

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

TOWN OF WILKESBORO
NORTH CAROLINA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

CERTIFIED PUBLIC ACCOUNTANTS
LENOIR, NORTH CAROLINA

Town of Wilkesboro, North Carolina

Town Council Members

Mike Inscore, Mayor
Jimmy Hayes, Mayor Pro Tem
Russ Ferree
Andy Soots
Gary Johnson

Administrative and Financial Staff

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

**Town of Wilkesboro, North Carolina
Table of Contents
June 30, 2015**

<u>Exhibit</u>		<u>Page</u>
	Financial Section:	
	Independent Auditor's Report	1-2
	Management's Discussion and Analysis	3-9
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	10
2	Statement of Activities	11-12
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	13
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
5	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	16
6	Statement of Net Position - Proprietary Funds	17
7	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	18
8	Statement of Cash Flows - Proprietary Funds	19
	Notes to the Financial Statements	20-42
	Required Supplemental Financial Data:	
A-1	Law Enforcement Officers' Special Separation Allowance - Schedule of Funding Progress	43
A-2	Law Enforcement Officers' Special Separation Allowance - Schedule of Employer Contributions and Notes	44
B-1	Other Postemployment Benefits - Schedule of Funding Progress	45
B-2	Other Postemployment Benefits - Schedule of Employer Contributions and Notes	46

Town of Wilkesboro, North Carolina
Table of Contents
June 30, 2015

<u>Exhibit</u>		<u>Page</u>
B-3	Schedule of Proportionate Share of the Net Pension Asset-Local Government Employees' Retirement System	47
B-4	Schedule of Contributions -Local Government Employees' Retirement System And Notes	48
 Combining and Individual Fund Statements and Schedules:		
C-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	49-52
D-1	Combining Balance Sheet for Non-Major Governmental Fund	53
D-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	54
D-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual - From Inception – Grant Project Fund	55
D-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual - From Inception – PSG Custom Fabricators	56
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
E-1	Water and Sewer Fund	57-59
E-2	Water and Sewer Capital Projects Fund	60-61
E-3	Water and Sewer Capital Reserve Fund	62
 Other Schedules:		
F-1	Schedule of Ad Valorem Taxes Receivable	63
F-2	Analysis of Current Tax Levy - Town-Wide Levy	64
 Compliance Section:		
	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	65-66
	Report on Compliance with requirements applicable the each Major Federal Program and Internal Control over Compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act	67-68
	Report on Compliance with requirements applicable the each Major State Program and Internal Control over Compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act	69-70
	Schedule of Findings and Questioned Costs	71-72
	Schedule of Prior Year Audit Findings	73
	Schedule of Expenditures of Federal and State Awards	74
	Corrective Action Plan	75

FINANCIAL SECTION

HUNTLEY,
SIGMON &
ASSOCIATES, CPAs, PLLC

HS&A

Certified Public Accountants

Phone: (828) 754-0777

Fax: (828) 754-1925

P.O. Box 1406

348 Harper Avenue NW

Lenoir, North Carolina 28645

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, 2015, 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, which represents 70 percent of the assets, 62 percent of the net position, and 94 percent of the revenues of the discretely presented component units. 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 to 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, 2015, 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, the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions and the Local Government Employees' Retirements System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 3-9 and 43-48, 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 dated January 15, 2016 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
January 15, 2016

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, 2015. 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

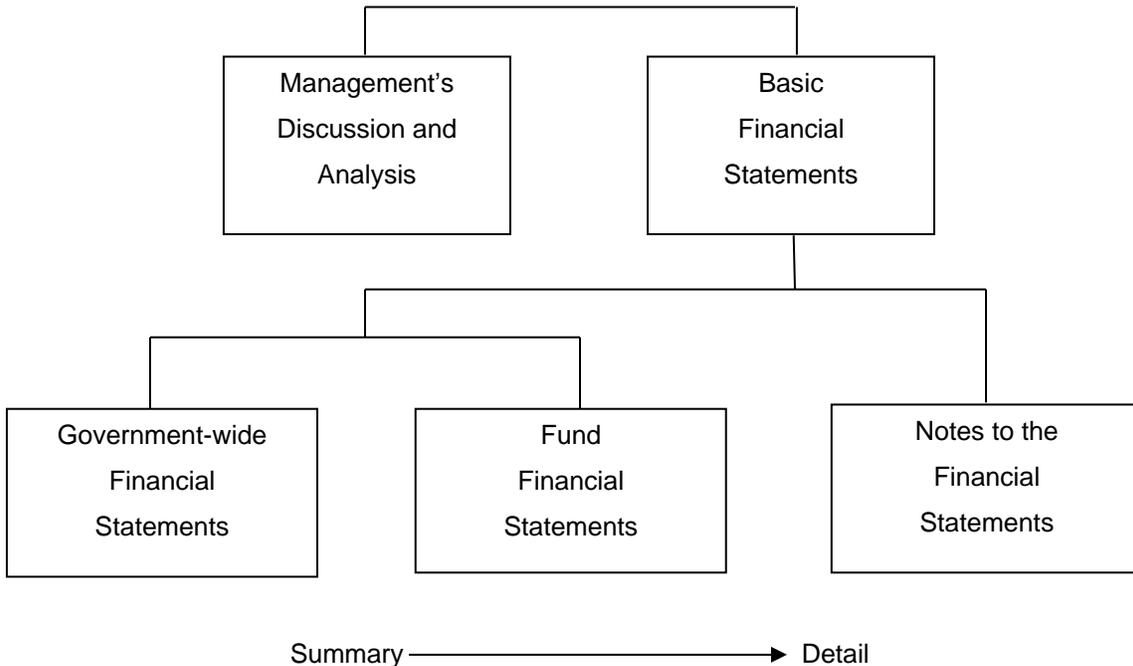
- The assets of the Town of Wilkesboro exceeded its liabilities at the close of the fiscal year by \$35,063,016 (*net position*).
- The government's total net position increased by \$696,833, 2.02%. The general fund added major capital assets in the form of equipment and building repairs, while the business-type activities were able to add to their undesignated retained earnings to be used on future projects continuing in Fiscal Year 2016 and beyond.
- As of the close of the current fiscal year, the Town of Wilkesboro's governmental funds reported combined ending fund balances of \$3,117,065, a decrease of \$456,097. Approximately 75.8% of this total amount or \$2,363,651 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 \$2,363,651 or 38.5% of total general fund expenditures for the fiscal year.
- The Town of Wilkesboro's total long-term liabilities decreased by \$371,262 (4.2%) 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 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and total liabilities. 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 the reader a detailed short-term view that helps him or her determine if there are more or less financial

**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 20-42 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 43 of this report.

Government-Wide Financial Analysis

Town of Wilkesboro’s Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Current and other assets	\$ 3,677,374	\$ 4,178,993	\$ 5,937,675	\$ 5,413,184	\$ 9,615,049	\$ 9,592,177
Capital assets	5,052,854	4,779,589	30,547,001	30,149,265	35,599,855	34,928,854
Net pension assets	191,138	-	144,192	-	335,330	-
Deferred outflows	<u>126,202</u>	<u>-</u>	<u>94,959</u>	<u>-</u>	<u>221,161</u>	<u>-</u>
Total assets and deferred Outflow of resources	<u>\$ 9,047,568</u>	<u>\$ 8,958,582</u>	<u>\$ 36,723,827</u>	<u>\$ 35,562,449</u>	<u>\$ 45,771,395</u>	<u>\$ 44,521,031</u>
Long-term liabilities outstanding	\$ 1,567,632	\$ 1,371,729	\$ 6,852,842	\$ 7,420,007	\$ 8,420,474	\$ 8,791,736
Other liabilities	504,669	488,415	944,126	865,924	1,448,795	1,354,339
Deferred inflows	<u>484,542</u>	<u>8,770</u>	<u>354,568</u>	<u>-</u>	<u>839,110</u>	<u>8,770</u>
Total liabilities & deferred Inflows of resources	<u>\$ 2,556,843</u>	<u>\$ 1,868,914</u>	<u>\$ 8,151,536</u>	<u>\$ 8,285,931</u>	<u>\$ 10,708,379</u>	<u>\$ 10,154,845</u>
Net assets: Net invested in Capital assets related debt	\$ 4,752,912	\$ 4,545,114	\$ 23,542,444	\$ 22,545,095	\$ 28,295,356	\$ 27,090,209
Restricted	678,414	1,052,850	-	-	678,414	1,052,850
Unrestricted	<u>1,059,399</u>	<u>1,491,701</u>	<u>5,029,847</u>	<u>4,731,423</u>	<u>6,089,246</u>	<u>6,223,124</u>
Total net position	<u>\$ 6,490,725</u>	<u>\$ 7,089,665</u>	<u>\$ 28,572,291</u>	<u>\$ 27,276,518</u>	<u>\$ 35,063,016</u>	<u>\$ 34,366,183</u>

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

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 \$35,063,016 as of June 30, 2015. The Town's net position increased by \$696,833, or 2.02%, for the fiscal year ended June 30, 2015. However, the largest portion reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of 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 \$678,414 (1.93%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,089,246 is unrestricted. In addition, the Town implemented GASB Statement 68 for this year, as described in Note VIII. The new reporting required a restatement of beginning net position thus reducing it by \$470,052.

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 98.14%, which is on par with the statewide average of 97.68%. This represents a increase of .64% when compared to prior year.

Town of Wilkesboro Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Revenues:						
Program revenues:						
Charges for services	\$ 213,139	\$ 241,558	\$ 6,463,505	\$ 6,578,929	\$ 6,676,644	\$ 6,820,687
Operating grants and contributions	896,922	703,637	-	-	896,922	703,637
Capital grants and contributions	-	-	-	423,975	-	423,975
General revenues:						
Property taxes	2,738,940	2,824,955	-	-	2,738,940	2,824,955
Other taxes	1,567,786	1,534,524	-	-	1,567,786	1,534,524
Other	382,410	504,348	311,248	272,666	693,658	777,014
Total revenues	<u>\$ 5,799,197</u>	<u>\$ 5,809,222</u>	<u>\$ 6,774,753</u>	<u>\$ 7,275,570</u>	<u>\$ 12,573,950</u>	<u>\$ 13,084,792</u>
Expenses:						
General government	\$ 2,317,827	\$ 2,193,364	-	-	\$ 2,317,827	\$ 2,193,364
Public safety	2,532,861	2,429,297	-	-	2,532,861	2,429,297
Highways/Streets	420,503	441,122	-	-	420,503	441,122
Economic Development	288,830	15,450	-	-	288,830	15,450
Environ. Protection	275,980	256,577	-	-	275,980	256,577
Culture and recreation	288,793	321,403	-	-	288,793	321,403
Interest on long-term debt	5,413	4,301	-	-	5,413	4,301
Water and sewer	-	-	\$ 5,276,858	\$ 5,126,455	5,276,858	5,126,455
Total expenses	<u>\$ 6,130,207</u>	<u>\$ 5,661,514</u>	<u>\$ 5,276,858</u>	<u>\$ 5,126,455</u>	<u>\$ 11,407,065</u>	<u>\$ 10,787,969</u>
Increase (decrease) in net position	<u>\$ (331,010)</u>	<u>\$ 147,708</u>	<u>\$ 1,497,895</u>	<u>\$ 2,149,115</u>	<u>\$ 1,166,885</u>	<u>\$ 2,296,823</u>
Net position, July 1	<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>
Net position, beginning, Restated	<u>\$ 6,821,735</u>	<u>\$ 6,941,957</u>	<u>\$ 27,074,396</u>	<u>\$ 25,127,403</u>	<u>\$ 33,896,131</u>	<u>\$ 32,069,360</u>
Net position, June 30	<u>\$ 6,490,725</u>	<u>\$ 7,089,665</u>	<u>\$ 28,572,291</u>	<u>\$ 27,276,518</u>	<u>\$ 35,063,016</u>	<u>\$ 34,366,183</u>

Management's Discussion and Analysis Town of Wilkesboro

Governmental activities: Governmental activities decreased the Town's net position by \$331,010. The key element of this decrease in net position would be increased expenditure in both building and street maintenance and repair. These were expected uses of Town funds. Additionally, a change in accounting principles with regards to pensions has included a restatement of net position, reducing it by \$267,930. Additional information on the Town's pension plan can be found in the Notes Section of this document.

Business-type activities: Business-type activities increased the Town of Wilkesboro's net position by \$1,497,895. The key elements of this increase in net position are the increases in charges for services which resulted from higher system usage by customers. Additionally, a change in accounting principal with regards to pensions has included a restatement of net position, reducing it by \$202,122. Additional information on the Town's pension plan can be found in the Notes Section of this document.

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 increased by \$607,939 to \$2,363,651, while total fund balance decreased \$456,097, 12.76%, to a total of \$3,117,065. This circumstance is a result of a concerted effort to refurbish specific Town buildings as well as Town streets. The increase in unassigned fund balance is a result of the Town's use of Powell Bill Funds for the street work done in the Town. These funds are specifically designated for this purpose and not considered to be unassigned. Additionally, the Town has budgeted a significantly reduced amount of \$75,000 of Fund Balance in next year's budget compared to \$764,600. This amount has changed drastically due to Council's desire to increase the Town's unassigned amount for possible future capital projects.

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 38.5% of total General Fund expenditures, while total fund balance represents 50.7% of that same amount compared to 32.77% and 66.7% 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 \$5,029,847. The total change in net position was an increase of \$1,497,895. 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, 2015, totals \$35,599,855 (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 \$672,351.

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

- General fund capital asset additions of \$608,206.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Land	\$ 1,706,036	\$ 1,706,036	\$ 609,932	\$ 609,932	\$ 2,315,968	\$ 2,315,968
Building & improvements	1,809,950	1,819,682			1,809,950	1,819,682
Plant & dist. systems			19,993,477	20,060,934	19,993,477	20,060,934
Machinery & equipment	1,155,090	1,084,036	575,330	519,671	1,730,420	1,603,707
Infrastructure	381,778	169,835			381,778	169,835
Construction in progress	-	-	9,368,262	8,958,728	9,368,262	8,958,728
Total	<u>\$ 5,052,854</u>	<u>\$ 4,779,589</u>	<u>\$ 30,547,001</u>	<u>\$ 30,149,265</u>	<u>\$ 35,599,855</u>	<u>\$ 34,928,854</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 \$371,262 (4.22%) 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 \$49,319,817.

Additional information regarding the Town of Wilkesboro’s long-term debt can be found in note II.B.5. beginning on page 39 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, 2015 stands at 6.5%, which is a decrease over last year’s 7.6% rate. This rate is indicative of the national economic environment and is slightly above the state-wide average of 5.8%. 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.

Management's Discussion and Analysis Town of Wilkesboro

Budget Highlights

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

Budgeted expenditures have decreased from last year by 2.49% to \$6,459,000. The Town will be financing the purchase of a pumper fire truck in this budget. The financed purchase will defer the cost over 10 years. Proceeds from lease purchase are budgeted at \$526,000.

Business-type Activities: Budgeted expenditures in the Water and Sewer Fund are expected to increase by approximately 12.90% to \$10,831,000. The cause of this increase is the Town's planning of capital improvements to our overall system. A 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, installation of a centrifuge at the waste treatment plant, and a joint project with the Town of North Wilkesboro with regards to a water intake facility at W. Kerr Scott Reservoir. 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. There are \$4,464,800 available for use in capital projects budgeted as a result of these projects and their various stages of completion.

Additionally, it should be noted that the Town had entered into a construction commitment with Harper Corporation for the construction of the Water Plant sludge handling facility mentioned above at June 30, 2015. The total cost of the contract was \$2,535,000.

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 2015-2016 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, 2015

	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	\$ 2,816,374	\$ 4,437,289	\$ 7,253,663	\$ 191,110	\$ 85,343
Taxes receivables (net)	170,086	-	170,086	-	-
Accounts receivable	21,781	618,228	640,009	-	-
Due from other governments	511,600	135,895	647,495	-	-
Due from component units	15,846	-	15,846	-	-
Due from primary government	-	-	-	35,639	-
Inventories	-	571,983	571,983	-	292,509
Prepaid items	-	-	-	-	2,750
Restricted cash and cash equivalents	141,687	174,280	315,967	-	-
Total current assets	\$ 3,677,374	\$ 5,937,675	\$ 9,615,049	\$ 226,749	\$ 380,602
Noncurrent assets:					
Net pension asset	\$ 191,138	\$ 144,192	\$ 335,330	\$ -	\$ 15,569
Capital assets:					
Land, non-depreciable improvements, and construction in progress	1,706,036	9,978,194	11,684,230	-	11,600
Other capital assets, net of depreciation	3,346,818	20,568,807	23,915,625	-	83,004
Total capital assets	\$ 5,052,854	\$ 30,547,001	\$ 35,599,855	\$ -	\$ 94,604
Total assets	\$ 8,921,366	\$ 36,628,868	\$ 45,550,234	\$ 226,749	\$ 490,775
DEFERRED OUTFLOWS OF RESOURCES					
Contribution to Pension Plan in					
Current Fiscal Year	\$ 126,202	\$ 94,959	\$ 221,161	\$ -	\$ 42,225
Pension Deferrals	-	-	-	-	2,903
Total Deferred inflows of resources	\$ 126,202	\$ 94,959	\$ 221,161	\$ -	\$ 45,128
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 317,438	\$ 155,507	\$ 472,945	\$ -	\$ 98,671
Due to primary government	-	-	-	15,846	-
Due to other governments	22,613	-	22,613	-	59,218
Due to component units	35,639	-	35,639	-	-
Current portion of long-term liabilities	128,979	728,281	857,260	-	-
Payable from restricted assets	-	60,338	60,338	-	-
Total current liabilities	504,669	944,126	1,448,795	15,846	157,889
Long-term liabilities:					
Due in more than one year	1,567,632	6,852,842	8,420,474	-	-
Total liabilities	\$ 2,072,301	\$ 7,796,968	\$ 9,869,269	\$ 15,846	\$ 157,889
DEFERRED INFLOWS OF RESOURCES					
Prepaid Taxes	\$ 7,936	\$ -	\$ 7,936	\$ -	\$ -
Unexpended Grant Proceeds	6,597	-	6,597	-	-
Pension Deferrals	470,009	354,568	824,577	-	37,946
Total Deferred inflows of resources	\$ 484,542	\$ 354,568	\$ 839,110	\$ -	\$ 37,946
NET POSITION					
Net investment in capital assets	\$ 4,752,912	\$ 23,542,444	\$ 28,295,356	\$ -	\$ 94,604
Restricted for:					
Stabilization by state statute	536,727	-	536,727	35,639	-
Transportation	132,547	-	132,547	-	-
Public safety	9,140	-	9,140	-	-
Other purposes	-	-	-	-	61,116
Unrestricted	1,059,399	5,029,847	6,089,246	175,264	184,348
Total net position	\$ 6,490,725	\$ 28,572,291	\$ 35,063,016	\$ 210,903	\$ 340,068

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, 2015

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 2,317,827	\$ 60,294	\$ -	\$ -
Public safety	2,532,861	18,593	492,059	-
Transportation	420,503	-	116,033	-
Economic Development	288,830	-	288,830	-
Environmental protection	275,980	117,136	-	-
Cultural and recreation	288,793	17,116	-	-
Interest on long-term debt	5,413	-	-	-
Total governmental activities	<u>\$ 6,130,207</u>	<u>\$ 213,139</u>	<u>\$ 896,922</u>	<u>\$ -</u>
Business-type activities:				
Water and sewer	\$ 5,276,858	\$ 6,463,505	\$ -	\$ -
Total business-type activities	<u>\$ 5,276,858</u>	<u>\$ 6,463,505</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 11,407,065</u>	<u>\$ 6,676,644</u>	<u>\$ 896,922</u>	<u>\$ -</u>
Component units:				
Wilkesboro Tourism Development, Convention, and Visitors Bureau	\$ 128,845	\$ -	\$ -	\$ -
Wilkesboro ABC Board	2,044,664	2,069,478	-	-
Total component units	<u>\$ 2,173,509</u>	<u>\$ 2,069,478</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, 2015

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets				
	Primary Government			Wilkesboro Tourism Development, Convention, and Visitors Bureau	Wilkesboro ABC Board
	Governmental Activities	Business-type Activities	Total		
Primary government:					
Governmental Activities:					
General government	\$ (2,257,533)	\$ -	\$ (2,257,533)	\$ -	\$ -
Public safety	(2,022,209)	-	(2,022,209)	-	-
Transportation	(304,470)	-	(304,470)	-	-
Economic Development	-	-	-	-	-
Environmental protection	(158,844)	-	(158,844)	-	-
Cultural and recreation	(271,677)	-	(271,677)	-	-
Interest on long-term debt	(5,413)	-	(5,413)	-	-
Total governmental activities	\$ (5,020,146)	\$ -	\$ (5,020,146)	\$ -	\$ -
Business-type activities:					
Water and sewer	\$ -	\$ 1,186,647	\$ 1,186,647	-	-
Total business-type activities	\$ -	\$ 1,186,647	\$ 1,186,647	-	-
Total primary government	\$ (5,020,146)	\$ 1,186,647	\$ (3,833,499)	-	-
Component units:					
Wilkesboro Tourism Development, Convention, and Visitors Bureau	-	-	-	\$ (128,845)	\$ -
Wilkesboro ABC Board	-	-	-	-	24,814
Total component units	-	-	-	\$ (128,845)	\$ 24,814
General revenues:					
Taxes:					
Property taxes, levied for general purpose	\$ 2,738,940	\$ -	\$ 2,738,940	\$ -	\$ -
Other taxes	1,567,786	-	1,567,786	-	-
Occupancy tax	-	-	-	127,244	-
Unrestricted investment earnings	3,880	2,040	5,920	386	1,161
Miscellaneous	378,530	309,208	687,738	-	-
Total general revenues	\$ 4,689,136	\$ 311,248	\$ 5,000,384	\$ 127,630	\$ 1,161
Change in net position	\$ (331,010)	\$ 1,497,895	\$ 1,166,885	\$ (1,215)	\$ 25,975
Net position, beginning	\$ 7,089,665	\$ 27,276,518	\$ 34,366,183	\$ 212,118	\$ 331,864
Restatement	\$ (267,930)	\$ (202,122)	\$ (470,052)		\$ (17,771)
Net position, beginning, restated	\$ 6,821,735	\$ 27,074,396	\$ 33,896,131	\$ 212,118	\$ 314,093
Net position, ending	\$ 6,490,725	\$ 28,572,291	\$ 35,063,016	\$ 210,903	\$ 340,068

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

**TOWN OF WILKESBORO, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

	Major Funds		Total Governmental Funds
	General	Total Non-Major Funds	
ASSETS			
Cash and cash equivalents	\$ 2,809,777	\$ 6,597	\$ 2,816,374
Restricted Cash	141,687	-	141,687
Receivables, net:			
Due from nonmajor/Due to major	12,500	(12,500)	-
Taxes	170,086	-	170,086
Accounts	21,781	-	21,781
Due from other governments	499,100	12,500	511,600
Due from component units	15,846	-	15,846
Total assets	<u>\$ 3,670,777</u>	<u>\$ 6,597</u>	<u>\$ 3,677,374</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 317,438	\$ -	\$ 317,438
Due to Other Governmental Unit	22,613	-	22,613
Due to component unit	35,639	-	35,639
Total liabilities	<u>\$ 375,690</u>	<u>\$ -</u>	<u>\$ 375,690</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid Taxes	\$ 7,936	\$ -	\$ 7,936
Unexpended Grant Proceeds	-	6,597	6,597
Taxes Receivable, net	170,086	-	170,086
Total deferred inflows of resources	<u>\$ 178,022</u>	<u>\$ 6,597</u>	<u>\$ 184,619</u>
FUND BALANCES			
Restricted:			
Stabilization by State Statute	\$ 536,727	\$ -	\$ 536,727
Streets-Powell bill	132,547	-	132,547
Drug crime prevention	9,140	-	9,140
Assigned:			
Designated for subsequent year's expenditures	75,000	-	75,000
Unassigned	2,363,651	-	2,363,651
Total fund balances	<u>\$ 3,117,065</u>	<u>\$ -</u>	<u>\$ 3,117,065</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,670,777</u>	<u>\$ 6,597</u>	<u>\$ 3,677,374</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Total Fund Balances, Governmental Funds		\$	3,117,065
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross Capital Assets	\$	9,538,957	
Accumulated Depreciation		(4,486,103)	5,052,854
Net pension asset			191,138
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position			126,202
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			170,086
Long-term liabilities used in governmental activities are not financial uses and therefore not reported in the funds			
Gross long-term debt			(1,696,611)
Pension plan deferrals			(470,009)
Net position of governmental activities		\$	<u>6,490,725</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, 2015

	Major Funds		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,750,457	\$ -	\$ 2,750,457
Unrestricted intergovernmental	1,438,170	-	1,438,170
Restricted intergovernmental	737,708	288,830	1,026,538
Permits and fees	44,417	-	44,417
Sales and services	163,232	-	163,232
Investment earnings	3,880	-	3,880
Miscellaneous	384,020	-	384,020
Total revenues	<u>\$ 5,521,884</u>	<u>\$ 288,830</u>	<u>\$ 5,810,714</u>
EXPENDITURES			
Current:			
General government	\$ 2,164,947	\$ -	\$ 2,164,947
Public safety	2,539,506	-	2,539,506
Transportation	666,624	-	666,624
Economic development	-	288,830	288,830
Environmental protection	247,199	-	247,199
Cultural and recreation	419,759	-	419,759
Debt service:			
Principal	100,033	-	100,033
Interest and other charges	5,413	-	5,413
Total expenditures	<u>\$ 6,143,481</u>	<u>\$ 288,830</u>	<u>\$ 6,432,311</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (621,597)</u>	<u>\$ -</u>	<u>\$ (621,597)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt	\$ 165,500	\$ -	\$ 165,500
Total other financing sources (uses)	<u>\$ 165,500</u>	<u>\$ -</u>	<u>\$ 165,500</u>
Net change in fund balance	<u>\$ (456,097)</u>	<u>\$ -</u>	<u>\$ (456,097)</u>
Fund balances, beginning	<u>\$ 3,573,162</u>	<u>\$ -</u>	<u>\$ 3,573,162</u>
Fund balances, ending	<u>\$ 3,117,065</u>	<u>\$ -</u>	<u>\$ 3,117,065</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, 2015**

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

Net changes in fund balances - total governmental funds	\$	(456,097)
<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	\$ 608,206	
Depreciation expense	(334,941)	
Capital project cost closed	-	273,265
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		126,202
<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 unavailable revenue for tax revenues		(11,517)
<p>The issuance of long-term debt provides current</p>		
New long-term debt issued	\$ (165,500)	
Principal payments on long-term debt	100,033	(65,467)
<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	\$ (1,647)	
Pension Expense	\$ (10,941)	
Net pension obligation	(14,870)	
Other postemployment benefits	(169,938)	(197,396)
Total changes in net position of governmental activities	\$	(331,010)

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, 2015

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,993,000	\$ 2,993,000	\$ 2,750,457	\$ (242,543)
Unrestricted intergovernmental	1,276,500	1,276,500	1,438,170	161,670
Restricted intergovernmental	599,500	649,500	737,708	88,208
Permits and fees	138,100	138,100	44,417	(93,683)
Sales and services	184,400	184,400	163,232	(21,168)
Investment earnings	5,000	5,000	3,880	(1,120)
Miscellaneous	497,000	715,000	384,020	(330,980)
Total revenues	\$ 5,693,500	\$ 5,961,500	\$ 5,521,884	\$ (439,616)
Expenditures:				
Current:				
General government	\$ 2,430,100	\$ 2,582,100	\$ 2,164,947	\$ 417,153
Public safety	2,536,000	2,604,000	2,539,506	64,494
Transportation	576,500	676,500	666,624	9,876
Environmental protection	307,000	307,000	247,199	59,801
Cultural and recreation	317,000	442,000	419,759	22,241
Debt service:				
Principal retirement	151,000	151,000	100,033	50,967
Interest and other charges	6,000	6,000	5,413	587
Contingency:				
Contingency	300,000	123,000	-	123,000
Total expenditures	\$ 6,623,600	\$ 6,891,600	\$ 6,143,481	\$ 748,119
Revenues over (under) expenditures	\$ (930,100)	\$ (930,100)	\$ (621,597)	\$ 308,503
Other financing sources (uses):				
Proceeds from Issuance of Debt	165,500	165,500	165,500	-
Total other financing sources (uses)	\$ 165,500	\$ 165,500	\$ 165,500	\$ -
Revenues and other sources over (under) expenditures and other uses	\$ (764,600)	\$ (764,600)	\$ (456,097)	\$ 308,503
Fund balance appropriated	764,600	764,600	-	(764,600)
Net change in fund balance	\$ -	\$ -	\$ (456,097)	\$ (456,097)
Fund balance, beginning			3,573,162	
Fund balance, ending			\$ 3,117,065	

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, 2015

	Major Enterprise Funds	
	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,437,289	\$ 4,437,289
Accounts receivable - billed	27,063	27,063
Accounts receivable - unbilled	591,165	591,165
Due from other governments	135,895	135,895
Inventories	571,983	571,983
Restricted cash and cash equivalents	174,280	174,280
Total current assets	\$ 5,937,675	\$ 5,937,675
Noncurrent assets:		
Net Pension Asset	\$ 144,192	144,192
Capital assets:		
Land and other non-depreciable assets	\$ 9,978,194	\$ 9,978,194
Other capital assets, net of depreciation	20,568,807	20,568,807
Capital assets (net)	\$ 30,547,001	\$ 30,547,001
Total assets	\$ 36,628,868	\$ 36,628,868
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan	\$ 94,959	\$ 94,959
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 155,507	\$ 155,507
Liabilities payable from restricted assets:		
Customer deposits	60,338	60,338
Installment purchase-current	312,060	312,060
Promissory note-current	416,221	416,221
Total current liabilities	\$ 944,126	\$ 944,126
Noncurrent liabilities:		
Other noncurrent liabilities:		
Compensated absences	\$ 40,413	\$ 40,413
Other postemployment benefits	536,153	536,153
Installment purchase-noncurrent	1,006,853	1,006,853
Notes payable, net of current portion	5,269,423	5,269,423
Total noncurrent liabilities	\$ 6,852,842	\$ 6,852,842
Total liabilities	\$ 7,796,968	\$ 7,796,968
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	\$ 354,568	\$ 354,568
NET POSITION		
Net investment in capital assets	\$ 23,542,444	\$ 23,542,444
Unrestricted	5,029,847	5,029,847
Total net position	\$ 28,572,291	\$ 28,572,291

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, 2015

	Major Enterprise Funds	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 6,411,354	\$ 6,411,354
Water and sewer taps	38,731	38,731
Other operating revenue	13,420	13,420
Total operating revenues	\$ 6,463,505	\$ 6,463,505
OPERATING EXPENSES		
Administration	\$ 939,280	\$ 939,280
Water treatment and distribution	1,080,016	1,080,016
Waste collection and treatment	1,289,384	1,289,384
Maintenance	1,069,312	1,069,312
Depreciation	684,149	684,149
Total operating expenses	\$ 5,062,141	\$ 5,062,141
Operating income	\$ 1,401,364	\$ 1,401,364
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	\$ 2,040	\$ 2,040
Interest and other charges	(214,717)	(214,717)
Miscellaneous Income	309,208	309,208
Total nonoperating revenue (expenses)	\$ 96,531	\$ 96,531
Change in net position	\$ 1,497,895	\$ 1,497,895
Total net position, beginning	\$ 27,276,518	\$ 27,276,518
Restatement	(202,122)	(202,122)
Total net position, beginning, restated	\$ 27,074,396	\$ 27,074,396
Total net position, ending	\$ 28,572,291	\$ 28,572,291

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, 2015

	Major Enterprise Funds	
	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 6,453,168	\$ 6,453,168
Cash paid for goods and services	(2,740,951)	(2,740,951)
Cash paid to or on behalf of employees for services	(1,662,084)	(1,662,084)
Customer deposits received	13,575	13,575
Customer deposits returned	(8,942)	(8,942)
Net cash provided by operating activities	<u>\$ 2,054,766</u>	<u>\$ 2,054,766</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	\$ (1,081,884)	\$ (1,081,884)
Proceeds from issuance of debt	100,500	\$ 100,500
Principal paid on long-term debt	(700,113)	(700,113)
Interest paid on long-term debt	(214,717)	(214,717)
Capital Contributions	296,018	\$ 296,018
Sales Tax Receivable	(75,606)	\$ (75,606)
Miscellaneous income	309,208	309,208
Net cash used by capital and related financing activities	<u>\$ (1,366,594)</u>	<u>\$ (1,366,594)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	\$ 2,040	\$ 2,040
Net increase (decrease) in cash and cash equivalents	\$ 690,212	\$ 690,212
Balances, beginning	3,921,357	3,921,357
Balances, ending	<u>\$ 4,611,569</u>	<u>\$ 4,611,569</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	<u>\$ 1,401,364</u>	<u>\$ 1,401,364</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 684,149	\$ 684,149
Pension expense	8,254	8,254
Changes in assets, deferred outflow or resources and liabilities:		
(Increase) decrease in accounts receivable	(7,431)	(7,431)
(Increase) decrease in inventory	(47,262)	(47,262)
Increase (decrease) in accounts payable and accrued liabilities	28,962	28,962
Increase (decrease) in customer deposits	4,633	4,633
(Increase) decrease in deferred outflows of resources for pensions	(94,959)	(94,959)
Increase (decrease) in accrued vacation pay	4,226	4,226
Increase (decrease) in OPEB liability	72,830	72,830
Total adjustments	<u>\$ 653,402</u>	<u>\$ 653,402</u>
Net cash provided by operating activities	<u>\$ 2,054,766</u>	<u>\$ 2,054,766</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, 2015

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, 2015

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.

PSG Custom Fabricators Project Fund. This fund is used to account for a CDBG grant to a local industry.

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, 2015

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of 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 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 resources.

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. Sales taxes are considered a shared revenue for the Town of Wilkesboro because the tax is levied by Wilkes County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as deferred inflow of resources. All taxes, including those dedicated for specific purposes are reported as general revenues, rather than program 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 positions 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 PSG Custom Fabricators 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 departmental 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 departmental 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 SuperNOW accounts, money market accounts, and certificates of deposit.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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 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. Tourism and 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.

Town of Wilkesboro- Restricted Cash

Governmental Activities

General Fund	
Streets	\$132,547
Drug Crime Prevention	<u>9,140</u>
Total Governmental Activities	<u>\$141,687</u>

Water Sewer Fund

Customer Deposits	\$ 60,338
Water & Sewer Capital Projects	<u>113,942</u>
Total Water Sewer Fund	<u>\$174,280</u>

Total Restricted Cash \$315,967

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, 2014.

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.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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.

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

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.

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 only one item that meet this criterion, contributions made to the pension plan in the 2015 fiscal year. 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 and deferrals of pension expense that result from the implementation of GASB Statement 68.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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 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:

Nonspendable 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.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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.

13. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Wilkesboro's employer contributions are recognized when due and the Town of Wilkesboro has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance and Accountability

The Town has failed to file the required reporting package and data collections to the Federal Audit Clearinghouse as required by OMB Circular A-133 Section 320 (a) for June 30, 2014.

III. 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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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, 2015, the Town's deposits had a carrying amount of \$7,296,365 and a bank balance of \$7,919,178. Of the Town's bank balance, \$2,569,587 was covered by federal depository insurance and the remainder, \$5,349,591, was covered by both collateral held under the pooling method (\$4,751,600) and the dedicated method (\$597,991). The carrying amount of deposits for the Tourism Bureau was \$191,110, and the bank balance was \$202,734. All of the Tourism's bank balance was covered by federal depository insurance. The carrying amount of deposits for the ABC Board was \$83,543 and the bank balance was \$90,315. All of the ABC Board's bank balance was covered by federal depository insurance. At June 30, 2015, the Town's petty cash fund totaled \$200.

2. Investments

At June 30, 2015, the Town had \$273,065 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, 2015 are net of the following allowances for doubtful accounts:

General Fund	
Taxes Receivable	<u>\$ 33,300</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2015, 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>
Capital assets being depreciated:				
Buildings	\$ 2,738,483			\$ 2,738,483
Other Improvements	388,295	\$ 65,111		453,406
Equipment and furniture	435,973	129,991		565,964
Vehicles and motorized equipment	3,375,581	190,263		3,565,844
Computer software	31,000			31,000
Computer equipment	52,307			52,307
Infrastructure	203,076	222,841		425,917
Total capital assets being depreciated	<u>\$ 7,224,715</u>	<u>\$ 608,206</u>	<u>\$ -</u>	<u>\$ 7,832,921</u>

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

Less accumulated depreciation for:

Buildings	\$ 1,003,862	\$ 58,869	\$ 1,062,731
Other Improvements	303,234	15,974	319,208
Equipment and furniture	334,347	18,994	353,341
Vehicles and motorized equipment	2,419,980	222,738	2,642,718
Computer software	25,464	4,429	29,893
Computer equipment	31,034	3,039	34,073
Infrastructure	33,241	10,898	44,139
Total accumulated depreciation	<u>\$ 4,151,162</u>	<u>\$ 334,941</u>	<u>\$ -</u>

Total capital assets being depreciated, net \$ 3,073,553 \$ 3,346,818

Governmental activity capital assets, net \$ 4,779,589 \$ 5,052,854

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

General government	\$ 38,606
Public safety	199,906
Transportation	36,424
Environmental protection	34,339
Cultural and recreational	<u>25,666</u>
Total depreciation expense	<u>\$ 334,941</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	8,958,728	\$ 574,804	\$ 165,270	9,368,262
Total capital assets not being depreciated	<u>\$ 9,568,660</u>	<u>\$ 574,804</u>	<u>\$ 165,270</u>	<u>\$ 9,978,194</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Plant and distribution systems	\$ 29,886,165	\$ 479,371		\$ 30,365,536
Equipment	2,522,948	192,980	-	2,715,928
Total capital assets being depreciated	<u>\$ 32,409,113</u>	<u>\$ 672,351</u>	<u>-</u>	<u>\$ 33,081,464</u>
Less accumulated depreciation for:				
Plant and distribution systems	\$ 9,825,231	\$ 546,828		\$ 10,372,059
Equipment	2,003,277	137,321	-	2,140,598
Total accumulated depreciation	<u>\$ 11,828,508</u>	<u>\$ 684,149</u>	<u>-</u>	<u>\$ 12,512,657</u>

Total capital assets being depreciated, net \$ 20,580,605 \$ 20,568,807

Business-type activities capital assets, net \$ 30,149,265 \$ 30,547,001

Construction commitments

The Town has active constructions projects as of June 30, 2015 of \$2,539,746.

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2015, was as follows:

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

	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	\$ 12,855		\$ 246,581
Furniture and equipment	66,540	3,677		70,217
Motor Vehicle	-	3,800		3,800
Total capital assets being depreciated	\$ 300,266	\$ 20,332		\$ 320,598
Less accumulated depreciation for:				
Buildings	\$ 197,672	\$ 4,860		\$ 202,532
Furniture and equipment	28,985	5,317		34,302
Motor Vehicle	-	760		760
Total accumulated depreciation	\$ 226,657	\$10,937		\$ 237,594
Total capital assets being depreciated, net	\$ 73,609			\$ 83,004
ABC Board capital assets, net	<u>\$ 85,209</u>			<u>\$ 94,604</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Wilkesboro is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Wilkesboro employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Wilkesboro's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Wilkesboro were \$221,161 for the year ended June 30, 2015.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reported an asset of \$335,330 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.0569%, which was a decrease of 0.0009% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$19,194. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 36,641
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	780,640
Changes in proportion and differences between City contributions and proportionate share of contributions	-	7,296
City contributions subsequent to the measurement date	221,161	-
Total	<u>\$ 221,161</u>	<u>\$ 824,577</u>

\$221,161 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$(206,172)
2017	(206,172)
2018	(206,172)
2019	15,099
2020	-
Thereafter	-
Total	<u>\$(603,417)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100%</u>	

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease	Discount Rate	1% Increase
	(6.25%)	(7.25%)	(8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 1,138,254	\$ (335,330)	\$ (1,576,040)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>20</u>
Total	<u>20</u>

**TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

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, 2014 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:

Annual required contribution	\$ 39,430
Interest on net pension obligation	14,864
Adjustment to annual required contribution	<u>(25,114)</u>
Annual pension cost	\$ 29,180
Contributions made	<u>(14,310)</u>
Increase (decrease) in net pension obligation	\$ 14,870
Net pension obligation beginning of year	<u>297,288</u>
Net pension obligation end of year	<u>\$ 312,158</u>

3 Year Trend Information

For Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 26,997	0%	\$ 274,300
2014	\$ 22,988	0%	\$ 297,288
2015	\$ 29,180	0%	\$ 312,158

4. Funded Status and Funding Progress.

As of December 31, 2014, 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 \$373,064.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

The covered payroll (annual payroll of active employees was covered by the plan) as \$690,928, and the ratio of the UAAL to the covered payroll was 53.99 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, 2015 were \$58,342, which consisted of \$38,275 from the Town and \$20,067 from the law enforcement officers.

d. 401(K) Retirement Plan

For the year ended June 30, 2015, 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, 2015 was \$94,462.

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

Plan Description. The State of North Carolina contributes, on behalf of the Town of Wilkesboro, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' 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 Firefighters' 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2015, the State contributed \$14,627,000 to the plan. The Town of Wilkesboro's proportionate share of the State's contribution is \$5,030.

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$5,030. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2014 and at June 30, 2013 was 0%.

For the year ended June 30, 2015, the Town recognized pension expense of \$5,030 and revenue of \$5,030 for support provided by the State. At June 30, 2015, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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.

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, 2015, the Town’s total contributions were \$140,457.

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

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

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

Annual required contribution	\$ 372,063
Interest on net OPEB obligation	11,162
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	\$ 383,225
Contributions made	(140,457)
Increase (decrease) in net OPEB obligation	\$ 242,768
Net OPEB obligation, beginning of year	1,323,781
Net OPEB obligation, end of year	\$ 1,566,549

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, 2015 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 383,225	36.7%	\$ 1,566,549
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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

Funded Status and Funding Progress. As of June 30, 2015, the actuarial accrued liability for benefits was \$2,838,359, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,544,646, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 80.0 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.

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 – 2015 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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

used. The unfunded actuarial accrued liability is being amortized as a level dollar amount. The remaining amortization period at June 30, 2015, 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 Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$221,161

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

Prepaid taxes (General Fund)	\$ 7,936
Taxes receivable, net of penalty (General Fund)	\$170,086
Pension Deferrals	\$824,577
Unexpended grant proceeds (Special Revenue Fund)	\$ 6,597

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town carries 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.

In accordance with G.S. 159-29, the Town'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 that have access to funds are bonded under a blanket bond for \$150,000.

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.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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.	\$ 24,013
Promissory Note due in annual installments of \$36,820 through September 2017; Interest at 1.87%. Secured by equipment.	106,454
Promissory Note due in quarterly installments of \$14,128 through December 2018; Interest at 1.49%. Secured by equipment.	138,427
Promissory Note due in annual installments of \$16,004 through December 2016; Interest at 2.00%. Secured by equipment.	<u>31,048</u>
Total General Fund	<u>\$ 299,942</u>

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.	\$ 45,222
Promissory Note due in quarterly installments of \$8,579 through December 2018; Interest at 1.49%. Secured by equipment.	84,060
Promissory Note due in annual installments of \$533,857 beginning May 2012; Interest at 2.50%. Secured by water and sewer revenues.	<u>5,556,362</u>
Total Water and Sewer Fund	<u>\$ 5,685,644</u>

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
2016	128,979	4,724	416,221	149,183
2017	106,721	2,589	416,997	139,204
2018	64,242	833	400,595	129,244
2019			368,177	119,658
2020			368,177	110,453
Next 5 years			1,840,886	414,199
Next 5 years			1,840,886	184,089
Next 1 years			<u>33,705</u>	<u>9,204</u>
Total	<u>\$ 299,942</u>	<u>\$ 8,146</u>	<u>\$ 5,685,644</u>	<u>\$ 1,255,234</u>

b. Installation 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%.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

The future minimum payments of the installment purchase as of June 30, 2015, including \$110,599 of interest, are as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2016	\$312,060	\$45,318
2017	323,554	33,824
2018	335,471	21,907
2019	<u>347,828</u>	<u>9,550</u>
Principal payments	<u>\$ 1,318,913</u>	
Total interest payments		<u>\$ 110,599</u>

c. General Obligation Indebtedness

At June 30, 2015, the Town of Wilkesboro had a legal debt margin of \$42,288,669.

d. Changes in Long-Term Liabilities

	Balance			Balance	
	July 1, 2014	Increases	Decreases	June 30, 2015	Current Portion of Balance
Governmental activities:					
Promissory notes	\$ 234,475	\$ 165,500	\$ 100,033	\$ 299,942	\$ 128,979
Compensated absences	52,469	1,647		54,116	
Net pension obligation	297,288	14,870		312,158	
Net pension liability (LGERS)	384,758		384,758	0	
Other postemployment benefits	860,457	169,938		1,030,395	
Governmental activity long-term liabilities	<u>\$ 1,829,447</u>	<u>\$ 351,955</u>	<u>\$ 484,791</u>	<u>\$ 1,696,611</u>	<u>\$ 128,979</u>
Business-type activities:					
Installment purchase	\$ 1,619,886		\$ 300,973	\$ 1,318,913	\$ 312,060
Promissory notes	5,984,284	\$ 100,500	399,140	5,685,644	416,221
Compensated absences	36,187	4,226		40,413	
Net pension liability (LGERS)	290,257		290,257	0	
Other postemployment benefits	463,323	72,830		536,153	
Business-type activity long-term liabilities	<u>\$ 8,393,937</u>	<u>\$ 177,556</u>	<u>\$ 990,370</u>	<u>\$ 7,581,123</u>	<u>\$ 728,281</u>

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

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

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, 2015, consist of the following:

Due from component unit-Tourism Bureau for reimbursement of expenses to primary government-General Fund	<u>\$ 15,846</u>
Due from the primary government-General Fund for occupancy tax collected for component unit-Tourism Bureau	<u>\$ 35,639</u>

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2015, the Town of Wilkesboro has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$5,030 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, 2015 is:

Total fund balance - General Fund	<u>\$ 3,117,065</u>
Less:	
Restricted:	
Stabilization by State Statute	536,727
Streets - Powell Bill	132,547
Public Safety - Drug Crime Prevention	9,140
Assigned:	
Appropriated Fund Balance in 2016 budget	75,000
Unassigned fund balance is 38.5% of expenditures	2,363,651

IV. 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, 2015.

The Town appoints two of five trustees of the Wilkesboro Firemen'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.

V. 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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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, 2015. 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.

VI. 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.

VII. Significant Effect of Subsequent Events

The Town has evaluated subsequent events through January 15, 2016, the date which the financial statements were available to be issued. No events have taken place that would require disclosure in the financial statements.

VIII. Change in Accounting Principles/Restatement

The Town of Wilkesboro implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$267,930 and \$202,122, respectfully.

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 and Notes

- Schedule of Funding Progress for Other Postemployment Benefits

- Schedule of Employer Contributions for Other Postemployment Benefits and Notes

- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System

- Schedule of Contributions to Local Government Employees' Retirement System

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%
12/31/14	\$ -	\$ 373,064	\$ 373,064	0%	\$ 690,928	53.99%

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

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2007	\$ 21,951	0%
2008	20,477	0%
2009	15,502	0%
2010	17,161	0%
2011	19,920	0%
2012	29,049	0%
2013	30,022	0%
2014	31,621	0%
2015	39,430	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	12/31/14
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	16 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%
6/30/15	-	2,838,359	2,838,359	0%	3,544,646	80%

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%
2015	\$ 372,063	37.8%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at June 30, 2015. Additional information as of the latest actuarial valuation follows:

Valuation date	6/30/2015
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*	3.0%
Medical cost trend rate	
Pre-Medicare trend rate	5.00%
Post-Medicare trend rate	5.00% to 4.00%
Year of Ultimate trend rate	2024
*Includes inflation at	5.00%

Town of Wilkesboro, North Carolina
The Town of Wilkesboro's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
For June 30, 2015 and 2014

Local Government Employee's Retirement System

	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.0569%	0.0560%
Town's proportion of the net pension liability (Asset) (\$)	\$ (335,330)	\$675,015
Town's covered-employee payroll	\$ 3,091,122	\$ 2,415,634
Town's proportionate share of the net pension Liability (asset) as a percentage of its covered-employee payroll	-10.85%	27.94%
Plan fiduciary net position as a percentage of the pension liability	102.64%	94.35%

Town of Wilkesboro, North Carolina
 Town of Wilkesboro's Contribution
 Required Supplementary Information
 For June 30, 2015 and 2014

Local Government Employee's Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 221,161	\$ 204,963
Contributions in relation to the contractually required contribution	<u>221,161</u>	<u>204,963</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 3,091,122	\$ 2,415,634
Contributions as a percentage of covered-employee payroll	7.15%	8.48%

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, 2015

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Ad valorem taxes:			
Taxes	\$ 2,978,000	\$ 2,744,920	\$ (233,080)
Interest	15,000	5,537	(9,463)
TOTAL	<u>\$ 2,993,000</u>	<u>\$ 2,750,457</u>	<u>\$ (242,543)</u>
Unrestricted intergovernmental:			
Local Option Sales Taxes	\$ 750,000	\$ 820,379	\$ 70,379
Payments in lieu of taxes	500	1,100	600
Telecommunications sales tax	36,000	34,388	(1,612)
Utility franchise tax	410,000	517,790	107,790
Piped natural gas tax	7,000	8,056	1,056
Video franchise fee	40,000	40,036	36
Beer and wine tax	13,000	16,421	3,421
ABC profit distribution	20,000	-	(20,000)
TOTAL	<u>\$ 1,276,500</u>	<u>\$ 1,438,170</u>	<u>\$ 161,670</u>
Restricted intergovernmental:			
Powell bill allocation	\$ 110,000	\$ 116,033	\$ 6,033
Other federal and state grants	425,000	476,491	51,491
Controlled substance tax	2,500	10,538	8,038
On behalf of payments	-	5,030	5,030
Solid waste disposal tax	2,000	2,222	222
Occupancy tax	110,000	127,394	17,394
TOTAL	<u>\$ 649,500</u>	<u>\$ 737,708</u>	<u>\$ 88,208</u>
Permits and fees:			
Franchise fees	\$ 12,000	\$ 10,251	\$ (1,749)
Business registration fees	\$ 120,000	\$ 1,141	(118,859)
Street Assessment	-	14,882	14,882
Permits	6,100	18,143	12,043
TOTAL	<u>\$ 138,100</u>	<u>\$ 44,417</u>	<u>\$ (93,683)</u>
Sales and services:			
Rents	\$ 25,000	\$ 24,678	\$ (322)
Court costs, fees, and charges	5,000	3,852	(1,148)
Parking violation penalties	400	450	50
Sanitation fees	125,000	117,136	(7,864)
Open air market fees	25,000	7,867	(17,133)
Community Garden Proceeds	1,000	-	(1,000)
Recycling Facility Proceeds	-	6,198	6,198
Park lights	3,000	3,051	51
TOTAL	<u>\$ 184,400</u>	<u>\$ 163,232</u>	<u>\$ (21,168)</u>
Investment earnings	<u>\$ 5,000</u>	<u>\$ 3,880</u>	<u>\$ (1,120)</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, 2015

	Budget	Actual	Variance Positive (Negative)
Miscellaneous:			
Other	\$ 713,000	\$ 378,530	\$ (334,470)
Cemetery donation	2,000	5,490	3,490
TOTAL	<u>\$ 715,000</u>	<u>\$ 384,020</u>	<u>\$ (330,980)</u>
TOTAL REVENUES	<u>\$ 5,961,500</u>	<u>\$ 5,521,884</u>	<u>\$ (439,616)</u>
EXPENDITURES:			
General government:			
Governing body:			
Salaries and employee benefits		\$ 30,485	
Operating expenditures		95,165	
Economic Development		125,244	
TOTAL	<u>\$ 330,600</u>	<u>\$ 250,894</u>	<u>\$ 79,706</u>
Administration:			
Salaries and employee benefits		\$ 257,102	
Other operating expenditures		220,065	
Insurance		987,411	
TOTAL	<u>\$ 1,787,500</u>	<u>\$ 1,464,578</u>	<u>\$ 322,922</u>
Public buildings:			
Salaries and employee benefits		\$ 136,081	
Other operating expenditures		281,324	
Capital outlay		32,070	
TOTAL	<u>\$ 464,000</u>	<u>\$ 449,475</u>	<u>\$ 14,525</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 2,582,100</u>	<u>\$ 2,164,947</u>	<u>\$ 417,153</u>
Public safety:			
Police:			
Salaries and employee benefits		\$ 982,419	
Other operating expenditures		276,855	
Capital outlay		120,676	
TOTAL	<u>\$ 1,394,000</u>	<u>\$ 1,379,950</u>	<u>\$ 14,050</u>
Fire:			
Salaries and employee benefits		\$ 516,420	
Retirement benefits paid		38,420	
Other operating expenditures		339,485	
Capital outlay		30,895	
TOTAL	<u>\$ 958,000</u>	<u>\$ 925,220</u>	<u>\$ 32,780</u>
Inspections:			
Salaries and employee benefits		\$ 96,812	
Other operating expenditures		137,524	
TOTAL	<u>\$ 252,000</u>	<u>\$ 234,336</u>	<u>\$ 17,664</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, 2015

	Budget	Actual	Variance Positive (Negative)
TOTAL PUBLIC SAFETY	\$ 2,604,000	\$ 2,539,506	\$ 64,494
Transportation:			
Streets:			
Salaries and employee benefits		\$ 162,231	
Other operating expenditures		230,131	
Capital Outlay		274,262	
TOTAL TRANSPORTATION	\$ 676,500	\$ 666,624	\$ 9,876
Environmental protection:			
Sanitation:			
Salaries and employee benefits		\$ 136,970	
Other operating expenditures		68,941	
Landfill tipping fees		41,288	
TOTAL ENVIRONMENTAL PROTECTION	\$ 307,000	\$ 247,199	\$ 59,801
Cultural and recreation:			
Parks and Recreation:			
Salaries and employee benefits		\$ 113,782	
Other operating expenditures		155,674	
Capital outlay		150,303	
TOTAL CULTURAL AND RECREATION	\$ 442,000	\$ 419,759	\$ 22,241
Debt Service:			
Principal retirement		\$ 100,033	
Interest and other charges		5,413	
TOTAL DEBT SERVICE	\$ 157,000	\$ 105,446	\$ 51,554
Contingency:			
Contingency		-	
TOTAL CONTINGENCY	\$ 123,000	\$ -	\$ 123,000
TOTAL EXPENDITURES	\$ 6,891,600	\$ 6,143,481	\$ 748,119
REVENUES OVER/(UNDER) EXPENDITURES	\$ (930,101)	\$ (621,597)	\$ 308,503
OTHER FINANCING SOURCES (USES):			
Proceeds from issuance of debt:	165,500	165,500	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ 165,500	\$ 165,500	\$ -

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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (764,600)	\$ (456,097)	\$ 308,503
Fund balance appropriated	<u>764,600</u>	<u>-</u>	<u>(764,600)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (456,097)</u>	<u>\$ (456,097)</u>
Fund balance, beginning		<u>3,573,162</u>	
Fund balance, ending		<u>\$ 3,117,065</u>	

TOWN OF WILKESBORO, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2015

	SPECIAL REVENUE FUND Grant Project Fund	SPECIAL REVENUE FUND PSG Custom Fab.	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,597	\$ -	\$ 6,597
Due from other governments	<u>-</u>	<u>12,500</u>	<u>12,500</u>
TOTAL ASSETS	<u>\$ 6,597</u>	<u>\$ 12,500</u>	<u>\$ 19,097</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to major-general fund	\$ -	\$ 12,500	\$ 12,500
Unearned revenue	<u>6,597</u>	<u>-</u>	<u>6,597</u>
TOTAL LIABILITIES	<u>\$ 6,597</u>	<u>\$ 12,500</u>	<u>\$ 19,097</u>
FUND BALANCE			
Unassigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,597</u>	<u>\$ 12,500</u>	<u>\$ 19,097</u>

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, 2015

	SPECIAL REVENUE FUND Grant Project Fund	SPECIAL REVENUE FUND PSG Custom Fab.	Total Nonmajor Governmental Funds
REVENUES:			
Restricted Intergovernmental	\$ -	\$ 288,830	\$ 288,830
TOTAL REVENUES	<u>\$ -</u>	<u>\$ 288,830</u>	<u>\$ 288,830</u>
EXPENDITURES:			
Economic Development	\$ -	\$ 288,830	\$ 288,830
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ 288,830</u>	<u>\$ 288,830</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, end of year	<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, 2015

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES:					
Restricted Intergovernmental Government Grant	\$ 59,200	\$ 52,603	\$ -	\$ 52,603	\$ (6,597)
EXPENDITURES:					
Cultural and Recreational	\$ 61,000	\$ 52,603	\$ -	\$ 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>
Fund Balance, beginning of year			<u>\$ -</u>		
Fund Balance, end of year			<u>\$ -</u>		

TOWN OF WILKESBORO, NORTH CAROLINA
SPECIAL REVENUE FUND - PSG CUSTOM FABRICATORS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From inception and for the Fiscal Year Ended June 30, 2015

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES:					
Restricted Intergovernmental					
CDBG Grant	\$ 750,000	\$ -	\$ 288,830	\$ 288,830	\$ (461,170)
TOTAL REVENUES	\$ 750,000	\$ -	\$ 288,830	\$ 288,830	\$ (461,170)
EXPENDITURES:					
Capital Outlay					
Building Repair and Renovation	\$ 750,000	\$ -	\$ 288,830	\$ 288,830	\$ 461,170
TOTAL EXPENDITURES	\$ 750,000	\$ -	\$ 288,830	\$ 288,830	\$ 461,170
REVENUES UNDER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning of year			<u>\$ -</u>		
Fund Balance, end of year			<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, 2015

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Operating revenues:			
Water sales	\$ 3,000,000	\$ 2,831,889	\$ (168,111)
Sewer charges	3,300,000	3,572,034	272,034
Water and sewer taps	20,000	38,731	18,731
Other operating revenue	31,000	13,420	(17,580)
TOTAL OPERATING REVENUES	\$ 6,351,000	\$ 6,456,074	\$ 105,074
Nonoperating revenue:			
Interest earnings	\$ 5,000	\$ 2,040	\$ (2,960)
Miscellaneous	542,000	299,208	(242,792)
TOTAL NONOPERATING REVENUES	\$ 547,000	\$ 301,248	\$ (245,752)
TOTAL REVENUES	\$ 6,898,000	\$ 6,757,322	\$ (140,678)
EXPENDITURES:			
Water and sewer administration:			
Salaries and employee benefits		\$ 250,632	
Other operating expenditures		162,215	
Insurance		453,936	
TOTAL	\$ 924,500	\$ 866,783	\$ 57,717
Water treatment and distribution:			
Salaries and employee benefits		\$ 478,471	
Utilities		243,773	
Maintenance		147,107	
Other operating expenditures		229,046	
TOTAL	\$ 1,233,000	\$ 1,098,397	\$ 134,603
Waste collection and treatment:			
Salaries and employee benefits		\$ 405,461	
Utilities		306,311	
Maintenance		299,821	
Other operating expenditures		300,768	
TOTAL	\$ 1,327,000	\$ 1,312,361	\$ 14,639
Maintenance:			
Salaries and employee benefits		\$ 523,044	
Maintenance		36,705	
Other operating expenditures		597,613	
TOTAL	\$ 1,285,800	\$ 1,157,362	\$ 128,438

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, 2015

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement		\$ 700,113	
Interest and other charges		214,717	
TOTAL DEBT SERVICE	<u>\$ 985,000</u>	<u>\$ 914,830</u>	<u>\$ 70,170</u>
Capital outlay:			
Water Improvements & Extensions		\$ 245,727	
Sewer Improvements & Extensions		51,751	
Equipment		209,602	
TOTAL CAPITAL OUTLAY	<u>\$ 534,000</u>	<u>\$ 507,080</u>	<u>\$ 26,920</u>
Contingency			
Contingency		-	
TOTAL CONTINGENCY	<u>\$ 90,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>
TOTAL EXPENDITURES	<u>\$ 6,379,300</u>	<u>\$ 5,856,813</u>	<u>\$ 522,487</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 518,700</u>	<u>\$ 900,509</u>	<u>\$ 381,809</u>
OTHER FINANCING SOURCES (USES):			
Transfers to other funds:			
Water & Sewer Capital Projects Fund	(3,519,200)	(504,534)	3,014,666
Transfers from other funds:			
Proceeds from issuance of debt	100,500	100,500	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (3,418,700)</u>	<u>\$ (404,034)</u>	<u>\$ 3,014,666</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (2,900,000)</u>	<u>\$ 496,475</u>	<u>\$ 3,396,474</u>
APPROPRIATED RETAINED EARNINGS	<u>\$ 2,900,000</u>	<u>\$ -</u>	<u>\$ (2,900,000)</u>
REVENUES, OTHER SOURCES, AND APPROPRIATED RETAINED EARNINGS OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ 496,475</u>	<u>\$ 496,475</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, 2015

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

REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 496,475
Reconciling items:	
Principal retirement	\$ 700,113
Capital outlay	507,080
Proceeds from issuance of debt	(100,500)
(Increase) Decrease in accrued vacation pay	(4,226)
(Increase) Decrease in OPEB liability	(72,830)
Deferred outflows of resources for contributions made to the pension plan for the current year	94,959
Pension expense	(8,254)
Depreciation	(684,149)
Increase (Decrease) in inventory	47,262
Increase (Decrease) in accounts receivable	7,431
Transfer to Water & Sewer Capital Project Fund	504,534
Rent income in the water and sewer Capital reserve fund	10,000
TOTAL RECONCILING ITEMS	<u>\$ 1,001,420</u>
CHANGE IN NET POSITION	<u>\$ 1,497,896</u>

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, 2015

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
Revenues- 2010 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-Brown's Ford Water Loop & Tank					
IDF Grant	\$ 1,110,000	\$ -	\$ -	\$ -	\$ (1,110,000)
GoldenLEAF Grant	200,000	-	-	-	\$ (200,000)
West Wilkes Water Assn Contribution	150,000	-	-	-	\$ (150,000)
Total	\$ 1,460,000	\$ -	\$ -	\$ -	\$ (1,460,000)
TOTAL REVENUES	\$ 2,475,000	\$ 1,000,000	\$ -	\$ 1,000,000	\$ (1,475,000)
Expenditures-2010 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	1,181,173	12,250	1,193,423	(18,114)
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	58,020	106,120	113,091
Total	\$ 8,896,020	\$ 8,607,547	\$ 70,270	\$ 8,677,817	\$ 218,203
Expenditures-Brown's Ford Loop & Tank					
Construction	\$ 5,084,350	\$ -	\$ 261,393	\$ 261,393	\$ 4,822,957
Construction Observation and Admin	125,000	-	570	570	124,430
Engineering	375,000	-	1,850	1,850	373,150
Contingency	254,200	-	-	-	254,200
Total	\$ 5,838,550	\$ -	\$ 263,813	\$ 263,813	\$ 5,574,737
Expenditures-Water Dept. Sludge Handling Project					
Engineering	\$ 250,000	\$ 157,961	\$ 30,598	\$ 188,559	\$ 61,441
Legal, Permits, Other	25,000	-	824	824	24,176
Construction	2,450,000	-	31,410	31,410	2,418,590
Contingency	275,000	-	-	-	275,000
Total	\$ 3,000,000	\$ 157,961	\$ 62,832	\$ 220,793	\$ 2,779,207
Expenditures-Wastewater Sludge Project					
Equipment	\$ 200,000	\$ -	\$ 177,889	\$ 177,889	\$ 22,111
Construction	250,000	-	-	-	250,000
Contingency	50,000	-	-	-	50,000
Total	\$ 500,000	\$ -	\$ 177,889	\$ 177,889	\$ 322,111

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, 2015

	Project Authorization	Actual		Total To Date	Variance Positive (Negative)
		Prior Years	Current Year		
TOTAL EXPENDITURES	<u>\$ 18,234,570</u>	<u>\$ 8,765,508</u>	<u>\$ 574,804</u>	<u>\$ 9,340,312</u>	<u>\$ 8,894,258</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (15,759,570)</u>	<u>\$ (7,765,508)</u>	<u>\$ (574,804)</u>	<u>\$ (8,340,312)</u>	<u>\$ 7,419,258</u>
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	4,378,550	-	263,813	263,813	(4,114,737)
Transfer From Water and Sewer Fund	3,000,000	157,961	62,832	220,793	(2,779,207)
Transfer From Water and Sewer Fund	500,000	-	177,889	177,889	(322,111)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 15,759,570</u>	<u>\$ 7,703,507</u>	<u>\$ 504,534</u>	<u>\$ 8,208,041</u>	<u>\$ (7,551,529)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ (62,001)</u>	<u>\$ (70,270)</u>	<u>\$ (132,271)</u>	<u>\$ (132,271)</u>

TOWN OF WILKESBORO, NORTH CAROLINA
 WATER AND SEWER CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET TO ACTUAL (Non-GAAP)
 For the Fiscal Year Ended June 30, 2015

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES					
Rent Income-Vulcan Materials	\$ -	\$ 80,000	\$ 10,000	\$ 90,000	\$ 90,000
Investment Earnings	137,459	250,600	-	250,600	\$ 113,141
TOTAL REVENUES	\$ 137,459	\$ 330,600	\$ 10,000	\$ 340,600	\$ 203,141
OTHER FINANCING SOURCES (USES)					
Transfer from Water and Sewer Capital Project Fund	\$ 304,017	\$ 214,818	\$ -	\$ 214,818	\$ 89,199
Transfer From Water and Sewer Capital Project Fund	(441,476)	(441,476)	-	(441,476)	-
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					
	\$ 274,918	\$ 557,258	\$ 10,000	\$ 567,258	\$ 113,942

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
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 TOWN-WIDE LEVY
 For the Fiscal Year Ended June 30, 2015

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 2,735,987	\$ 2,685,016	\$ 50,971
2013-2014	70,329		44,026	26,303
2012-2013	26,461		10,767	15,694
2011-2012	70,969		2,442	68,527
2010-2011	29,539		1,163	28,376
2009-2010	4,955		621	4,334
2008-2009	3,061		364	2,697
2007-2008	2,378		206	2,172
2006-2007	2,539		263	2,276
2005-2006	2,828		792	2,036
2004-2005	2,744		2,744	-
Total	\$ 215,803	\$ 2,735,987	\$ 2,748,404	\$ 203,386
Less: Allowance for Uncollectible Accounts-General Fund				<u>(33,300)</u>
AD VALOREM TAXES RECEIVABLE-NET				<u>\$ 170,086</u>

RECONCILIATION TO REVENUES:

Ad Valorem Taxes-General Fund	\$ 2,750,457
Reconciling Items:	
Interest Collected	\$ (5,537)
Taxes Written Off	2,728
Prior Years Releases	756
Subtotal	<u>\$ (2,053)</u>
TOTAL COLLECTIONS AND CREDITS	<u>\$ 2,748,404</u>

TOWN OF WILKESBORO, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Fiscal Year Ended June 30, 2015

	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	\$ 616,497,711	\$ 0.44	\$ 2,712,590	\$ 2,498,471	\$ 214,119
Penalties			6,437	3,028	3,409
Total	<u>\$ 616,497,711</u>		<u>\$ 2,719,027</u>	<u>\$ 2,501,499</u>	<u>\$ 217,528</u>
Discoveries:					
Current year taxes	\$ 10,116,671	<u>\$ 0.44</u>	\$ 44,513	\$ 44,513	
Prior year taxes			117	117	
Penalties			1,809	1,809	
TOTAL	<u>\$ 10,116,671</u>		<u>\$ 46,439</u>	<u>\$ 46,439</u>	<u>\$ -</u>
Abatements	<u>\$ (6,699,786)</u>		<u>\$ (29,479)</u>	<u>\$ (23,146)</u>	<u>\$ (6,333)</u>
TOTAL PROPERTY VALUATION	<u><u>\$ 619,914,596</u></u>				
Net Levy			\$ 2,735,987	\$ 2,524,792	\$ 211,195
Uncollected Taxes at June 30, 2015			<u>(50,971)</u>	<u>(48,508)</u>	<u>(2,463)</u>
Current Year's Taxes Collected			<u>\$ 2,685,016</u>	<u>\$ 2,476,284</u>	<u>\$ 208,732</u>
Current Levy Collection Percentage			<u>98.14%</u>	<u>98.08%</u>	<u>98.83%</u>

Compliance Section

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, 2015, 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 January 15, 2016. 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

January 15, 2016

HUNTLEY,
SIGMON &
ASSOCIATES, CPAs, PLLC

HS&A

Certified Public Accountants

Phone: (828) 754-0777

Fax: (828) 754-1925

P.O. Box 1406

348 Harper Avenue NW

Lenoir, North Carolina 28645

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, 2015. 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-1. Our opinion on each major federal program is not modified with respect to these matters.

The Town of Wilkesboro's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The Town of Wilkesboro's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-01 that we consider to be significant deficiencies.

The Town of Wilkesboro's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The Town of Wilkesboro's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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
January 15, 2016

HUNTLEY,
SIGMON &
ASSOCIATES, CPAs, PLLC

HS&A

Certified Public Accountants

Phone: (828) 754-0777

Fax: (828) 754-1925

P.O. Box 1406

348 Harper Avenue NW

Lenoir, North Carolina 28645

Report on Compliance With Requirements Applicable to Each
Major State 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 State Program

We have audited the Town of Wilkesboro, North Carolina's compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission that could have a direct and material effect on each of the Town of Wilkesboro's major State programs for the year ended June 30, 2015. Town of Wilkesboro's major State 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 State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Wilkesboro's major State 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 applicable sections of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations, as described in the Audit Manual for Governmental Auditors in North Carolina, 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 State 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 State program. However, our audit does not provide a legal determination on Town of Wilkesboro's compliance with those requirements.

Opinion on Each Major State 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 State programs for the year ended June 30, 2015.

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 State 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 State 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 State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. 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 State 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
January 15, 2016

TOWN OF WILKESBORO, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

Section II. Financial Statement Findings

NO FINDINGS WERE REPORTED FOR FINANCIAL STATEMENTS

Section III. Federal Award Findings and Questioned Costs

Finding: 2015-1

Significant Deficiency-noncompliance

Criteria: OMB Circular A-133 Section 320(a) requires the filing of a reporting package and data collection form to be submitted to the Federal Clearinghouse the earlier of 30 days after the reports are received from the auditors or nine months after the end of the period.

Condition: The Town of Wilkesboro did not file the required reporting package and data collection form for their June 30, 2014 audit period within the required time frame.

Effect: The Town has not complied with Section 320(a) of OMB Circular A-133.

Cause: The Town was confused regarding the effective dates of the new reporting requirements, which is \$750,000 in federal funds that is effective for periods ending June 30, 2016 and thereafter, with the old requirements of \$500,000 in federal funds that were effective for periods before June 30, 2016. The Town's total federal funds were \$568,559 for the year ended June 30, 2014.

Recommendation: For both June 30, 2014 and 2015 the total federal funds received exceeded the \$500,000 threshold and as a result should file the required reporting package and data collections form for both years as soon as possible after the report has been approved by the Local Government Commission.

View of Responsible Officials: The Town agrees that the required reporting is due and will complete the process quickly.

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, 2015

There were no findings for 2012 or 2013 or 2014

TOWN OF WILKESBORO, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass through) Expenditures
Federal Grants:			
Cash Programs:			
<u>U. S. Department of Homeland Security</u>			
<u>Federal Emergency Management Agency</u>			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		408,319
Assistance to Firefighters Grant Program	97.044	EMW-2013-FO-07063	23,554
<u>U. S Housing and Urban Development</u>			
<u>State-Administered Small Cities Program</u>			
Passed-through North Carolina Department of Commerce:			
Rural Economic Development Division-CDBG			
PSC Custom Fabricators Building Reuse Grant	14.228	13-E-2609	B 288,830
Total Federal Assistance			<u>720,703</u>
State Grants:			
Cash Programs:			
<u>N.C. Department of Transportation:</u>			
Powell Bill			241,793
<u>N.C. Department of Insurance</u>			
Office of the State Fire Marshal			
2014 Volunteer Fire Department Funds Grant			19,618
2014 Volunteer Rescue/EMS Fund Grant			25,000
Total State assistance			<u>286,411</u>
Total federal and State assistance			\$ <u><u>1,007,114</u></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 PSC Fabricators Building Reuse 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, 2015

Section II. Financial Statement Findings

None Reported

Section III. Federal Award Findings and Questioned Costs

Find 2015-01- Failure to file the required Federal Clearinghouse reporting package and data collections form.

Corrective action plan: The Town of Wilkesboro will take immediate action to file the required reporting for the June 30, 2014 year and complete the same reporting for the June 30, 2015 audit as soon as the LGC has reviewed and released the report.

Responsible official: Bob Urness, Finance Officer

Section IV. State Award Findings and Questioned Costs

None Reported