

HUNTLEY,
SIGMON &
ASSOCIATES, CPAs, PLLC
HS&A
Certified Public Accountants

TOWN OF WILKESBORO
NORTH CAROLINA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

CERTIFIED PUBLIC ACCOUNTANTS
LENOIR, NORTH CAROLINA

Town of Wilkesboro, North Carolina

Town Council Members

Mike Inscore, Mayor
Russ Ferree, Mayor Pro Tem
Jimmy Hayes
Andy Soots
Michael Testerman

Administrative and Financial Staff

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

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June 30, 2013**

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FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Wilkesboro, North Carolina as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Wilkesboro ABC Board. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Wilkesboro ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Wilkesboro ABC Board and the Wilkesboro Tourism Development, Convention, and Visitors Bureau were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Wilkesboro as of June 30, 2014, and

the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, on pages 3-9 and 38-41, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Wilkesboro. The combining and individual fund statements, budgetary schedules, other schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by the U. S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditor. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report date December 10, 2014 on our consideration of Town of Wilkesboro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The financial statements of the Town's component units, the Town of Wilkesboro ABC Board and the Wilkesboro Tourism Development, Convention, and Visitors Bureau, were not audited in accordance with *Governmental Auditing Standards*. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Wilkesboro's internal control over financial reporting and compliance.

Huntley, Sigmon & Associates, CPAs, PLLC

HUNTLEY, SIGMON & ASSOCIATES, CPAs, PLLC
Lenoir, North Carolina
December 10, 2014

Management Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Wilkesboro, we offer readers of the Town of Wilkesboro's financial statements this narrative overview and analysis of the financial activities of the Town of Wilkesboro for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

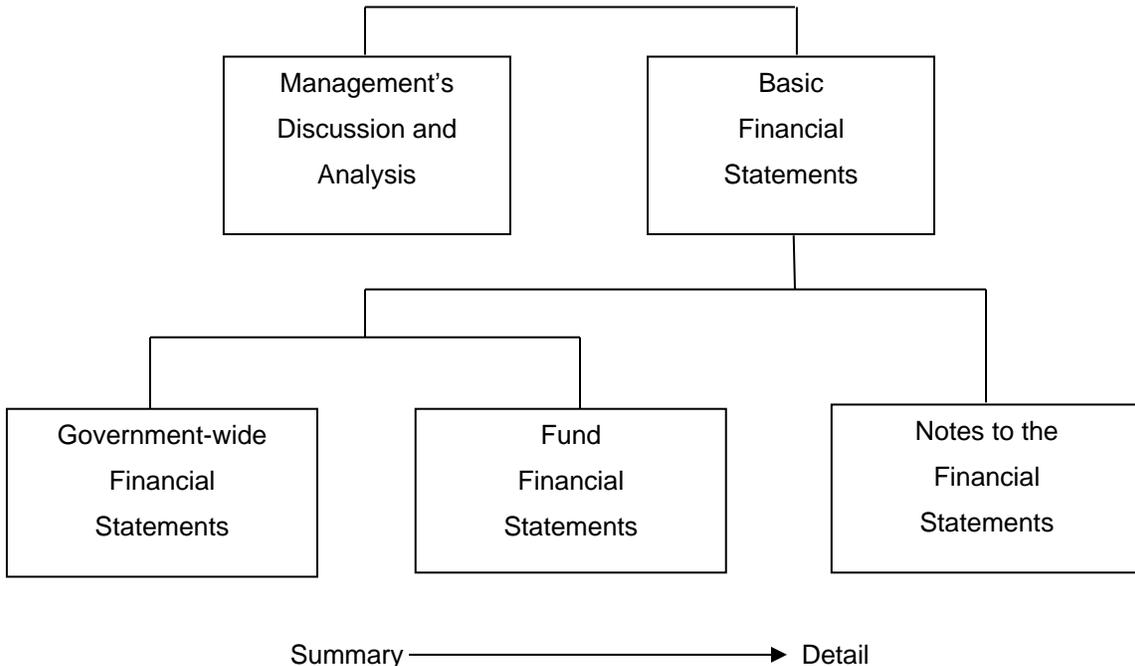
- The assets of the Town of Wilkesboro exceeded its liabilities at the close of the fiscal year by \$34,366,183 (*net position*).
- The government's total net position increased by \$2,296,823, 7.16%. The general fund added major capital assets in the form of equipment, while the business-type activities were able to add to their undesignated retained earnings to be used on future projects continuing in Fiscal Year 2015 and beyond.
- As of the close of the current fiscal year, the Town of Wilkesboro's governmental funds reported combined ending fund balances of \$3,573,162, an increase of \$393,508. Approximately 49.1% of this total amount or \$1,755,712 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,755,712 or 33.0% of total general fund expenditures for the fiscal year.
- The Town of Wilkesboro's total long-term liabilities decreased by \$338,286 (3.5%) during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Management's Discussion and Analysis Town of Wilkesboro

Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give

**Management’s Discussion and Analysis
Town of Wilkesboro**

resources available to finance the Town’s programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Proprietary Funds - The Town of Wilkesboro has one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Wilkesboro uses an enterprise fund to account for its water and sewer activity. This fund is the same as that function shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 20-37 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Wilkesboro’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 38 of this report.

Government-Wide Financial Analysis

Town of Wilkesboro’s Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Current and other assets	\$ 4,178,993	\$ 3,811,073	\$ 5,413,184	\$ 3,698,656	\$ 9,592,177	\$ 7,509,729
Capital assets	<u>4,779,589</u>	<u>4,838,815</u>	<u>30,149,265</u>	<u>30,242,813</u>	<u>34,928,854</u>	<u>35,081,628</u>
Total assets	<u>\$ 8,958,582</u>	<u>\$ 8,649,888</u>	<u>\$ 35,562,449</u>	<u>\$ 33,941,469</u>	<u>\$ 44,521,031</u>	<u>\$ 42,591,357</u>
Long-term liabilities						
outstanding	\$ 1,371,729	\$ 1,221,401	\$ 7,420,007	\$ 8,665,254	\$ 8,791,736	\$ 9,886,655
Other liabilities	488,415	476,246	865,924	148,812	1,354,339	625,058
Deferred Inflows	<u>8,770</u>	<u>10,285</u>	<u>-</u>	<u>-</u>	<u>8,770</u>	<u>10,285</u>
Total liabilities	<u>\$ 1,868,914</u>	<u>\$ 1,707,932</u>	<u>\$ 8,285,931</u>	<u>\$ 8,814,066</u>	<u>\$ 10,154,845</u>	<u>\$ 10,521,998</u>
Net assets:						
Net invested in						
Capital assets						
related debt	\$ 4,545,114	\$ 4,593,605	\$ 22,545,095	\$ 21,965,929	\$ 27,090,209	\$ 26,559,534
Restricted	1,052,850	871,675	-	-	1,052,850	871,675
Unrestricted	<u>1,491,701</u>	<u>1,476,677</u>	<u>4,731,423</u>	<u>3,161,474</u>	<u>6,223,124</u>	<u>4,638,151</u>
Total net position	<u>\$ 7,089,665</u>	<u>\$ 6,941,957</u>	<u>\$ 27,276,518</u>	<u>\$ 25,127,403</u>	<u>\$ 34,366,183</u>	<u>\$ 32,069,360</u>

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets of the Town of Wilkesboro exceeded liabilities by \$34,366,183 as of June 30, 2014. The Town’s net position increased by \$2,269,823, or 7.16%, for the fiscal year ended June 30, 2014. However, the largest portion reflects the Town’s investment in capital assets (e.g. land, buildings,

**Management's Discussion and Analysis
Town of Wilkesboro**

machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Wilkesboro uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Wilkesboro's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Wilkesboro's net position \$1,052,850 (3.06%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,223,124 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.50%, which is on par with the statewide average of 97.68%. This represents a decrease of 1.18% when compared to prior year.

Town of Wilkesboro Changes in Net Position

Figure 3

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>6/30/2014</u>	<u>6/30/2014</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 241,758	\$ 241,555	\$ 6,578,929	\$ 5,827,429	\$ 6,820,687	\$ 6,068,984
Operating grants and contributions	703,637	926,434			703,637	926,434
Capital grants and contributions			423,975	578,446	423,975	578,446
General revenues:						
Property taxes	2,824,955	2,651,489			2,824,955	2,651,489
Other taxes	1,534,524	1,465,613			1,534,524	1,465,613
Other	<u>504,348</u>	<u>424,862</u>	<u>272,666</u>	<u>171,009</u>	<u>777,014</u>	<u>595,871</u>
Total revenues	<u>\$ 5,809,222</u>	<u>\$ 5,709,953</u>	<u>\$ 7,275,570</u>	<u>\$ 6,576,884</u>	<u>\$ 13,084,792</u>	<u>\$ 12,286,837</u>
Expenses:						
General government	\$ 2,193,364	\$ 1,864,526			\$ 2,193,364	\$ 1,864,526
Public safety	2,429,297	2,211,544			2,429,297	2,211,544
Highways/Streets	441,122	476,877			441,122	476,877
Economic Development	15,450	270,003			15,450	270,003
Environ. Protection	256,577	240,943			256,577	240,943
Culture and recreation	321,403	938,781			321,403	938,781
Interest on long-term debt	4,301	1,880			4,301	1,880
Water and sewer			\$ 5,126,455	\$ 4,816,529	5,126,455	4,816,529
Total expenses	<u>\$ 5,661,514</u>	<u>\$ 6,004,554</u>	<u>\$ 5,126,455</u>	<u>\$ 4,816,529</u>	<u>\$ 10,787,969</u>	<u>\$ 10,821,083</u>
Increase (decrease) in net position before transfers	\$ 147,708	\$ (294,601)	\$ 2,149,115	\$ 1,760,355	\$ 2,296,823	\$ 1,465,754
Transfers	-	200,000	-	(200,000)	-	-
Increase (decrease) in net position	\$ 147,708	\$ (94,601)	\$ 2,149,115	\$ 1,560,355	\$ 2,296,823	\$ 1,465,754
Net position, July 1	<u>\$ 6,941,957</u>	<u>\$ 7,036,558</u>	<u>\$ 25,127,403</u>	<u>\$ 23,567,048</u>	<u>\$ 32,069,360</u>	<u>\$ 30,603,606</u>
Net position, June 30	<u>\$ 7,089,665</u>	<u>\$ 6,941,957</u>	<u>\$ 27,276,518</u>	<u>\$ 25,127,403</u>	<u>\$ 34,366,183</u>	<u>\$ 32,069,360</u>

Governmental activities: Governmental activities increased the Town's net position by \$147,708. The key element of this increase in net position is FEMA SAFER grant that continues to assist the Town with its Fire Department staffing expenditures. The increase in liabilities is driven by OPEB liabilities. This represents other post-employment benefits due to employees as a result of Town policy. See the notes section for more information with regards to this and other Town policies.

Management's Discussion and Analysis Town of Wilkesboro

Business-type activities: Business-type activities increased the Town of Wilkesboro's net position by \$2,149,115. The key elements of this increase in net position are the increases in charges for services which resulted from higher system usage by customers and capital contributions.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Wilkesboro's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Wilkesboro's financing requirements.

The general fund is the chief operating fund of the Town of Wilkesboro. At the end of the current fiscal year, unassigned fund balance of the General Fund decreased by \$225,526 to \$1,755,712, while total fund balance increased \$393,508 12.38%, to a total of \$3,573,162. This circumstance is a result of a concerted effort to manage expenses as well as increased amounts of vehicle taxes realized through the State's "Tax and Tag" program. The decrease in unassigned fund balance is a result of the Town's budgeting process of using a contingency fund. The contingency fund allows the Town's budget to be more accurate while allowing for unforeseen circumstances. These funds are budgeted and therefore, no longer unassigned, even though the plan is for them not to be needed. In addition, the Town has a higher than previous level of receivables at the end of the fiscal year. These funds are unable to be assigned or recognized as unassigned due to their lack of liquidity at year end.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32.77% of total General Fund expenditures, while total fund balance represents 66.7% of that same amount compared to 37.0% and 47.9% in the prior year, respectively.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Proprietary Funds. The Town of Wilkesboro's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$4,731,423. The total change in net position was an increase of \$2,149,115. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Wilkesboro's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Wilkesboro's investment in capital assets for its governmental and business-type activities as of June 30, 2014, totals \$34,928,854 (net of accumulated depreciation). These assets include buildings, water and sewer lines, land, machinery and equipment, park facilities, vehicles, and infrastructure.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Water and sewer capital asset additions of \$252,677.
- General fund capital asset additions of \$1,688,276.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Land	\$ 1,706,036	\$ 1,706,036	\$ 609,932	\$ 609,932	\$ 2,315,968	\$ 2,315,968
Building & improvements	1,819,682	1,894,524			1,819,682	1,894,524
Plant & dist. systems			20,060,934	18,960,758	20,060,934	18,960,758
Machinery & equipment	1,084,036	1,076,426	519,671	620,036	1,603,707	1,696,462
Infrastructure	169,835	161,829			169,835	161,829
Construction in progress	-	-	8,958,728	10,052,087	8,958,728	10,052,087
Total	<u>\$ 4,779,589</u>	<u>\$ 4,838,815</u>	<u>\$ 30,149,265</u>	<u>\$ 30,242,813</u>	<u>\$ 34,928,854</u>	<u>\$ 35,081,628</u>

Additional information on the Town’s capital assets can be found in note II.A.4. of the Basic Financial Statements.

Long-term Debt

The Town of Wilkesboro’s total long-term liabilities decreased by \$338,286 (3.50%) during the current fiscal year as we continue to mix financing and fully funding our major capital purchases.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Wilkesboro is \$51,126,877.

Additional information regarding the Town of Wilkesboro’s long-term debt can be found in note II.B.5. beginning on page 34 of this report.

Economic Factors

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

- The unemployment rate for Wilkes County at June 30, 2014 stands at 7.6%, which is a dramatic decrease over last year’s 11.1% rate. This rate is indicative of the national economic environment and is slightly above the state-wide average of 6.5%. The Town and County as a whole have had several exciting announcements with regards to employment opportunities in the area.
- The Town has vacant industrial buildings that are being actively marketed for reuse. The sites have unique characteristics that can limit their marketability. The lack of marketable industrial facilities continues to hamper economic recruitment efforts.
- The Town has secured grant funds for Water and Sewer line work that will directly enhance our system’s efficiency of service to our US 421 business corridor. It regards the service line loop encompassing our large retail customer base in this area including future expansion. The project grants are being tied to the creation of a new business as well as the expansion of a current business in Town. These businesses are pledging to create over 100 new professional jobs in the Town as an agreement to receive grant funds.
- The retail development along the US 421 business corridor continues to develop despite the current economic downturn. Numerous projects are currently in different phases of planning, construction, and completion.

Budget Highlights

Governmental Activities: The tax rate will remain at 44 cents per one hundred dollars (\$100) valuation of taxable property.

Management's Discussion and Analysis Town of Wilkesboro

Budgeted expenditures have increased from last year by 14.97% to \$6,623,600. This fiscal plan does include much needed capital dollars for infrastructure that has been put to the back burner as we operated in times of economic uncertainty. Council has made it a priority to handle these improvements during the year before we enter a possible season of legislative uncertainty in local government in North Carolina.

Additionally, the Town will be financing the purchase of police cars, a pickup truck, a skid steer, and a bucket truck in this budget. The financed purchase will defer the cost over 3 years. Proceeds from lease purchase are budgeted at \$165,500.

Business-type Activities: Budgeted expenditures in the Water and Sewer Fund are expected to increase by approximately 7.35% to \$9,593,500. The cause of this increase is the Town's planning of capital improvements to our overall system. A \$2,600,000 sludge handling facility is to be constructed and paid for by the Town without the use of financed funds. This facility is long overdue and will increase the production efficiency of our water system. Also, capital projects involving a loop project to fortify our delivery system in our main retail section and installation of a centrifuge at the waste treatment plant. The Town has been planning for these and other projects over the last few years through a series of moderate rate increases. The funds produced through these rate increases have been banked in our undesignated funds. This careful planning has followed our projections and we are proud to know that no financing charges will be incurred on this project.

Tyson Foods continues to be the Town's major utility customer by a wide margin. While Tyson's water usage does have some seasonality, the overall usage increase has been very positive for the Town. Overall usage is showing signs of leveling out with an upward trend. This user is a tremendous asset to the Town as well as a close business partner.

The Town expects to complete two separate capital projects valued at over \$9,000,000 during this fiscal year. These projects include the rehabilitation of the wastewater plant and various interceptor lines and pump stations within the Town. The Town borrowed \$7,363,544 to be repaid over a 20-year term with an interest rate of 2.5%. Total debt service for fiscal year 2014-2015 is expected to be \$533,857.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Wilkesboro, 203 West Main Street, Wilkesboro, NC 28697. Additionally, the Town features a financial dashboard on its webpage for real-time financial information. It can be accessed at www.wilkesboronc.org.

BASIC FINANCIAL STATEMENTS

TOWN OF WILKESBORO, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government			Wilkesboro Tourism Development, Convention, and Visitors Bureau	Wilkesboro ABC Board
	Governmental Activities	Business-type Activities	Total		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,944,537	\$ 3,761,710	\$ 6,706,247	\$ 190,059	\$ 117,712
Taxes receivables (net)	181,603	-	181,603	-	-
Accounts receivable	22,300	610,796	633,096	-	-
Due from other governments	754,511	356,310	1,110,821	-	-
Due from component units	14,614	-	14,614	-	-
Due from primary government	-	-	-	36,673	-
Inventories	-	524,721	524,721	-	278,348
Prepaid items	-	-	-	-	2,750
Restricted cash and cash equivalents	261,429	159,647	421,076	-	-
Total current assets	\$ 4,178,993	\$ 5,413,184	\$ 9,592,177	\$ 226,732	\$ 398,810
Noncurrent assets:					
Capital assets:					
Land, non-depreciable improvements, and construction in progress	\$ 1,706,036	\$ 9,568,660	\$ 11,274,696	\$ -	\$ 11,600
Other capital assets, net of depreciation	3,073,553	20,580,605	23,654,158	-	73,609
Total capital assets	\$ 4,779,589	\$ 30,149,265	\$ 34,928,854	\$ -	\$ 85,209
Total assets	\$ 8,958,582	\$ 35,562,449	\$ 44,521,031	\$ 226,732	\$ 484,019
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 267,619	\$ 126,545	\$ 394,164	\$ -	\$ 95,156
Due to primary government	-	-	-	14,614	-
Due to other governments	111,163	-	111,163	-	56,998
Due to component units	36,673	-	36,673	-	-
Current portion of long-term liabilities	72,960	683,674	756,634	-	-
Payable from restricted assets	-	55,705	55,705	-	-
Total current liabilities	488,415	865,924	1,354,339	14,614	152,154
Long-term liabilities:					
Due in more than one year	1,371,729	7,420,007	8,791,736	-	-
Total liabilities	\$ 1,860,144	\$ 8,285,931	\$ 10,146,075	\$ 14,614	\$ 152,154
DEFERRED INFLOWS OF RESOURCES					
Prepaid Taxes	\$ 2,173	\$ -	2,173	\$ -	\$ -
Unexpended Grant Proceeds	6,597	-	6,597	-	-
Total Deferred inflows of resources	\$ 8,770	\$ -	\$ 8,770	\$ -	\$ -
NET POSITION					
Net investment in capital assets	\$ 4,545,114	\$ 22,545,095	\$ 27,090,209	\$ -	\$ 85,209
Restricted for:					
Stabilization by state statute	791,421	-	791,421	36,673	-
Transportation	258,307	-	258,307	-	-
Public safety	3,122	-	3,122	-	-
Other purposes	-	-	-	-	55,770
Unrestricted	1,491,701	4,731,423	6,223,124	175,445	190,886
Total net position	\$ 7,089,665	\$ 27,276,518	\$ 34,366,183	\$ 212,118	\$ 331,865

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

TOWN OF WILKESBORO, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 2,193,364	\$ 32,957	\$ -	\$ -
Public safety	2,429,297	4,176	521,087	-
Transportation	441,122	-	114,753	-
Economic Development	15,450	-	15,450	-
Environmental protection	256,577	125,552	-	-
Cultural and recreation	321,403	79,073	52,347	-
Interest on long-term debt	4,301	-	-	-
Total governmental activities	<u>\$ 5,661,514</u>	<u>\$ 241,758</u>	<u>\$ 703,637</u>	<u>\$ -</u>
Business-type activities:				
Water and sewer	\$ 5,126,455	\$ 6,578,929	\$ -	\$ 423,975
Total business-type activities	<u>\$ 5,126,455</u>	<u>\$ 6,578,929</u>	<u>\$ -</u>	<u>\$ 423,975</u>
Total primary government	<u>\$ 10,787,969</u>	<u>\$ 6,820,687</u>	<u>\$ 703,637</u>	<u>\$ 423,975</u>
Component units:				
Wilkesboro Tourism Development, Convention, and Visitors Bureau	\$ 138,370	\$ -	\$ -	\$ -
Wilkesboro ABC Board	1,925,815	1,889,666	-	-
Total component units	<u>\$ 2,064,185</u>	<u>\$ 1,889,666</u>	<u>\$ -</u>	<u>\$ -</u>

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

TOWN OF WILKESBORO, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Net (Expense) Revenue and Changes in Net Position					
Primary Government					
Functions/Programs	Governmental Activities	Business-type Activities	Total	Wilkesboro Tourism Development, Convention, and Visitors Bureau	Wilkesboro ABC Board
Primary government:					
Governmental Activities:					
General government	\$ (2,160,407)	\$ -	\$ (2,160,407)	\$ -	\$ -
Public safety	(1,904,034)	-	(1,904,034)	-	-
Transportation	(326,369)	-	(326,369)	-	-
Economic Development	-	-	-	-	-
Environmental protection	(131,025)	-	(131,025)	-	-
Cultural and recreation	(189,983)	-	(189,983)	-	-
Interest on long-term debt	(4,301)	-	(4,301)	-	-
Total governmental activities	\$ (4,716,119)	\$ -	\$ (4,716,119)	\$ -	\$ -
Business-type activities:					
Water and sewer	\$ -	\$ 1,876,449	\$ 1,876,449	-	-
Total business-type activities	\$ -	\$ 1,876,449	\$ 1,876,449	-	-
Total primary government	\$ (4,716,119)	\$ 1,876,449	\$ (2,839,670)	-	-
Component units:					
Wilkesboro Tourism Development, Convention, and Visitors Bureau	-	-	-	\$ (138,370)	\$ -
Wilkesboro ABC Board	-	-	-	-	(36,149)
Total component units	-	-	-	\$ (138,370)	\$ (36,149)
General revenues:					
Taxes:					
Property taxes, levied for general purpose	\$ 2,824,955	\$ -	\$ 2,824,955	\$ -	\$ -
Other taxes	1,534,524	-	1,534,524	-	-
Occupancy tax	-	-	-	123,042	-
Unrestricted investment earnings	5,100	2,028	7,128	2,042	456
Miscellaneous	499,248	270,638	769,886	46	-
Total general revenues	\$ 4,863,827	\$ 272,666	\$ 5,136,493	\$ 125,130	\$ 456
Change in net position	\$ 147,708	\$ 2,149,115	\$ 2,296,823	\$ (13,240)	\$ (35,693)
Net position, beginning	\$ 6,941,957	\$ 25,127,403	\$ 32,069,360	\$ 225,358	\$ 367,558
Net position, ending	\$ 7,089,665	\$ 27,276,518	\$ 34,366,183	\$ 212,118	\$ 331,865

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

TOWN OF WILKESBORO, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	Major Funds		Total Governmental Funds
	General	Total Non-Major Funds	
ASSETS			
Cash and cash equivalents	\$ 2,937,940	\$ 6,597	\$ 2,944,537
Restricted Cash	261,429	-	261,429
Receivables, net:			
Taxes	181,603	-	181,603
Accounts	22,300	-	22,300
Due from Non-Major/Due to Major	45,679	(45,679)	-
Due from other governments	708,832	45,679	754,511
Due from component units	14,614	-	14,614
Total assets	<u>\$ 4,172,396</u>	<u>\$ 6,597</u>	<u>\$ 4,178,993</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 267,619	\$ -	\$ 267,619
Due to Other Governmental Unit	111,163	-	111,163
Due to component unit	36,673	-	36,673
Total liabilities	<u>\$ 415,455</u>	<u>\$ -</u>	<u>\$ 415,455</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid Taxes	\$ 2,173	\$ -	\$ 2,173
Unexpended Grant Proceeds	-	6,597	6,597
Taxes Receivable, net	181,603	-	181,603
Total deferred inflows of resources	<u>\$ 183,776</u>	<u>\$ 6,597</u>	<u>\$ 190,373</u>
FUND BALANCES			
Restricted:			
Stabilization by State Statute	\$ 791,421	\$ -	\$ 791,421
Streets-Powell bill	258,307	-	258,307
Drug crime prevention	3,122	-	3,122
Assigned:			
Designated for subsequent year's expenditures	764,600	-	764,600
Unassigned	1,755,712	-	1,755,712
Total fund balances	<u>\$ 3,573,162</u>	<u>\$ -</u>	<u>\$ 3,573,162</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,172,393</u>	<u>\$ 6,597</u>	<u>\$ 4,178,990</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Total Fund Balances, Governmental Funds		\$	3,573,162
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross Capital Assets		\$	8,930,751
Accumulated Depreciation			<u>(4,151,162)</u>
			4,779,589
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			181,603
Long-term liabilities used in governmental activities are not financial uses and therefore not reported in the funds			
Gross long-term debt			<u>(1,444,689)</u>
Net position of governmental activities		\$	<u>7,089,665</u>

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

TOWN OF WILKESBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	Major Funds		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,788,241	\$ -	\$ 2,788,241
Other taxes and licenses	117,730	-	117,730
Unrestricted intergovernmental	1,316,362	-	1,316,362
Restricted intergovernmental	760,795	67,797	828,592
Permits and fees	52,747	-	52,747
Sales and services	167,973	-	167,973
Investment earnings	5,100	-	5,100
Miscellaneous	495,763	-	495,763
Total revenues	<u>\$ 5,704,711</u>	<u>\$ 67,797</u>	<u>\$ 5,772,508</u>
EXPENDITURES			
Current:			
General government	\$ 1,999,226	\$ -	\$ 1,999,226
Public safety	2,245,345	-	2,245,345
Transportation	425,837	-	425,837
Economic development	-	15,450	15,450
Environmental protection	360,095	-	360,095
Cultural and recreation	265,664	52,347	318,011
Debt service:			
Principal	56,887	-	56,887
Interest and other charges	4,301	-	4,301
Total expenditures	<u>\$ 5,357,355</u>	<u>\$ 67,797</u>	<u>\$ 5,425,152</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 347,356</u>	<u>\$ -</u>	<u>\$ 347,356</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt	\$ 46,152	\$ -	\$ 46,152
Total other financing sources (uses)	<u>\$ 46,152</u>	<u>\$ -</u>	<u>\$ 46,152</u>
Net change in fund balance	\$ 393,508	\$ -	\$ 393,508
Fund balances, beginning	\$ 3,179,654	\$ -	\$ 3,179,654
Fund balances, ending	<u>\$ 3,573,162</u>	<u>\$ -</u>	<u>\$ 3,573,162</u>

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

**TOWN OF WILKESBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014**

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

Net changes in fund balances - total governmental funds	\$	393,508
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period</p>		
Capital outlay expenditures that were capitalized	\$ 252,677	
Depreciation expense	(311,903)	
Capital project cost closed	-	(59,226)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavalable revenue for tax revenues		36,714
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	\$ (46,152)	
Principal payments on long-term debt	56,887	10,735
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	\$ (3,920)	
Net pension obligation	(22,988)	
Other postemployment benefits	(207,115)	(234,023)
Total changes in net position of governmental activities	\$	147,708

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

TOWN OF WILKESBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2014

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,723,859	\$ 2,723,859	\$ 2,788,241	\$ 64,382
Other taxes and licenses	85,000	85,000	117,730	32,730
Unrestricted intergovernmental	1,256,500	1,256,500	1,316,362	59,862
Restricted intergovernmental	711,500	711,500	760,795	49,295
Permits and fees	22,600	22,600	52,747	30,147
Sales and services	177,800	177,800	167,973	(9,827)
Investment earnings	6,000	6,000	5,100	(900)
Miscellaneous	185,000	405,000	495,763	90,763
Total revenues	<u>\$ 5,168,259</u>	<u>\$ 5,388,259</u>	<u>\$ 5,704,711</u>	<u>\$ 316,452</u>
Expenditures:				
Current:				
General government	\$ 2,135,150	\$ 2,160,150	\$ 1,999,226	\$ 160,924
Public safety	2,260,450	2,260,450	2,245,345	15,105
Transportation	532,900	532,900	425,837	107,063
Environmental protection	269,200	415,200	360,095	55,105
Cultural and recreation	255,800	285,800	265,664	20,136
Debt service:				
Principal retirement	73,000	73,000	56,887	16,113
Interest and other charges	4,500	4,500	4,301	199
Contingency:				
Contingency	230,000	29,000	-	29,000
Total expenditures	<u>\$ 5,761,000</u>	<u>\$ 5,761,000</u>	<u>\$ 5,357,355</u>	<u>\$ 403,645</u>
Revenues over (under) expenditures	<u>\$ (592,741)</u>	<u>\$ (372,741)</u>	<u>\$ 347,356</u>	<u>\$ 720,097</u>
Other financing sources (uses):				
Transfer from W/S Fund	\$ 220,000	\$ -	\$ -	\$ -
Proceeds from Issuance of Debt	46,000	46,000	46,152	152
Total other financing sources (uses)	<u>\$ 266,000</u>	<u>\$ 46,000</u>	<u>\$ 46,152</u>	<u>\$ 152</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ (326,741)</u>	<u>\$ (326,741)</u>	<u>\$ 393,508</u>	<u>\$ 720,249</u>
Fund balance appropriated	326,741	326,741	-	(326,741)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 393,508</u>	<u>\$ 393,508</u>
Fund balance, beginning			<u>3,179,654</u>	
Fund balance, ending			<u>\$ 3,573,162</u>	

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

TOWN OF WILKESBORO, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Major Enterprise Funds	
	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,761,710	\$ 3,761,710
Accounts receivable - billed	47,411	47,411
Accounts receivable - unbilled	563,385	563,385
Due from other governments	356,310	356,310
Inventories	524,721	524,721
Restricted cash and cash equivalents	159,647	159,647
Total current assets	<u>\$ 5,413,184</u>	<u>\$ 5,413,184</u>
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets	\$ 9,568,660	\$ 9,568,660
Other capital assets, net of depreciation	20,580,605	20,580,605
Capital assets (net)	<u>\$ 30,149,265</u>	<u>\$ 30,149,265</u>
Total assets	<u>\$ 35,562,449</u>	<u>\$ 35,562,449</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 126,545	\$ 126,545
Liabilities payable from restricted assets:		
Customer deposits	55,705	55,705
Installment purchase-current	300,974	300,974
Promissory note-current	382,700	382,700
Total current liabilities	<u>\$ 865,924</u>	<u>\$ 865,924</u>
Noncurrent liabilities:		
Other noncurrent liabilities:		
Compensated absences	\$ 36,187	\$ 36,187
Other postemployment benefits	463,324	463,324
Installment purchase-noncurrent	1,318,912	1,318,912
Notes payable, net of current portion	5,601,584	5,601,584
Total noncurrent liabilities	<u>\$ 7,420,007</u>	<u>\$ 7,420,007</u>
Total liabilities	<u>\$ 8,285,931</u>	<u>\$ 8,285,931</u>
NET POSITION		
Net investment in capital assets	\$ 22,545,095	\$ 22,545,095
Unrestricted	4,731,423	4,731,423
Total net position	<u>\$ 27,276,518</u>	<u>\$ 27,276,518</u>

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

TOWN OF WILKESBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Major Enterprise Funds	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 6,518,239	\$ 6,518,239
Water and sewer taps	40,231	40,231
Other operating revenue	20,459	20,459
Total operating revenues	\$ 6,578,929	\$ 6,578,929
OPERATING EXPENSES		
Administration	\$ 885,966	\$ 885,966
Water treatment and distribution	1,145,794	1,145,794
Waste collection and treatment	1,112,756	1,112,756
Maintenance	1,059,314	1,059,314
Depreciation	688,465	688,465
Total operating expenses	\$ 4,892,295	\$ 4,892,295
Operating income	\$ 1,686,634	\$ 1,686,634
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	\$ 2,028	\$ 2,028
Interest and other charges	(234,160)	(234,160)
Miscellaneous Income	270,638	270,638
Total nonoperating revenue (expenses)	\$ 38,506	\$ 38,506
Income before contributions and transfers	\$ 1,725,140	\$ 1,725,140
Capital Contributions	423,975	423,975
Change in net position	\$ 2,149,115	\$ 2,149,115
Total net position, beginning	\$ 25,127,403	\$ 25,127,403
Total net position, ending	\$ 27,276,518	\$ 27,276,518

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

TOWN OF WILKESBORO, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Major Enterprise Funds	
	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 6,496,410	\$ 6,496,410
Cash paid for goods and services	(2,565,175)	(2,565,175)
Cash paid to or on behalf of employees for services	(1,525,831)	(1,525,831)
Customer deposits received	13,473	13,473
Customer deposits returned	(9,056)	(9,056)
Net cash provided by operating activities	<u>\$ 2,409,821</u>	<u>\$ 2,409,821</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	\$ (594,917)	\$ (594,917)
Principal paid on long-term debt	(672,714)	(672,714)
Interest paid on long-term debt	(234,160)	(234,160)
Capital Contributions	706,403	706,403
Sales Tax Receivable	(60,292)	(60,292)
Miscellaneous income	270,638	270,638
Net cash used by capital and related financing activities	<u>\$ (585,042)</u>	<u>\$ (585,042)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	\$ 2,028	\$ 2,028
Net increase (decrease) in cash and cash equivalents	\$ 1,826,807	\$ 1,826,807
Balances, beginning	2,094,550	2,094,550
Balances, ending	<u>\$ 3,921,357</u>	<u>\$ 3,921,357</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	<u>\$ 1,686,634</u>	<u>\$ 1,686,634</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 688,465	\$ 688,465
Changes in assets and liabilities:		
Increase in accounts receivable	(87,211)	(87,211)
Increase in inventory	(22,646)	(22,646)
Increase in accounts payable and accrued liabilities	29,021	29,021
Increase in customer deposits	4,417	4,417
Decrease in accrued vacation pay	(383)	(383)
Increase in OPEB liability	111,524	111,524
Total adjustments	<u>\$ 723,187</u>	<u>\$ 723,187</u>
Net cash provided by operating activities	<u>\$ 2,409,821</u>	<u>\$ 2,409,821</u>

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

Notes to the Financial Statement

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Wilkesboro and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Wilkesboro is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, legally separate entities for which the Town is financially accountable. The two discretely presented component units presented below are reported in separate columns in the Town's financial statements in order to emphasize that they are legally separate from the Town.

Wilkesboro Tourism Development, Convention, and Visitors Bureau

The members of the Tourism Bureau's governing board are appointed by the Town. The Tourism Bureau is to spend the net proceeds of the Town's 3% occupancy tax to promote tourism, conventions, and visitation to the Town of Wilkesboro. The Tourism Bureau, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation). Complete financial statements for the Tourism Bureau may be obtained from the entity's administrative office at Wilkesboro Tourism Development, Convention, and Visitors Bureau, 203 West Main Street, Wilkesboro, NC 28697.

Town of Wilkesboro ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town and to other governmental units. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Wilkesboro ABC Board, 798 Curtis Bridge Road, Wilkesboro, NC 28697.

B. Basis of Presentation

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

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

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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental funds:

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

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

The Town reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method,

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable, other than property taxes, are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when the vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of recourse.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Grant Project Special Revenue Funds, the Cub Creek Restoration Capital Project, the Enterprise Capital Project Fund and the Enterprise Capital Reserve Fund. The enterprise fund projects are consolidated with the operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town, the Tourism Bureau, and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's, the Tourism Bureau's, and the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2013.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventory of the Town is valued at cost (first-in, first-out), which approximates market. The inventory of the ABC Board is valued at replacement cost, which approximates the lower of cost (first-in, first-out) or market. The inventory of the Town's enterprise fund consists of materials and supplies held for subsequent use. The cost of this inventory is expensed when consumed rather than when purchased. The inventory of the ABC Board is held for sale to customers.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. A new water plant and waste treatment plant were constructed in 1964 and 1967, respectively. Information as to the cost of water and sewer lines installed prior to 1964 was not available and is not included in capital assets. It is not felt that these items are material. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	25
Buildings and Improvements	32-60
Water and Sewer Plants	50-67
Water and Sewer Lines	33-100
Vehicles	5-10
Furniture and equipment	5-20
Computer equipment	5-7

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	20-33
Furniture and equipment	3-10

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has none of these. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so it will not be recognized as revenue until then. The Town has three items that meet that criterion for this category – prepaid taxes and property taxes receivable in the general fund and unexpended grant proceeds in a special revenue fund.

9. Long-Term Obligations

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

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as another financing source.

10. Economic Dependency

The enterprise fund has one major customer from whom receipts were approximately 69% of the revenue reported as water and sewer charges.

11. Compensated Absences

The vacation policy of the Town provides for vacation leave based on length of employment by the Town with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. For the Town, the current portion of the accumulated earned vacation is not considered to be material; therefore, no expenditure or liability has been reported in the government-wide and proprietary funds.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

12. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town, the Tourism Bureau, and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's, the Tourism Bureau's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, the Tourism Bureau, and the ABC Board, these deposits are considered to be held by the Town's, the Tourism Bureau's, and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the Tourism Bureau, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town, the Tourism Bureau, and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town, the Tourism Bureau and the ABC Board have no formal policy regarding custodial credit risk for deposits, but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2014, the Town's deposits had a carrying amount of \$6,854,401 and a bank balance of \$7,175,269. Of the Town's bank balance, \$2,817,936 was covered by federal depository insurance and the remainder, \$4,009,493, was covered by collateral held under the pooling method and \$347,840 was covered by the dedicated method. The carrying amount of deposits for the Tourism Bureau was \$190,059, and the bank balance was \$198,059. All of the Tourism's bank balance was covered by federal depository insurance. The carrying amount of deposits for the ABC Board was \$115,913 and the bank balance was \$128,843. All of the ABC Board's bank balance was covered by federal depository insurance. At June 30, 2014, the Town's petty cash fund totaled \$200 and the ABC Board has cash of \$1,799.

2. Investments

At June 30, 2014, the Town had \$272,721 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2014 are net of the following allowances for doubtful accounts:

General Fund	
Taxes Receivable	<u>\$ 34,200</u>
Street Assessments	<u>\$ 22,504</u>

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Government activities:				
Capital assets not being depreciated:				
Land	\$ 1,706,036			\$ 1,706,036
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>\$ 1,706,036</u>	<u>-</u>	<u>-</u>	<u>\$ 1,706,036</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings	\$ 2,738,483			\$ 2,738,483
Other Improvements	388,295			388,295
Equipment and furniture	406,237	\$ 29,736		435,973
Vehicles and motorized equipment	3,198,955	185,699	\$ 9,073	3,375,581
Computer software	31,000			31,000
Computer equipment	31,034	21,273		52,307
Infrastructure	187,107	15,969		203,076
Total capital assets being depreciated	<u>\$ 6,981,111</u>	<u>\$ 252,677</u>	<u>\$ 9,073</u>	<u>\$ 7,224,715</u>
Less accumulated depreciation for:				
Buildings	\$ 944,994	\$ 58,865		\$ 1,003,862
Other Improvements	287,260	15,974		303,234
Equipment and furniture	319,482	14,865		334,347
Vehicles and motorized equipment	2,219,248	209,805	\$ 9,073	2,419,980
Computer software	21,036	4,428		25,464
Computer equipment	31,034	-		31,034
Infrastructure	25,278	7,963		33,241
Total accumulated depreciation	<u>\$ 3,848,332</u>	<u>\$ 311,903</u>	<u>\$ 9,073</u>	<u>\$ 4,151,162</u>
Total capital assets being depreciated, net	<u>\$ 3,132,779</u>			<u>\$ 3,073,553</u>
Governmental activity capital assets, net	<u>\$ 4,838,815</u>			<u>\$ 4,779,589</u>

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

General government	\$ 35,229
Public safety	190,700
Transportation	31,254
Environmental protection	32,055
Cultural and recreational	<u>22,665</u>
Total depreciation expense	<u>\$ 311,903</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 609,932			\$ 609,932
Construction in progress	10,052,087	\$ 402,538	\$ 1,495,897	8,958,728
Total capital assets not being depreciated	<u>\$ 10,662,019</u>	<u>\$ 402,538</u>	<u>\$ 1,495,897</u>	<u>\$ 9,568,660</u>

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Plant and distribution systems	\$ 28,249,542	\$ 1,636,623		\$ 29,886,165
Equipment	2,471,295	51,653	-	2,522,948
Total capital assets being depreciated	<u>\$ 30,720,837</u>	<u>\$ 1,688,276</u>	<u>-</u>	<u>\$ 32,409,113</u>
Less accumulated depreciation for:				
Plant and distribution systems	\$ 9,288,784	\$ 536,447		\$ 9,825,231
Equipment	1,851,259	152,018	-	2,003,277
Total accumulated depreciation	<u>\$ 11,140,043</u>	<u>\$ 688,465</u>	<u>-</u>	<u>\$ 11,828,508</u>
Total capital assets being depreciated, net	<u>\$ 19,580,794</u>			<u>\$ 20,580,605</u>
Business-type activities capital assets, net	<u>\$ 30,242,813</u>			<u>\$ 30,149,265</u>

Construction commitments

The Town has no active construction projects as of June 30, 2014.

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 11,600			\$ 11,600
Capital assets being depreciated:				
Buildings and improvements	\$ 233,726			\$ 233,726
Furniture and equipment	66,540			66,540
Total capital assets being depreciated	<u>\$ 300,266</u>			<u>\$ 300,266</u>
Less accumulated depreciation for:				
Buildings	\$ 193,026	\$ 4,646		\$ 197,672
Furniture and equipment	22,943	6,042		28,985
Total accumulated depreciation	<u>\$ 215,969</u>	<u>\$10,688</u>		<u>\$ 226,657</u>
Total capital assets being depreciated, net	<u>\$ 84,297</u>			<u>\$ 73,609</u>
ABC Board capital assets, net	<u>\$ 95,897</u>			<u>\$ 85,209</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

**TOWN OF WILKESBORO, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2014**

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 8.29% and 7.87%, respectively, of annual covered payroll. The contribution requirement of members and of the Town of Wilkesboro is established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$179,446, \$205,649, and \$188,814, respectively. The contributions made by the Town equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

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

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>21</u>
Total	<u>21</u>

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies*

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

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

3. *Contributions*

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

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% - 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases.

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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Annual required contribution	\$ 31,621
Interest on net pension obligation	13,715
Adjustment to annual required contribution	<u>(22,348)</u>
Annual pension cost	\$ 22,988
Contributions made	<u>0</u>
Increase (decrease) in net pension obligation	\$ 22,988
Net pension obligation beginning of year	<u>274,300</u>
Net pension obligation end of year	<u>\$ 297,288</u>

3 Year Trend Information

For Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 25,242	0%	\$ 247,303
2013	\$ 26,997	0%	\$ 274,300
2014	\$ 22,988	0%	\$ 297,288

4. Funded Status and Funding Progress.

As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$271,208. The covered payroll (annual payroll of active employees was covered by the plan) as \$711,977, and the ratio of the UAAL to the covered payroll was 38.09 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919)981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$53,093, which consisted of \$37,682 from the Town and \$15,411 from the law enforcement officers.

d. 401(K) Retirement Plan

For the year ended June 30, 2014, the Town contributed to an approved 401(K) Retirement Plan covering eligible employees not engaged in law enforcement. The Town elected to make matching contributions of up to five percent (5%) of eligible salaries. The Town's contribution to the plan for the year ended June 30, 2014 was \$91,057.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

e. Firefighter's and Rescue Squad Workers' Pension Fund

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

Funding Policy. The Town contributes \$10 per month to the Fund for each member. The State, a non-employer contributor, funds the plan through appropriations. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. For the fiscal year ended June 30, 2014, the Town of Wilkesboro has recognized on behalf of payments for pension contributions made by the State as a revenue and an expenditure of \$4,328 for the thirty four volunteer firemen and four employed firemen who perform fire fighting duties for the Town's fire department.

f. Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). This plan provides health care benefits for all retired personnel who have thirty years of full-time service with the Town and all elected officials who have fourteen years of service as of April 6, 1998 with the Town. The spouse and eligible dependents are also covered. A retired employee's spouse and eligible dependents may continue to receive coverage upon death of the employee. However, if a retiree's spouse remarries after the death of the retiree, the spouse will no longer be eligible for insurance coverage. Coverage for all retirees who are eligible for Medicare will be transferred to the equivalent of a Medicare Supplement.

The Town pays the full cost of coverage for these benefits through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Funding Policy. By Town resolution, the Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the responsible fund. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In the fiscal year ended June 30, 2014, the Town's total contributions were \$72,734.

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

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

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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Annual required contribution	\$ 351,167
Interest on net OPEB obligation	40,206
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	\$ 391,373
Contributions made	(72,734)
Increase (decrease) in net OPEB obligation	\$ 318,639
Net OPEB obligation, beginning of year	1,005,142
Net OPEB obligation, end of year	\$ 1,323,781

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 391,373	18.6%	\$ 1,323,781
2013	\$ 359,433	13.8%	\$ 1,005,142
2012	\$ 318,325	49.1%	\$ 732,370
2011	\$ 322,698	13.8%	\$ 570,487
2010	\$ 330,184	11.5%	\$ 292,277

Funded Status and Funding Progress. As of June 30, 2014, the actuarial accrued liability for benefits was \$2,750,070, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,245,746, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 85 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The following simplifying assumptions were made:

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

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

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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 5 percent initially, reduced to an ultimate rate of 4.0 percent after ten years, was used.

Health insurance premiums – 2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 3.00 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2007 Annual Report of the Board of Trustees of Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

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

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 4.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount. The remaining amortization period at June 30, 2014, was thirty years.

2. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Inflows of Revenues

Deferred inflows of resources at year end is comprised of the following:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes (General Fund)		\$ 2,173
Taxes receivable, net of penalty (General Fund)	\$ 181,603	
Unexpended grant proceeds (Special Revenue Fund)	_____	_____ 6,597
Total	<u>\$ 181,603</u>	<u>\$ 8,770</u>

4. Risk Management

The Town, the ABC Board and Tourism are 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.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

The Town, the ABC Board and Tourism carry commercial coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries commercial flood insurance on the garage/warehouse building and contents. Flood insurance is not carried on any other Town structure, nor does the ABC Board carry flood insurance on its buildings. Tourism owns no buildings.

In accordance with G.S. 159-29, both the Town's and Tourism's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The town manager, finance officer, and tax collector are each individually bonded for \$50,000 each. The remaining employees of the Town that have access to funds are bonded under a blanket bond for \$150,000, Tourism has a blanket bond for \$50,000. The ABC Board carries \$50,000 of bond insurance for its board members, the general manager and the finance officer.

For health and dental insurance coverage, the Town is self-insured for individual losses up to \$45,000. The Town purchases reinsurance for individual losses over \$45,000, as well as reinsurance for total plan losses in excess of \$1,248,730.

5. Long-Term Obligations

a. Promissory Notes

Serviced by the General Fund:

Promissory Note due in annual installments of \$24,366 through September 2015;
Interest at 1.47%. Secured by equipment. \$ 47,678

Promissory Note due in annual installments of \$36,820 through September 2017;
Interest at 1.87%. Secured by equipment. 140,645

Promissory Note due in annual installments of \$16,004 through December 2016;
Interest at 2.00%. Secured by equipment. 46,152

Total General Fund \$ 234,475

Serviced by the Water and Sewer Fund:

Promissory Note due in annual installments of \$15,641 through September 2017;
Interest at 1.87%. Secured by equipment. \$ 59,745

Promissory Note due in annual installments of \$533,857 beginning May 2012;
Interest at 2.50%. Secured by water and sewer revenues. 5,924,539

Total Water and Sewer Fund \$ 5,984,284

Annual debt service requirements to maturity for the Town's promissory notes are as follows:

Year Ending June 30,	Governmental Activities		Business-type	Activities
	Principal	Interest	Principal	Interest
2015	\$ 72,960	\$ 4,231	\$ 382,700	\$ 157,592
2016	74,225	2,965	382,972	148,117
2017	51,147	1,652	383,249	138,635
2018	36,143	676	383,532	129,149
2019			368,177	119,658
Next 5 years			1,840,886	460,222
Next 5 years			1,840,886	230,111
Next 2 years			<u>401,882</u>	<u>27,612</u>
Total	<u>\$ 234,475</u>	<u>\$ 9,524</u>	<u>\$ 5,984,284</u>	<u>\$ 1,411,096</u>

**TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

b. Installment Purchase

In March 2004, the Town entered into certificates of participation to finance construction of a two million gallon clearwell, construction of water line and sewer line improvements and acquisition of water lines. The interest rate is 3.65%.

The future minimum payments of the installment purchase as of June 30, 2014, including \$167,005 of interest, are as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2015	300,974	56,404
2016	312,060	45,318
2017	323,554	33,824
2018	335,471	21,907
2019	<u>347,827</u>	<u>9,552</u>
Principal payments	<u>\$ 1,619,886</u>	
Total interest payments		<u>\$ 167,005</u>

c. General Obligation Indebtedness

At June 30, 2014, the Town of Wilkesboro had a legal debt margin of \$43,288,232.

d. Changes in Long-Term Liabilities

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
Governmental activities:					
Promissory notes	\$ 245,210	\$ 46,152	\$ 56,887	\$ 234,475	\$ 72,960
Compensated absences	48,549	3,920		52,469	
Net pension obligation	274,300	22,988		297,288	
Other postemployment benefits	653,342	207,115		860,458	
Governmental activity long-term liabilities	<u>\$ 1,221,401</u>	<u>\$ 280,175</u>	<u>\$ 56,887</u>	<u>\$ 1,444,689</u>	<u>\$ 72,960</u>
Business-type activities:					
Installment purchase	\$ 1,910,168		\$ 290,282	\$ 1,619,886	\$ 300,974
Promissory notes	6,366,716		382,432	5,984,284	382,700
Compensated absences	36,570		383	36,187	
Other postemployment benefits	351,800	\$ 111,524		463,323	
Business-type activity long-term liabilities	<u>\$ 8,665,254</u>	<u>\$ 111,524</u>	<u>\$ 673,097</u>	<u>\$ 8,103,680</u>	<u>\$ 683,674</u>

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

C. Interfund Balances and Activity

Balances due to/from Primary Government and Component Units

Balances due to/from primary government and component units at June 30, 2014, consist of the following:

Due from component unit-Tourism Bureau for reimbursement of expenses to primary government-General Fund	<u>\$ 14,614</u>
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**TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

Due from the primary government-General Fund for occupancy tax
collected for component unit-Tourism Bureau \$ 36,673

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2014, the Town of Wilkesboro has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$4,328 for the thirty four volunteer firemen and the four employed firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by the Town for each member, investment income, and a State appropriation.

E. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation. As part of the budgetary process for Fiscal Year 2015, Town Council has adopted a formal Fund Balance Policy to guide the financial decisions of the Town in the future. The adopted policy states:

"When preparing the annual General Fund budget, the amount of appropriated fund balance should result in an anticipated ending unassigned fund balance shall end in within the range of 20-40% of total budgeted appropriations.

After the annual audit is completed, should the unreserved fund balance amount fall below the targeted level, Town Council will adopt a plan to restore the balance to the target level within 24 months. If restoration of the reserve cannot be accomplished within such period without severe hardship to the Town, then the Council will establish a different time period."

Current Fund Balance Condition as of June 30, 2014 is:

Total fund balance - General Fund	<u>\$ 3,573,162</u>
Less:	
Restricted:	
Stabilization by State Statute	791,421
Streets - Powell Bill	258,307
Public Safety - Drug Crime Prevention	3,122
Assigned:	
Appropriated Fund Balance in 2014 budget	764,600
Unassigned:	1,755,712

III. Jointly Governed Organization

The Town, in conjunction with seven counties and nineteen other municipalities established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$780 to the Council during the fiscal year ended June 30, 2014.

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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

IV. Joint Ventures

The Town participates in a joint venture to operate the Wilkes Economic Development Corporation, a nonprofit corporation, with Wilkes County, another municipality, and the Wilkes Chamber of Commerce. The Town appoints one board member to the eighteen-member board of the Corporation. The Town has an ongoing financial responsibility for the joint venture because the Wilkes Economic Development Corporation's continued existence depends on the participating governments' continued funding. None of the participating governments have an equity interest in the nonprofit corporation, so no equity interests have been reflected in the financial statements at June 30, 2014. The Town appropriated \$70,000 to the Wilkes Economic Development Corporation during the year. Complete financial statements for the Corporation can be obtained from the Corporation's offices at PO Box 727, North Wilkesboro, NC 28659.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Significant Effect of Subsequent Events

The Town has evaluated subsequent events through December 10, 2014, the date which the financial statements were available to be issued. No events have taken place that would require disclosure in the financial statements.

Required
Supplementary Financial Data

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.

- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.

- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.

- Schedule of Funding Progress for Other Postemployment Benefits.

- Schedule of Employer Contributions for Other Postemployment Benefits.

- Notes to the Required Schedules for Other Postemployment Benefits.

TOWN OF WILKESBORO, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b - a)/c]
12/31/05	\$ -	\$ 158,546	\$ 158,546	0%	\$ 601,685	26.35%
12/31/06	\$ -	\$ 111,924	\$ 111,924	0%	\$ 515,959	21.69%
12/31/07	\$ -	\$ 133,579	\$ 133,579	0%	\$ 524,689	25.46%
12/31/08	\$ -	\$ 154,247	\$ 154,247	0%	\$ 598,339	25.78%
12/31/09	\$ -	\$ 238,941	\$ 238,941	0%	\$ 624,316	38.27%
12/31/10	\$ -	\$ 209,398	\$ 209,398	0%	\$ 700,128	29.91%
12/31/11	\$ -	\$ 234,660	\$ 234,660	0%	\$ 691,931	33.91%
12/31/12	\$ -	\$ 243,536	\$ 243,660	0%	\$ 700,693	34.76%
12/31/13	\$ -	\$ 271,208	\$ 271,208	0%	\$ 711,977	38.09%

TOWN OF WILKESBORO, NORTH CAROLINA
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2006	\$ 21,951	0%
2007	20,477	0%
2008	15,502	0%
2009	17,161	0%
2010	19,920	0%
2011	29,049	0%
2012	30,022	0%
2013	31,621	0%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/13
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
*Includes inflation at	3.00%
Cost-of-living adjustments	N/A

TOWN OF WILKESBORO, NORTH CAROLINA
 OTHER POSTEMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ([b-a]/c)
12/31/09	\$ -	\$ 3,802,148	\$ 3,802,148	0%	\$ 2,552,671	148.9%
6/30/11	-	3,165,920	3,165,920	0%	2,862,767	110.6%
6/30/12	-	2,585,047	2,585,047	0%	2,936,599	88%
12/31/12	-	4,431,543	4,431,543	0%	2,735,365	162%
6/30/14	-	2,750,070	2,750,070	0%	3,245,746	85%

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

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 330,184	11.5%
2011	\$ 322,698	13.8%
2012	\$ 318,325	49.1%
2013	\$ 359,433	24.1%
2014	\$ 351,167	11.5%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at June 30, 2014. Additional information as of the latest actuarial valuation follows:

Valuation date	6/30/2014
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage of Pay, Open
Remaining amortization period	30 Years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.0%
Medical cost trend rate	
Pre-Medicare trend rate	5.00%
Post-Medicare trend rate	5.00% to 4.00%
Year of Ultimate trend rate	2022
*Includes inflation at	3.00%

SUPPLEMENTARY INFORMATION:

Combining and Individual Fund Statements and Schedules

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

TOWN OF WILKESBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Ad valorem taxes:			
Taxes	\$ 2,698,859	\$ 2,775,392	\$ 76,533
Interest	25,000	12,849	(12,151)
TOTAL	<u>\$ 2,723,859</u>	<u>\$ 2,788,241</u>	<u>\$ 64,382</u>
Other taxes and licenses:			
Privilege Licenses	\$ 85,000	\$ 117,730	\$ 32,730
Unrestricted intergovernmental:			
Local Option Sales Taxes	\$ 720,000	\$ 773,266	\$ 53,266
Payments in lieu of taxes	500	250	(250)
Telecommunications sales tax	40,000	35,851	(4,149)
Utility franchise tax	385,000	416,190	31,190
Piped natural gas tax	6,000	12,254	6,254
Video franchise fee	40,000	39,295	(705)
Beer and wine tax	15,000	14,982	(18)
ABC profit distribution	50,000	-	(50,000)
Hold harmless funds	-	24,274	24,274
TOTAL	<u>\$ 1,256,500</u>	<u>\$ 1,316,362</u>	<u>\$ 59,862</u>
Restricted intergovernmental:			
Powell bill allocation	\$ 115,000	\$ 114,753	\$ (247)
Other federal and state grants	470,500	513,951	43,451
Controlled substance tax	4,000	2,808	(1,192)
On behalf of payments	-	4,328	4,328
Solid waste disposal tax	2,000	2,093	93
Occupancy tax	120,000	122,862	2,862
TOTAL	<u>\$ 711,500</u>	<u>\$ 760,795</u>	<u>\$ 49,295</u>
Permits and fees:			
Franchise fees	\$ 9,000	\$ 9,320	\$ 320
Street Assessment	-	39,776	39,776
Permits	13,600	3,651	(9,949)
TOTAL	<u>\$ 22,600</u>	<u>\$ 52,747</u>	<u>\$ 30,147</u>
Sales and services:			
Rents	\$ 25,000	\$ 24,203	\$ (797)
Court costs, fees, and charges	3,500	4,409	909
Parking violation penalties	500	525	25
Sanitation fees	120,000	125,552	5,552
Open air market fees	25,000	9,539	(15,461)
Community Garden Proceeds	800	910	110
Park lights	3,000	2,835	(165)
TOTAL	<u>\$ 177,800</u>	<u>\$ 167,973</u>	<u>\$ (9,827)</u>
Investment earnings	\$ 6,000	\$ 5,100	\$ (900)

TOWN OF WILKESBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Miscellaneous:			
Other	\$ 403,000	\$ 491,418	\$ 88,418
Cemetery donation	2,000	4,345	2,345
TOTAL	<u>\$ 405,000</u>	<u>\$ 495,763</u>	<u>\$ 90,763</u>
 TOTAL REVENUES	 <u>\$ 5,388,259</u>	 <u>\$ 5,704,711</u>	 <u>\$ 316,452</u>
EXPENDITURES:			
General government:			
Governing body:			
Salaries and employee benefits		\$ 26,573	
Operating expenditures		195,370	
Economic Development		120,619	
TOTAL	<u>\$ 347,800</u>	<u>\$ 342,562</u>	<u>\$ 5,238</u>
Administration:			
Salaries and employee benefits		\$ 365,304	
Other operating expenditures		237,316	
Insurance		772,263	
TOTAL	<u>\$ 1,523,050</u>	<u>\$ 1,374,883</u>	<u>\$ 148,167</u>
Public buildings:			
Salaries and employee benefits		\$ 97,391	
Other operating expenditures		132,264	
Capital outlay		52,126	
TOTAL	<u>\$ 289,300</u>	<u>\$ 281,781</u>	<u>\$ 7,519</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 2,160,150</u>	<u>\$ 1,999,226</u>	<u>\$ 160,924</u>
Public safety:			
Police:			
Salaries and employee benefits		\$ 950,020	
Other operating expenditures		261,281	
Capital outlay		11,641	
TOTAL	<u>\$ 1,231,000</u>	<u>\$ 1,222,942</u>	<u>\$ 8,058</u>
Fire:			
Salaries and employee benefits		\$ 495,041	
Retirement benefits paid		40,460	
Other operating expenditures		316,983	
Capital outlay		10,595	
TOTAL	<u>\$ 866,400</u>	<u>\$ 863,079</u>	<u>\$ 3,321</u>
Inspections:			
Salaries and employee benefits		\$ 70,928	
Other operating expenditures		80,896	
Capital outlay		7,500	
TOTAL	<u>\$ 163,050</u>	<u>\$ 159,324</u>	<u>\$ 3,726</u>

TOWN OF WILKESBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
TOTAL PUBLIC SAFETY	\$ 2,260,450	\$ 2,245,345	\$ 15,105
Transportation:			
Streets:			
Salaries and employee benefits		\$ 110,554	
Other operating expenditures		299,314	
Capital Outlay		15,969	
TOTAL TRANSPORTATION	\$ 532,900	\$ 425,837	\$ 107,063
Environmental protection:			
Sanitation:			
Salaries and employee benefits		\$ 143,126	
Other operating expenditures		36,416	
Landfill tipping fees		44,980	
Capital Outlay		135,573	
TOTAL ENVIRONMENTAL PROTECTION	\$ 415,200	\$ 360,095	\$ 55,105
Cultural and recreation:			
Parks and Recreation:			
Salaries and employee benefits		\$ 91,727	
Other operating expenditures		154,664	
Capital outlay		19,273	
TOTAL CULTURAL AND RECREATION	\$ 285,800	\$ 265,664	\$ 20,136
Debt Service:			
Principal retirement		\$ 56,887	
Interest and other charges		4,301	
TOTAL DEBT SERVICE	\$ 77,500	\$ 61,188	\$ 16,312
Contingency:			
Contingency		-	
TOTAL CONTINGENCY	\$ 29,000	\$ -	\$ 29,000
TOTAL EXPENDITURES	\$ 5,761,000	\$ 5,357,355	\$ 403,645
REVENUES OVER/(UNDER) EXPENDITURES	\$ (372,741)	\$ 347,356	\$ 720,097
OTHER FINANCING SOURCES (USES):			
Proceeds from issuance of debt:	46,000	46,152	152
TOTAL OTHER FINANCING SOURCES (USES)	\$ 46,000	\$ 46,152	\$ 152

TOWN OF WILKESBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (326,741)	\$ 393,508	\$ 720,249
Fund balance appropriated	<u>326,741</u>	<u>-</u>	<u>(326,741)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 393,508</u>	<u>\$ 393,508</u>
Fund balance, beginning		<u>3,179,654</u>	
Fund balance, ending		<u>\$ 3,573,162</u>	

TOWN OF WILKESBORO, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2014

	SPECIAL REVENUE FUND Grant Project Fund	SPECIAL REVENUE FUND Integrity Design Grant	SPECIAL REVENUE FUND Rain Garden	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,597			\$ 6,597
Due from other governments	-	5,429	40,250	\$ 45,679
TOTAL ASSETS	\$ 6,597	\$ 5,429	\$ 40,250	\$ 52,276
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Due to Major-General Fund	\$ -	\$ 5,429	\$ 40,250	\$ 45,679
Unearned revenue	6,597	-	-	\$ 6,597
TOTAL LIABILITIES	\$ 6,597	\$ 5,429	\$ 40,250	\$ 52,276
FUND BALANCE				
Unassigned	\$ -	\$ -	\$ -	\$ -
TOTAL FUND BALANCE	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES AND FUND BALANCE	\$ 6,597	\$ 5,429	\$ 40,250	\$ 52,276

TOWN OF WILKESBORO, NORTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2014

	SPECIAL REVENUE FUND <u>Grant Project Fund</u>	SPECIAL REVENUE FUND <u>Grant Project Fund</u>	CAPITAL PROJECT FUND <u>Rain Garden</u>	Total Nonmajor Governmental Funds
REVENUES:				
Restricted Intergovernmental	\$ 97	\$ 15,450	\$ 52,250	\$ 67,797
Total Revenues	<u>\$ 97</u>	<u>\$ 15,450</u>	<u>\$ 52,250</u>	<u>\$ 67,797</u>
EXPENDITURES:				
Cultural and Recreation	\$ 97	\$ -	\$ 52,250	\$ 52,347
Economic Development	-	15,450	-	15,450
Total Expenditures	<u>\$ 97</u>	<u>\$ 15,450</u>	<u>\$ 52,250</u>	<u>\$ 67,797</u>
REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

TOWN OF WILKESBORO, NORTH CAROLINA
SPECIAL REVENUE FUND - GRANT PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Restricted intergovernmental Government Grant	\$ 59,200	\$ 52,506	\$ 97	\$ 52,603	\$ (6,597)
EXPENDITURES:					
Cultural and Recreation	\$ 61,000	\$ 52,506	\$ 97	\$ 52,603	\$ 8,397
REVENUES UNDER EXPENDITURES	\$ (1,800)	\$ -	\$ -	\$ -	\$ 1,800
OTHER FINANCING SOURCES:					
Transfer from General Fund	1,800	-	-	-	(1,800)
REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year			-		
Fund balance, end of year			<u>\$ -</u>		

TOWN OF WILKESBORO, NORTH CAROLINA
 SPECIAL REVENUE FUND - INTEGRITY DESIGN GRANT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 From Inception and for the Fiscal Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Restricted intergovernmental					
State Grant - SBEA	\$ 250,000	\$ 214,977	\$ 14,289	\$ 229,266	\$ (20,734)
State Grant - Rural Center	75,000	55,026	1,161	56,187	(18,813)
TOTAL REVENUES	\$ 325,000	\$ 270,003	\$ 15,450	\$ 285,453	\$ (39,547)
EXPENDITURES:					
Capital Outlay:					
Administration	\$ 25,000	\$ 18,750	\$ 7,450	\$ 26,200	\$ (1,200)
Planning	5,000	-	-	-	5,000
New Cabinetry Equipment	79,240	49,252	8,000	57,252	21,988
New Printing Equipment	47,072	-	-	-	47,072
Building Repairs	168,688	202,001	-	202,001	(33,313)
TOTAL EXPENDITURES	\$ 325,000	\$ 270,003	\$ 15,450	\$ 285,453	\$ 39,547
REVENUES UNDER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning of year			-		
Fund balance, end of year			\$ -		

TOWN OF WILKESBORO, NORTH CAROLINA
 CAPITAL PROJECT FUND - RAIN GARDEN
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 From Inception and for the Fiscal Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Restricted intergovernmental					
State Grant	\$ 58,250	\$ -	\$ 52,250	\$ 52,250	\$ (6,000)
Total	<u>\$ 58,250</u>	<u>\$ -</u>	<u>\$ 52,250</u>	<u>\$ 52,250</u>	<u>\$ (6,000)</u>
 TOTAL REVENUES	 <u>\$ 58,250</u>	 <u>\$ -</u>	 <u>\$ 52,250</u>	 <u>\$ 52,250</u>	 <u>\$ (6,000)</u>
EXPENDITURES:					
Capital Outlay:					
Design	\$ 55,250	\$ -	\$ 52,250	\$ 52,250	\$ (3,000)
Engineering	3,000	-	-	-	3,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 TOTAL EXPENDITURES	 <u>\$ 58,250</u>	 <u>\$ -</u>	 <u>\$ 52,250</u>	 <u>\$ 52,250</u>	 <u>\$ -</u>
 REVENUES UNDER EXPENDITURES	 <u>\$ -</u>	 <u>\$ -</u>		 <u>\$ -</u>	 <u>\$ -</u>
 Fund balance, beginning of year			 <u> </u>		
 Fund balance, end of year			 <u><u>\$ -</u></u>		

TOWN OF WILKESBORO, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Operating revenues:			
Water sales	\$ 2,775,000	\$ 2,906,677	\$ 131,677
Sewer charges	3,030,000	3,524,351	494,351
Water and sewer taps	30,000	40,231	10,231
Other operating revenue	32,000	20,459	(11,541)
TOTAL OPERATING REVENUES	\$ 5,867,000	\$ 6,491,718	\$ 624,718
Nonoperating revenue:			
Interest earnings	\$ 10,000	\$ 2,028	\$ (7,972)
Miscellaneous	415,000	260,639	(154,361)
TOTAL NONOPERATING REVENUES	\$ 425,000	\$ 262,666	\$ (162,334)
TOTAL REVENUES	\$ 6,292,000	\$ 6,754,384	\$ 462,384
EXPENDITURES:			
Water and sewer administration:			
Salaries and employee benefits		\$ 231,857	
Other operating expenditures		135,098	
Insurance		407,870	
TOTAL	\$ 859,500	\$ 774,825	\$ 84,675
Water treatment and distribution:			
Salaries and employee benefits		\$ 510,279	
Utilities		227,987	
Maintenance		104,261	
Other operating expenditures		295,014	
TOTAL	\$ 1,219,000	\$ 1,137,541	\$ 81,459
Waste collection and treatment:			
Salaries and employee benefits		\$ 388,342	
Utilities		279,188	
Maintenance		164,532	
Other operating expenditures		272,133	
TOTAL	\$ 1,111,500	\$ 1,104,195	\$ 7,305
Maintenance:			
Salaries and employee benefits		\$ 402,200	
Maintenance		26,260	
Other operating expenditures		670,314	
TOTAL	\$ 1,168,500	\$ 1,098,774	\$ 69,726

TOWN OF WILKESBORO, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal retirement		\$ 672,714	
Interest and other charges		234,160	
TOTAL DEBT SERVICE	<u>\$ 911,835</u>	<u>\$ 906,874</u>	<u>\$ 4,961</u>
Capital outlay:			
Water Improvements & Extensions		\$ 149,590	
Sewer Improvements & Extensions		156,408	
Equipment		51,653	
TOTAL CAPITAL OUTLAY	<u>\$ 451,000</u>	<u>\$ 357,651</u>	<u>\$ 93,349</u>
Contingency			
Contingency		-	
TOTAL CONTINGENCY	<u>\$ 193,000</u>	<u>\$ -</u>	<u>\$ 193,000</u>
TOTAL EXPENDITURES	<u>\$ 5,914,335</u>	<u>\$ 5,379,860</u>	<u>\$ 534,475</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 377,665</u>	<u>\$ 1,374,524</u>	<u>\$ 996,859</u>
OTHER FINANCING SOURCES (USES):			
Transfers to other funds:			
Water & Sewer Capital Projects Fund	(3,172,665)	(157,961)	3,014,704
Transfers from other funds:			
Proceeds from issuance of debt	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (3,172,665)</u>	<u>\$ (157,961)</u>	<u>\$ 3,014,704</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (2,795,000)</u>	<u>\$ 1,216,563</u>	<u>\$ 4,011,563</u>
APPROPRIATED RETAINED EARNINGS	<u>\$ 2,795,000</u>	<u>\$ -</u>	<u>\$ 2,795,000</u>
REVENUES, OTHER SOURCES, AND APPROPRIATED RETAINED EARNINGS OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ 1,216,563</u>	<u>\$ 1,216,563</u>

TOWN OF WILKESBORO, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2014

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

REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 1,216,563
Reconciling items:	
Principal retirement	\$ 672,714
Capital outlay	357,651
(Increase) Decrease in accrued vacation pay	383
(Increase) Decrease in OPEB liability	(111,524)
Depreciation	(688,465)
Increase (Decrease) in inventory	22,646
Increase (Decrease) in accounts receivable	87,211
Transfer to Water & Sewer Capital Project Fund	157,961
Capital contributions	423,975
Rent income in the water and sewer	
Capital reserve fund	10,000
TOTAL RECONCILING ITEMS	\$ 932,552
CHANGE IN NET POSITION	\$ 2,149,115

TOWN OF WILKESBORO, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
BUDGET AND ACTUAL (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2014

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues - 201 Wastewater Improvements					
Federal Grant	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
Vendor Contribution	15,000	-	-	-	(15,000)
Total	\$ 1,015,000	\$ 1,000,000	\$ -	\$ 1,000,000	\$ (15,000)
Revenues - Cherry Street W/S Improvements					
Grant - ARC	\$ 300,000	\$ -	\$ 296,017	\$ 296,017	\$ (3,983)
Grant - Rural Center	706,404	578,446	127,958	706,404	-
Total	\$ 1,006,404	\$ 578,446	\$ 423,975	\$ 1,002,421	\$ (3,983)
TOTAL REVENUES	\$ 2,021,404	\$ 1,578,446	\$ 423,975	\$ 2,002,421	\$ (18,983)
Expenditures - 201 Wastewater Improvements					
Closing Fee	\$ 147,271	\$ 144,628	\$ -	\$ 144,628	\$ 2,643
Administration Cost/Legal	40,000	36,129	-	36,129	3,871
Engineering	1,175,309	1,159,614	21,559	1,181,173	(5,864)
Construction - Lynch	4,761,154	4,751,621	-	4,751,621	9,533
Construction - Spur	2,553,075	2,445,896	-	2,445,896	107,179
Contingency	219,211	48,100	-	48,100	171,111
Total	\$ 8,896,020	\$ 8,585,988	\$ 21,559	\$ 8,607,547	\$ 288,473
Expenditures - Cherry Street W/S Improvements					
Construction - Buckeye Construction	\$ 1,245,969	\$ 1,024,222	\$ 47,838	\$ 1,072,060	\$ 173,909
Paving	40,000	176,167	-	176,167	(136,167)
Engineering	103,910	196,474	9,413	205,887	(101,977)
Construction Observation	60,000	40,896	497	41,393	18,607
Grant Administration	25,000	-	-	-	25,000
Legal / Other	15,000	-	-	-	15,000
Contingency	10,000	389	-	389	9,611
Total	\$ 1,499,879	\$ 1,438,148	\$ 57,748	\$ 1,495,896	\$ 3,983
Expenditures - Sludge Handling Project, Water Department					
Engineering	\$ 250,000	\$ -	\$ 157,961	\$ 157,961	\$ 92,039
Legal, Permits, Other	25,000	-	-	-	25,000
Construction	2,450,000	-	-	-	2,450,000
Contingency	275,000	-	-	-	275,000
Total	\$ 3,000,000	\$ -	\$ 157,961	\$ 157,961	\$ 2,842,039

TOWN OF WILKESBORO, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
BUDGET AND ACTUAL (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
TOTAL EXPENDITURES	\$ 13,395,899	\$ 10,024,136	\$ 237,268	\$ 10,261,404	\$ 3,134,495
REVENUES OVER (UNDER) EXPENDITURES	\$ (11,374,495)	\$ (8,445,690)	\$ 186,707	\$ (8,258,983)	\$ 3,115,512
OTHER FINANCING SOURCES (USES):					
Proceeds from Issuance of Debt	\$ 7,363,544	\$ 7,029,070	\$ -	\$ 7,029,070	\$ (334,474)
Transfer from Water and Sewer Capital Reserve Fund	441,476	441,476	-	441,476	-
Transfer from Water and Sewer Fund	76,000	75,000	-	75,000	(1,000)
Transfer from Water and Sewer Fund	493,475	493,475	-	493,475	-
Transfer from Water and Sewer Fund	3,000,000	-	157,961	157,961	(2,842,039)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 11,374,495	\$ 8,039,021	\$ 157,961	\$ 8,196,982	\$ (3,177,513)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ (406,669)	\$ 344,668	\$ (62,001)	\$ (62,001)

TOWN OF WILKESBORO, NORTH CAROLINA
 WATER AND SEWER CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (Non-GAAP)
 From Inception and for the Fiscal Year Ended June 30, 2014

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
REVENUES:					
Rent Income-Vulcan Materials	\$ -	\$ 70,000	\$ 10,000	\$ 80,000	\$ 80,000
Investment Earnings	137,459	250,600	-	250,600	113,141
Total Revenues	\$ 137,459	\$ 320,600	\$ 10,000	\$ 330,600	\$ 193,141
OTHER FINANCING SOURCES (USES):					
Transfer from Water and Sewer Fund	\$ 641,336	\$ 641,336	\$ -	\$ 641,336	\$ -
Transfer from Water and Sewer Capital Projects Fund	964,430	332,740	-	332,740	(631,690)
Transfer from Capital Projects Fund		25,000	-	25,000	25,000
Transfer to Water and Sewer Fund	(428,071)	(428,071)	-	(428,071)	-
Transfer to Water and Sewer Capital Projects Fund	(1,285,430)	(767,939)	-	(767,939)	517,491
Transfer to General Fund	(4,724)	(4,724)	-	(4,724)	-
Transfer to Capital Projects Fund	(25,000)	(25,000)	-	(25,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ (137,459)	\$ (226,658)	-	\$ (226,658)	\$ (89,199)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES					
	\$ -	\$ 93,942	\$ 10,000	\$ 103,942	\$ 103,942

Other Schedules

This section contains additional information required on property taxes.

- * Schedule of Ad Valorem Taxes Receivable
- * Analysis of Current Tax Levy

TOWN OF WILKESBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 2,814,342	\$ 2,744,013	\$ 70,329
2012-2013	45,134	-	43,998	80,806
2011-2012	80,806	-	22,791	30,763
2010-2011	30,763	-	4,173	5,276
2009-2010	5,276	-	3,797	3,445
2008-2009	3,445	-	2,961	2,665
2007-2008	2,665	-	1,332	2,703
2006-2007	2,703	-	163	2,982
2005-2006	2,982	-	52	3,416
2004-2005	3,416	-	296	4,199
2003-2004	<u>4,199</u>	<u>-</u>	<u>5,172</u>	<u>-</u>
Total	<u>\$ 181,389</u>	<u>\$ 2,814,342</u>	<u>\$ 2,779,928</u>	<u>\$ 215,803</u>
Less: Allowance for Uncollectible Accounts-General Fund				<u>(34,200)</u>
AD VALOREM TAXES RECEIVABLE - NET				<u>\$ 181,603</u>
RECONCILEMENT WITH REVENUES:				
Taxes - Ad Valorem Taxes - General Fund				<u>\$ 2,788,241</u>
Reconciling Items:				
Interest Collected				\$ (12,849)
Taxes Written off				4,055
Prior Years Releases				<u>481</u>
Subtotal				<u>\$ (8,313)</u>
TOTAL COLLECTIONS AND CREDITS				<u>\$ 2,779,928</u>

TOWN OF WILKESBORO, NORTH CAROLINA
 ANALYSIS OF CURRENT TAX LEVY
 TOWN-WIDE LEVY
 For the Fiscal Year Ended June 30, 2014

	Town-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 610,634,040	\$ 0.44 #	\$ 2,686,790	\$ 2,514,142	\$ 172,648
Registered Motor Vehicles taxed at prior year's rate	17,271,502	\$ 0.40	69,086		69,086
Penalties			465	465	
Total	\$ 627,905,542		\$ 2,756,341	\$ 2,514,607	\$ 241,734
Discoveries:					
Current year taxes	\$ 12,774,170	\$ 0.44	\$ 56,206	\$ 56,206	
Prior year taxes			5,123	5,123	
Penalties			3,471	3,471	
TOTAL	\$ 12,774,170		\$ 64,800	\$ 64,800	\$ -
Abatements	\$ (1,593,744)		\$ (6,799)	\$ (3,930)	\$ (3,069)
TOTAL PROPERTY VALUATION	\$ 639,085,968				
Net Levy			\$ 2,814,342	\$ 2,575,477	\$ 238,665
Uncollected Taxes at June 30, 2014			70,329	64,955	5,374
Current Year's Taxes Collected			\$ 2,744,013	\$ 2,510,722	\$ 233,291
Current Levy Collection Percentage			97.50%	97.49%	97.75%

Compliance Section

HUNTLEY,
SIGMON &
ASSOCIATES, CPAs, PLLC

HS&A

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348 Harper Avenue NW

Lenoir, North Carolina 28645

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of the Town of Wilkesboro, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Town of Wilkesboro's basic financial statements, and have issued our report thereon dated December 10, 2014. Our report includes a reference to other auditors who audited the financial statements of the Town of Wilkesboro ABC Board, as described in our report on the Town of Wilkesboro's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Wilkesboro ABC Board and the Wilkesboro Tourism Development, Convention, and Visitors Bureau were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Wilkesboro's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Wilkesboro's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect, and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not

identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Huntley, Sigmon & Associates, CPAs, PLLC

HUNTLEY, SIGMON & ASSOCIATES, CPAs, PLLC

Lenoir, North Carolina

December 10, 2014

HUNTLEY,
SIGMON &
ASSOCIATES, CPAs, PLLC

HS&A

Certified Public Accountants

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Wilkesboro, North Carolina, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Wilkesboro's major federal programs for the year ended June 30, 2014. Town of Wilkesboro's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Wilkesboro's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Wilkesboro's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Town of Wilkesboro's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the Town of Wilkesboro complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Town of Wilkesboro is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Wilkesboro's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each of the major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combinations of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB A-133. Accordingly, this report is not suitable for any other purpose.

Huntley, Sigmon & Associates, CPAs, PLLC

HUNTLEY, SIGMON & ASSOCIATES, CPAs, PLLC
Lenoir, North Carolina
December 10, 2014

TOWN OF WILKESBORO, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2014

There were no findings for 2011 or 2012 or 2013

Finding 2010-1

Criteria: G. S. 159-28 states that no obligation may be incurred by a local unit unless the budget ordinance includes an appropriation authorizing the obligation.

Status: We found no new instances in 2014.

TOWN OF WILKESBORO, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section II. Financial Statement Findings

NO FINDINGS WERE REPORTED FOR FINANCIAL STATEMENTS

Section III. Federal Award Findings and Questioned Costs

NO FINDINGS WERE REPORTED FOR FEDERAL AWARDS

Section IV. State Award Findings and Questioned Costs

NO FINDINGS WERE REPORTED FOR STATE AWARDS

TOWN OF WILKESBORO, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2014

There were no findings for 2011 or 2012 or 2013

Finding 2010-1

Criteria: G. S. 159-28 states that no obligation may be incurred by a local unit unless the budget ordinance includes an appropriation authorizing the obligation.

Status: We found no new instances in 2014.

TOWN OF WILKESBORO, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Federal</u> <u>(Direct &</u> <u>Pass through)</u> <u>Expenditures</u>
Federal Grants:			
Cash Programs:			
<u>U.S. Department of Agriculture</u>			
<u>Water and Waste Disposal Systems for Rural Communities</u>			
Water and Waste Disposal Systems for Rural Communities	10.760		\$40,319
<u>U. S. Department of Homeland Security</u>			
<u>Federal Emergency Management Agency</u>			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		513,951
<u>U. S Housing and Urban Development</u>			
<u>State-Administered Small Cities Program</u>			
Passed-through Community Investment and Assistance-CDBG: (currently Division of Community Assistance)			
Integrity Design Grant	14.228	11-C-2341	C <u>14,289</u>
Total Federal Assistance			<u>568,559</u>
State Grants:			
Cash Programs:			
<u>N.C. Department of Transportation:</u>			
Powell Bill			45,247
<u>N. C. Environmental and Natural Resources</u>			
Division of Water Resources			
Cub Creek Park Bio Retention Project			52,250
<u>N.C. Department of Commerce</u>			
Passed-through the N.C. Rural Economic Development Center, Inc.:			
Cherry Street Water/Sewer System		2010-277-40401-107	B 17,429
Integrity Design Grant		2012-271-60501-118	C <u>1,161</u>
Total State assistance			<u>116,087</u>
Total federal and State assistance			\$ <u>684,646</u>

Notes (Basis of Presentation)

- A. The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Town of Wilkesboro and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
- B. The N.C. Rural Economic Development Center, Inc, has merged with the NC Department of Commerce subsequent to June 30, 3013
- C. The Integrity Design Grants were pass-through grants for economic development to a for-profit entity (Private Owner Agreement)

TOWN OF WILKESBORO, NORTH CAROLINA
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2014

Section II. Financial Statement Findings

None Reported

Section III. Federal Award Findings and Questioned Costs

None Reported

Section IV. State Award Findings and Questioned Costs

None Reported