

TOWN OF NORTH WILKESBORO, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2015

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**TOWN OF NORTH WILKESBORO, NORTH CAROLINA
JUNE 30, 2015**

BOARD OF COMMISSIONERS

Robert L. Johnson, Mayor
Debbie Ferguson
Bart Hayes
Dr. Leonard A. Baugham
Joe Johnston
Bert Hall

ADMINISTRATIVE STAFF

Larry South, Town Manager
Kay F. Minton, Town Clerk
Connie Bauguess, Finance Officer

Town of North Wilkesboro, North Carolina
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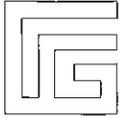
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Financial Section



Independent Auditor's Report

To the Honorable Mayor
and Members of the Board of Commissioners
Town of North 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 unit, each major fund, and the aggregate remaining fund information of the Town of North 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 controls 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 North Wilkesboro ABC Board. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of North Wilkesboro ABC Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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 Town of North Wilkesboro ABC Board were not audited in accordance with *Governmental 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 auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of North Wilkesboro, North Carolina as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows 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 on pages 4 through 15, the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on page 67, the Other Post-Employment Benefits Schedules of Funding Progress and Employer Contributions on page 68, and the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 69 and 70, 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist 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 Town of North Wilkesboro's basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules, and 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 States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund 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 relate 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. In our opinion, based on our audit, and the procedures performed as described above, 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 November 18, 2015 on our consideration of Town of North 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 that 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of North Wilkesboro's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Johnson & Company, P.A." in a cursive script.

Winston-Salem, North Carolina
November 18, 2015

Management's Discussion and Analysis

Town of North Wilkesboro Management's Discussion and Analysis

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

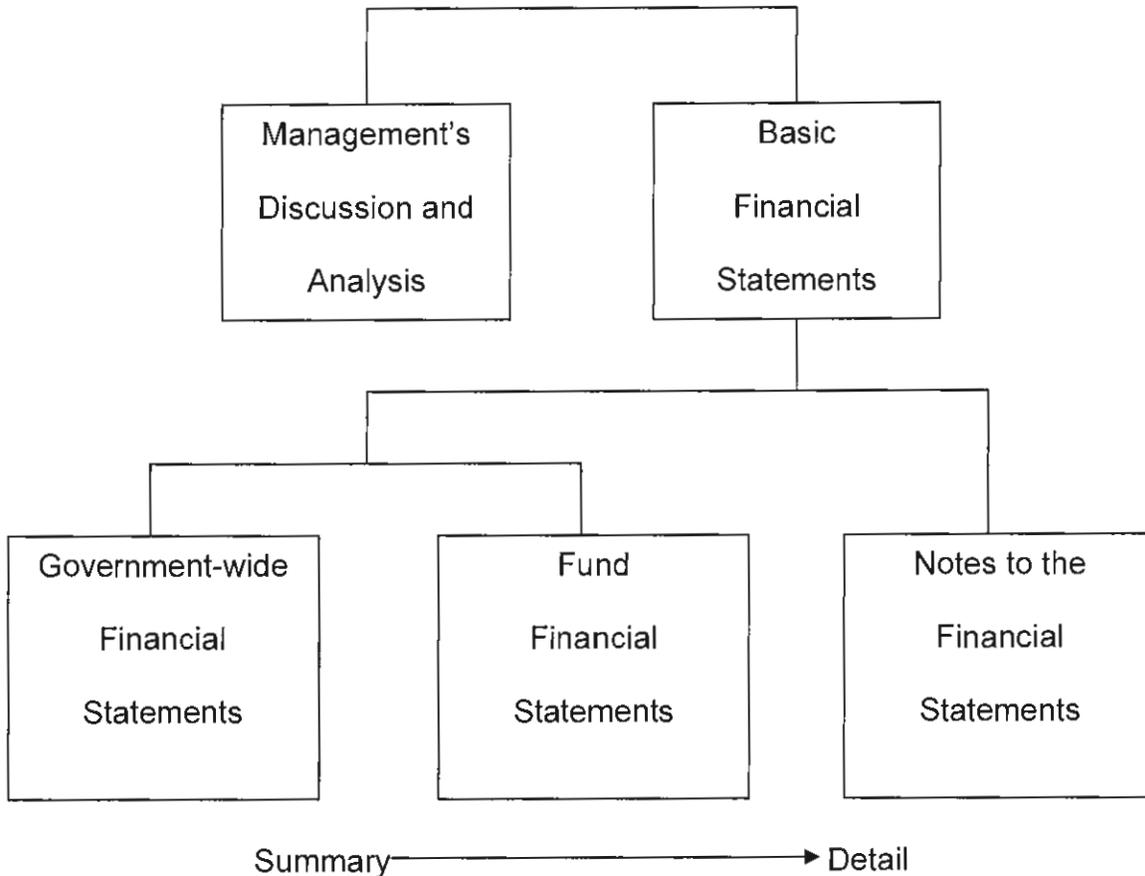
- The assets and deferred outflows of resources of the Town of North Wilkesboro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$29,444,685 (*net position*).
- The government's total net position increased by \$1,750,410, primarily due to an increase in the governmental and business-type activities net position.
- As of the close of the current fiscal year, the Town of North Wilkesboro's governmental funds reported combined ending fund balances of \$5,083,373 with a net decrease of \$107,527 in fund balance. Approximately 19.89 percent of this total amount, or \$1,011,313, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,577,826, or 49.76 percent of total general fund expenditures for the fiscal year.
- The Town of North Wilkesboro's total debt increased by \$1,059,205 (19.97%) 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 North 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 North Wilkesboro.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary 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 North Carolina 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 it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, public works and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town's charges customers to provide. These include the water and sewer services offered by the Town of North Wilkesboro. The final category is the component units. The Town has one component unit, the Town of North Wilkesboro ABC Board. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the ABC Board by appointing its members and the Board is required to distribute its profits to the Town.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of North 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 Town of North Wilkesboro can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 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.

Management Discussion and Analysis

Town of North Wilkesboro

The Town of North 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 Commissioners 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 Fund – Town of North Wilkesboro has a proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of North Wilkesboro uses the enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net 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 begin on page 26 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 North Wilkesboro's progress in funding its obligation to provide other postemployment benefits to its employees and the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 67 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Management Discussion and Analysis
Town of North Wilkesboro

Government-Wide Financial Analysis

Town of North Wilkesboro's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 5,627,836	\$ 5,394,869	\$ 2,578,039	\$ 2,067,211	\$ 8,205,875	\$ 7,462,080
Capital assets	7,098,733	6,580,255	19,234,257	18,984,184	26,332,990	25,564,439
Deferred outflows of resources	157,282	-	34,977	-	192,259	-
Total assets and deferred outflows of resources	12,883,851	11,975,124	21,847,273	21,051,395	34,731,124	33,026,519
Long-term liabilities outstanding	903,135	896,913	2,689,076	3,087,435	3,592,211	3,984,348
Other liabilities	377,913	364,699	626,097	598,669	1,004,010	963,368
Deferred inflows of resources	564,598	-	125,620	-	690,218	-
Total liabilities and deferred inflows of resources	1,845,646	1,261,612	3,440,793	3,686,104	5,286,439	4,947,716
Net position:						
Net investment in capital assets	6,661,074	6,010,581	16,190,019	15,503,252	22,851,093	21,513,833
Restricted	1,011,313	437,707	-	-	1,011,313	437,707
Unrestricted	3,365,818	4,265,224	2,216,461	1,862,039	5,582,279	6,127,263
Total net position	\$ 11,038,205	\$ 10,713,512	\$ 18,406,480	\$ 17,365,291	\$ 29,444,685	\$ 28,078,803

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Town of North Wilkesboro exceeded liabilities and deferred inflows by \$29,444,685 as of June 30, 2015. The Town's net position increased by \$1,750,410 for the fiscal year ended June 30, 2015. However, the largest portion (77.61%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of North Wilkesboro uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of North Wilkesboro's net investment in 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 North Wilkesboro's net position, \$1,011,313 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,582,279 is unrestricted. Also the Town of North Wilkesboro implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Governmental Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$384,528. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of North Wilkesboro's management.

Management Discussion and Analysis
Town of North Wilkesboro

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

- Continued diligence in the collection of property taxes by maintaining a tax collection rate of 95.45%.

Management Discussion and Analysis
Town of North Wilkesboro

Town of North Wilkesboro's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 453,254	\$ 558,948	\$ 2,843,185	\$ 2,720,225	\$ 3,296,439	\$ 3,279,173
Operating grants and contributions	203,189	179,127	-	-	203,189	179,127
Capital grants and contributions	1,135,212	811,822	824,592	307,959	1,959,804	1,119,781
General revenues:						
Property taxes	2,209,830	2,178,166	-	-	2,209,830	2,178,166
Grants and contributions not restricted to specific programs	1,574,920	1,439,570	-	-	1,574,920	1,439,570
Other	750,071	9,618	4,396	1,119	754,467	10,737
Gain (loss) on disposal of capital assets	12,750	(23,440)	-	(132,488)	12,750	(155,928)
Total revenues	6,339,226	5,153,811	3,672,173	2,896,815	10,011,399	8,050,626
Expenses:						
General government	1,149,651	1,159,874	-	-	1,149,651	1,159,874
Public safety	2,581,411	2,680,356	-	-	2,581,411	2,680,356
Transportation	669,908	850,727	-	-	669,908	850,727
Economic development	36,356	2,774	-	-	36,356	2,774
Environmental protection	747,177	853,451	-	-	747,177	853,451
Cultural and recreational	504,674	512,841	-	-	504,674	512,841
Interest on long-term debt	10,812	14,187	-	-	10,812	14,187
Water and sewer	-	-	2,561,000	2,483,119	2,561,000	2,483,119
Total expenses	5,699,989	6,074,210	2,561,000	2,483,119	8,260,989	8,557,329
Increase (decrease) in net position before transfers	639,237	(920,399)	1,111,173	413,696	1,750,410	(506,703)
Transfers	-	24,287	-	(24,287)	-	-
Increase (decrease) in net position	639,237	(896,112)	1,111,173	389,409	1,750,410	(506,703)
Net position, July 1 as previously reported	10,713,512	11,604,624	17,365,291	16,975,882	28,078,803	28,580,506
Restatement	(314,544)	5,000	(69,984)	-	(384,528)	5,000
Net position, July 1 as restated	10,398,968	11,609,624	17,295,307	16,975,882	27,694,275	28,585,506
Net position, June 30	\$ 11,038,205	\$ 10,713,512	\$ 18,406,480	\$ 17,365,291	\$ 29,444,685	\$ 28,078,803

Governmental activities. Governmental activities increased the Town's net position by \$639,237, thereby accounting for 36.52 percent of the total growth in the net position of the Town of North Wilkesboro. Key elements of this increase are as follows:

Management Discussion and Analysis
Town of North Wilkesboro

- The Town kept operating expenses as low as possible while maintaining services.
- Capital grants and contributions were received in the amount of \$160,000 for the Yadkin Valley Market Place Project.
- Capital grants and contributions in the amount of \$975,212 for the Wilkes Industrial Park Access Road Project.

Business-type activities: Business-type activities increased the Town of North Wilkesboro's net position by \$1,111,173, accounting for 63.48 percent of the total growth in the Town's net position. The key elements of this increase are as follows:

- The Town received federal and State grant revenues in the amount of \$824,592 to be used for the River Road Sewer Extension Project.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of North 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 North Wilkesboro's financing requirements.

The general fund is the chief operating fund of the Town of North Wilkesboro. At the end of the current fiscal year, Town of North Wilkesboro's fund balance available in the General Fund was \$2,577,826, while total fund balance reached \$4,440,802. The Town currently has an available fund balance of 49.76% of general fund expenditures, while total fund balance represents 85.71% of the same amount.

At June 30, 2015, the governmental funds of the Town of North Wilkesboro reported a combined fund balance of \$5,083,373 with a net decrease in fund balance of \$107,527. Included in this change in fund balance is an increase in the fund balance for the General Fund and a decrease in the fund balance for the capital project funds.

Management Discussion and Analysis
Town of North Wilkesboro

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

Revenues were more than the budgeted amounts primarily because the Town did not expect to receive some of the funds that became available. State collected and disbursed revenues such as sales tax and franchise taxes came in higher than expected as consumer spending continues to improve. On an overall basis, expenditures were held in check to comply with its budgetary requirements.

Proprietary Funds. The Town of North 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 \$2,216,461. The total change in net position for the fund was \$1,111,173.

Capital Asset and Debt Administration

Capital assets. The Town of North Wilkesboro's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals \$26,332,990 (net of accumulated depreciation). These assets include land, buildings, sewer lines, equipment, and vehicles.

Major capital asset transactions during the year include the following:

- The Town purchased new accounting software for \$38,193.
- The Town purchased a security system for Smoot Park for \$5,667.
- A 2002 Ford Explorer was purchased for \$8,650 and two 2015 Dodge Chargers were bought for \$68,416.
- A caustic tank was purchased for \$73,753.
- A sewer jetting system was purchased for \$66,760.
- The Town purchased an Orion Premium Laptop for \$22,240.
- The Town spent \$824,592 in construction costs for the River Road Sewer Extension Project.
- The Town spent \$15,825 in engineering fees for the Kerr Scott Reservoir Raw Water Project.
- \$1,219,299 in construction costs were incurred for the Wilkes Industrial Park Access Road Project.
- \$27,715 in engineering fees were expended on the Highway 18 Sidewalk Extension Phase II Project.
- The Town spent \$26,505 in fees for the Memorial Park Stormwater Project.
- The Town spent \$322,519 in construction costs on the Yadkin Valley Market Place Project.

**Town of North Wilkesboro's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,482,468	\$ 1,871,718	\$ 44,618	\$ 44,618	\$ 1,527,086	\$ 1,916,336
Building and systems	1,719,168	1,801,488	16,875,904	17,023,966	18,595,072	18,825,454
Other improvements	2,880,065	1,897,250	-	-	2,880,065	1,897,250
Equipment and furniture	108,872	160,843	222,864	158,982	331,736	319,825
Vehicles and motorized equipment	531,421	669,527	84,877	111,959	616,298	781,486
Construction in progress	376,739	179,429	2,005,994	1,644,659	2,382,733	1,824,088
Total	\$ 7,098,733	\$ 6,580,255	\$ 19,234,257	\$ 18,984,184	\$ 26,332,990	\$ 25,564,439

Additional information on the Town's capital assets can be found in Note III.A.3 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2015, the Town of North Wilkesboro had total debt outstanding of \$4,243,575. Of this amount, \$761,678 is debt backed by the full faith and credit of the Town, \$1,179,066 is secured by equipment. The remainder of the Town's debt is secured solely by specified revenue sources.

**Town of North Wilkesboro's Outstanding Debt
 Long-term Debt**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Notes payable	\$ 437,659	\$ 569,674	\$ 741,407	\$ 846,545	\$ 1,179,066	\$ 1,416,219
NC DENR Drinking Water Loan	-	-	1,088,952	1,225,071	1,088,952	1,225,071
NC DENR Water Quality Loan	-	-	422,525	633,787	422,525	633,787
NC DENR Drinking Water State Revolving Loan	-	-	791,354	775,529	791,354	775,529
Compensated absences	183,604	184,744	31,805	23,248	215,409	207,992
Net pension liability (LEO)	220,535	196,328	-	-	220,535	196,328
Other postemployment benefits	258,957	216,739	66,777	57,352	325,734	274,091
	<u>\$ 1,100,755</u>	<u>\$ 1,167,485</u>	<u>\$ 3,142,820</u>	<u>\$ 3,561,532</u>	<u>\$ 4,243,575</u>	<u>\$ 4,729,017</u>

The Town of North Wilkesboro's total debt decreased by \$1,059,205 (19.97%) during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of North Wilkesboro is \$31,432,501.

Additional information regarding the Town of North Wilkesboro's long-term debt can be found in Note III.B.6 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicator reflects the growth and prosperity of the Town:

- For the fiscal year 2015/2016, the tax rate remains the same at \$.52 per \$100 valuation. The budget includes the use of \$828,731 of general fund balance, much of which is earmarked for future capital expenditures.

Management Discussion and Analysis
Town of North Wilkesboro

Budget Highlights for the Fiscal Year Ending June 30, 2016

- 4% cost of living increase for our valuable and dedicated employees.
- Loss of \$11,500 in business license fees.
- Capital Fund to complete the Yadkin Valley Marketplace.
- Capital Fund to complete the ditch rehabilitation near the ABC Store.
- Capital Fund with \$200,000 to begin/continue downtown streetscape improvements.
- Neighborhood improvements budgeted \$100,000.
- The Town to borrow \$600,000 from BB&T at 2.49% interest for a period of 10 years to assist with funding capital projects and preserve fund balance. Payments on the loan are budgeted.
- Bar screen replacement at the sewer plant.
- Two replacement police cruisers.
- Filter media at water treatment plant replacement.
- Mixed use trash and recycling truck to match grant.
- Replace tractor and bush hog in street department.

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 Larry South, Town Manager or Connie Bauguess, Finance Officer, Town of North Wilkesboro, 832 Main Street, North Wilkesboro, NC 28659.

Basic Financial Statements

Town of North Wilkesboro, North Carolina
Statement of Net Position
June 30, 2015

	Primary Government			Town of North Wilkesboro ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,457,479	\$ 1,776,584	\$ 6,234,063	\$ 181,894
Taxes receivables (net)	132,517	-	132,517	-
Accounts receivable (net)	75,038	518,836	593,874	-
Other receivables	2,875	-	2,875	-
Due from other governments	403,010	11,752	414,762	-
Due from component unit	700	-	700	-
Grants receivable	247,849	100,426	348,275	-
Inventories	-	42,363	42,363	168,048
Prepaid items	-	-	-	1,759
Restricted cash and cash equivalents	76,715	76,537	153,252	-
Total current assets	<u>5,396,183</u>	<u>2,526,498</u>	<u>7,922,681</u>	<u>351,701</u>
Non-current assets:				
Net pension asset	231,653	51,541	283,194	13,505
Capital assets:				
Land, non-depreciable improvements, and construction in progress	1,859,207	2,050,612	3,909,819	-
Other capital assets, net of depreciation	5,239,526	17,183,645	22,423,171	6,546
Total capital assets	<u>7,098,733</u>	<u>19,234,257</u>	<u>26,332,990</u>	<u>6,546</u>
Total assets	<u>12,726,569</u>	<u>21,812,296</u>	<u>34,538,865</u>	<u>371,752</u>
DEFERRED OUTFLOWS OF RESOURCES				
Regarding pension plan	157,282	34,977	192,259	-
Total deferred outflows of resources	<u>157,282</u>	<u>34,977</u>	<u>192,259</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	172,793	87,739	260,532	70,310
Accrued interest payable	-	8,077	8,077	-
Due to primary government	-	-	-	700
Current portion of long-term liabilities	197,620	453,744	651,364	-
Prepaid fees	7,500	-	7,500	-
Payable from restricted assets	-	76,537	76,537	-
Total current liabilities	<u>377,913</u>	<u>626,097</u>	<u>1,004,010</u>	<u>71,010</u>
Long-term liabilities:				
Due in more than one year	903,135	2,689,076	3,592,211	-
Total liabilities	<u>1,281,048</u>	<u>3,315,173</u>	<u>4,596,221</u>	<u>71,010</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	564,598	125,620	690,218	32,973
Total deferred inflows of resources	<u>564,598</u>	<u>125,620</u>	<u>690,218</u>	<u>32,973</u>
NET POSITION				
Net investment in capital assets	6,661,074	16,190,019	22,851,093	6,546
Restricted for:				
Stabilization by State Statute	942,098	-	942,098	-
Streets-Powell Bill	69,215	-	69,215	-
Other functions	-	-	-	35,438
Unrestricted	3,365,818	2,216,461	5,582,279	225,785
Total net position	<u>\$ 11,038,205</u>	<u>\$ 18,406,480</u>	<u>\$ 29,444,685</u>	<u>\$ 267,769</u>

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

Town of North Wilkesboro, North Carolina
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Town of North Wilkesboro ABC Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 1,149,651	\$ -	\$ -	\$ -	\$ (1,149,651)	\$ -	\$ (1,149,651)	\$ -
Public safety	2,581,411	-	14,256	-	(2,567,155)	-	(2,567,155)	-
Transportation	669,908	-	149,674	975,212	454,978	-	454,978	-
Economic development	36,356	-	36,357	160,000	160,001	-	160,001	-
Environmental protection	747,177	397,546	2,902	-	(346,729)	-	(346,729)	-
Cultural and recreational	504,674	55,708	-	-	(448,966)	-	(448,966)	-
Interest on long-term debt	10,812	-	-	-	(10,812)	-	(10,812)	-
Total governmental activities	5,699,989	453,254	203,189	1,135,212	(3,908,334)	-	(3,908,334)	-
Business-type activities:								
Water and sewer	2,561,000	2,843,185	-	824,592	-	1,106,777	1,106,777	-
Total business-type activity	2,561,000	2,843,185	-	824,592	-	1,106,777	1,106,777	-
Total primary government	\$ 8,260,989	\$ 3,296,439	\$ 203,189	\$ 1,959,804	\$ (3,908,334)	\$ 1,106,777	\$ (2,801,557)	\$ -
Component units:								
ABC Board	\$ 875,320	\$ 921,919	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,599
Total component units	\$ 875,320	\$ 921,919	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,599
General revenues:								
Taxes:								
Property taxes, levied for general purpose					2,209,830	-	2,209,830	-
Unrestricted intergovernmental revenues					1,574,920	-	1,574,920	-
Unrestricted investment earnings					11,651	4,396	16,047	-
Miscellaneous					738,420	-	738,420	-
Gain on disposal of capital assets					12,750	-	12,750	-
Total general revenues not including transfers					4,547,571	4,396	4,551,967	-
Transfers					-	-	-	-
Total general revenues and transfers					4,547,571	4,396	4,551,967	-
Change in net position					639,237	1,111,173	1,750,410	46,599
Net position, beginning, previously reported					10,801,875	18,140,820	28,942,695	239,805
Restatement					(402,907)	(845,513)	(1,248,420)	(18,635)
Net position, beginning, restated					10,398,968	17,295,307	27,694,275	221,170
Net position, ending	\$	\$	\$	\$	\$ 11,038,205	\$ 18,406,480	\$ 29,444,685	\$ 267,769

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

Town of North Wilkesboro, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015

	Major Fund		Total Non-Major Funds	Total Governmental Funds
	General	Wilkes Industrial Park Access Road Capital Projects Fund		
ASSETS				
Cash and cash equivalents	\$ 3,501,158	\$ -	\$ 956,321	\$ 4,457,479
Restricted cash	76,715	-	-	76,715
Receivables, net:				
Taxes	132,517	-	-	132,517
Accounts	75,038	-	-	75,038
Other	2,875	-	-	2,875
Grants receivable	-	160,000	87,849	247,849
Due from other governments	368,759	34,212	39	403,010
Due from other funds	491,299	-	-	491,299
Due from component unit	700	-	-	700
Total assets	<u>4,649,061</u>	<u>194,212</u>	<u>1,044,209</u>	<u>5,887,482</u>
LIABILITIES				
Accounts payable and accrued liabilities	68,242	-	104,551	172,793
Due to other funds	-	367,549	123,750	491,299
Prepaid fees	7,500	-	-	7,500
Total liabilities	<u>75,742</u>	<u>367,549</u>	<u>228,301</u>	<u>671,592</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	132,517	-	-	132,517
Total deferred inflows of resources	<u>132,517</u>	<u>-</u>	<u>-</u>	<u>132,517</u>
FUND BALANCES				
Restricted				
Stabilization by State Statute	938,671	-	3,427	942,098
Streets	69,215	-	-	69,215
Committed				
Capital projects funds	-	(173,337)	812,481	639,144
Assigned				
Subsequent year's expenditures	828,731	-	-	828,731
Fire Department fundraising	26,359	-	-	26,359
Unassigned	2,577,826	-	-	2,577,826
Total fund balances	<u>4,440,802</u>	<u>(173,337)</u>	<u>815,908</u>	<u>5,083,373</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,649,061</u>	<u>\$ 194,212</u>	<u>\$ 1,044,209</u>	

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

Town of North Wilkesboro, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015

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

Total fund balance, governmental funds	\$ 5,083,373
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	\$ 13,442,940
Accumulated depreciation	<u>6,344,207</u>
	7,098,733
Net pension asset	231,653
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position.	154,182
Earned revenues considered deferred inflows of resources in fund statements.	132,517
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Compensated absences	(183,604)
Long-term debt	(437,659)
Other postemployment benefits	(258,957)
Net pension liability (LEO)	(220,535)
Pension related deferrals	<u>(561,498)</u>
Net position of governmental activities	<u>\$ 11,038,205</u>

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

Town of North Wilkesboro, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	Wilkes Industrial Park Access Road Capital Projects Fund		
REVENUES				
Ad valorem taxes	\$ 2,187,154	\$ -	\$ -	\$ 2,187,154
Unrestricted intergovernmental	1,574,920	-	-	1,574,920
Restricted intergovernmental	166,832	975,212	106,357	1,248,401
Permits and fees	52,129	-	-	52,129
Sales and services	462,912	-	-	462,912
Investment earnings	9,033	80	2,538	11,651
Miscellaneous	676,636	-	90,000	766,636
Total revenues	5,129,616	975,292	198,895	6,303,803
EXPENDITURES				
Current:				
General government	890,591	-	-	890,591
Public safety	2,492,747	-	-	2,492,747
Transportation	666,786	-	-	666,786
Environmental protection	610,965	-	-	610,965
Cultural and recreational	377,020	-	-	377,020
Debt service:				
Principal	132,015	-	-	132,015
Interest and other charges	10,812	-	-	10,812
Capital outlay	-	1,219,299	413,095	1,632,394
Total expenditures	5,180,936	1,219,299	413,095	6,813,330
Excess (deficiency) of revenues over expenditures	(51,320)	(244,007)	(214,200)	(509,527)
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds	87,917	-	(87,917)	-
Sale of capital assets	402,000	-	-	402,000
Total other financing sources (uses)	489,917	-	(87,917)	402,000
Net change in fund balance	438,597	(244,007)	(302,117)	(107,527)
Fund balances, beginning as previously reported	4,090,568	70,670	1,118,025	5,279,263
Prior period adjustment	(88,363)	-	-	(88,363)
Fund balance, ending as restated	4,002,205	70,670	1,118,025	5,190,900
Fund balances, ending	\$ 4,440,802	\$ (173,337)	\$ 815,908	\$ 5,083,373

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

Town of North 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		\$ (107,527)
<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 which were capitalized	\$ 1,697,868	
Depreciation expense for governmental activities	(790,140)	
Proceeds from sale of capital assets	(402,000)	
Gain on disposal of capital assets	<u>12,750</u>	518,478
Contributions to the pension plan in the current fiscal year are not included on the statement of activities.		154,182
<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		22,675
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt		132,015
<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		1,140
Pension expense (LGERS)		(15,301)
Pension expense (LEO)		(24,207)
Other postemployment benefits		<u>(42,218)</u>
Total changes in net position of governmental activities		<u>\$ 639,237</u>

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

Town of North Wilkesboro, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	<u>General Fund</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 2,134,300	\$ 2,134,300	\$ 2,187,154	\$ 52,854
Unrestricted intergovernmental	1,333,500	1,333,500	1,574,920	241,420
Restricted intergovernmental	147,825	147,825	164,003	16,178
Permits and fees	37,500	37,500	52,129	14,629
Sales and services	462,560	462,560	462,912	352
Investment earnings	8,100	8,100	8,810	710
Miscellaneous	619,000	619,000	676,636	57,636
Total revenues	<u>4,742,785</u>	<u>4,742,785</u>	<u>5,126,564</u>	<u>383,779</u>
Expenditures:				
Current:				
General government	906,902	956,902	890,591	66,311
Public safety	2,785,111	2,735,111	2,474,747	260,364
Transportation	718,900	718,900	666,786	52,114
Environmental protection	684,025	684,025	610,965	73,060
Cultural and recreational	448,651	448,651	377,020	71,631
Debt service:				
Principal retirement	132,015	132,015	132,015	-
Interest and other charges	10,812	10,812	10,812	-
Contingency	-	-	-	-
Total expenditures	<u>5,686,416</u>	<u>5,686,416</u>	<u>5,162,936</u>	<u>523,480</u>
Revenues over (under) expenditures	<u>(943,631)</u>	<u>(943,631)</u>	<u>(36,372)</u>	<u>907,259</u>
Other financing sources (uses):				
Transfers from other funds	155,500	258,028	163,087	(94,941)
Transfers to other funds	(74,500)	(74,500)	(75,170)	(670)
Sale of capital assets	-	-	402,000	402,000
Total other financing sources (uses)	<u>81,000</u>	<u>183,528</u>	<u>489,917</u>	<u>306,389</u>
Fund balance appropriated	862,631	760,103	-	(760,103)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>453,545</u>	<u>\$ 453,545</u>
Fund balances, beginning as previously reported			3,989,115	
Prior period adjustment			(93,363)	
Fund balances, beginning as restated			<u>3,895,752</u>	
Fund balances, ending			<u>\$ 4,349,297</u>	
A legally budgeted Firemen's Supplementary Fund is consolidated into the General Fund for reporting purposes:				
Contribution from State Firemen's Relief Fund			\$ 2,829	
Investment earnings			223	
Expenditures			(18,000)	
Fund balance, beginning as restated			106,453	
Fund balance, ending (Exhibit 4)			<u>\$ 4,440,802</u>	

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

Town of North Wilkesboro, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2015

	Major Enterprise Fund	
	Water and Sewer	
	Fund	Total
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,776,584	\$ 1,776,584
Accounts receivable (net)	518,836	518,836
Grants receivable	100,426	100,426
Due from other governments	11,752	11,752
Inventories	42,363	42,363
Restricted cash and cash equivalents	76,537	76,537
Total current assets	<u>2,526,498</u>	<u>2,526,498</u>
Noncurrent assets:		
Net pension asset	51,541	51,541
Capital Assets:		
Land and other non-depreciable assets	2,050,612	2,050,612
Other capital assets, net of depreciation	17,183,645	17,183,645
Capital assets (net)	<u>19,234,257</u>	<u>19,234,257</u>
Total noncurrent assets	<u>19,285,798</u>	<u>19,285,798</u>
Total assets	<u>21,812,296</u>	<u>21,812,296</u>
DEFERRED OUTFLOWS OF RESOURCES		
Regarding pension plan	34,977	34,977
Total deferred outflows of resources	<u>34,977</u>	<u>34,977</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	87,739	87,739
Accrued interest	8,077	8,077
Loans payable - current	441,928	441,928
Compensated absences - current	11,816	11,816
Liabilities payable from restricted assets:		
Customer deposits	76,537	76,537
Total current liabilities	<u>626,097</u>	<u>626,097</u>
Noncurrent liabilities:		
Other postemployment benefits	66,777	66,777
Loans payable - noncurrent	2,602,310	2,602,310
Compensated absences - noncurrent	19,989	19,989
Total noncurrent liabilities	<u>2,689,076</u>	<u>2,689,076</u>
Total liabilities	<u>3,315,173</u>	<u>3,315,173</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	125,620	125,620
Total deferred inflows of resources	<u>125,620</u>	<u>125,620</u>
NET POSITION		
Net investment in capital assets	16,190,019	16,190,019
Unrestricted	2,216,461	2,216,461
Total net position	<u>\$ 18,406,480</u>	<u>\$ 18,406,480</u>

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

Town of North Wilkesboro, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2015

	Major Enterprise Fund	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 2,761,416	\$ 2,761,416
Water and sewer taps	2,300	2,300
Other operating revenues	35,194	35,194
Total operating revenues	<u>2,798,910</u>	<u>2,798,910</u>
OPERATING EXPENSES		
Administration and billing	168,474	168,474
Water treatment and distribution	790,468	790,468
Water maintenance and construction	246,235	246,235
Waste collection and treatment	441,746	441,746
Sanitary sewer maintenance and construction	66,337	66,337
Depreciation	772,193	772,193
Total operating expenses	<u>2,485,453</u>	<u>2,485,453</u>
Operating income (loss)	<u>313,457</u>	<u>313,457</u>
NONOPERATING REVENUES (EXPENSES)		
Rental income	44,274	44,274
Investment earnings	4,396	4,396
Interest and other charges	(75,546)	(75,546)
Total nonoperating revenues (expenses)	<u>(26,876)</u>	<u>(26,876)</u>
Income (loss) before contributions and transfers	286,581	286,581
Capital contributions	824,592	824,592
Change in net position	<u>1,111,173</u>	<u>1,111,173</u>
Total net position, beginning as previously reported	18,140,820	18,140,820
Restatement	<u>(845,513)</u>	<u>(845,513)</u>
Total net position, beginning as restated	17,295,307	17,295,307
Total net position, ending	<u>\$ 18,406,480</u>	<u>\$ 18,406,480</u>

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

Town of North Wilkesboro, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

	<u>Major Enterprise Fund</u>	
	<u>Water and Sewer Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,708,180	\$ 2,708,180
Cash paid for goods and services	(965,435)	(965,435)
Cash paid on behalf of employees for services	(711,058)	(711,058)
Customer deposits received, net	7,284	7,284
Other operating revenues	35,194	35,194
Net cash provided (used) by operating activities	<u>1,074,165</u>	<u>1,074,165</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term liabilities	(452,519)	(452,519)
Proceeds from long-term liabilities	15,825	15,825
Interest paid on long-term liabilities	(72,799)	(72,799)
Acquisition and construction of capital assets	(1,022,266)	(1,022,266)
Capital contributions - federal grant	565,087	565,087
Capital contributions - State grant	214,892	214,892
Net cash provided (used) by capital and related financing activities	<u>(751,780)</u>	<u>(751,780)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Rental income	44,275	44,275
Investment earnings	4,396	4,396
Net cash provided (used) by investing activities	<u>48,671</u>	<u>48,671</u>
Net increase (decrease) in cash and cash equivalents	371,056	371,056
Balances, beginning	1,482,065	1,482,065
Balance, ending	<u>\$ 1,853,121</u>	<u>\$ 1,853,121</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	<u>\$ 313,457</u>	<u>\$ 313,457</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	772,193	772,193
Pension expense	3,404	3,404
Changes in assets, deferred outflows of resources, and liabilities:		
(Increase) decrease in accounts receivable	(63,211)	(63,211)
(Increase) decrease in due from other governments	18,536	18,536
(Increase) decrease in inventories	1,057	1,057
(Increase) decrease in deferred outflows of resources for pensions	(34,288)	(34,288)
Increase (decrease) in accounts payable and accrued liabilities	37,751	37,751
Increase (decrease) in customer deposits	7,284	7,284
Increase (decrease) in other postemployment benefits	9,425	9,425
Increase (decrease) in compensated absences	8,557	8,557
Total adjustments	<u>760,708</u>	<u>760,708</u>
Net cash provided by operating activities	<u>\$ 1,074,165</u>	<u>\$ 1,074,165</u>

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

Notes to the Financial Statements

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

A. Reporting Entity

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

Town of North 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. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements of the ABC Board may be obtained from Town of North Wilkesboro ABC Board, 297 Wilkesboro Avenue, North Wilkesboro, NC 28659.

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 unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. 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 non-major funds.

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

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for administration, public safety, street maintenance and construction, and sanitation services. Additionally, the Town has legally adopted a Firemen's Supplementary Fund. Under GASB 54 guidance this fund is consolidated in the General Fund. The budgetary comparison for this fund has been included in the supplemental information.

Wilkes Industrial Park Access Road Capital Projects Fund. This fund is used to account for the construction of North Wilkesboro Industrial Park Road.

The Town reports the following non-major governmental funds:

Community Development Special Revenue Fund. This fund is used to account for specific revenue sources that are legally restricted to specified purposes.

Fire Station Building Project Capital Projects Fund. This fund is used to account for the construction of a new fire station building.

NC STEP Program Capital Projects Fund. This fund is used to account for the grant funding received for the NC STEP Program.

Highway 18 Sidewalk Extension Phase II Capital Projects Fund. This fund is used to account for phase II of the construction of the Highway 18 sidewalk extension.

Memorial Park Stormwater Project Capital Projects Fund. This fund is used to account for the construction related to the Memorial Park Water Management Project.

Yadkin Valley Market Place Capital Projects Fund. This fund is used to account for the construction of a downtown farmer's market.

Capital Reserve Capital Projects Fund. This fund is used to account for funds to be used in various future capital projects and equipment needs.

The Town reports the following major enterprise fund:

Water and Sewer Fund. The 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. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 non-operating 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 non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles 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 beer and wine 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 North 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. 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 is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Firemen's Supplementary Fund, the Community Development Special Revenue Fund, the Capital Reserve Capital Projects Fund, the Enterprise Fund, and the Capital Reserve Capital Projects Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Fire Station Building Project Capital Projects Fund, the NC STEP Program Capital Projects Fund, the Highway 18 Sidewalk Extension Phase II Capital Projects Fund, the Memorial Park Stormwater Project Capital Projects Fund, the Yadkin Valley Market Place Capital Projects Fund, the Kerr Scott Reservoir Raw Water Capital Projects Fund, and the River Road Sewer Extension Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Town Manager is authorized to transfer appropriations between departments within a fund without limit provided those transfers are reported to the Board of Commissioners at their next regular meeting. However, any revisions that alter total expenditures of any fund must be approved by the governing board. The board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and its component unit 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 and its component unit'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. The NCCMT-Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of North Wilkesboro Restricted Cash

Governmental Activities

General Fund	
Streets	\$ 69,215
Prepaid fees	7,500
Total Governmental Activities	<u>76,715</u>

Business-Type Activities

Water and Sewer Fund	
Customer deposits	76,537
Total Business-Type Activities	<u>76,537</u>

Total Restricted Cash	<u>\$ 153,252</u>
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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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 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.

6. Inventory and Prepaid Items

The inventories of the Town and the ABC Board are valued at 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 inventory of the ABC Board consists of goods held for sale. The cost of these inventories are expensed when consumed rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are set at \$5,000. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings and distributions systems	5 to 40 years
Other improvements	5 to 40 years
Equipment and furniture	5 to 40 years
Vehicles	5 to 10 years

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

Asset Class	Estimated Useful Lives
Building and improvements	10 to 20 years
Furniture and equipment	5 to 10 years

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 one item that meets 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 will not be recognized as revenue until then. The Town has two items that meet the criterion for this category - property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

The Town's employees are granted vacation and sick leave in varying amounts. However, if an employee departs from service, payment for accumulated vacation leave shall not exceed 30 days. Effective the last day in the month, any employee with more than 30 days of accumulated leave shall have the excess accumulation converted to sick leave so that only 30 days of vacation time is carried forward to the next month. Firefighters are allowed to carry over 60 days of accumulated leave at month end. 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. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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.

ABC Board employees may accumulate up to two weeks earned vacation and such leave is fully vested when earned. The ABC Board has no formal sick leave policy.

11. 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 represents 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 four 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:

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

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

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

Committed Fund Balance – portion of fund balance that can be used for specific purposes imposed by majority vote by quorum of the Town of North Wilkesboro's governing body (highest level of decision-making authority). 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 limitations.

Committed for Capital Projects Funds – funds are used to account for the revenue and expenditures of the various capital projects funds of the Town.

Assigned Fund Balance – portion of fund balance that Town of North 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.

Fire Department Fundraising – portion of fund balance that is the result of fundraising activities of the fire department.

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

The Town of North Wilkesboro has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

12. 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 North Wilkesboro's employer contributions are recognized when due and the Town of North 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

A. Deficit in Fund Balance or Net Position of Individual Funds

At June 30, 2015, the Wilkes Industrial Park Access Road Capital Projects Fund has a deficit fund balance of \$173,337 due to expenditures exceeding revenues for the current fiscal year. In addition, capital outlay expenditures through June 30, 2015 have exceeded authorized appropriations by \$754,563 due to expenditures not being adequately budgeted.

At June 30, 2015, the Memorial Park Stormwater Project Capital Projects Fund has a deficit fund balance of \$26,505 due to expenditures exceeding revenues for the current fiscal year.

At June 30, 2015, the Yadkin Valley Market Place Capital Projects Fund has a deficit fund balance of \$117,335 due to expenditures exceeding revenues for the current fiscal year.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2015, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for transfers out to other funds by \$670. The over-expenditure occurred because of the transfers not being adequately budgeted. Management and the Board will more closely review the budget reports to ensure compliance in future years.

Cumulative capital outlay expenditures through June 30, 2015 have exceeded authorized appropriations by \$35,065 for the River Road Sewer Extension Capital Projects Fund, due to expenditures not being adequately budgeted. Management and the Board will more closely review the budget reports to ensure compliance in future years.

For the fiscal year ended June 30, 2015, the expenditures made in the Capital Reserve Capital Projects Fund exceeded the authorized appropriations made by the governing board for transfers out to other funds by \$60,559. The over-expenditure occurred because of the transfers not being adequately budgeted. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and its component units are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or its component units' 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 and its component units, these deposits are considered to be held by the Town's and component units' 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, its component units, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and its component units under the Pooling Method, the potential exists for under-collateralization. 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 has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2015, the Town's deposits had a carrying amount of \$6,286,711 and a bank balance of \$6,470,330. Of the bank balance, \$255,002 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2015 the Town's petty cash fund totaled \$600.

At June 30, 2015, the Town had \$100,004 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's.

The carrying amount of deposits for the ABC Board was \$180,194 and the bank balance was \$182,154. All of the bank balance was covered by federal depository insurance. At June 30, 2015, the ABC Board's petty cash fund totaled \$1,700.

2. 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 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 137,582
Accounts receivable	<u>8,115</u>
	<u>\$ 145,697</u>
Enterprise Fund:	
Accounts receivable	<u>\$ 49,917</u>
	<u>\$ 49,917</u>

3. 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
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,871,718	\$ -	\$ 389,250	\$ 1,482,468
Construction in progress	179,429	1,605,249	1,407,939	376,739
Total capital assets not being depreciated	<u>2,051,147</u>	<u>1,605,249</u>	<u>1,797,189</u>	<u>1,859,207</u>
Capital assets being depreciated:				
Buildings	3,576,127	-	-	3,576,127
Other improvements	2,606,749	1,398,728	-	4,005,477
Equipment and furniture	732,850	24,764	-	757,614
Vehicles	3,167,449	77,066	-	3,244,515
Total capital assets being depreciated	<u>10,083,175</u>	<u>1,500,558</u>	<u>-</u>	<u>11,583,733</u>
Less accumulated depreciation for:				
Buildings	1,774,639	82,320	-	1,856,959
Other improvements	709,499	415,913	-	1,125,412
Equipment and furniture	572,007	76,735	-	648,742
Vehicles	2,497,922	215,172	-	2,713,094
Total accumulated depreciation	<u>5,554,067</u>	<u>790,140</u>	<u>-</u>	<u>6,344,207</u>
Total capital assets being depreciated, net	<u>4,529,108</u>			<u>5,239,526</u>
Governmental activity capital assets, net	<u><u>\$ 6,580,255</u></u>			<u><u>\$ 7,098,733</u></u>

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

General government	\$ 287,690
Public safety	202,039
Transportation	18,726
Environmental protection	145,702
Recreational and cultural	135,983
Total depreciation expense	<u><u>\$ 790,140</u></u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 44,618	\$ -	\$ -	\$ 44,618
Construction in progress	1,644,659	840,417	479,082	2,005,994
Total capital assets not being depreciated	1,689,277	840,417	479,082	2,050,612
Capital assets being depreciated:				
Building and distribution systems	29,753,265	552,835	-	30,306,100
Equipment and furniture	857,848	108,096	-	965,944
Vehicles	282,558	-	-	282,558
Total capital assets being depreciated	30,893,671	660,931	-	31,554,602
Less accumulated depreciation for:				
Building and distribution systems	12,729,299	700,897	-	13,430,196
Equipment and furniture	698,866	44,214	-	743,080
Vehicles	170,599	27,082	-	197,681
Total accumulated depreciation	13,598,764	772,193	-	14,370,957
Total capital assets being depreciated, net	17,294,907			17,183,645
Business-type activity capital assets, net	\$ 18,984,184			\$ 19,234,257

Construction Commitments

The government has active construction projects as of June 30, 2015. At year-end, the government's commitments with contractors are as follows:

Projects	Spent-to-date	Remaining Commitment
Highway 18 Sidewalk Extension Phase II	\$ 27,715	\$ 1,933
Memorial Park Stormwater Project	5,505	39,495
Yadkin Valley Market Place	307,877	55,297
	\$ 341,097	\$ 96,725

Discretely presented component unit

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings and improvements	\$ 175,269	\$ -	\$ -	\$ 175,269
Furniture and equipment	32,650	-	-	32,650
Total capital assets being depreciated	207,919	-	-	207,919
Less accumulated depreciation for:				
Building and improvements	175,269	-	-	175,269
Furniture and equipment	22,815	3,289	-	26,104
Total accumulated depreciation	198,084	3,289	-	201,373
Total capital assets being depreciated, net	9,835			6,546
ABC Board capital assets, net	\$ 9,835			\$ 6,546

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of North 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 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 North 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 North 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 North Wilkesboro were \$188,470 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 \$283,194 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 .04802%, which was an increase of .00042% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$18,705. 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	\$ -	\$ 30,944
Net difference between projected and actual earnings on pension plan investments	-	659,274
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,789	-
Town contributions subsequent to the measurement date	188,470	-
Total	<u>\$ 192,259</u>	<u>\$ 690,218</u>

\$188,470 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 asset in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (171,624)
2017	(171,624)
2018	(171,624)
2019	(171,557)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	100%	

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 (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 961,290	\$ (283,196)	\$ (1,331,013)

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 North 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	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>25</u>
Total	<u>28</u>

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies:*

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. 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) 5.0% 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 3.0%. 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	\$ 57,405
Interest on net pension obligation	9,816
Adjustment to annual required contribution	<u>(16,585)</u>
Annual pension cost	50,636
Contributions made	<u>(26,429)</u>
Increase (decrease) in net pension obligation	24,207
Net pension obligation beginning of year	<u>196,328</u>
Net pension obligation end of year	<u><u>\$ 220,535</u></u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 42,248	78.58%	\$ 175,667
2014	42,985	51.93%	196,328
2015	50,636	52.19%	220,535

4. Funded Status and Funding Progress

As of December 31, 2015, 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 \$451,203. The covered payroll (annual payroll of active employees covered by the plan) was \$998,465, and the ratio of the UAAL to the covered payroll was 45.19 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 and All Other Full-Time Employees

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 and employees not engaged in law enforcement 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 and all other employees not engaged in law enforcement. 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 and employee's salary, and all amounts contributed are vested immediately. Also, law enforcement officers and employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$196,255, which consisted of \$131,787 from the Town and \$64,468 from law enforcement officers and employees.

d. Other Postemployment Benefit

Healthcare Benefits

Plan Description. The Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least thirty years of creditable service with the Town. The Town will pay for health insurance for eligible retirees until they become eligible for Medicare. The retiree may continue dependent coverage (and pay the full cost of this coverage) if enrolled in dependent coverage at the time of retirement. Dependent coverage terminates upon the spouse becoming eligible for Medicare (attaining age 65) or upon the retiree's death, whichever comes first. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	5	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	49	25
Total	<u>54</u>	<u>25</u>

Funding Policy. The Town pays the full cost of healthcare benefit coverage to qualified retirees and the plan can be amended by the Town's Board. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

The current annual required contribution (ARC) rate is 3.76% of annual covered payroll. For the current year, the Town contributed \$49,326 or 1.85% of annual covered payroll. The Town obtains healthcare coverage through private insurers.

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

Annual required contribution	\$ 100,479
Interest on net OPEB obligation	10,964
Adjustment to annual required contribution	<u>(10,474)</u>
Annual OPEB cost (expense)	100,969
Contributions made	<u>(49,326)</u>
Increase (decrease) in net OPEB obligation	51,643
Net OPEB obligation, beginning of year	<u>274,091</u>
Net OPEB obligation, end of year	<u><u>\$ 325,734</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the new OPEB obligation as of June 30, 2015 were as follows:

3 Year Trend Information			
For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 100,969	48.9%	\$ 325,734
2014	\$ 124,692	58.7%	\$ 274,091
2013	\$ 106,280	44.7%	\$ 222,633

Funded Status and Funding Progress. As of December 31, 2014, the actuarial accrued liability for benefits was \$1,430,308 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,671,325 and the ratio of the UAAL to the covered payroll was 53.5 percent.

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of 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 actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.50 to 5.00 percent annually. The investment rate included a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

e. Other Employment Benefit

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

For the fiscal year ended June 30, 2015, the Town made contributions to the State for death benefits of \$0. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0% and 0% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LEGRS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

<u>No. Years Contributing</u>	<u>Years Relief</u>	<u>FY Contributions Resume</u>
10 - 20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The Town of North Wilkesboro will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

2. Town of North Wilkesboro ABC Board Pension Plan Obligation

a. Local Governmental Employees' Retirement System

Plan Description. The Town of North Wilkesboro ABC Board 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. 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 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 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. The ABC Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The ABC Board's contractually required contribution rate for the year ended June 30, 2015, was 7.07% for general employees, 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 ABC Board were \$8,067 for the year ended June 30, 2015.

Refunds of Contributions – ABC Board 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 ABC Board reported an asset of \$13,505 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 ABC Board's proportion of the net pension asset was based on a projection of the ABC Board'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 ABC Board's proportion was 0.00229%

For the year ended June 30, 2015, the ABC Board recognized pension expense of \$8,900. At June 30, 2015, the ABC Board 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	\$ -	\$ 1,476
Net difference between projected and actual earnings on pension plan investments	-	31,440
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	57
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 32,973</u>

\$-0- reported as deferred outflows of resources related to pensions resulting from ABC Board contributions subsequent to the measurement date will be recognized as an increase of the net pension 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	\$ (8,244)
2017	(8,244)
2018	(8,244)
2019	(8,241)

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%
	100.0%	

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 ABC Board's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the ABC Board'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 (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
ABC Board's proportionate share of net pension liability (asset)	\$ 45,842	\$ (13,505)	\$ 63,474

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.

3. Deferred Outflows and Inflows of Resources

The Town has one deferred outflow of resources. Deferred outflows of resources are comprised of the following:

Source	Amount
Related to pension plan	\$ 192,259
Total	<u>\$ 192,259</u>

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

Taxes receivable, less penalties (General Fund)	\$ 132,517
Pension deferrals	690,218

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 contracts with a private insurer for coverage on commercial property, commercial inland marine, commercial crime, commercial general liability, commercial automobile liability, law enforcement liability, and public official liability. Liability limits are \$1,000,000/\$3,000,000 aggregate with a \$5,000,000 excess. Workers' compensation and employer's liability insurance are also carried through a private insurer. Worker's compensation applies to the North Carolina Workers' Compensation law, and the employer's liability insurance applies to work in North Carolina with limits of \$1,000,000.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries no flood insurance on some properties.

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 finance officer is individually bonded for \$50,000, the tax collector for \$2,500, the Town Manager for \$25,000, and the Town Clerk for \$25,000. The remaining employees that have access to funds are bonded under a blanket bond for \$1,000,000.

The ABC Board 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 ABC Board has commercial property, general liability, auto liability, workmen's compensation and employee health coverage. The board also has liquor legal liability.

There have been no significant reductions in insurance coverage for the ABC Board from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 18B-700(i), each ABC Board member and employees designated as the general manager and finance officer are bonded in the amount of \$50,000 secured by a corporate surety.

5. Commitments

A building built by the ABC Board is on land owned by the Town of North Wilkesboro. A ten year lease was renewed on the land effective September 1, 2014. The terms of the lease call for an annual rent payment of \$3,600 plus monthly payments of 1 ½% of gross monthly sales in excess of \$20,000.

Rent expense under the operating lease was as follows:

	For the Year Ended June 30, 2015
Minimum rent	\$ 3,600
Contingent rent	<u>14,144</u>
Total rent	<u>\$ 17,744</u>

Future minimum annual obligations for the operating lease are as follows:

Year Ended June 30	
2016	\$ 3,600
2017	3,600
2018	3,600
2019	3,600
2020	3,600
2021 - 2024	<u>15,000</u>
	<u>\$ 33,000</u>

6. Long-term Obligations – Governmental Activities

a. Loan Agreement

In March, 2012, the Town entered into a loan agreement for the purchase of a 2012 Mack garbage truck. The agreement requires monthly payments of \$2,305 which includes interest at 2.09% through March, 2019.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2016	\$ 25,826	\$ 1,837
2017	26,371	1,292
2018	26,928	736
2019	20,569	180
	<u>\$ 99,694</u>	<u>\$ 4,045</u>

b. Loan Agreement

In March, 2013, the Town entered into a loan agreement for the purchase of a 2012 Pierce fire truck. The agreement requires quarterly payments of \$13,899, which includes interest at 1.79% through March, 2020.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2016	\$ 51,416	\$ 4,178
2017	52,343	3,251
2018	53,286	2,308
2019	54,246	1,348
2020	41,326	370
	<u>\$ 252,617</u>	<u>\$ 11,455</u>

c. Loan Agreement

In June, 2012, the Town entered into a loan agreement for the purchase of two 2012 Dodge Chargers. The agreement requires monthly payments of \$1,006, which includes interest at 2.29% through June, 2017.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2016	\$ 11,658	\$ 418
2017	11,927	149
	<u>\$ 23,585</u>	<u>\$ 567</u>

d. Loan Agreement

In October, 2009, the Town entered into a loan agreement for the purchase of a 2009 Chevrolet Tahoe and a 2010 Dodge Charger. The agreement required quarterly payments of \$3,274, which included interest at 3.39%. The loan was paid in full in October, 2014.

e. Loan Agreement

In January, 2013, the Town entered into a loan agreement for the purchase of two 2013 Dodge Chargers. The agreement requires quarterly payments of \$3,234, which includes interest at 1.63% through January, 2018.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2016	\$ 12,447	\$ 490
2017	12,651	286
2018	9,623	79
	<u>\$ 34,721</u>	<u>\$ 855</u>

f. Loan Agreement

In June, 2009, the Town entered into a loan agreement for the purchase of a 2010 Freightliner Truck. The agreement requires annual payments of \$28,007, which includes interest at 3.57% through June, 2016.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2016	<u>27,042</u>	<u>965</u>
	<u>\$ 27,042</u>	<u>\$ 965</u>

7. Long-term Obligations – Business-Type Activities

a. NCDENR Drinking Water Loan

In October, 2002, the Town entered into a NCDENR Drinking Water Loan that requires annual principal payments of \$136,119 plus semi-annual interest payments at 2.57% through May, 2023.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2016	\$ 136,119	\$ 27,986
2017	136,119	24,488
2018	136,119	20,990
2019	136,119	17,491
2020	136,119	13,993
2021-2023	<u>408,357</u>	<u>20,989</u>
	<u>\$1,088,952</u>	<u>\$ 125,937</u>

b. NCDENR Water Quality Loan

In June, 1998, the Town entered into a NCDENR Water Quality Loan that requires annual principal payments of \$211,262 plus semi-annual interest payments at 3.43% through May, 2017.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending		
June 30	<u>Principal</u>	<u>Interest</u>
2016	\$ 211,262	\$ 14,493
2017	<u>211,263</u>	<u>7,246</u>
	<u>\$ 422,525</u>	<u>\$ 21,739</u>

c. NCDENR Drinking Water State Revolving Loan

To address raw water supply storage and sufficient water supply, the Town of North Wilkesboro is partnering with the Town of Wilkesboro to design and construct a raw water intake on the Kerr Scott Reservoir. Kerr Scott Reservoir will provide a reliable source of good quality water for both towns. The Town is using a combination of grants and loans to finance the project. The Town has arranged with NCDENR for a Drinking Water State Revolving Loan. \$791,354 in loan proceeds have been drawn against the loan as of June 30, 2015.

d. Loan Agreement

In July, 2007, the Town entered into a loan agreement for the purchase of equipment. The agreement required quarterly payments of \$11,607, which included interest at 4.05%. The loan was paid in full in July, 2014.

e. Loan Agreement

In December, 2013, the Town entered into a loan agreement for funding to construct a new water and sewer maintenance building and equipment shed requiring principal payments twice per year at \$22,188 each plus interest at 2.79% through December, 2023.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending	Principal	Interest
June 30		
2016	\$ 44,377	\$ 10,214
2017	44,377	8,976
2018	44,377	7,738
2019	44,377	6,500
2020	44,377	5,262
2021-2024	<u>155,320</u>	<u>8,668</u>
	<u>\$ 377,205</u>	<u>\$ 47,358</u>

f. Loan Agreement

The Town entered into a loan agreement for the purchase of equipment that requires monthly payments of \$4,763, which includes interest at 2.048% through April, 2022.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending	Principal	Interest
June 30		
2016	\$ 50,170	\$ 6,990
2017	51,207	5,953
2018	52,266	4,894
2019	53,346	3,813
2020	54,449	2,710
2021-2022	<u>102,764</u>	<u>2,029</u>
	<u>\$ 364,202</u>	<u>\$ 26,389</u>

g. Changes in Long-Term Liabilities

	Beginning			Ending	Current Portion
	Balance	Increases	Decreases	Balance	of Balance
Governmental activities:					
Notes payable	\$ 569,674	\$ -	\$ 132,015	\$ 437,659	\$ 128,389
Net pension liability (LEO)	196,328	24,207	-	220,535	-
Compensated absences	184,744	114,850	115,990	183,604	69,231
Other postemployment benefits	216,739	42,218	-	258,957	-
Net pension liability (LGERS)	469,338	-	469,338	-	-
Governmental activity long-term liabilities	<u>\$ 1,636,823</u>	<u>\$ 181,275</u>	<u>\$ 717,343</u>	<u>\$ 1,100,755</u>	<u>\$ 197,620</u>
Business-type activities:					
NC DENR Drinking Water Loan	\$ 1,225,071	\$ -	\$ 136,119	\$ 1,088,952	\$ 136,119
NC DENR Water Quality Loan	633,787	-	211,262	422,525	211,262
NC DENR Drinking Water State Revolving Loan	775,529	15,825	-	791,354	-
Notes payable	846,545	-	105,138	741,407	94,547
Compensated absences	23,248	25,212	16,655	31,805	11,816
Other postemployment benefits	57,352	9,425	-	66,777	-
Net pension liability (LGERS)	104,425	-	104,425	-	-
Business-type activity long-term liabilities	<u>\$ 3,665,957</u>	<u>\$ 50,462</u>	<u>\$ 573,599</u>	<u>\$ 3,142,820</u>	<u>\$ 453,744</u>

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.

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

At June 30, 2015, the Town had a legal debt margin of \$31,432,501.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2015, consist of the following:

Due from Wilkes Industrial Park Access Road Capital Projects Fund to the General Fund for cash advances	\$ 367,549
Due from NC STEP Program Capital Projects Fund to the General Fund for cash advances	14,461
Due from Memorial Park Stormwater Project Capital Projects Fund to the General Fund for cash advances	26,505
Due from Yadkin Valley Market Place Capital Projects Fund to the General Fund for cash advances	<u>82,784</u>
	<u>\$ 491,299</u>

Transfers to and from other funds at June 30, 2015, consist of the following:

From the General Fund to the Highway 18 Sidewalk Extension Phase II Capital Projects Fund to pay construction costs.	\$ 30,000
From the General Fund to the Yadkin Valley Market Place Capital Projects Fund to pay construction costs	<u>45,170</u>
Total transfers from General Fund	<u>\$ 75,170</u>
From Community Development Special Revenue Fund to the General Fund to close out the fund	<u>\$ 102,528</u>
From the Capital Reserve Capital Projects Fund to the General Fund for equipment purchases	<u>\$ 60,559</u>
From the Water and Sewer Fund to the Capital Reserve Capital Projects Fund to pay for future capital projects and equipment needs	<u>\$ 322,000</u>

D. Prior Period Adjustment

During the fiscal year ended June 30, 2015, the Town determined that there were certain errors in the prior year financial statements. Therefore, an adjustment to beginning balances has been recorded for the following:

	General Fund Balance	Governmental Activities Net Position	Business-Type Activities Net Position
Unrecorded bank account - Firemen's Supplementary Fund	\$ 5,000	\$ 5,000	\$ -
Error by Wilkes County in calculating and remitting ad valorem revenue to the Town in the 2013/2014 year	(93,363)	(93,363)	-
NCDENR Drinking Water State Revolving Loan incorrectly recorded as grant revenue instead of loan proceeds in previous years	-	-	(775,529)
Adoption of GASB Statement 68 by recording beginning net pension liability and beginning deferred outflows of resources	-	(314,544)	(69,984)
	<hr/>	<hr/>	<hr/>
Prior period adjustment	<u>\$ (88,363)</u>	<u>\$ (402,907)</u>	<u>\$ (845,513)</u>

E. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2015, the Town of North Wilkesboro has recognized on-behalf payments for pension contributions made by the State as revenue of \$9,344 and an expenditure of \$9,344 for the twenty-four volunteer firemen and three employed firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firefighters' and Rescue Squad Workers' Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

F. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 7,098,733	\$ 19,234,257
Less: long-term debt	<u>437,659</u>	<u>3,044,238</u>
Net investment in capital assets	<u>\$ 6,661,074</u>	<u>\$ 16,190,019</u>

G. Fund Balance

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

Total fund balance - General Fund	\$ 4,440,802
Less:	
Stabilization by State Statute	938,671
Streets - Powell Bill	69,215
Appropriated fund balance in 2016 budget	828,731
Fire Department Fundraising	26,359
Remaining Fund Balance	2,577,826

IV. Jointly Governed Organizations

The Town, in conjunction with seven counties and eighteen 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 \$921 to the Council during the fiscal year ended June 30, 2015.

V. Related Party Transactions

The Town requires that approval is required for purchases of goods and material involving a "public office" or a "public officer" who has more than a ten percent (10%) ownership in an entity who contracts with, or sells goods or materials, to the Town. The Town purchased materials from a company owned by a Town Commissioner in the amount of \$289. The Town also sold scrap materials to a company owned by a Town Commissioner in the amount of \$30.

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 monies to the grantor agencies. Management believes that any required refunds will be

immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

VII. Subsequent Events

Subsequent to year end, the Town acquired financing from a bank in the amount of \$600,000 to finance future construction costs related to various capital projects. Beginning March, 2016, the financing agreement requires semi-annual principal payments of \$30,000 plus interest at 2.49% through September, 2025.

Subsequent events have been evaluated through November 18, 2015, which is the date the financial statements were available to be issued.

VIII. Change in Accounting Principles/Restatement

The Town 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 at July 1, 2014 for the governmental and business-type activities decreased by \$314,544 and \$69,984, respectively.

Required Supplementary Financial Data

**Town of North 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		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
		Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)			
12/31/11	\$ -	\$ 393,347	393,347	0%	962,836	40.85%
12/31/12	\$ -	\$ 406,732	406,732	0%	1,000,322	40.66%
12/31/13	\$ -	\$ 414,881	414,881	0%	1,005,560	41.26%
12/31/14	\$ -	\$ 451,203	451,203	0%	998,465	45.19%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2012	40,039	85.52%
2013	44,286	74.97%
2014	48,514	46.02%
2015	57,405	46.04%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5%
Projected salary increases*	4.25% - 7.85%
Cost of living adjustments	N/A

* Includes inflation at 3.00%

Town of North Wilkesboro, North Carolina
Other Postemployment Benefits
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
		Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)			
12/31/14	\$ -	\$ 1,430,308	1,430,308	0%	2,671,325	53.5%
12/31/13	\$ -	\$ 1,316,278	1,316,278	0%	2,664,690	49.4%
12/31/10	\$ -	\$ 1,550,633	1,550,633	0%	2,334,964	66.4%
12/31/08	\$ -	\$ 1,310,154	1,310,154	0%	2,254,932	58.1%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2015	100,479	49.09%
2014	124,294	58.92%
2013	105,800	44.86%
2012	101,976	45.77%
2011	101,976	59.00%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4%
Medical trend assumptions	
Pre-Medicare trend rate	7.50% - 5.00%
Year of ultimate trend rate	2020

*Includes inflation at 3.00%

Town of North Wilkesboro, North Carolina
Town of North Wilkesboro's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Two Fiscal Years*

Local Governmental Employees' Retirement System

	2015	2014
North Wilkesboro's proportion of the net pension liability (asset) (%)	0.04802%	0.04760%
North Wilkesboro's proportion of the net pension liability (asset) (\$)	\$ (283,196)	\$ 573,763
North Wilkesboro's covered-employee payroll	\$ 2,646,975	\$ 2,547,882
North Wilkesboro's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-10.70%	22.52%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Town of North Wilkesboro, North Carolina
Town of North Wilkesboro's Contributions
Required Supplementary Information
Last Two Fiscal Years

Local Governmental Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 188,470	\$ 189,235
Contributions in relation to the contractually required contribution	<u>188,470</u>	<u>189,235</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
North Wilkesboro's covered-employee payroll	\$ 2,618,450	\$ 2,646,975
Contributions as a percentage of covered-employee payroll	7.20%	7.15%

Individual Fund Statements and Schedules

Town of North Wilkesboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 2,161,813	\$
Interest		25,341	
Total	<u>2,134,300</u>	<u>2,187,154</u>	<u>52,854</u>
Unrestricted intergovernmental:			
Local option sales taxes		1,061,005	
Payments in lieu of taxes		30,169	
Telecommunications sales tax		75,306	
Utilities sales tax		336,724	
Piped natural gas sales tax		8,337	
Video franchise fee		41,931	
Beer and wine tax		21,448	
Total	<u>1,333,500</u>	<u>1,574,920</u>	<u>241,420</u>
Restricted intergovernmental:			
Powell Bill allocation		149,674	
Controlled substance tax		1,383	
ABC revenue for law enforcement		700	
On-behalf of payments - Fire		9,344	
Solid waste disposal tax		2,902	
Total	<u>147,825</u>	<u>164,003</u>	<u>16,178</u>
Permits and fees:			
Privilege licenses and penalties		9,994	
Cable franchise fees		11,832	
Planning and zoning		3,750	
Building permits		26,553	
Total	<u>37,500</u>	<u>52,129</u>	<u>14,629</u>
Sales and services:			
Rents and concessions		27,427	
Court costs, fees, and charges		5,185	
Recreation Department fees		28,281	
Gargage disposal fees		397,546	
Parking violation fees		4,473	
Total	<u>462,560</u>	<u>462,912</u>	<u>352</u>
Investment earnings	<u>8,100</u>	<u>8,810</u>	<u>710</u>
Miscellaneous:			
Lease payment WRMC		600,000	
Miscellaneous		76,636	
Total	<u>619,000</u>	<u>676,636</u>	<u>57,636</u>
Total revenues	<u>4,742,785</u>	<u>5,126,564</u>	<u>383,779</u> cont.

Town of North Wilkesboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and benefits		30,728	
Operating expenses		41,021	
Total	<u>87,255</u>	<u>71,749</u>	<u>15,506</u>
Administration:			
Salaries and employee benefits		189,996	
Other operating expenditures		13,088	
Total	<u>209,705</u>	<u>203,084</u>	<u>6,621</u>
Finance:			
Salaries and employee benefits		162,690	
Other operating expenditures		58,156	
Capital outlay		19,097	
Total	<u>246,260</u>	<u>239,943</u>	<u>6,317</u>
Legal department:			
Salaries and employee benefits		21,130	
Professional services		51,664	
Total	<u>76,107</u>	<u>72,794</u>	<u>3,313</u>
Public buildings:			
Other operating expenditures		194,565	
Total	<u>208,000</u>	<u>194,565</u>	<u>13,435</u>
Special appropriations:			
Salaries and employee benefits		24,180	
Total	<u>40,000</u>	<u>24,180</u>	<u>15,820</u>
Tourism:			
Salaries and employee benefits		45,996	
Other operating expenditures		38,280	
Total	<u>89,575</u>	<u>84,276</u>	<u>5,299</u>
Total general government	<u>956,902</u>	<u>890,591</u>	<u>66,311</u>
Public safety:			
Police department:			
Salaries and employee benefits		1,438,933	
Other operating expenditures		315,545	
Capital outlay		77,066	
Total	<u>1,974,895</u>	<u>1,831,544</u>	<u>143,351</u>
Fire department:			
Salaries and employee benefits		305,196	
Other operating expenditures		152,117	
Total	<u>483,231</u>	<u>457,313</u>	<u>25,918</u>

cont.

Town of North Wilkesboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Inspections:			
Salaries and employee benefits		142,954	
Other operating expenditures		42,936	
Total	<u>276,985</u>	<u>185,890</u>	<u>91,095</u>
Total public safety	<u>2,735,111</u>	<u>2,474,747</u>	<u>260,364</u>
Transportation:			
Public works:			
Salaries and employee benefits		48,543	
Other operating expenditures		6,231	
Total	<u>60,082</u>	<u>54,774</u>	<u>5,308</u>
Streets and highways:			
Salaries and employee benefits		229,353	
Other operating expenditures		301,390	
Total	<u>562,531</u>	<u>530,743</u>	<u>31,788</u>
Garage:			
Salaries and employee benefits		59,144	
Other operating expenditures		22,125	
Total	<u>96,287</u>	<u>81,269</u>	<u>15,018</u>
Total transportation	<u>718,900</u>	<u>666,786</u>	<u>52,114</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		277,618	
Other operating expenditures		102,540	
Contracted services		141,091	
Total	<u>583,411</u>	<u>521,249</u>	<u>62,162</u>
Cemeteries:			
Salaries and employee benefits		69,053	
Other operating expenditures		20,663	
Total	<u>100,614</u>	<u>89,716</u>	<u>10,898</u>
Total environmental protection	<u>684,025</u>	<u>610,965</u>	<u>73,060</u>

cont.

Town of North Wilkesboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and recreational:			
Recreational:			
Salaries and employee benefits		153,315	
Other operating expenditures		146,818	
Capital outlay		5,667	
Total	<u>377,931</u>	<u>305,800</u>	<u>72,131</u>
Cultural:			
Contributions to other agencies		71,220	
Total	<u>70,720</u>	<u>71,220</u>	<u>(500)</u>
Total cultural and recreation	<u>448,651</u>	<u>377,020</u>	<u>71,631</u>
Debt service:			
Principal		132,015	
Interest and other charges		10,812	
Total debt service	<u>142,827</u>	<u>142,827</u>	<u>-</u>
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>5,686,416</u>	<u>5,162,936</u>	<u>523,480</u>
Revenues over (under) expenditures	<u>(943,631)</u>	<u>(36,372)</u>	<u>907,259</u>
Other financing sources (uses):			
Transfers from other funds:			
Special revenue fund	102,528	102,528	-
Capital projects funds	155,500	60,559	(94,941)
Transfers to other funds:			
Capital projects funds	(74,500)	(75,170)	(670)
Sale of capital assets	-	402,000	402,000
Total other financing sources (uses)	<u>183,528</u>	<u>489,917</u>	<u>306,389</u>
Fund balance appropriated	760,103	-	(760,103)
Net change in fund balance	<u>\$ -</u>	<u>453,545</u>	<u>\$ 453,545</u>
Fund balances, beginning as previously reported		3,989,115	
Prior period adjustment		(93,363)	
Fund balances, beginning as restated		<u>3,895,752</u>	
Fund balances, ending		<u>\$ 4,349,297</u>	

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Firemen's Supplementary Fund
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Contribution from State Firemen's Relief Fund	\$ 3,885	\$ 2,829	\$ (1,056)
Investment earnings	300	223	(77)
Total revenues	<u>4,185</u>	<u>3,052</u>	<u>(1,133)</u>
Expenditures:			
Salaries and benefits	18,000	18,000	-
Total expenditures	<u>18,000</u>	<u>18,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>(13,815)</u>	<u>(14,948)</u>	<u>(1,133)</u>
Appropriated fund balance	<u>13,815</u>	<u>-</u>	<u>(13,815)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (14,948)</u>	<u>\$ (14,948)</u>
Fund balance, beginning as previously reported		101,453	
Prior period adjustment		5,000	
Fund balance, beginning as restated		<u>106,453</u>	
Fund balance, ending		<u>\$ 91,505</u>	

Town of North Wilkesboro, North Carolina
 Capital Projects Fund - Wilkes Industrial Park Access Road
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 From Inception and For the Fiscal Year Ended June 30, 2015

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ -	\$ -	\$ 765,212	\$ 765,212	\$ 765,212
State grants	200,000	40,000	160,000	200,000	-
County of Wilkes	100,000	50,000	50,000	100,000	-
Contributions from other agencies	22,350	22,350	-	22,350	-
Investment earnings	-	37	80	117	117
Total revenues	<u>322,350</u>	<u>112,387</u>	<u>975,292</u>	<u>1,087,679</u>	<u>765,329</u>
Expenditures:					
Capital outlay	<u>549,166</u>	<u>84,430</u>	<u>1,219,299</u>	<u>1,303,729</u>	<u>(754,563)</u>
Total expenditures	<u>549,166</u>	<u>84,430</u>	<u>1,219,299</u>	<u>1,303,729</u>	<u>(754,563)</u>
Revenues over (under) expenditures	<u>(226,816)</u>	<u>27,957</u>	<u>(244,007)</u>	<u>(216,050)</u>	<u>10,766</u>
Other financing sources (uses)					
Transfers from other funds					
General Fund	122,350	42,713	-	42,713	(79,637)
Capital Reserve Capital Projects Fund	104,466	-	-	-	(104,466)
Total other financing sources (uses)	<u>226,816</u>	<u>42,713</u>	<u>-</u>	<u>42,713</u>	<u>(184,103)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 70,670</u>	<u>(244,007)</u>	<u>\$ (173,337)</u>	<u>\$ (173,337)</u>
Fund balance, beginning			<u>70,670</u>		
Fund balance, ending			<u>\$ (173,337)</u>		

Town of North Wilkesboro, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2015

	Community Development Special Revenue Fund	Fire Station Building Project Capital Projects Fund	NC STEP Program Capital Projects Fund	Highway 18 Sidewalk Extension Phase II Capital Projects Fund
Assets				
Cash and cash equivalents	\$ -	\$ 202,740	\$ -	\$ 2,285
Grants receivable	-	-	17,849	-
Due from other governments	-	-	39	-
Total assets	-	202,740	17,888	2,285
Liabilities				
Accounts payable and accrued liabilities	-	-	-	-
Due to General Fund	-	-	14,461	-
Total liabilities	-	-	14,461	-
Fund Balances				
Restricted by stabilization by state statute	-	-	3,427	-
Committed	-	202,740	-	2,285
Total fund balances	-	202,740	3,427	2,285
Total liabilities and fund balances	\$ -	\$ 202,740	\$ 17,888	\$ 2,285

Continued

Town of North Wilkesboro, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2015

	Memorial Park Stormwater Project Capital Projects Fund	Yadkin Valley Market Place Capital Projects Fund	Capital Reserve Capital Projects Fund	Total Non-Major Governmental Funds
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 751,296	\$ 956,321
Grants receivable	-	70,000	-	87,849
Due from other governments	-	-	-	39
Total assets	-	70,000	751,296	1,044,209
Liabilities				
Accounts payable and accrued liabilities	-	104,551	-	104,551
Due to General Fund	26,505	82,784	-	123,750
Total liabilities	26,505	187,335	-	228,301
Fund Balances				
Restricted by stabilization by state statute	-	-	-	3,427
Committed	(26,505)	(117,335)	751,296	812,481
Total fund balances	(26,505)	(117,335)	751,296	815,908
Total liabilities and fund balances	\$ -	\$ 70,000	\$ 751,296	\$ 1,044,209

Town of North Wilkesboro, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Community Development Special Revenue Fund	Fire Station Building Project Capital Projects Fund	NC STEP Program Capital Projects Fund	Highway 18 Sidewalk Extension Phase II Capital Projects Fund
Revenues:				
Restricted intergovernmental	\$ -	\$ -	\$ 36,357	\$ -
Contributions from other agencies	-	-	-	-
Investment earnings	-	491	3	-
Total revenues	-	491	36,360	-
Expenditures:				
Economic development	-	-	36,356	27,715
Total expenditures	-	-	36,356	27,715
Revenues over (under) expenditures	-	491	4	(27,715)
Other financing sources (uses):				
Transfers from other funds	-	-	-	30,000
Transfers to other funds	(102,528)	-	-	-
Total other financing sources (uses)	(102,528)	-	-	30,000
Net change in fund balance	(102,528)	491	4	2,285
Fund balance, beginning	102,528	202,249	3,423	-
Fund balance, ending	\$ -	\$ 202,740	\$ 3,427	\$ 2,285

Continued

Town of North Wilkesboro, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Memorial Park Stormwater Project Capital Projects Fund	Yadkin Valley Market Place Capital Projects Fund	Capital Reserve Capital Projects Fund	Total Non-Major Governmental Funds
Revenues:				
Restricted intergovernmental	\$ -	\$ 70,000	\$ -	\$ 106,357
Contributions from other agencies	-	90,000	-	90,000
Investment earnings	-	14	2,030	2,538
Total revenues	-	160,014	2,030	198,895
Expenditures:				
Economic development	26,505	322,519	-	413,095
Total expenditures	26,505	322,519	-	413,095
Revenues over (under) expenditures	(26,505)	(162,505)	2,030	(214,200)
Other financing sources (uses):				
Transfers from other funds	-	45,170	-	75,170
Transfers to other funds	-	-	(60,559)	(163,087)
Total other financing sources (uses)	-	45,170	(60,559)	(87,917)
Net change in fund balance	(26,505)	(117,335)	(58,529)	(302,117)
Fund balance, beginning	-	-	809,825	1,118,025
Fund balance, ending	\$ (26,505)	\$ (117,335)	\$ 751,296	\$ 815,908

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Community Development - Special Revenue Fund
For the Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	-	-	-
Total revenues	-	-	-
Expenditures:			
Operating expenses	-	-	-
Total expenditures	-	-	-
Revenues over (under) expenditures	-	-	-
Other financing sources (uses):			
Transfers to other funds:			
General Fund	(102,528)	(102,528)	-
Total	(102,528)	(102,528)	-
Appropriated fund balance	102,528	-	(102,528)
Net change in fund balance	<u>\$ -</u>	<u>\$ (102,528)</u>	<u>\$ (102,528)</u>
Fund balance, beginning		102,528	
Fund balance, ending		<u>\$ -</u>	

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Fire Station Building Project
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2015

	Project Author - ization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
Revenues:					
Investment earnings	\$ -	\$ 2,249	\$ 491	\$ 2,740	\$ 2,740
Total revenues	-	2,249	491	2,740	2,740
Expenditures:					
Capital outlay	400,000	-	-	-	400,000
Total expenditures	400,000	-	-	-	400,000
Revenues over (under) expenditures	(400,000)	2,249	491	2,740	402,740
Other financing sources (uses)					
Transfers from other funds	400,000	200,000	-	200,000	(200,000)
Total other financing sources (uses)	400,000	200,000	-	200,000	(200,000)
Net change in fund balance	\$ -	\$ 202,249	491	\$ 202,740	\$ 202,740
Fund balance, beginning			202,249		
Fund balance, ending			\$ 202,740		

Town of North Wilkesboro, North Carolina
 Capital Projects Fund - NC STEP Program
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 From Inception and For the Fiscal Year Ended June 30, 2015

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Restricted intergovernmental:					
State grants	\$ 125,000	\$ 8,113	\$ 36,357	\$ 44,470	\$ (80,530)
Investment earnings	-	1	3	4	4
Total revenues	<u>125,000</u>	<u>8,114</u>	<u>36,360</u>	<u>44,474</u>	<u>(80,526)</u>
Expenditures:					
Capital outlay	<u>131,250</u>	<u>10,941</u>	<u>36,356</u>	<u>47,297</u>	<u>83,953</u>
Total expenditures	<u>131,250</u>	<u>10,941</u>	<u>36,356</u>	<u>47,297</u>	<u>83,953</u>
Revenues over (under) expenditures	<u>(6,250)</u>	<u>(2,827)</u>	<u>4</u>	<u>(2,823)</u>	<u>3,427</u>
Other financing sources (uses)					
Transfers from other funds					
General Fund	<u>6,250</u>	<u>6,250</u>	<u>-</u>	<u>6,250</u>	<u>-</u>
Total other financing sources (uses)	<u>6,250</u>	<u>6,250</u>	<u>-</u>	<u>6,250</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,423</u>	<u>4</u>	<u>\$ 3,427</u>	<u>\$ 3,427</u>
Fund balance, beginning			<u>3,423</u>		
Fund balance, ending			<u>\$ 3,427</u>		

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Highway 18 Sidewalk Extension Phase II
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2015

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 120,000	\$ -	\$ -	\$ -	\$ (120,000)
Total revenues	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(120,000)</u>
Expenditures:					
Capital outlay	150,000	-	27,715	27,715	122,285
Total expenditures	<u>150,000</u>	<u>-</u>	<u>27,715</u>	<u>27,715</u>	<u>122,285</u>
Revenues over (under) expenditures	<u>(30,000)</u>	<u>-</u>	<u>(27,715)</u>	<u>(27,715)</u>	<u>2,285</u>
Other financing sources (uses)					
Transfers from other funds					
General Fund	30,000	-	30,000	30,000	-
Total other financing sources (uses)	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,285	<u>\$ 2,285</u>	<u>\$ 2,285</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 2,285</u>		

Town of North Wilkesboro, North Carolina
 Capital Projects Fund - Memorial Park Stormwater Project
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 From Inception and For the Fiscal Year Ended June 30, 2015

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Restricted intergovernmental:					
State grants	\$ 96,500	\$ -	\$ -	\$ -	\$ (96,500)
Contributions from other agencies	28,000	-	-	-	(28,000)
Total revenues	<u>124,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(124,500)</u>
Expenditures:					
Capital outlay	<u>200,000</u>	<u>-</u>	<u>26,505</u>	<u>26,505</u>	<u>173,495</u>
Total expenditures	<u>200,000</u>	<u>-</u>	<u>26,505</u>	<u>26,505</u>	<u>173,495</u>
Revenues over (under) expenditures	<u>(75,500)</u>	<u>-</u>	<u>(26,505)</u>	<u>(26,505)</u>	<u>48,995</u>
Other financing sources (uses)					
Transfers from other funds					
General Fund	75,500	-	-	-	(75,500)
Capital Reserve Capital Projects Fund	-	-	-	-	-
Total other financing sources (uses)	<u>75,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(26,505)</u>	<u>\$ (26,505)</u>	<u>\$ (26,505)</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ (26,505)</u>		

Town of North Wilkesboro, North Carolina
 Capital Projects Fund - Yadkin Valley Market Place
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 From Inception and For the Fiscal Year Ended June 30, 2015

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 20,000	\$ -	\$ 20,000	\$ 20,000	\$ -
State grants	100,000	-	50,000	50,000	(50,000)
Contributions from other agencies	90,000	-	90,000	90,000	-
Investment earnings	-	-	14	14	14
Total revenues	<u>210,000</u>	<u>-</u>	<u>160,014</u>	<u>160,014</u>	<u>(49,986)</u>
Expenditures:					
Capital outlay	<u>363,603</u>	<u>-</u>	<u>322,519</u>	<u>322,519</u>	<u>41,084</u>
Total expenditures	<u>363,603</u>	<u>-</u>	<u>322,519</u>	<u>322,519</u>	<u>41,084</u>
Revenues over (under) expenditures	<u>(153,603)</u>	<u>-</u>	<u>(162,505)</u>	<u>(162,505)</u>	<u>(8,902)</u>
Other financing sources (uses)					
Transfers from other funds					
General Fund	<u>153,603</u>	<u>-</u>	<u>45,170</u>	<u>45,170</u>	<u>(108,433)</u>
Total other financing sources (uses)	<u>153,603</u>	<u>-</u>	<u>45,170</u>	<u>45,170</u>	<u>(108,433)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(117,335)</u>	<u>\$ (117,335)</u>	<u>\$ (117,335)</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ (117,335)</u>		

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Capital Reserve - Capital Projects Fund
For the Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	-	2,030	2,030
Total revenues	-	2,030	2,030
Expenditures:			
Operating expenses	-	-	-
Total expenditures	-	-	-
Revenues over (under) expenditures	-	2,030	2,030
Other financing sources (uses):			
Transfers to other funds:			
General Fund	-	(60,559)	(60,559)
Wilkes Industrial Park Access Road Capital Projects Fund	(104,466)	-	104,466
Total	(104,466)	(60,559)	43,907
Appropriated fund balance	104,466	-	(104,466)
Net change in fund balance	<u>\$ -</u>	<u>(58,529)</u>	<u>\$ (58,529)</u>
Fund balance, beginning		809,825	
Fund balance, ending		<u>\$ 751,296</u>	

Town of North Wilkesboro, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Water sales and sewer charges	\$ 2,778,450	\$ 2,761,416	\$ (17,034)
Water and sewer taps	2,500	2,300	(200)
Other operating revenues	5,000	35,194	30,194
Total operating revenues	<u>2,785,950</u>	<u>2,798,910</u>	<u>12,960</u>
Nonoperating revenues:			
Rental income		44,275	
Investment earnings		2,546	
Total nonoperating revenues	<u>46,100</u>	<u>46,821</u>	<u>721</u>
Total revenues	<u>2,832,050</u>	<u>2,845,731</u>	<u>13,681</u>
Expenditures:			
Administration and billing:			
Salaries and employee benefits		87,660	
Other operating expenditures		83,706	
Total	<u>182,718</u>	<u>171,366</u>	<u>11,352</u>
Water treatment and distribution:			
Salaries and employee benefits		270,158	
Utilities		155,308	
Other operating expenditures		369,227	
Total	<u>829,787</u>	<u>794,693</u>	<u>35,094</u>
Water maintenance and construction:			
Salaries and employee benefits		162,866	
Other operating expenditures		86,247	
Total	<u>271,304</u>	<u>249,113</u>	<u>22,191</u>
Waste collection and treatment:			
Salaries and employee benefits		189,967	
Utilities		74,725	
Other operating expenditures		179,961	
Total	<u>447,625</u>	<u>444,653</u>	<u>2,972</u>
Sanitary sewer maintenance and construction:			
Other operating expenditures		66,337	
Total	<u>74,691</u>	<u>66,337</u>	<u>8,354</u>
Total operating expenditures	<u>1,806,125</u>	<u>1,726,162</u>	<u>79,963</u>

(continued)

Town of North Wilkesboro, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Interest and other charges		72,799	
Principal retirement		452,519	
Total debt service	525,324	525,318	6
Capital outlay:			
Capital outlay		181,849	
Total capital outlay	181,849	181,849	-
Total expenditures	2,513,298	2,433,329	79,969
Revenues over (under) expenditures	318,752	412,402	93,650
Other financing sources (uses):			
Transfers to other funds			
Capital projects fund	(322,000)	(322,000)	-
Total other financing sources (uses)	(322,000)	(322,000)	-
Fund balance appropriated	3,248	-	(3,248)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 90,402	\$ 90,402

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

Revenues and other sources over (under) expenditures and other uses	\$ 90,402
Reconciling items:	
Principal retirement	452,519
Capital outlay	181,849
Increase in accrued interest payable	(2,747)
Increase in accrued vacation pay	(8,558)
Deferred outflows of resources for contributions made to pension plan in current fiscal year	34,288
Pension expense	(3,404)
Depreciation	(772,193)
Increase in accrued OPEB liability	(9,425)
Transfer from Water and Sewer Fund to Capital Reserve Capital Project Fund	322,000
Investment earnings - River Road Sewer Extension Capital Projects Fund	2
Grant revenue - River Road Sewer Extension Capital Projects Fund	824,592
Investment earnings - Capital Reserve Capital Projects Fund	1,848
Total reconciling items	1,020,771
Change in net position	\$ 1,111,173

Town of North Wilkesboro, North Carolina
 Capital Projects Fund - Kerr Scott Reservoir Raw Water
 Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
 From Inception and For the Fiscal Year Ended June 30, 2015

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Restricted intergovernmental:					
State grants	\$ 500,000	\$ 204,075	\$ -	\$ 204,075	\$ (295,925)
Total revenues	500,000	204,075	-	204,075	(295,925)
Expenditures:					
Capital outlay	13,875,952	979,604	15,825	995,429	12,880,523
Total expenditures	13,875,952	979,604	15,825	995,429	12,880,523
Revenues over (under) expenditures	(13,375,952)	(775,529)	(15,825)	(791,354)	12,584,598
Other financing sources (uses)					
Proceeds from NC DENR Drinking Water State Revolving Loan	13,375,952	775,529	15,825	791,354	(12,584,598)
Total other financing sources (uses)	13,375,952	775,529	15,825	791,354	(12,584,598)
Revenues and other financing sources over (under) expenditures and other uses	\$ -	\$ -	\$ -	\$ -	\$ -

Town of North Wilkesboro, North Carolina
Capital Projects Fund - River Road Sewer Extension
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2015

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 735,000	\$ 174,473	\$ 560,527	\$ 735,000	-
State grants	229,000	-	264,065	264,065	35,065
Other contributions	11,500	11,500	-	11,500	-
Investment earnings	-	-	2	2	2
Total revenues	<u>975,500</u>	<u>185,973</u>	<u>824,594</u>	<u>1,010,567</u>	<u>35,067</u>
Expenditures:					
Capital outlay	<u>975,500</u>	<u>185,973</u>	<u>824,592</u>	<u>1,010,565</u>	<u>(35,065)</u>
Total expenditures	<u>975,500</u>	<u>185,973</u>	<u>824,592</u>	<u>1,010,565</u>	<u>(35,065)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 2</u>

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Capital Projects Fund - Capital Reserve
For the Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 1,848	\$ 1,848
Total revenues	<u>-</u>	<u>1,848</u>	<u>1,848</u>
Expenditures:			
Operating expenses	238,000	-	238,000
Total expenditures	<u>238,000</u>	<u>-</u>	<u>238,000</u>
Revenues over (under) expenditures	<u>(238,000)</u>	<u>1,848</u>	<u>239,848</u>
Other financing sources (uses):			
Transfers from other funds:			
Water and Sewer Fund	238,000	322,000	84,000
Total	<u>238,000</u>	<u>322,000</u>	<u>84,000</u>
Net change in fund balance	<u>\$ -</u>	<u>323,848</u>	<u>\$ 323,848</u>
Fund balance, beginning		<u>712,764</u>	
Fund balance, ending		<u>\$ 1,036,612</u>	

Other Schedules

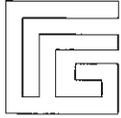
Town of North Wilkesboro, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2015

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2014</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014-2015	\$ -	\$ 2,119,752	\$ 2,023,261	\$ 96,491
2013-2014	81,340	-	34,149	47,191
2012-2013	79,521	-	45,771	33,750
2011-2012	36,308	-	7,869	28,439
2010-2011	26,555	-	6,339	20,216
2009-2010	17,803	-	3,749	14,054
2008-2009	10,491	-	1,137	9,354
2007-2008	11,302	-	2,009	9,293
2006-2007	8,106	-	1,697	6,409
2005-2006	6,206	-	1,304	4,902
2004-2005	5,972	-	5,972	-
	<u>\$ 283,604</u>	<u>\$ 2,119,752</u>	<u>\$ 2,133,257</u>	<u>\$ 270,099</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>137,582</u>
Ad valorem taxes receivable - net				<u>\$ 132,517</u>
<u>Reconcilement to revenues:</u>				
Ad valorem taxes - General Fund				\$ 2,187,154
Reconciling items:				
Interest collected				(25,341)
Adjustments				(34,528)
Taxes written off				<u>5,972</u>
Subtotal				<u>(53,897)</u>
Total collections and credits				<u>\$ 2,133,257</u>

Town of North 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	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 404,506,538	0.52	\$ 2,103,434	\$ 1,998,723	\$ 104,711
Penalties	-		-	-	-
Total	<u>404,506,538</u>		<u>2,103,434</u>	<u>1,998,723</u>	<u>104,711</u>
Discoveries:					
Current year taxes	3,318,269	0.52	17,255	17,255	-
Penalties	-		-	-	-
Total	<u>3,318,269</u>		<u>17,255</u>	<u>17,255</u>	<u>-</u>
Abatements	(180,192)		(937)	(937)	-
Total property valuation	<u>\$ 407,644,615</u>				
Net levy			2,119,752	2,015,041	104,711
Uncollected taxes at June 30, 2015			<u>(96,491)</u>	<u>(96,491)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,023,261</u>	<u>\$ 1,918,550</u>	<u>\$ 104,711</u>
Current levy collection percentage			<u>95.45%</u>	<u>95.21%</u>	<u>100.00%</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
Members of the Board of Commissioners
Town of North Wilkesboro, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of North 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 North Wilkesboro's basic financial statements, and have issued our report thereon dated November 18, 2015. The financial statements of the Town of North Wilkesboro ABC Board 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 the Town of North 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 North Wilkesboro's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2015-1, 2015-2, 2015-3, 2015-4, and 2015-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of North 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-3, 2015-4, and 2015-5.

Town of North Wilkesboro's Response to Findings

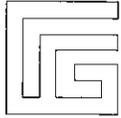
The Town of North Wilkesboro's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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 result 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.

Gibson + Company, P.A.

Winston-Salem, North Carolina
November 18, 2015



**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
Members of the Board of Commissioners
Town of North Wilkesboro, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Town of North Wilkesboro, North Carolina, compliance with the types of compliance requirements described in the *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 North Wilkesboro's major federal programs for the year ended June 30, 2015. The Town of North 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 North 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 North 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 of the Town of North Wilkesboro's compliance.

Unmodified Opinion on Each Major Federal Program

In our opinion, the Town of North 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs 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 2015-4, 2015-5, and 2015-6. Our opinion on each major federal program is not modified with respect to these matters.

The Town of North Wilkesboro's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of North 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 North 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 North 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 major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

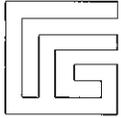
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-4, 2015-5, and 2015-6 to be material weaknesses.

The Town of North Wilkesboro's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of North 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 Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gibson + Company, P.A.

Winston-Salem, North Carolina
November 18, 2015



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
Members of the Board of Commissioners
Town of North Wilkesboro, North Carolina

Report on Compliance for Each Major State Program

We have audited the Town of North Wilkesboro, North Carolina, 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 North Wilkesboro's major state programs for the year ended June 30, 2015. The Town of North 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 North 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 North 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 of the Town of North Wilkesboro's compliance.

Opinion on Each Major State Program

In our opinion, the Town of North 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-6. Our opinion on each major state program is not modified with respect to this matter.

The Town of North Wilkesboro's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of North 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 North 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 North 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 major state program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-6 to be a material weakness.

The Town of North Wilkesboro's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of North 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 Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Johnson + Company, P.A." The signature is written in a cursive, flowing style.

Winston-Salem, North Carolina
November 18, 2015

TOWN OF NORTH WILKESBORO, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2015

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Grants:					
Cash programs:					
<u>Department of the Federal Highway Administration</u>					
-Passed-through the N.C. Department of Transportation:					
-Safe, Accountable, Flexible, Efficient, Transportation Equity Act - A Legacy for Users (SAFETEA-LU)					
-Wilkes Industrial Park					
	20.205		\$ 765,212	\$ -	\$ 191,303
<u>Appalachian Regional Commission</u>					
-Yadkin Valley Market Place					
			20,000	-	-
<u>Passed through N.C. Department of Commerce</u>					
-CDBG Economic Development Grant					
-Jeld-Wen, Inc. Sewer Project CDBG 12-E-2479					
	14.228		560,527	-	-
<u>N.C. Department of Environment and Natural Resources</u>					
-Drinking Water State Revolving Loan					
-Kerr Scott Reservoir Raw Water System Design and Environmental Assessment Preparation Project WIF-1647P					
	66.468		15,825	-	-
Total assistance - federal programs			1,361,564	-	191,303
State Grants:					
Cash Assistance:					
<u>Golden LEAF Foundation</u>					
-Wilkes Industrial Park Infrastructure Project					
		FY2013-199	-	160,000	-
<u>N.C. Department of Commerce</u>					
-Yadkin Valley Market Place					
		2015-083-2486-1534	-	50,000	-
<u>N.C. Department of Transportation:</u>					
Powell Bill					
		32570	-	120,996	-
<u>N.C. Department of Commerce</u>					
-NC STEP Implementation Investment					
		2012-234-60401-107	-	36,357	-
<u>Rural Economic Development Center, Inc.</u>					
-Jeld-Wen/Sewer Line, Force Main, Pump Station and Appurtenances					
		2013-109-40401-107	-	229,000	-
<u>N.C. Department of Commerce - Rural Economic Development Division</u>					
-Industrial Development Fund Utility Account					
-Jeld-Wen Sewer Extension					
		U-446	-	35,065	-
Total assistance - State programs			-	631,418	-
Total assistance			\$ 1,361,564	\$ 631,418	\$ 191,303

TOWN OF NORTH WILKESBORO, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2015

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of North Wilkesboro under the programs of the federal government and the State of North Carolina for the year ended June 30, 2015. The information in this SEFSA is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Because the SEFSA presents only a select portion of the operations of the Town of North Wilkesboro, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of North Wilkesboro.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or cost principles contained in Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note 3: Loans Outstanding

The Town of North Wilkesboro had the following loan balance outstanding at June 30, 2015. The loan made during the year is included in the SEFSA in the federal expenditures presented in the schedule. Balances and transactions related to these programs are included in the Town of North Wilkesboro's basic financial statements.

<u>Program Name</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
NC DENR Drinking Water State Revolving Loan	66.468	WIF-1647P	\$ 791,354

Town of North Wilkesboro, North Carolina
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2015

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted X yes no

Federal Awards

Internal control over major federal programs:

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

Type of auditor's report issued on compliance for major federal programs: Unmodified.

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

Identification of major federal programs:

CFDA No.	Names of Federal Program or Cluster
20.205	Highway Planning, Research and Construction Cluster
14.228	CDBG Economic Development Grant
66.468	Department of Environment and Natural Resources Drinking Water State Revolving Loan

Dollar threshold used to distinguish
between Type A and Type B Programs \$ 300,000

Auditee qualified as low-risk auditee? yes X no

State Awards

Internal control over major State programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act X yes no

Identification of major State programs:

Program Name

Golden LEAF Foundation – Wilkes Industrial Park Infrastructure Project
Rural Economic Development Center, Inc. – Jeld-Wen/Sewer Line, Force Main, Pump Station and Appurtenances

Section II – Financial Statement Findings

Finding: 2015-1

MATERIAL WEAKNESS

Criteria: All bank accounts in the name of the Town should be recorded in the Town's accounting records.

Condition: There is a bank account for the fire department that is unrecorded in the Town's accounting records.

Effect: All of the Town's assets are not appropriately accounted for.

Cause: Management failed to record a bank account in the Town's name in the accounting records.

Recommendation: All bank accounts in the Town's name should be recorded in the Town's accounting records.

Views of responsible officials and planned corrective actions: Management agrees with this finding and will record the bank account in the accounting records.

Finding 2015-2

MATERIAL WEAKNESS

Criteria: When accounts payable checks are written they should be dated the day they are written and posted to cash as of that day as well.

Condition: Accounts payable checks in the total amount of \$149,520 were written in July, 2015 but incorrectly posted to cash as of June 30, 2015. The checks were to pay invoices that related to the year ended June 30, 2015, and should have been included in accounts payable as of June 30, 2015.

Effect: Accounts payable was understated by \$149,520 and cash was understated by \$149,520 at June 30, 2015.

Cause: Management back dated the checks to June 30, 2015 in the accounting system.

Recommendation: When accounts payable checks are written, they should be dated the day they are written and posted to cash as of that same day.

Views of responsible officials and planned corrective actions: Management agrees with this finding and will in the future date accounts payable checks the day they are written and post to cash the same day.

Finding 2015-3

MATERIAL WEAKNESS

Criteria: In accordance with North Carolina General Statutes, budgets should be prepared for each fund of the Town of North Wilkesboro, and amendments should be proposed and voted on by the Board of Commissioners when additional appropriations are needed. In addition, capital projects funds should be monitored to make sure that the projects are properly funded and that cumulative expenses do not exceed cumulative revenues at any time.

Condition: The following budget violations and deficits in fund balances occurred during the year ended June 30, 2015.

Expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for transfers out to other funds by \$670.

Cumulative capital outlay expenditures through June 30, 2015 have exceeded authorized appropriations by \$35,065 for the River Road Sewer Extension Capital Projects Fund.

Expenditures made in the Capital Reserve Capital Projects Fund exceeded authorized appropriations made by the governing board for transfers out to other funds by \$60,559.

At June 30, 2015, the Wilkes Industrial Park Access Road Capital Projects Fund has a deficit fund balance of \$173,337. In addition, capital outlay expenditures through June 30, 2015 have exceeded authorized appropriations by \$754,563.

At June 30, 2015, the Memorial Park Stormwater Project Capital Projects Fund has a deficit fund balance of \$26,505.

At June 30, 2015, the Yadkin Valley Market Place Capital Projects Fund has a deficit fund balance of \$117,335.

Effect: Actual expenditures exceeded appropriations and certain capital projects funds had deficit balances at June 30, 2015.

Cause: These over-expenditures occurred because of expenditures not being adequately budgeted and project funds not being adequately funded.

Recommendation: The Finance Officer and management should work more closely to adhere to the budgeting procedures as outlined in the North Carolina General Statutes and also ensure that project funds are adequately funded in future periods.

Views of responsible officials and planned corrective actions: Management agrees with this finding and will more closely monitor their budgets and project funds in the future.

Finding 2015-4

MATERIAL WEAKNESS

Criteria: Management should monitor capital projects to ensure that all expenditures paid are proper with adequate documentation.

Condition: The Town of North Wilkesboro was awarded a federal grant under the program titled Safe, Accountable, Flexible, Efficient, Transportation Equity Act – A Legacy for Users (SAFETEA-LU) in the amount of \$765,212. The grant which was passed through the North Carolina Department of Transportation (NC DOT) was to be used to construct the new North Wilkesboro Industrial Park Road. It required a 20% match by the Town. The Town engaged the NC DOT to administer the grant and construction of the road. When the construction was complete, the NC DOT accumulated all of their costs in the project and then applied the grant proceeds against those costs to arrive at a net due from the Town for the match and any overages. However, the NC DOT incorrectly used the wrong grant amount to calculate the amount due from the Town. Even though the NC DOT received the full \$765,212 from the federal grant, they only applied \$756,000 in grant proceeds. Thus, the NC DOT overcharged the Town by \$9,212.

Effect: The capitalized cost of the road in the Town's accounting records was overstated by \$9,212 and the Town did not realize the full grant award they were entitled to.

Cause: Management did not identify the miscalculation by NC DOT.

Recommendation: For future projects where NC DOT is the pass through entity for grant awards, the Town should request the necessary documentation from NC DOT to verify that the Town is being credited for all the grant awards they are entitled to.

Views of responsible officials and planned corrective actions: Management agrees with this finding and will request such documentation from NC DOT in the future to verify that the Town is being credited for all the grant awards they are entitled to.

Finding 2015-5

MATERIAL WEAKNESS

Criteria: When loan proceeds are received as reimbursement for capital project costs, the proceeds should be recorded as long-term debt in the statement of net position (Exhibit 1) in the Town's financial statements.

Condition: In years prior to the 2014/2015 fiscal year, the Town received reimbursements for expenditures related to the Kerr Scott Reservoir Raw Water Project from a North Carolina Department of Environment and Natural Resources Drinking Water State Revolving Loan. These reimbursements amounted to \$775,529 through June 30, 2014. The Town incorrectly recorded this amount as grant revenue instead of long-term debt.

Effect: Liabilities were materially understated at June 30, 2014 by \$775,529 on the Town's statement of net position.

Cause: The loan proceeds were incorrectly classified as grant revenue.

Recommendation: Project reimbursements from the Drinking Water State Revolving Loan should be classified as long-term debt on the Town's statement of net position.

Views of responsible officials and planned corrective actions: Management agrees with this finding and will classify future project reimbursements from the Drinking Water State Revolving Loan as long-term debt.

Section III – Federal Award Findings and Questioned Costs

Finding 2015-4

MATERIAL WEAKNESS

Criteria: Management should monitor capital projects to ensure that all expenditures paid are proper with adequate documentation.

Condition: The Town of North Wilkesboro was awarded a federal grant under the program titled Safe, Accountable, Flexible, Efficient, Transportation Equity Act – A Legacy for Users (SAFETEA-LU) in the amount of \$765,212. The grant which was passed through the North Carolina Department of Transportation (NC DOT) was to be used to construct the new North Wilkesboro Industrial Park Road. It required a 20% match by the Town. The Town engaged the NC DOT to administer the grant and construction of the road. When the construction was complete, the NC DOT accumulated all of their costs in the project and then applied the grant proceeds against those costs to arrive at a net due from the Town for the match and any overages. However, the NC DOT incorrectly used the wrong grant amount to calculate the amount due from the Town. Even though the NC DOT received the full \$765,212 from the federal grant, they only applied \$756,000 in grant proceeds. Thus, the NC DOT overcharged the Town by \$9,212.

Effect: The capitalized cost of the road in the Town's accounting records was overstated by \$9,212 and the Town did not realize the full grant award they were entitled to.

Cause: Management did not identify the miscalculation by NC DOT.

Recommendation: For future projects where NC DOT is the pass through entity for grant awards, the Town should request the necessary documentation from NC DOT to verify that the Town is being credited for all the grant awards they are entitled to.

Views of responsible officials and planned corrective actions: Management agrees with this finding and will request such documentation from NC DOT in the future to verify that the Town is being credited for all the grant awards they are entitled to.

Finding 2015-5

MATERIAL WEAKNESS

Criteria: When loan proceeds are received as reimbursement for capital project costs, the proceeds should be recorded as long-term debt in the statement of net position (Exhibit 1) in the Town's financial statements.

Condition: In years prior to the 2014/2015 fiscal year, the Town received reimbursements for expenditures related to the Kerr Scott Reservoir Raw Water Project from a North Carolina Department of Environment and Natural Resources Drinking Water State Revolving Loan. These reimbursements amounted to \$775,529 through June 30, 2014. The Town incorrectly recorded this amount as grant revenue instead of long-term debt.

Effect: Liabilities were materially understated at June 30, 2014 by \$775,529 on the Town's statement of net position.

Cause: The loan proceeds were incorrectly classified as grant revenue.

Recommendation: Project reimbursements from the Drinking Water State Revolving Loan should be classified as long-term debt on the Town's statement of net position.

Views of responsible officials and planned corrective actions: Management agrees with this finding and will classify future project reimbursements from the Drinking Water State Revolving Loan as long-term debt.

Finding 2015-6

MATERIAL WEAKNESS

Criteria: In accordance with North Carolina General Statutes, budgets should be prepared for each fund of the Town of North Wilkesboro, and amendments should be proposed and voted on by the Board of Commissioners when additional appropriations are needed. In addition, capital projects funds should be monitored to make sure that the projects are properly funded and that cumulative expenses do not exceed cumulative revenues at any time.

Condition: The River Road Sewer Extension Capital Project is funded by a Community Development Block Grant (CDBG) in the amount of \$735,000 and a Rural Economic Development Center, Inc. (Rural Center) grant in the amount of \$229,000. Cumulative capital outlay expenditures through June 30, 2015 have exceeded authorized appropriations by \$35,065 in the River Road Sewer Extension Capital Projects Fund. The Wilkes Industrial Park Access Road Project is funded by a SAFETEA-LU grant in the amount of \$765,212 and a Golden LEAF Foundation grant in the amount of \$160,000. At June 30, 2015, the Wilkes Industrial Park Access Road Capital Projects Fund has a deficit fund balance of \$173,337. In addition, capital outlay expenditures through June 30, 2015 have exceeded authorized appropriations by \$754,563.

Effect: Actual expenditures exceeded appropriations and certain capital projects funds had deficit balances at June 30, 2015.

Cause: These over-expenditures occurred because of expenditures not being adequately budgeted and project funds not being adequately funded.

Recommendation: The Finance Officer and management should work more closely to adhere to the budgeting procedures as outlined in the North Carolina General Statutes and also ensure that project funds are adequately funded in future periods.

Views of responsible officials and planned corrective actions: Management agrees with this finding and will more closely monitor their budgets and project funds in the future.

Section IV – State Award Findings and Questioned Costs

Finding 2015-6

MATERIAL WEAKNESS

Criteria: In accordance with North Carolina General Statutes, budgets should be prepared for each fund of the Town of North Wilkesboro, and amendments should be proposed and voted on by the Board of Commissioners when additional appropriations are needed. In addition, capital projects funds should be monitored to make sure that the projects are properly funded and that cumulative expenses do not exceed cumulative revenues at any time.

Condition: The River Road Sewer Extension Capital Project is funded by a Community Development Block Grant (CDBG) in the amount of \$735,000 and a Rural Economic Development Center, Inc. (Rural Center) grant in the amount of \$229,000. Cumulative capital outlay expenditures through June 30, 2015 have exceeded authorized appropriations by \$35,065 in the River Road Sewer Extension Capital Projects Fund. The Wilkes Industrial Park Access Road Project is funded by a SAFETEA-LU grant in the amount of \$765,212 and a Golden LEAF Foundation grant in the amount of \$160,000. At June 30, 2015, the Wilkes Industrial Park Access Road Capital Projects Fund has a deficit fund balance of \$173,337. In addition, capital outlay expenditures through June 30, 2015 have exceeded authorized appropriations by \$754,563.

Effect: Actual expenditures exceeded appropriations and certain capital projects funds had deficit balances at June 30, 2015.

Cause: These over-expenditures occurred because of expenditures not being adequately budgeted and project funds not being adequately funded.

Recommendation: The Finance Officer and management should work more closely to adhere to the budgeting procedures as outlined in the North Carolina General Statutes and also ensure that project funds are adequately funded in future periods.

Views of responsible officials and planned corrective actions: Management agrees with this finding and will more closely monitor their budgets and project funds in the future.

Section II – Financial Statement Findings

MATERIAL WEAKNESS

2015-1 Unrecorded Bank Account

Name of contact person: Connie Bauguess, Finance Officer

Corrective Action: The Finance Officer has recorded the bank account in the Town's accounting records.

Proposed Completion Date: The Town implemented the above action immediately.

MATERIAL WEAKNESS

2015-2 Unrecorded Accounts Payable

Name of contact person: Connie Bauguess, Finance Officer

Corrective Action: The Finance Officer will in the future date accounts payable checks the day they are written and post to cash the same day.

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

MATERIAL WEAKNESS

2015-3 Budget Violations and Deficit Fund Balances

Name of contact person: Connie Bauguess, Finance Officer

Corrective Action: The Finance Officer will review budget-to-actual reports in the future and propose budget amendments as necessary. The Finance Officer will also monitor project funds to ensure the projects are properly funded.

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

MATERIAL WEAKNESS

2015-4 Overpayment of Project Costs Paid to NC Department of Transportation

Name of contact person: Connie Bauguess, Finance Officer

Corrective Action: The Finance Officer will request cost documentation from NC DOT in the future to verify the validity of costs be charged them.

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

MATERIAL WEAKNESS

2015-5 Misclassification of Drinking Water State Revolving Loan Proceeds in Prior Years

Name of contact person: Connie Bauguess, Finance Officer

Corrective Action: The Finance Officer will classify reimbursements received from the Drinking Water State Revolving Loan as loan proceeds in the future.

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

Section III – Federal Award Findings and Questioned Costs

MATERIAL WEAKNESS

2015-4 Overpayment of Project Costs Paid to NC Department of Transportation

Name of contact person: Connie Bauguess, Finance Officer

Corrective Action: The Finance Officer will request cost documentation from NC DOT in the future to verify the validity of costs be charged them.

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

MATERIAL WEAKNESS

2015-5 Misclassification of Drinking Water State Revolving Loan Proceeds in Prior Years

Name of contact person: Connie Bauguess, Finance Officer

Corrective Action: The Finance Officer will classify reimbursements received from the Drinking Water State Revolving Loan as loan proceeds in the future.

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

MATERIAL WEAKNESS

2015-6 Budget Violations and Deficit Fund Balances

Name of contact person: Connie Bauguess, Finance Officer

Corrective Action: The Finance Officer will review budget-to-actual reports in the future and propose budget amendments as necessary. The Finance Officer will also monitor project funds to ensure the projects are properly funded.

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

Section IV – State Award Findings and Questioned Costs

MATERIAL WEAKNESS

2015-6 Budget Violations and Deficit Fund Balances

Name of contact person: Connie Bauguess, Finance Officer

Corrective Action: The Finance Officer will review budget-to-actual reports in the future and propose budget amendments as necessary. The Finance Officer will also monitor project funds to ensure the projects are properly funded.

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

Town of North Wilkesboro, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2015

There were no prior year audit findings.