2010			540,000	682,195	540,000	682,195
2011			560,000	664,995	560,000	664,995
2012			575,000	646,120	575,000	646,120
2013			595,000	625,933	595,000	625,933
2014 – 2018			3,365,000	2,754,858	3,365,000	2,754,858
2019 – 2023			4,275,000	1,836,266	4,275,000	1,836,266
2024 – 2028			<u>5,445,000</u>	<u>671,055</u>	<u>5,445,000</u>	<u>671,055</u>
	\$	\$	<u>\$ 15,880,000</u>	<u>\$ 8,579,067</u>	<u>\$ 15,880,000</u>	<u>\$ 8,579,067</u>

The annual requirements to amortize certificates of participation obligation bonded debt outstanding as of June 30, 2008 including interest payments are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$	\$	\$ 1,350,000	\$ 1,714,545	\$ 1,350,000	\$ 1,714,545
2010			1,415,000	1,650,150	1,415,000	1,650,150
2011			1,480,000	1,582,605	1,480,000	1,582,605
2012			1,555,000	1,511,910	1,555,000	1,511,910
2013			1,635,000	1,437,060	1,635,000	1,437,060
2014 – 2018			9,400,000	5,924,950	9,400,000	5,924,950
2019 – 2023			10,045,000	3,421,251	10,045,000	3,421,251
2024 – 2028			4,390,000	1,648,200	4,390,000	1,648,200
2029 – 2033			<u>4,340,000</u>	<u>483,940</u>	<u>4,340,000</u>	<u>483,940</u>
	\$	\$	<u>\$ 35,610,000</u>	<u>\$ 19,374,611</u>	<u>\$ 35,610,000</u>	<u>\$ 19,374,611</u>

The annual requirements to amortize notes payable for certain equipment, facilities and real property outstanding as of June 30, 2008, including interest payments are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 347,302	\$ 64,760	\$ 1,807,733	\$ 657,379	\$ 2,155,035	\$ 722,139
2010	396,521	66,964	1,738,419	612,798	2,134,940	679,762
2011	284,076	54,969	1,738,419	569,231	2,022,495	624,200
2012	237,542	45,988	1,738,419	525,664	1,975,961	571,652
2013	100,000	38,000	1,738,419	482,098	1,838,419	520,098
2014–2018	500,000	130,000	8,319,287	1,773,035	8,819,287	1,903,035
2019–2023	350,000	32,000	6,916,883	767,109	7,266,883	799,109
2024-2027			<u>2,949,382</u>	<u>129,571</u>	<u>2,949,382</u>	<u>129,571</u>
	<u>\$ 2,215,441</u>	<u>\$ 432,681</u>	<u>\$ 26,946,961</u>	<u>\$ 5,516,885</u>	<u>\$ 29,162,402</u>	<u>\$ 5,949,566</u>

### Debt Outlook

The City is in the final stages of financing \$33.7 million. Once complete, the city will use the 2008 certificates of participation (COPs) to construct and equip various improvements to the city's fiber optic and electric distribution systems. The retail fiber optic system, known as Greenlight, will connect all city operation centers and serve the residents and businesses located within Wilson. The construction and improvements to the fiber optic and electric distribution systems will likely be utilized as a tool in Wilson's ongoing economic development efforts.

## CITY OF WILSON, NORTH CAROLINA

For the fiscal year ending June 30, 2009, the City plans to purchase two new fire engine pumpers at an estimated cost of \$450,000. It is anticipated that these fire trucks would be financed using an installment purchase contract.

During the fiscal year ending June 30, 2009, the city also plans to finance, through an installment financing contract, the costs related to the remediation of the former site of a manufactured gas plant owned by the City. The estimated amount of such financing is \$5.0 million to \$6.0 million.

The City is also planning to finance the renovation of a building located in the downtown business district that the City purchased in November 2007. The estimated cost of the renovation at this time is \$500,000 to \$700,000. This building will house the City's Utility Billing and Customer Service offices in the near term as well as other City offices to be determined later.

The City prepares a five-year capital improvement plan, which is updated annually. The plan is in the process of being updated for the 2009-2013 period. Other needs to borrow could be identified as a result of this process.

### **Capital Leases**

The annual requirements to amortize capital leases are included in the long-term debt schedule above due to the immateriality of capital leases.

### **Note 8 - Pension Plan Obligations**

#### **Local Governmental Employees' Retirement System**

*Plan Description.* The City and its component units contribute to the statewide Local Governmental Employees' Retirements System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27698-1410, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The City and its components are required to contribute at an actuarially determined rate. For all three entities, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.88% and 4.86%; respectively, of annual covered payroll. The contribution requirements of members are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2006, 2007, and 2008 were \$1,407,987, \$1,462,551 and \$1,559,941 respectively. The Wilson Cemetery Commission's contributions to LGERS for the years ended June 30, 2006, 2007 and 2008 were \$12,324, \$12,843 and \$14,503 respectively. The contributions made equaled the required contributions for each year.

#### **Law Enforcement Officers Special Separation Allowance ("Plan")**

*Plan Description.* The City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to its sworn law enforcement officers. Qualified law enforcement officers are entitled to an annual retirement benefit of .85% of the annual equivalent of the base rate of compensation most recently applicable to the covered employee 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 NC General Assembly. The separation allowance is reported as a pension trust fund in the City's report. The plan does not issue its own financial report.

At June 30, 2008, 116 currently employed law enforcement officers were non-vested and 21 retired law enforcement officers were receiving benefits under the Plan.

## CITY OF WILSON, NORTH CAROLINA

The Plan provides separation benefits to law enforcement officers who meet the following:

- 1) Have (i) completed 30 or more years of creditable service or (ii) have attained 55 years of age and completed five or more years of creditable service; and
- 2) Have not attained 62 years of age; and
- 3) Have completed at least five years of continuous service as a law enforcement officer immediately preceding a service retirement.

"Creditable service" is service for which credit is allowed under the retirement system of which the officer is a member, provided at least 50 percent of the service is a law enforcement officer, as defined.

*Funding Policy.* The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$190,127 or 3.6% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The actuarially determined annual contribution requirements for the years ended December 31, 2008, 2007 and 2006 were determined using the projected unit credit actuarial cost method and a 23 year period for amortizing the unfunded actuarial accrued liability. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis.

### Annual Pension Cost Calculation

Employer annual required contribution	\$ 190,127
Interest on net pension obligation	(55,422)
Adjustment to annual required contribution	<u>46,974</u>
Annual pension cost	181,679
Contributions for fiscal year ending 6/30/07	<u>(185,000)</u>
Increase (decrease) in net pension obligation	(3,321)
Net pension obligation beginning of year	<u>(764,445)</u>
Net pension obligation end of year	<u><u>\$ (767,766)</u></u>

### Trend Information

<u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u> <u>End of Year</u>
12/31/06	165,390	107.02%	\$ (754,177)
12/31/07	174,622	105.88%	(764,445)
12/31/08	181,679	101.83%	(767,766)

# CITY OF WILSON, NORTH CAROLINA

## Statement of Fiduciary Net Assets Law Enforcement Special Separation Allowance Trust Fund June 30, 2008

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ASSETS	
Cash and cash equivalents/investments	\$ 210,690
Accrued Interest	<u>1,156</u>
Total Assets	<u>211,846</u>
LIABILITIES	
Accrued pension liability	187,759
Accrued wages and amounts withheld	<u>9,621</u>
Total liabilities	<u>197,380</u>
NET ASSETS	
Held in trust for pension benefits and other purposes	<u>14,466</u>
Total net assets	<u>\$ 14,466</u>

## Statement of Changes in Net Assets Law Enforcement Special Separation Allowance Trust Fund For the Year Ended June 30, 2008

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ADDITIONS	
Contributions:	
Employer	\$ 190,200
Total contributions	<u>190,200</u>
Investment earnings:	
Interest	16,008
Net increase (decrease) in the fair value of investments	<u>2,583</u>
Total investment earnings	<u>18,591</u>
Total additions	<u>208,791</u>
DEDUCTIONS:	
Benefits	<u>289,834</u>
Total deductions	<u>289,834</u>
Change in net assets	(81,043)
Net assets – beginning	<u>95,509</u>
Net assets – ending	<u>\$ 14,466</u>

### Retirement Income Plan

*Plan Description.* The City and the Downtown Development Corporation provide retirement benefits for all of its law enforcement officers and other full-time employees through a defined contribution plan administered by the North Carolina Department of the State Treasurer and a Board of Trustees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Participation begins at the date of employment. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Wilson Cemetery Commission does not provide these benefits.

*Funding Policy.* State statute requires that the City contribute an amount equal to 5 percent of each law enforcement officer's salary each month. The City also makes a contribution of 5% for all other full-time and certain part-time employees. All covered employees may make voluntary contributions to the Plan. All contributed amounts plus investment earnings allocated to the employee accounts are fully vested immediately. The City's contributions for the year ended June 30, 2008 were \$2,210,604, which consisted of \$1,599,464 from the City and \$564,551 from employees.

# CITY OF WILSON, NORTH CAROLINA

## Firemen's and Rescue Squad Workers' Pension Fund

*Plan Description.* The State of North Carolina contributes on behalf of the City, to the Firemen's and Rescue Squad Workers' Pension Fund, a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the state of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G. S. Chapter 58 assigns the authority to establish and amend benefit provision 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, NC 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

For the fiscal year ended June 30, 2008, the City has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$24,121 for the 88 employed firemen who perform firefighting duties for the City's fire department. The employees elected to be members of the Firemen and Rescue Workers' Pension Fund, a cost-sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income and a State appropriation.

## Employee Supplemental Retirement Fund

The City previously maintained a supplemental retirement plan for employees, which was discontinued prior to June 30, 1985. All obligations of such fund have been satisfied and the remaining fund balance of \$546,309 represents funding in excess of actual expenditures.

## Statement of Fiduciary Net Assets Employee Supplemental Retirement Trust Fund June 30, 2008

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ASSETS	
Cash and cash equivalents/investments	\$ 543,252
Accrued Interest	<u>3,057</u>
Total assets	<u>546,309</u>
LIABILITIES	
Accrued pension liability	<u>                    </u>
Total liabilities	<u>                    </u>
NET ASSETS	
Held in trust for pension benefits and other purposes	<u>546,309</u>
Total net assets	<u>\$ 546,309</u>

# CITY OF WILSON, NORTH CAROLINA

**Statement of Changes in Net Assets  
Employee Supplemental Retirement Trust Fund  
For the Year Ended June 30, 2008**

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**ADDITIONS**

Contributions:	
Employer	\$ _____
Total contributions	_____
Investment earnings:	
Interest	24,533
Net increase (decrease) in the fair value of investments	6,019
Total investment earnings	30,552
Total additions	30,552

**DEDUCTIONS:**

Benefits	_____
Total deductions	_____
Change in net assets	30,552
Net assets – beginning	515,757
Net assets – ending	\$ 546,309

**Note 9 - Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

**Note 10 - Post-Employment Benefits Other Than Pensions**

*Plan Description.* The City of Wilson administers a single-employer defined benefit healthcare plan (“Retiree Health Plan”). The plan provides lifetime healthcare benefits for eligible retirees and healthcare benefits for dependents until they become ineligible for coverage or eligible for Medicare at their cost. Benefits are provided through the City’s group health insurance plan, which covers both active and retired members. Benefit provisions are established by the City and funded through the annual budget process adopted by City Council. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy.* Contribution requirements are established by the City through the annual budget adopted by City Council. The required contribution is based on projected pay-as-you-go financing requirements. Plan members contribute \$15 per month for individual coverage, \$73 per month for parent /child coverage, \$168 per month for employee/spouse coverage and \$256 per month for family coverage to age 65. Medicare coverage contribution amount for the retiree is \$6.36 per month after age 65. Currently, 307 retirees are eligible for post-retirement health benefits. For the current year, the City contributed \$1,417,562 or 11.7% of covered payroll.

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

# CITY OF WILSON, NORTH CAROLINA

## Annual Pension Cost and Net Pension Obligation Calculation

Annual required contribution	\$ 6,325,680
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>                    </u>
Annual OPEB cost (expense)	6,325,680
Contributions made	<u>(1,417,563)</u>
Increase in net OPEB obligation	4,908,117
Net OPEB obligation – beginning of year	<u>                    </u>
Net OPEB obligation, end of year	<u>\$ 4,908,117</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 is as follows:

<u>For Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2008	\$6,325,680	22.4%	\$4,908,117

*Funded Status and Funding Progress.* As of December 31, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus the unfunded actuarial accrued liability (UAAL) was \$93,209,834. The covered payroll (annual payroll of active employees covered by the plan) was \$9,608,663, and the ratio of the UAAL to the covered payroll was 970.06 percent. Actuarial of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare trends. Amounts of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 11.00 to 5.00 percent annually. Both rates included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007, was 29 years.

### Note 11 - Other Benefits

The City has elected to provide death benefits to employees through the Death Trust Plan for Members of the Local Governmental Employees’ Retirement System (Death Trust Plan), a multiple-employer, State administered cost-sharing plan funded on a one-year term cost basis. Lump-sum death benefits are provided to employees 1) who die in active service after one year of contributing membership in the System, or 2) 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. This payment is equal to the employee’s 12 highest months’ salary in a row during the 24 months prior to his/her death, but the benefit may not be less than \$25,000 and no more than \$50,000. All death benefit payments are made from the Death Trust Plan. The City has no liability beyond the payment of monthly contributions. Annually, the State sets the City’s monthly contribution rate for death benefits. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers.

# CITY OF WILSON, NORTH CAROLINA

Because the benefit payments are made by the Death Trust Plan and not by the City, the City does not determine the number of eligible participants. For the year ended June 30, 2008, the City made contributions of \$28,785 to the State for death benefits. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .08% and .14% of covered payroll, respectively. The contributions to the Death Trust Plan cannot be separated between the post employment benefit amount and the other benefit amount

## Note 12 - Fund Equity

Government-wide and proprietary fund financial statements net assets is 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 state law.

Governmental Funds financial statements show an amount in the fund balance section of the balance sheet that reflect fund balances as defined by accounting principles generally accepted in the United States of America. Also presented are the amounts which are reserved and, therefore, not available for appropriation in the subsequent years as provided by North Carolina General Statutes. The statutes dictate what portion of fund balance is available for appropriation with the remainder being unavailable for appropriation or "Reserved by State Statute." Generally, all funds represented by accounts receivable are not available for appropriations. Portions of fund balance have also been reserved for encumbrances and inventories. The unreserved portion of fund balance is further detailed as either "Designated for Specific Purposes" or "Undesignated."

## Note 13 - Other Resources

During the year, the General, Electric Gas and Special Revenue Funds provided substantial support to various other funds in the form of transfers. Transfers from the Electric and Gas Funds to the General Fund are utilized to meet operating needs. Transfers from the Electric, Gas, and General Fund to the Mass Transit and Industrial Air Center Funds cover operations within the specific fund. Transfers to Special Revenue Fund(s) are for operations pertaining to those specific purposes. Transfers to Capital Projects fund capital needs.

Specific to fiscal year 2008 transfers, the City made one-time transfers of \$200,020 and \$150,000 from the General Government Capital Reserve Fund to the General Fund for the purchase of a park and for the J. Burt Gillette Athletic complex, Phase II Project fund for the construction of ball fields, respectively. Transfers of \$97,670 from the Coon School Annex Building Demolitions Project Fund and \$265,000 from the Revitalization Strategies Coon School Grant Project Fund were made to the Paul V. Berry Hickory Grove Commemorative Park project Fund for the construction of this park.

A summary of the City's transfers is listed below:

<u>Transfers Out</u>	<u>Water</u>	<u>General</u>	<u>Electric</u>	<u>Mass Transit</u>	<u>Gas</u>	<u>Industrial Air Center</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
General	\$27,010		\$ 83,593	\$ 72,630	\$ 12,596	\$ 35,950	\$ 0	\$ 27,500	\$ 259,279
Electric		1,923,170		150,000				33,250	2,106,420
Gas		1,118,860		100,310				4,750	1,223,920
Special Revenue		200,020					315,749	512,670	1,028,439
Industrial Air Center									0
Water Resources								9,500	9,500
Capital Projects							92,202		92,202
<b>Total Transfers In</b>	<b>\$27,010</b>	<b>\$ 3,242,050</b>	<b>\$ 83,593</b>	<b>\$ 322,940</b>	<b>\$ 12,596</b>	<b>\$ 35,950</b>	<b>\$ 407,951</b>	<b>\$ 587,670</b>	<b>\$4,719,760</b>

# CITY OF WILSON, NORTH CAROLINA

## Note 14 - Interfund Receivables/Payables

The following is a detailed schedule of the City's interfund receivables/payables due to/from another fund as of June 30, 2008:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Risk Management	Revitalization Strategies – Year 5 Coon School Project	\$ 300,000
Gas	Broadband	<u>1,980,000</u>
<b>Total</b>		<u>\$ 2,280,000</u>

Purpose: The amount above covers the expenditures associated with the Revitalization Grant that have not been reimbursed by the grant as of June 30, 2008 and a loan to Broadband to fund expenditures.

## Note 15 - Commitments and Contingencies

The City is involved in litigation for several general liability claims. The City intends to defend the cases vigorously. The City also believes the ultimate resolution of the proceedings is not likely to have a material adverse impact on its financial position.

### North Carolina Eastern Municipal Power Agency

On July 13, 1981 the City entered into a fifty-year contract with the North Carolina Eastern Municipal Power Agency (the Power Agency) to purchase electric power. The Power Agency is organized as a public body under the laws of the State of North Carolina. The Power Agency is authorized to study, plan, finance, construct, reconstruct, acquire, improve, enlarge, extend, better, own, operate and maintain systems or facilities or any interest therein for the generation, transmission and/or transformation, of electric power and energy and is authorized to sell for resale electric power and energy.

The City has agreed to purchase its share (15.2%) of the Power Agency output and to charge rates for electric power and energy sold sufficient to provide revenues adequate to meet its obligation to the Power Agency.

The obligation of the City to purchase electric power is an operating expense of the Electric Fund and is payable solely from the revenues of the Electric Fund.

### Electric Deregulation

In 1997, the General Assembly appointed the Study Commission on the Future of Electric Service in North Carolina (Study Commission) to examine the cost, adequacy, availability, and pricing of electric rates in North Carolina, in order to determine whether legislation is necessary to assure an adequate and reliable source of electricity and economical, fair and equitable rates for all customers in North Carolina.

The Study Commission submitted its report to the 2000 General Assembly on May 16, 2000. That report recommended a fully competitive electric retail service be available for all customers by January 1, 2006. In the time since the Study Commission made its recommendations, there have been several developments outside of North Carolina, particularly the electric power outages occurring in late 2000 and 2001 in California. While the Study Commission has not withdrawn its 2000 recommendations, these outside events make it likely that any action toward electric deregulation in North Carolina will proceed slowly. Also, the Study Commission has not met since 2002.

The City and the Power Agency are unable to predict the ultimate results of the recommendations made by the Study Commission or other interested parties, or whether any recommendations to the General Assembly will eventually be enacted into law. Although the impact of retail electric competition cannot be measured at this time, if such competition becomes applicable to the City, it may cause significant changes in (1) the number of customers, (2) the costs to the customers, (3) revenues, (4) financing costs, and (5) debt ratings.

# CITY OF WILSON, NORTH CAROLINA

## **Construction Projects**

At June 30, the City is obligated for \$221,511 in construction project contract commitments. These commitments are fully budgeted.

## **Federal and State Assisted Programs**

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

## **Note 16 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Losses from asserted claims and from unasserted claims identified under the City's incident reporting system are accrued based on estimates that incorporate the City's past experience, as well as other considerations including the nature of each claim and relevant trend factors.

The City has established the following funds to account for and finance its uninsured risks of loss.

### **Group Insurance Benefits Fund**

The City has established a limited risk management program (an internal service fund) for employees' health, dental, vision and life insurance benefits. Premiums are paid into the Group Insurance Benefits Internal Service Fund by all other funds and are available to pay claims and administrative costs of the program. During fiscal year 2008, a total of \$5,886,984 (cash basis) was incurred for medical benefits and administrative costs.

An excess coverage health insurance policy covers individual medical claims in excess of \$125,000 per employee. Incurred but not reported claims of \$1,019,111 have been accrued as liabilities at June 30, 2008. Inter-fund premiums are based primarily upon the insured fund's claims experience and are reported as quasi-external interfund transactions.

During the year there was no significant decrease in insurance coverage, nor have there been any settlements in excess of insurance coverage for the past three years.

### **Risk Management Fund**

The City has established a Risk Management Fund (an internal service fund) to account for and finance its uninsured risk of loss. In fiscal year 2007-2008 the Risk Management Fund provided coverage for up to a maximum of \$500,000 for each worker's compensation claim, a maximum of \$500,000 for automobile and general liability claims, a \$500,000 maximum for property and casualty claims and police officer and public official liability claims, a \$25,000 maximum for property loss coverage and a \$5,000 maximum for flood insurance claims. The Chief Financial Officer is bonded for \$250,000. The \$5,000 deductible for flood insurance applies to those properties insured through the National Flood Insurance Plan (NFIP).

Because the City has been designated to be in an "A" area (close to a river, lake or stream) by the Federal Emergency Management Agency, the City is eligible to purchase coverage up to \$500,000 per structure through the NFIP. Comprehensive and collision losses for most vehicles are self-insured. The City purchases commercial insurance for claims in excess of coverage provided by the Risk Management Fund. Settled claims have not exceeded insurance coverage in the last three years.

All funds participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to maintain an adequate reserve for catastrophic losses. Accrued liabilities as of June 30, 2008 included \$465,111 for incurred but not reported claims and reported claims of \$11,601. The reserve as of June 30, 2008 was \$4,271,007 as reported as unrestricted net assets of the Risk Management Fund.

The claims liability reported at June 30, 2008 for each fund, if any, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to

## CITY OF WILSON, NORTH CAROLINA

the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in Risk Management Claims Liability amounts for the years ended June 30, 2008 and 2007 were as follows:

Fiscal Year	Group Insurance Benefits Fund	Risk Management Fund
<b>June 30, 2008</b>		
Insurance claims payable, Beginning of year	\$ 896,130	\$ 677,555
Claims and changes in estimates	5,680,698	1,384,600
Claim payments	(5,464,622)	(1,512,470)
Insurance claims payable, end of year	\$ 1,112,206	\$ 549,685
 <b>June 30, 2007</b>		
Insurance claims payable, Beginning of year	\$ 843,675	\$ 72,925
Claims and changes in estimates	5,273,758	1,711,161
Claim payments	(5,221,303)	(1,106,531)
Insurance claims payable, end of year	\$ 896,130	\$ 677,555

### Note 16 - Related Organizations

#### Wilson Housing Authority

The City Council appoints the five-member board of the Wilson Housing Authority. The City's accountability does not extend beyond making these appointments. The Wilson Housing Authority makes payments in lieu of property taxes to the City. During the year ended June 30, 2008, the City received a payments totaling \$39,402.

### Note 17 - Joint Ventures

#### Wilson Economic Development Council

The City is a participant with the County of Wilson (County) in a joint venture, the Wilson Economic Development Council (the Council), to promote industrial and commercial development of the City and the County of Wilson. A nine-member board composed of four appointees from the City, four appointees from the County, and a chairman from either the City or County, based on election by the board, manages the Council. The by-laws of the Council state that the City and County are to provide funding for the financial requirements and operations of the Council. In accordance with the joint venture agreement, the City contributed \$245,000 to the Council for the year ended June 30, 2008. The participating governments do not have any equity interest in the joint venture. Accordingly, no equity interest has been reflected in the financial statements at June 30, 2008. Complete financial statements for the Council can be obtained from the Council's administrative office at 126 West Nash Street, Wilson, North Carolina 27893.

#### Rocky Mount - Wilson Airport Authority

The City is a participant with the County of Wilson, City of Rocky Mount, County of Edgecombe and County of Nash in a joint venture to operate the Rocky Mount - Wilson Airport Authority (the Authority) for the joint benefit of all co-sponsors. Upon dissolution of the Authority, the assets would be shared in proportion to each sponsor's original contribution. The city's initial contribution totaled \$200,000, which represents two-sevenths of the total contribution. A seven-member board governs the Authority, two from each City and one from each County. All co-sponsors are obligated by contract to contribute funds on an annual basis, as needed, to enable the Authority to operate the airport. The City contributed \$88,000 to the Authority during the year ended June 30, 2008. The participating governments do not have any equity

## **CITY OF WILSON, NORTH CAROLINA**

interest in the joint venture. Accordingly, no equity interest has been reflected in the financial statements at June 30, 2008. Complete financial statements for the Authority can be obtained from the Authority's administrative office at 250 Airport Drive, Elm City, North Carolina 27822.

### **Note 18 - Jointly Governed Organizations**

#### **North Carolina Eastern Municipal Power Agency**

The City, in conjunction with 32 other local governments, is a member of the North Carolina Eastern Municipal Power Agency (the Agency). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency's governing board. The 32 members, who receive power from the Agency, have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement or residual interest. The City's purchases of power for the year ended June 30, 2008 were \$99,749,840.

#### **Upper Coastal Plain Council of Governments**

The City, in conjunction with five counties and 35 other municipalities, established the Upper Coastal Plain Council of Governments (the Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The City received \$17,500 in grants from the Council and expenditures to the Council for dues, trainings, and the small business incubator totaled \$123,643 during the fiscal year ended June 30, 2008.

#### **Electricities of North Carolina, Inc.**

Electricities of North Carolina, Inc. is a nonprofit organization which provides support to 64 municipally owned electric utilities, and represents member interest in legislative and regulatory matters. The City paid dues and training costs of \$3,710 to Electricities of North Carolina, Inc. during the fiscal year ended June 30, 2008.

### **Note 19 – Stewardship, Compliance and Accountability**

#### **A – Deficit in Fund Balances or Net Assets of Individual Funds**

The Revitalization Strategies – Coon School Grant Fund has a deficit in fund balance of \$43,748. Grant funds will be drawn down to cover the deficit in fiscal year 2008-2009.

#### **B – Excess of Expenditures over Appropriation**

The 2000 Community Development Block Grant Administration line item is over budget by \$1,454. A budget amendment will be made to move monies from other budgeted line items that are under budget to cover the excess expenditure.