

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

**TOWN OF WILKESBORO**  
**NORTH CAROLINA**

**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

CERTIFIED PUBLIC ACCOUNTANTS  
LENOIR, NORTH CAROLINA

## **Town of Wilkesboro, North Carolina**

### **Town Council Members**

Mike Inscore, Mayor  
Nellie Archibald, Mayor Pro Tem  
Jimmy Hayes  
Gary Johnson  
Michael Testerman

### **Administrative and Financial Staff**

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

**Town of Wilkesboro, North Carolina  
Table of Contents  
June 30, 2013**

<u>Exhibit</u>		<u>Page</u>
	<b>Financial Section:</b>	
	<b>Independent Auditor's Report</b>	1-2
	<b>Management's Discussion and Analysis</b>	3-9
	<b>Basic Financial Statements:</b>	
	<b>Government-wide Financial Statements:</b>	
1	Statement of Net Position	10
2	Statement of Activities	11-12
	<b>Fund Financial Statements:</b>	
3	Balance Sheet - Governmental Funds	13
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
6	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	16
7	Statement of Net Position - Proprietary Funds	17
8	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	18
9	Statement of Cash Flows - Proprietary Funds	19
	Notes to the Financial Statements	20-37
	<b>Required Supplemental Financial Data:</b>	
A-1	Law Enforcement Officers' Special Separation Allowance - Schedule of Funding Progress	38
A-2	Law Enforcement Officers' Special Separation Allowance - Schedule of Employer Contributions	39
A-2	Law Enforcement Officers' Special Separation Allowance - Notes to the Required Schedules	39

**Town of Wilkesboro, North Carolina  
Table of Contents  
June 30, 2013**

<u>Exhibit</u>		<u>Page</u>
B-1	Other Postemployment Benefits - Schedule of Funding Progress	40
B-2	Other Postemployment Benefits - Schedule of Employer Contributions	41
B-2	Other Postemployment Benefits - Notes to the Required Schedules	41
<b>Combining and Individual Fund Statements and Schedules:</b>		
C-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	42-45
D-1	Combining Balance Sheet for Non-Major Governmental Fund	46
D-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	47
D-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual - From Inception – Grant Project Fund	48
D-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual - From Inception – Integrity Design Grant	49
D-5	Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual – From Inception – Capital Project Fund – Cub Creek Restoration Phase II	50
<b>Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:</b>		
E-1	Water and Sewer Fund	51-53
E-2	Water and Sewer Capital Projects Fund	54
E-3	Water and Sewer Capital Reserve Fund	55
<b>Other Schedules:</b>		
F-1	Schedule of Ad Valorem Taxes Receivable	56
F-2	Analysis of Current Tax Levy - Town-Wide Levy	57
<b>Compliance Section:</b>		
	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58-59
	Report on Compliance with requirements applicable the each Major State Program and Internal Control over Compliance in accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act	60-61
	Schedule of Findings and Questioned Costs	62
	Schedule of Prior Year Audit Findings	63
	Schedule of Expenditures of Federal and State Awards	64
	Corrective Action Plan	65

## FINANCIAL SECTION

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**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Wilkesboro, North Carolina as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Wilkesboro as of June 30, 2013, and

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

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary and Other Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

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

*Huntley, Sigmon & Associates, CPAs, PLLC*

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

## Management Discussion and Analysis

## Management's Discussion and Analysis

As management of the Town of Wilkesboro, we offer readers of the Town of Wilkesboro's financial statements this narrative overview and analysis of the financial activities of the Town of Wilkesboro for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

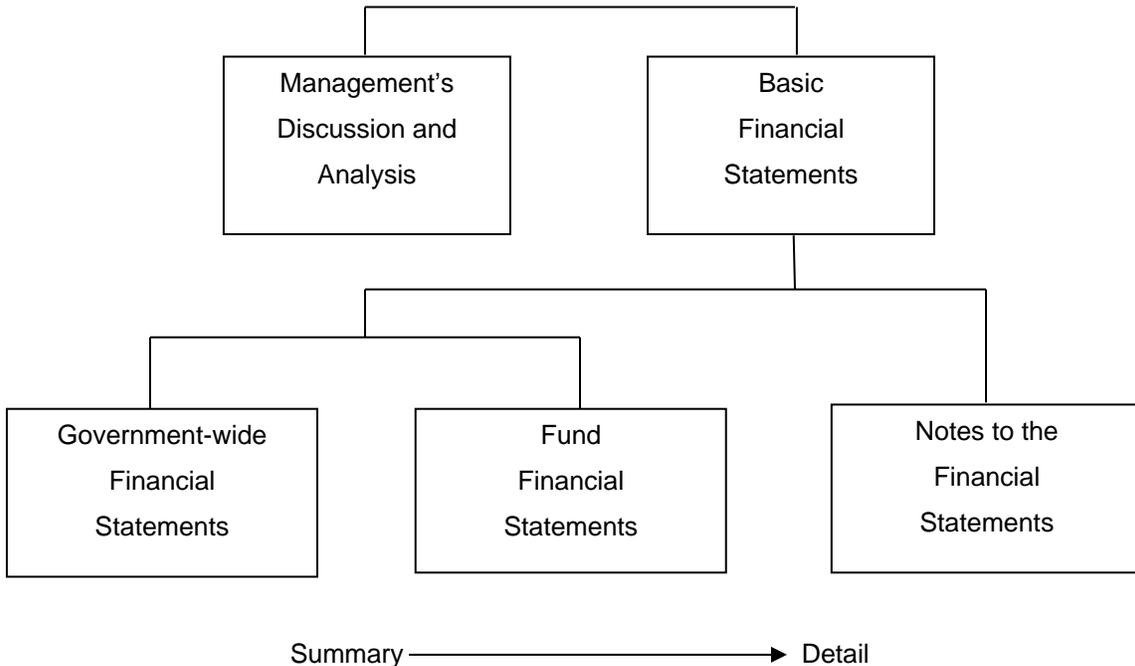
- The assets of the Town of Wilkesboro exceeded its liabilities at the close of the fiscal year by \$32,069,360 (*net position*).
- The government's total net position increased by \$1,465,754. The general fund added major capital assets in the form of vehicles and a garbage truck, while the business-type activities were able to add to their undesignated fund to be used on future projects to start in Fiscal Year 2014.
- As of the close of the current fiscal year, the Town of Wilkesboro's governmental funds reported combined ending fund balances of \$3,179,654, an increase of \$451,299. Approximately 62.3% of this total amount or \$1,981,238 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,981,654 or 39.3% of total general fund expenditures for the fiscal year.
- The Town of Wilkesboro's total long-term liabilities decreased by \$92,843 (1.0%) during the current fiscal year.

### Overview of the Financial Statements

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

### Required Components of Annual Financial Report

Figure 1



## Management's Discussion and Analysis Town of Wilkesboro

### Basic Financial Statements

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

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

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

### Government-wide Financial Statements

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

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

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

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

### Fund Financial Statements

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

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

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

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.

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

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

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

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

**Government-Wide Financial Analysis**

**Town of Wilkesboro's Net Position**

**Figure 2**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>6/30/2013</b>	<b>6/30/2012</b>	<b>6/30/2013</b>	<b>6/30/2012</b>	<b>6/30/2013</b>	<b>6/30/2012</b>
Current and other assets	\$ 3,811,073	\$ 3,218,570	\$ 3,698,656	\$ 3,783,077	\$ 7,509,729	\$ 7,001,647
Capital assets	<u>4,838,815</u>	<u>4,924,939</u>	<u>30,242,813</u>	<u>29,101,535</u>	<u>35,081,628</u>	<u>34,026,474</u>
Total assets	<u>\$ 8,649,888</u>	<u>\$ 8,143,509</u>	<u>\$ 33,941,469</u>	<u>\$ 32,884,612</u>	<u>\$ 42,591,357</u>	<u>\$ 41,028,121</u>
Long-term liabilities						
outstanding	\$ 1,221,401	\$ 726,826	\$ 8,665,254	\$ 9,183,672	\$ 9,886,655	\$ 9,910,498
Other liabilities	476,246	311,125	148,812	133,892	625,058	445,017
Deferred Inflows	<u>10,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,285</u>	<u>-</u>
Total liabilities	<u>\$ 1,707,932</u>	<u>\$ 1,106,951</u>	<u>\$ 8,814,066</u>	<u>\$ 9,317,564</u>	<u>\$ 10,521,998</u>	<u>\$ 10,424,515</u>
Net assets:						
Net invested in						
Capital assets						
related debt	\$ 4,593,605	\$ 4,902,344	\$ 21,965,929	\$ 20,208,311	\$ 26,559,534	\$ 25,110,655
Restricted	871,675	618,788	-	-	871,675	618,788
Unrestricted	<u>1,476,677</u>	<u>1,515,426</u>	<u>3,161,474</u>	<u>3,358,737</u>	<u>4,638,151</u>	<u>4,874,163</u>
Total net position	<u>\$ 6,941,957</u>	<u>\$ 7,036,558</u>	<u>\$ 25,127,403</u>	<u>\$ 23,567,048</u>	<u>\$ 32,069,360</u>	<u>\$ 30,603,606</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Wilkesboro exceeded liabilities by \$32,069,360 as of June 30, 2013. The Town's net position increased by \$1,465,754 for the fiscal year ended June 30, 2013. However, the largest portion reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and

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

equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Wilkesboro uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Wilkesboro's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Wilkesboro's net position \$871,675 (2.71%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,638,151 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.28%, which is above the statewide average of 97.93%. This represents an increase of over 3% when compared to prior year.

**Town of Wilkesboro Changes in Net Position**

**Figure 3**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2012</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 241,555	\$ 211,010	\$ 5,827,429	\$ 5,207,243	\$ 6,068,984	\$ 5,418,243
Operating grants and contributions	926,434	269,030			926,434	269,030
Capital grants and contributions			578,446	42,186	578,446	42,186
<b>General revenues:</b>						
Property taxes	2,651,489	2,634,201			2,651,489	2,634,201
Other taxes	1,465,613	1,505,676			1,465,613	1,505,676
<b>Other</b>	<u>424,862</u>	<u>966,219</u>	<u>171,009</u>	<u>221,236</u>	<u>595,871</u>	<u>1,187,455</u>
Total revenues	<u>\$ 5,709,953</u>	<u>\$ 5,586,136</u>	<u>\$ 6,576,884</u>	<u>\$ 5,470,665</u>	<u>\$ 12,286,837</u>	<u>\$ 11,056,801</u>
<b>Expenses:</b>						
General government	\$ 1,864,526	\$ 1,996,419			\$ 1,864,526	\$ 1,996,419
Public safety	2,211,544	1,939,028			2,211,544	1,939,028
Highways/Streets	476,877	573,547			476,877	573,547
Sanitation	270,003	230,621			270,003	230,621
Environ. Protection	240,943				240,943	
Culture and recreation	938,781	319,882			938,781	319,882
Interest on long-term debt	1,880	603			1,880	603
Water and sewer			<u>\$ 4,816,529</u>	<u>\$ 4,598,699</u>	<u>4,816,529</u>	<u>4,598,699</u>
Total expenses	<u>\$ 6,004,554</u>	<u>\$ 5,060,100</u>	<u>\$ 4,816,529</u>	<u>\$ 4,598,699</u>	<u>\$ 10,821,083</u>	<u>\$ 9,658,799</u>
Increase (decrease) in net position before transfers	\$ (294,601)	\$ 526,036	\$ 1,760,355	\$ 871,966	\$ 1,465,754	\$ 1,398,002
Transfers	<u>200,000</u>	<u>138,500</u>	<u>(200,000)</u>	<u>(138,500)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	\$ (94,601)	\$ 664,536	\$ 1,560,355	\$ 733,66	\$ 1,465,754	\$ 1,398,002
Net position, July 1	<u>\$ 7,036,558</u>	<u>\$ 6,372,022</u>	<u>\$ 23,567,048</u>	<u>\$ 22,833,582</u>	<u>\$ 30,603,606</u>	<u>\$ 29,205,604</u>
Net position, June 30	<u>\$ 6,941,957</u>	<u>\$ 7,036,558</u>	<u>\$ 25,127,403</u>	<u>\$ 23,567,048</u>	<u>\$ 32,069,360</u>	<u>\$ 30,603,606</u>

**Governmental activities:** Governmental activities decreased the Town's net position by \$94,601. The key element of this decrease in net position is the increase in liabilities, mostly OPEB liabilities which represent other post-employment benefits due to employees as a result of Town policy. See the notes section for more information with regards to this and other Town policies.

**Business-type activities:** Business-type activities increased the Town of Wilkesboro's net position by \$1,560,355. The key elements of this increase in net position are the increases in charges for services and capital contributions.

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

**Financial Analysis of the Town’s Funds**

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

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

The general fund is the chief operating fund of the Town of Wilkesboro. At the end of the current fiscal year, unassigned fund balance of the General Fund decreased by \$198,412 to \$2,307,979, while total fund balance increased \$451,299, 16.54%, to a total of \$3,179,654. This circumstance is a result of a realization of past due taxes, reflected in our increased tax collection percentage and funds collected for in-kind labor in a capital project. The decrease in unassigned fund balance is a result of the Town’s new budgeting process of using a contingency fund. The contingency fund allows the Town’s budget to be more accurate while allowing for unforeseen circumstances. These funds are budgeted and therefore, no longer unassigned, even though the plan is for them not to be needed.

As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 45.8% of total General Fund expenditures, while total fund balance represents 63.19% of that same amount.

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

**Proprietary Funds.** The Town of Wilkesboro’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,161,474. The total change in net position was an increase of \$1,560,355. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Wilkesboro’s business-type activities.

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Wilkesboro’s investment in capital assets for its governmental and business-type activities as of June 30, 2013, totals \$35,081,628 (net of accumulated depreciation). These assets include buildings, water and sewer lines, land, machinery and equipment, park facilities, vehicles, and infrastructure.

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

- Water and sewer capital asset additions of \$380,657.
- General fund capital asset additions of \$417,987.

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

**Figure 4**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>6/30/2013</b>	<b>6/30/2012</b>	<b>6/30/2013</b>	<b>6/30/2012</b>	<b>6/30/2013</b>	<b>6/30/2012</b>
Land	\$ 1,706,036	\$ 1,706,036	\$ 609,932	\$ 609,932	\$ 2,315,968	\$ 2,315,968
Building & improvements	1,894,524	1,932,089			1,894,524	1,932,089
Plant & dist. systems			18,960,758	19,325,430	18,960,758	19,325,430
Machinery & equipment	1,076,426	1,012,721	620,036	657,894	1,696,462	1,670,615
Infrastructure	161,829	65,966			161,829	65,966
Construction in progress	-	208,127	10,052,087	8,508,279	10,052,087	8,716,406
<b>Total</b>	<b>\$ 4,838,815</b>	<b>\$ 4,924,939</b>	<b>\$ 30,242,813</b>	<b>\$ 29,101,535</b>	<b>\$ 35,081,628</b>	<b>\$ 34,026,474</b>

## **Management's Discussion and Analysis**

### **Town of Wilkesboro**

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

#### **Long-term Debt**

The Town of Wilkesboro's total long-term liabilities decreased by \$92,843 (0.93%) during the current 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 Wilkesboro is \$52,505,745.

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

#### **Economic Factors**

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

- The unemployment rate for Wilkes County at June 30, 2013 stands at 11.1%, which is a slight decrease over last year's 11.3% rate. This rate is indicative of the national economic environment and is slightly above the state-wide average of 9.8%.
- The Town has two vacant industrial buildings that are being actively marketed for reuse. Both sites have unique characteristics that limit their marketability. The lack of marketable industrial facilities continues to hamper economic recruitment efforts.
- The Town has secured grant funds for Water and Sewer line rehabilitation work that will directly enhance our system's efficiency as a whole. It regards the service lines that encompass our largest customer, Tyson Foods. The rehabilitation of these lines will yield a more efficient system as well as continue to harbor a strong relationship between Tyson and the Town.
- The retail development along the US 421 business corridor continues to develop despite the current economic downturn. Numerous projects are currently in different phases of planning, construction, and completion.

#### **Budget Highlights**

**Governmental Activities:** The tax rate will increase to 44 cents per one hundred dollars (\$100) valuation of taxable property. This rate increase is a revenue neutral rate based on the results of the property revaluation performed by Wilkes County.

Budgeted expenditures have decreased from last year by less than a percent to \$5,874,000. This fiscal plan is well received the Town and we are happy to report a decrease to our overall number, even if it is a small decrease. The budget is remaining constant as a result of constant efforts by staff and management to make sound fiscal decisions.

Additionally, the Town will be financing the purchase of a mower to be used by our Parks Department as well as a mower to be used by our Street Department in this budget. The financed purchase will defer the cost over 3 years. Proceeds from lease purchase are budgeted at \$46,000.

**Business-type Activities:** Budgeted expenditures in the Water and Sewer Fund are expected to increase by approximately 48.96% to \$8,937,000. The cause of this substantial increase is the Town's planning of capital improvements to our delivery system. A \$2,600,000 sludge handling facility is to be constructed and paid for by the Town without the use of financed funds. This facility is long overdue and will increase the production efficiency of our water system. The Town has been planning for this and other projects over the last few years through a series of moderate rate increases. The funds produced through these rate increases have been banked in our undesignated funds. This careful planning has followed our projections and we are proud to know that no financing charges will be incurred on this project.

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

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

The Town expects to complete two separate capital projects valued at over \$9,000,000 during this fiscal year. These projects include the rehabilitation of the wastewater plant and various interceptor lines and pump stations within the Town. The Town borrowed \$7,363,544 to be repaid over a 20-year term with an interest rate of 2.5%. Total debt service for fiscal year 2013-2014 is expected to be \$563,613.73.

**Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Wilkesboro, 203 West Main Street, Wilkesboro, NC 28697.

## BASIC FINANCIAL STATEMENTS

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

	Primary Government			Wilkesboro Tourism Development, and Visitors Bureau	Wilkesboro ABC Board
	Governmental Activities	Business-type Activities	Total		
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,583,013	\$ 1,949,320	\$ 4,532,333	\$ 205,411	\$ 87,906
Taxes receivables (net)	144,889	-	144,889	-	-
Accounts receivable	83,055	523,585	606,640	-	-
Due from other governments	684,968	578,446	1,263,414	-	-
Due from component units	14,878	-	14,878	-	-
Due from primary government	-	-	-	34,814	-
Inventories	-	502,075	502,075	-	312,410
Prepaid items	-	-	-	-	7,710
Restricted cash and cash equivalents	194,522	145,230	339,752	-	-
Total current assets	<u>\$ 3,705,325</u>	<u>\$ 3,698,656</u>	<u>\$ 7,403,981</u>	<u>\$ 240,225</u>	<u>\$ 408,026</u>
Noncurrent assets:					
Capital assets:					
Land, non-depreciable improvements, and construction	\$ 1,706,036	\$ 10,662,019	\$ 12,368,055	\$ -	\$ 11,600
Other capital assets, net of depreciation	3,132,779	19,580,794	22,713,573	-	84,297
Total capital assets	<u>\$ 4,838,815</u>	<u>\$ 30,242,813</u>	<u>\$ 35,081,628</u>	<u>\$ -</u>	<u>\$ 95,897</u>
Total assets	<u>\$ 8,544,140</u>	<u>\$ 33,941,469</u>	<u>\$ 42,485,609</u>	<u>\$ 240,225</u>	<u>\$ 503,923</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 335,684	\$ 97,524	\$ 433,208	\$ -	\$ 89,640
Due to primary government	-	-	-	14,878	-
Due to other governments	-	-	-	-	46,725
Due to component units	34,814	-	34,814	-	-
Current portion of long-term liabilities	56,887	672,714	729,601	-	-
Payable from restricted assets	-	51,288	51,288	-	-
Total current liabilities	<u>427,385</u>	<u>821,526</u>	<u>1,248,911</u>	<u>14,878</u>	<u>136,365</u>
Long-term liabilities:					
Due in more than one year	1,164,514	7,992,540	9,157,054	-	-
Total liabilities	<u>\$ 1,591,899</u>	<u>\$ 8,814,066</u>	<u>\$ 10,405,965</u>	<u>\$ 14,878</u>	<u>\$ 136,365</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid Taxes	\$ 3,591	\$ -	\$ 3,591	\$ -	\$ -
Unexpended Grant Proceeds	6,693	-	3,393	-	-
Total Deferred inflows of resources	<u>\$ 10,284</u>	<u>\$ -</u>	<u>\$ 6,984</u>	<u>\$ -</u>	<u>\$ -</u>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 4,593,605	\$ 21,965,929	\$ 26,559,534	\$ -	\$ 95,897
Restricted for:					
Stabilization by state statute	677,153	-	677,153	34,814	-
Transportation	188,801	-	188,801	-	-
Public safety	5,721	-	5,721	-	-
Other purposes	-	-	-	-	53,500
Unrestricted	1,476,677	3,161,474	4,638,151	190,544	218,161
Total net position	<u>\$ 6,941,957</u>	<u>\$ 25,127,403</u>	<u>\$ 32,069,360</u>	<u>\$ 225,358</u>	<u>\$ 367,558</u>

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2013**

Program Revenues

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 1,864,526	\$ 26,268	\$ -	\$ -
Public safety	2,211,544	14,208	301,857	-
Transportation	476,877	-	113,415	-
Economic Development	270,003		270,003	
Environmental protection	240,943	115,188	-	-
Cultural and recreation	938,781	85,891	241,159	-
Interest on long-term debt	1,880	-	-	-
Total governmental activities	<u>\$ 6,004,554</u>	<u>\$ 241,555</u>	<u>\$ 926,434</u>	<u>\$ -</u>
Business-type activities:				
Water and sewer	\$ 4,816,529	\$ 5,827,429	\$ -	\$ 578,446
Total business-type activities	<u>\$ 4,816,529</u>	<u>\$ 5,827,429</u>	<u>\$ -</u>	<u>\$ 578,446</u>
Total primary government	<u>\$ 10,821,083</u>	<u>\$ 6,068,984</u>	<u>\$ 926,434</u>	<u>\$ 578,446</u>
Component units:				
Wilkesboro Tourism Development, Convention, and Visitors Bureau	\$ 131,576	\$ -	\$ -	\$ -
Wilkesboro ABC Board	1,807,859	1,813,821	-	-
Total component units	<u>\$ 1,939,435</u>	<u>\$ 1,813,821</u>	<u>\$ -</u>	<u>\$ -</u>

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

TOWN OF WILKESBORO, NORTH CAROLINA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Wilkesboro Tourism Development, Convention, and Visitors Bureau	Wilkesboro ABC Board
	Governmental Activities	Business-type Activities	Total		
<b>Primary government:</b>					
Governmental Activities:					
General government	\$ (1,838,258)	\$ -	\$ (1,838,258)	\$ -	\$ -
Public safety	(1,895,479)	-	(1,895,479)	-	-
Transportation	(363,462)	-	(363,462)	-	-
Economic Development	-	-	-	-	-
Environmental protection	(125,755)	-	(125,755)	-	-
Cultural and recreation	(611,731)	-	(611,731)	-	-
Interest on long-term debt	(1,880)	-	(1,880)	-	-
Total governmental activities	\$ (4,836,565)	\$ -	\$ (4,836,565)	\$ -	\$ -
Business-type activities:					
Water and sewer	\$ -	\$ 1,589,346	\$ 1,589,346	-	-
Total business-type activities	\$ -	\$ 1,589,346	\$ 1,589,346	-	-
Total primary government	\$ (4,836,565)	\$ 1,589,346	\$ (3,247,219)	-	-
Component units:					
Wilkesboro Tourism Development, Convention, and Visitors Bureau	-	-	-	\$ (131,576)	\$ -
Wilkesboro ABC Board	-	-	-	-	5,862
Total component units	-	-	-	\$ (131,576)	\$ 5,862
General revenues:					
Taxes:					
Property taxes, levied for general purpose	\$ 2,651,489	\$ -	\$ 2,651,489	\$ -	\$ -
Other taxes	1,465,613	-	1,465,613	-	-
Occupancy tax	-	-	-	113,569	-
Unrestricted investment earnings	3,952	2,541	6,493	2,378	-
Miscellaneous	420,910	168,468	589,378	10	-
Transfers	200,000	(200,000)	-	-	-
Total general revenues and transfers	\$ 4,741,964	\$ (28,990)	\$ 4,712,974	\$ 115,957	\$ -
Change in net position	\$ (94,601)	\$ 1,560,356	\$ 1,465,755	\$ (15,619)	\$ 5,862
Net position, beginning	\$ 7,036,558	\$ 23,567,048	\$ 30,603,606	\$ 240,977	\$ 361,696
Net position, ending	\$ 6,941,957	\$ 25,127,404	\$ 32,069,361	\$ 225,358	\$ 367,558

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

TOWN OF WILKESBORO, NORTH CAROLINA  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 June 30, 2013

	Major Funds		Total Governmental Funds
	General	Total Non-Major Funds	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,576,320	\$ 6,693	\$ 2,583,013
Restricted Cash	194,522	-	194,522
Receivables, net:			
Taxes	144,889	-	144,889
Accounts	83,055	-	83,055
Due from Non-Major Funds	105,748	-	105,748
Due from other governments	579,220	105,748	684,968
Due from component units	14,878	-	14,878
Total assets	<u>\$ 3,698,632</u>	<u>\$ 112,441</u>	<u>\$ 3,811,073</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 335,684		\$ 335,684
Due to General Fund		\$ 105,748	105,748
Due to component unit	34,814	-	34,814
Total liabilities	<u>\$ 370,498</u>	<u>\$ 105,748</u>	<u>\$ 476,246</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid Taxes	\$ 3,591	\$ -	\$ 3,591
Unexpended Grant Proceeds	-	6,693	6,693
Taxes Receivable, net	144,889	-	144,889
Total deferred inflows of resources	<u>\$ 148,480</u>	<u>\$ 6,693</u>	<u>\$ 155,173</u>
<b>FUND BALANCES</b>			
Restricted:			
Stabilization by State Statute	\$ 677,153	\$ -	\$ 677,153
Streets-Powell bill	188,801	-	188,801
Drug crime prevention	5,721	-	5,721
Assigned:			
Subsequent year's expenditures	326,741	-	326,741
Unassigned	1,981,238	-	1,981,238
Total fund balances	<u>\$ 3,179,654</u>	<u>\$ -</u>	<u>\$ 3,179,654</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,698,632</u>	<u>\$ 112,441</u>	<u>\$ 3,811,073</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Total Fund Balances, Governmental Funds		\$	3,179,654
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross Capital Assets		\$	8,687,147
Accumulated Depreciation			(3,848,332)
			4,838,815
Liabilities for earned revenues concerned deferred inflows of resources in fund statements.			144,889
Long-term liabilities used in governmental activities are not financial uses and therefore not reported in the funds			
Gross long-term debt			(1,221,401)
Net position of governmental activities		\$	<u>6,941,957</u>

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2013**

	Major Funds		Total Governmental Funds
	General Fund	Total Non-Major Funds	
<b>REVENUES</b>			
Ad valorem taxes	\$ 2,685,690	\$ -	\$ 2,685,690
Other taxes and licenses	120,628	-	120,628
Unrestricted intergovernmental	1,282,817	-	1,282,817
Restricted intergovernmental	530,316	511,162	1,041,478
Permits and fees	53,343	-	53,343
Sales and services	163,154	-	163,154
Investment earnings	3,952	-	3,952
Miscellaneous	208,092	185,000	393,092
Total revenues	\$ 5,047,992	\$ 696,162	\$ 5,744,154
<b>EXPENDITURES</b>			
Current:			
General government	\$ 1,684,288	\$ -	\$ 1,684,288
Public safety	2,065,472	-	2,065,472
Transportation	546,030	-	546,030
Economic development	-	270,003	270,003
Environmental protection	379,190	-	379,190
Cultural and recreation	342,448	426,159	768,607
Debt service:			
Principal	22,595	-	22,595
Interest and other charges	1,880	-	1,880
Total expenditures	\$ 5,041,903	\$ 696,162	\$ 5,738,065
Excess (deficiency) of revenues over expenditures	\$ 6,089	\$ -	\$ 6,089
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	\$ 200,000	\$ -	\$ 200,000
Proceeds from issuance of debt	245,210	-	245,210
Total other financing sources (uses)	\$ 445,210	\$ -	\$ 445,210
Net change in fund balance	\$ 451,299	\$ -	\$ 451,299
Fund balances, beginning	\$ 2,728,355	\$ -	\$ 2,728,355
Fund balances, ending	\$ 3,179,654	\$ -	\$ 3,179,654

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

**TOWN OF WILKESBORO, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2013**

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

Net changes in fund balances - total governmental funds	\$	451,299
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period</p>		
Capital outlay expenditures that were capitalized	\$ 417,986	
Depreciation expense	(295,984)	
Capital project cost closed	<u>(208,126)</u>	(86,124)
<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		(34,201)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	\$ (245,210)	
Principal payments on long-term debt	<u>22,595</u>	(222,615)
<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	\$ 2,442	
Net pension obligation	(26,997)	
Other postemployment benefits	<u>(178,405)</u>	(202,960)
Total changes in net position of governmental activities	\$	<u>(94,601)</u>

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2013**

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,563,408	\$ 2,563,408	\$ 2,685,690	\$ 122,282
Other taxes and licenses	110,000	110,000	120,628	10,628
Unrestricted intergovernmental	1,284,000	1,284,000	1,282,817	(1,183)
Restricted intergovernmental	718,392	718,392	530,316	(188,076)
Permits and fees	19,500	124,260	53,343	(70,917)
Sales and services	157,800	167,800	163,154	(4,646)
Investment earnings	10,000	10,000	3,952	(6,048)
Miscellaneous	192,100	192,100	208,092	15,992
Total revenues	<u>\$ 5,055,200</u>	<u>\$ 5,169,960</u>	<u>\$ 5,047,992</u>	<u>\$ (121,968)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	\$ 2,070,150	\$ 2,070,150	\$ 1,684,288	\$ 385,862
Public safety	2,221,600	2,275,600	2,065,472	210,128
Transportation	541,300	646,060	546,030	100,030
Environmental protection	263,050	430,050	379,190	50,860
Cultural and recreation	338,100	372,310	342,448	29,862
<b>Debt service:</b>				
Principal retirement	56,000	56,000	22,595	33,405
Interest and other charges	3,000	3,000	1,880	1,120
<b>Contingency:</b>				
Contingency	228,500	228,500	-	228,500
Total expenditures	<u>\$ 5,721,700</u>	<u>\$ 6,081,670</u>	<u>\$ 5,041,903</u>	<u>\$ 1,039,767</u>
Revenues over (under) expenditures	<u>\$ (666,500)</u>	<u>\$ (911,710)</u>	<u>\$ 6,089</u>	<u>\$ 917,799</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	\$ 200,000	\$ 200,000	\$ 200,000	\$ -
Proceeds from Issuance of Debt	238,000	483,210	245,210	(238,000)
Total other financing sources (uses)	<u>\$ 438,000</u>	<u>\$ 683,210</u>	<u>\$ 445,210</u>	<u>\$ (238,000)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ (228,500)</u>	<u>\$ (228,500)</u>	<u>\$ 451,299</u>	<u>\$ 679,799</u>
Fund balance appropriated	228,500	228,500	-	(228,500)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 451,299</u>	<u>\$ 451,299</u>
Fund balance, beginning			<u>2,728,355</u>	
Fund balance, ending			<u>\$ 3,179,654</u>	

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2013**

	<b>Major Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,949,320	\$ 1,949,320
Accounts receivable - billed	23,766	23,766
Accounts receivable - unbilled	499,819	499,819
Due from other governments	578,446	578,446
Inventories	502,075	502,075
Restricted cash and cash equivalents	145,230	145,230
Total current assets	\$ 3,698,656	\$ 3,698,656
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets	\$ 10,662,019	\$ 10,662,019
Other capital assets, net of depreciation	19,580,794	19,580,794
Capital assets (net)	\$ 30,242,813	\$ 30,242,813
Total assets	\$ 33,941,469	\$ 33,941,469
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 97,524	\$ 97,524
Liabilities payable from restricted assets:		
Customer deposits	51,288	51,288
Installment purchase-current	290,282	290,282
Promissory note-current	382,432	382,432
Total current liabilities	\$ 821,526	\$ 821,526
Noncurrent liabilities:		
Other noncurrent liabilities:		
Compensated absences	\$ 36,570	\$ 36,570
Other postemployment benefits	351,800	351,800
Installment purchase-noncurrent	1,619,886	1,619,886
Notes payable, net of current portion	5,984,284	5,984,284
Total noncurrent liabilities	\$ 7,992,540	\$ 7,992,540
Total liabilities	\$ 8,814,066	\$ 8,814,066
<b>NET POSITION</b>		
Net investment in capital assets	\$ 21,965,929	\$ 21,965,929
Unrestricted	3,161,474	3,161,474
Total net position	\$ 25,127,403	\$ 25,127,403

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2013**

	<b>Major Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 5,782,919	\$ 5,782,919
Water and sewer taps	22,765	22,765
Other operating revenue	21,745	21,745
<b>Total operating revenues</b>	<b>\$ 5,827,429</b>	<b>\$ 5,827,429</b>
<b>OPERATING EXPENSES</b>		
Administration	\$ 710,644	\$ 710,644
Water treatment and distribution	1,163,836	1,163,836
Waste collection and treatment	970,011	970,011
Maintenance	1,046,765	1,046,765
Depreciation	671,649	671,649
<b>Total operating expenses</b>	<b>\$ 4,562,905</b>	<b>\$ 4,562,905</b>
<b>Operating income</b>	<b>\$ 1,264,524</b>	<b>\$ 1,264,524</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	\$ 2,541	\$ 2,541
Interest and other charges	(253,624)	(253,624)
Miscellaneous Income	168,468	168,468
<b>Total nonoperating revenue (expenses)</b>	<b>\$ (82,615)</b>	<b>\$ (82,615)</b>
<b>Income before contributions and transfers</b>	<b>\$ 1,181,909</b>	<b>\$ 1,181,909</b>
Capital Contributions	578,446	578,446
Transfers to other funds	(200,000)	(200,000)
<b>Change in net position</b>	<b>\$ 1,560,355</b>	<b>\$ 1,560,355</b>
<b>Total net position, beginning</b>	<b>\$ 23,567,048</b>	<b>\$ 23,567,048</b>
<b>Total net position, ending</b>	<b>\$ 25,127,403</b>	<b>\$ 25,127,403</b>

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

	<b>Major Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 5,874,583	\$ 5,874,583
Cash paid for goods and services	(2,363,194)	(2,363,194)
Cash paid to or on behalf of employees for services	(1,486,282)	(1,486,282)
Customer deposits received	11,234	11,234
Customer deposits returned	(5,007)	(5,007)
Net cash provided by operating activities	<u>\$ 2,031,334</u>	<u>\$ 2,031,334</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers to other funds	\$ (200,000)	\$ (200,000)
Net cash used by financing activities	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	\$ (1,812,926)	\$ (1,812,926)
Proceeds from long-term debt	74,000	74,000
Principal paid on long-term debt	(690,340)	(690,340)
Interest paid on long-term debt	(253,624)	(253,624)
Miscellaneous income	168,468	168,468
Net cash used by capital and related financing activities	<u>\$ (2,514,422)</u>	<u>\$ (2,514,422)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	\$ 2,540	\$ 2,540
Net increase (decrease) in cash and cash equivalents	\$ (680,548)	\$ (680,548)
Balances, beginning	2,775,098	2,775,098
Balances, ending	<u>\$ 2,094,550</u>	<u>\$ 2,094,550</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 1,264,524	\$ 1,264,524
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 671,649	\$ 671,649
Changes in assets and liabilities:		
Decrease in accounts receivable	43,496	43,496
Increase in inventory	(61,177)	(61,177)
Increase in accounts payable and accrued liabilities	8,693	8,693
Increase in customer deposits	6,227	6,227
Increase in accrued vacation pay	3,555	3,555
Increase in OPEB liability	94,367	94,367
Total adjustments	<u>\$ 766,810</u>	<u>\$ 766,810</u>
Net cash provided by operating activities	<u>\$ 2,031,334</u>	<u>\$ 2,031,334</u>

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

## Notes to the Financial Statement

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2013**

**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

**Wilkesboro Tourism Development, Convention, and Visitors Bureau**

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

**Town of Wilkesboro ABC Board**

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

**B. Basis of Presentation**

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

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

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2013**

separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental funds:

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

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

The Town reports the following major enterprise fund:

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

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2013**

*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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Wilkes County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Wilkesboro. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Wilkes County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

**D. Budgetary Data**

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

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

**1. Deposits and Investments**

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2013**

State law [G.S. 159-30(c)] authorizes the Town, the Tourism Bureau, and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's, the Tourism Bureau's, and the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

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

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2012.

**5. Allowances for Doubtful Accounts**

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

**6. Inventory and Prepaid Items**

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

**7. Capital Assets**

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

**TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2013**

maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

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

**8. Deferred outflows/inflows of resources**

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

**9. Long-Term Obligations**

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

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

**10. Economic Dependency**

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

**11. Compensated Absences**

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2013**

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

**12. Net Position/Fund Balances**

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2013**

**II. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

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

At June 30, 2013, the Town's deposits had a carrying amount of \$4,599,237 and a bank balance of \$4,759,300. Of the Town's bank balance, \$3,105,822 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the Tourism Bureau was \$205,412, and the bank balance was \$217,670. All of the Tourism's bank balance was covered by federal depository insurance. The carrying amount of deposits for the ABC Board was \$87,906 and the bank balance was \$91,434. All of the ABC Board's bank balance was covered by federal depository insurance. At June 30, 2013, the Town's petty cash fund totaled \$200.

**2. Investments**

At June 30, 2013, the Town had \$272,648 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

**3. Receivables - Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2013 are net of the following allowances for doubtful accounts:

General Fund	
Taxes Receivable	<u>\$ 36,500</u>

**4. Capital Assets**

**Primary Government**

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2013**

Capital asset activity for the Primary Government for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Government activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,706,036			\$ 1,706,036
Construction in progress	208,127	\$ 416,000	\$ 624,127	0
Total capital assets not being depreciated	<u>\$ 1,914,163</u>	<u>\$ 416,000</u>	<u>\$ 624,127</u>	<u>\$ 1,706,036</u>
<b>Capital assets being depreciated:</b>				
Buildings	\$ 2,738,483			\$ 2,738,483
Other Improvements	353,706	\$ 34,589		388,295
Equipment and furniture	357,285	48,952		406,237
Vehicles and motorized equipment	3,081,942	232,459	\$ 115,446	3,198,955
Computer software	31,000			31,000
Computer equipment	31,034			31,034
Infrastructure	85,120	101,987		187,107
Total capital assets being depreciated	<u>\$ 6,678,570</u>	<u>\$ 417,987</u>	<u>\$ 115,446</u>	<u>\$ 6,981,111</u>
<b>Less accumulated depreciation for:</b>				
Buildings	\$ 886,129	\$ 58,865		\$ 944,994
Other Improvements	273,971	13,289		287,260
Equipment and furniture	306,020	13,462		319,482
Vehicles and motorized equipment	2,135,201	199,493	\$ 115,446	2,219,248
Computer software	16,607	4,429		21,036
Computer equipment	30,712	322		31,034
Infrastructure	19,154	6,124		25,278
Total accumulated depreciation	<u>\$ 3,667,794</u>	<u>\$ 295,984</u>	<u>\$ 115,446</u>	<u>\$ 3,848,332</u>
Total capital assets being depreciated, net	<u>\$ 3,010,776</u>			<u>\$ 3,132,779</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 4,924,939</u>			<u>\$ 4,838,815</u>

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

General government	\$ 30,205
Public safety	190,459
Transportation	32,365
Environmental protection	22,831
Cultural and recreational	<u>20,124</u>
Total depreciation expense	<u>\$ 295,984</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Water and Sewer Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 609,932			\$ 609,932
Construction in progress	8,508,279	\$ 1,543,808		10,052,087
Total capital assets not being depreciated	<u>\$ 9,118,211</u>	<u>\$ 1,543,808</u>		<u>\$ 10,662,019</u>

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2013

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	\$ 28,102,047	\$ 147,495		\$ 28,249,542
Equipment	2,280,256	233,162	\$ 42,123	2,471,295
Total capital assets being depreciated	<u>\$ 30,382,303</u>	<u>\$ 380,657</u>	<u>\$ 42,123</u>	<u>\$ 30,720,837</u>
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	\$ 8,776,617	\$ 512,167		\$ 9,288,784
Equipment	1,622,362	271,020	\$ 42,123	1,851,259
Total accumulated depreciation	<u>\$ 10,398,979</u>	<u>\$ 783,187</u>	<u>\$ 42,123</u>	<u>\$ 11,140,043</u>
Total capital assets being depreciated, net	<u>\$ 19,983,324</u>			<u>\$ 19,580,794</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 29,101,535</u>			<u>\$ 30,242,813</u>

**Construction commitments**

The Town has no active construction projects as of June 30, 2013.

**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 11,600			\$ 11,600
<b>Capital assets being depreciated:</b>				
Buildings and improvements	\$ 233,726			\$ 233,726
Furniture and equipment	64,126	\$ 2,415		66,541
Total capital assets being depreciated	<u>\$ 297,852</u>	<u>\$ 2,415</u>		<u>\$ 300,267</u>
<b>Less accumulated depreciation for:</b>				
Buildings	\$ 188,057	\$ 4,970		\$ 193,027
Furniture and equipment	16,932	6,011		22,943
Total accumulated depreciation	<u>\$ 204,989</u>	<u>\$ 10,981</u>		<u>\$ 215,970</u>
Total capital assets being depreciated, net	<u>\$ 92,863</u>			<u>\$ 84,297</u>
<b>ABC Board capital assets, net</b>	<u>\$ 104,463</u>			<u>\$ 95,897</u>

**B. Liabilities**

**1. Pension Plan and Postemployment Obligations**

**a. Local Governmental Employees' Retirement System**

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

**TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2013**

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 8.29% and 7.87%, respectively, of annual covered payroll. The contribution requirement of members and of the Town of Wilkesboro is established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$205,649, \$188,814, and \$177,074, respectively. The contributions made by the Town equaled the required contributions for each year.

**b. Law Enforcement Officers Special Separation Allowance**

**1. *Plan Description***

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

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>22</u>
Total	<u>22</u>

A separate report was not issued for the plan.

**2. *Summary of Significant Accounting Policies***

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

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

**3. *Contributions***

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

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% - 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases.

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2013**

Annual required contribution	\$ 30,022
Interest on net pension obligation	12,365
Adjustment to annual required contribution	<u>(15,390)</u>
Annual pension cost	\$ 26,997
Contributions made	<u>0</u>
Increase (decrease) in net pension obligation	\$ 26,997
Net pension obligation beginning of year	<u>247,303</u>
Net pension obligation end of year	<u>\$ 274,300</u>

3 Year Trend Information

For Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 28,364	0%	\$ 222,061
2012	\$ 25,242	0%	\$ 247,303
2013	\$ 26,997	0%	\$ 274,300

**4. Funded Status and Funding Progress.**

As of December 31, 2012, 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 \$243,536. The covered payroll (annual payroll of active employees was covered by the plan) as \$700,693, and the ratio of the UAAL to the covered payroll was 34.76 percent.

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

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013 were \$49,352, which consisted of \$35,582 from the Town and \$13,770 from the law enforcement officers.

**d. 401(K) Retirement Plan**

For the year ended June 30, 2013, the Town contributed to an approved 401(K) Retirement Plan covering eligible employees not engaged in law enforcement. The Town elected to make matching contributions of up to five percent (5%) of eligible salaries. The Town's contribution to the plan for the year ended June 30, 2013 was \$85,254.

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2013**

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

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

*Funding Policy.* The Town contributes \$10 per month to the Fund for each member. The State, a non-employer contributor, funds the plan through appropriations. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. For the fiscal year ended June 30, 2013, the Town of Wilkesboro has recognized on behalf of payments for pension contributions made by the State as a revenue and an expenditure of \$14,022 for the thirty four volunteer firemen and four employed firemen who perform fire fighting duties for the Town's fire department.

**f. Other Postemployment Benefits**

**Healthcare Benefits**

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

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

*Funding Policy.* By Town resolution, the Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the responsible fund. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In the fiscal year ended June 30, 2013, the Town's total contributions were \$86,661.

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

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

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2013**

Annual required contribution	\$ 355,412
Interest on net OPEB obligation	29,295
Adjustment to annual required contribution	<u>(25,274)</u>
Annual OPEB cost (expense)	\$ 359,433
Contributions made	<u>(86,661)</u>
Increase (decrease) in net OPEB obligation	\$ 272,772
Net OPEB obligation, beginning of year	<u>732,370</u>
Net OPEB obligation, end of year	<u><u>\$ 1,005,142</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2013 were as follows:

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

*Funded Status and Funding Progress.* As of June 30, 2013, the actuarial accrued liability for benefits was \$4,431,543, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,735,365, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 162.0 percent.

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

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

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

The following simplifying assumptions were made:

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

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

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

*Turnover* – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and

**TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2013**

for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

*Healthcare cost trend rate* – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 8.5 percent initially, reduced to an ultimate rate of 5.0 percent after six years, was used.

*Health insurance premiums* – 2013 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

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

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

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 4.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount. The remaining amortization period at June 30, 2013, was thirty years.

**2. Other Employment Benefit**

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

**3. Deferred Inflows of Revenues**

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

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes (General Fund)		\$ 3,591
Taxes receivable, net of penalty (General Fund)	\$ 144,889	
Unexpended grant proceeds (Special Revenue Fund)	<u>                    </u>	<u>6,693</u>
Total	<u>\$144,889</u>	<u>\$ 10,284</u>

**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.

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2013**

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

The Town carries commercial flood insurance on the garage/warehouse building and contents. Flood insurance is not carried on any other Town structure.

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

For health and dental insurance coverage, the Town is self-insured for individual losses up to \$45,000. The Town purchases reinsurance for individual losses over \$45,000, as well as reinsurance for total plan losses in excess of \$1,231,319.

**5. Long-Term Obligations**

**a. Promissory Notes**

Serviced by the General Fund:

Promissory Note due in annual installments of \$24,366 through September 2015; Interest at 1.47%. Secured by equipment.	\$ 71,000
Promissory Note due in annual installments of \$36,820 through September 2017; Interest at 1.87%. Secured by equipment.	<u>174,210</u>
Total General Fund	<u>\$ 245,210</u>

Serviced by the Water and Sewer Fund:

Promissory Note due in annual installments of \$15,641 through September 2017; Interest at 1.87%. Secured by equipment.	\$ 74,000
Promissory Note due in annual installments of \$533,857 beginning May 2012; Interest at 2.50%. Secured by water and sewer revenues.	<u>6,292,716</u>
Total Water and Sewer Fund	<u>\$ 6,366,716</u>

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 56,887	\$ 4,302	\$ 382,432	\$ 167,064
2015	57,856	3,328	382,700	157,593
2016	58,800	2,344	382,972	148,116
2017	35,481	1,340	383,249	138,635
2018	36,143	676	383,532	129,149
Next 5 years			1,840,886	506,244
Next 5 years			1,840,886	276,133
Next 3 years			<u>770,059</u>	<u>55,227</u>
Total	<u>\$ 245,167</u>	<u>\$ 11,990</u>	<u>\$ 6,366,716</u>	<u>\$ 1,578,161</u>

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2013**

**b. Installment Purchase**

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

The future minimum payments of the installment purchase as of June 30, 2013, including \$234,101 of interest, are as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2014	290,282	67,096
2015	300,974	56,404
2016	312,060	45,318
2017	323,554	33,824
2018	335,471	21,907
2019	<u>347,827</u>	<u>9,552</u>
Principal payments	<u>\$ 1,910,168</u>	
Total interest payments		<u>\$ 234,101</u>

**c. General Obligation Indebtedness**

At June 30, 2013, the Town of Wilkesboro had a legal debt margin of \$43,983,651.

**d. Changes in Long-Term Liabilities**

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion of Balance
<b>Governmental activities:</b>					
Promissory notes	\$ 22,595	\$ 245,210	\$ 22,595	\$ 245,210	\$ 56,887
Compensated absences	50,991		2,442	48,549	
Net pension obligation	247,303	26,997		274,300	
Other postemployment benefits	474,937	178,405		653,342	
<b>Governmental activity long-term liabilities</b>	<u>\$ 795,826</u>	<u>\$ 450,612</u>	<u>\$ 25,037</u>	<u>\$ 1,221,401</u>	<u>\$ 56,887</u>
<b>Business-type activities:</b>					
Installment purchase	\$ 2,190,138		\$ 279,970	\$ 1,910,168	\$ 290,282
Promissory notes	6,703,086	\$ 74,000	410,370	6,366,716	382,432
Compensated absences	33,015	3,555		36,570	
Other postemployment benefits	257,433	94,367		351,800	
<b>Business-type activity long-term liabilities</b>	<u>\$ 9,183,672</u>	<u>\$ 171,922</u>	<u>\$ 690,340</u>	<u>\$ 8,665,254</u>	<u>\$ 672,714</u>

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

**C. Interfund Balances and Activity**

**Balances due to/from Primary Government and Component Units**

Balances due to/from primary government and component units at June 30, 2013, consist of the following:

General Fund- Due from Non-Major Fund	<u>\$105,748</u>
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**TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2013**

Due from component unit-Tourism Bureau for reimbursement of expenses to primary government-General Fund	<u>\$ 14,878</u>
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Due from the primary government-General Fund for occupancy tax collected for component unit-Tourism Bureau	<u>\$ 34,814</u>
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**Transfers to/from Other Funds**

Transfers to/from other funds at June 30, 2013, consist of the following:

From Water and Sewer Fund to General Fund	\$ (200,000)
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**D. On-Behalf Payments for Fringe Benefits and Salaries**

For the fiscal year ended June 30, 2013, the Town of Wilkesboro has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$14,022 for the thirty four volunteer firemen and the four employed firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by the Town for each member, investment income, and a State appropriation.

**E. Fund Balance**

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

Total fund balance - General Fund	<u>\$ 3,179,654</u>
Less:	
Stabilization by State Statute	677,153
Streets - Powell Bill	188,801
Public Safety - Drug Crime Prevention	5,721
Appropriated Fund Balance in 2014 budget	326,741
Remaining Fund Balance	1,981,238

**III. Jointly Governed Organization**

The Town, in conjunction with seven counties and nineteen other municipalities established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$760 to the Council during the fiscal year ended June 30, 2013.

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

**IV. Joint Ventures**

The Town participates in a joint venture to operate the Wilkes Economic Development Corporation, a nonprofit corporation, with Wilkes County, another municipality, and the Wilkes Chamber of Commerce. The Town appoints one board member to the eighteen-member board of the Corporation. The Town has an ongoing financial responsibility for the joint venture because the Wilkes Economic Development Corporation's continued existence depends on the participating governments' continued funding. None of the participating governments have an equity interest in the nonprofit corporation, so no equity interests have been reflected in the financial statements at June 30, 2013. The Town appropriated \$70,000 to the

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2013**

Wilkes Economic Development Corporation during the year. Complete financial statements for the Corporation can be obtained from the Corporation's offices at PO Box 727, North Wilkesboro, NC 28659.

**V. Summary Disclosure of Significant Contingencies**

**Federal and State Assisted Programs**

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

**VI. Significant Effect of Subsequent Events**

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

**VII. Change in Accounting Principles**

The Town of Wilkesboro implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has now been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which was previously deferred and amortized, be presented as deferred outflows of resources.

Required  
Supplementary Financial Data

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

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- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
  
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
  
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.
  
- Schedule of Funding Progress for Other Postemployment Benefits.
  
- Schedule of Employer Contributions for Other Postemployment Benefits.
  
- Notes to the Required Schedules for Other Postemployment Benefits.

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

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

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

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

## Notes to the Required Schedules:

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

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

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

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

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

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

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at June 30, 2013. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2012
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage of Pay, Open
Remaining amortization period	30 Years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.0%
Medical cost trend rate	
Pre-Medicare trend rate	8.50% to 5.00%
Post-Medicare trend rate	6.25% to 5.00%
Year of Ultimate trend rate	2018
*Includes inflation at	3.00%

SUPPLEMENTARY INFORMATION:

Combining and Individual Fund Statements and Schedules

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

TOWN OF WILKESBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
Ad valorem taxes:			
Taxes	\$ 2,543,408	\$ 2,655,280	\$ 111,872
Interest	20,000	30,410	10,410
TOTAL	<u>\$ 2,563,408</u>	<u>\$ 2,685,690</u>	<u>\$ 122,282</u>
Other taxes and licenses:			
Privilege Licenses	\$ 110,000	\$ 120,628	\$ 10,628
Unrestricted intergovernmental:			
Local Option Sales Taxes	\$ 680,000	\$ 737,179	\$ 57,179
Payments in lieu of taxes	1,000	600	(400)
Telecommunications sales tax	40,000	37,905	(2,095)
Utility franchise tax	370,000	390,824	20,824
Piped natural gas tax	4,000	10,155	6,155
Video franchise fee	40,000	40,038	38
Beer and wine tax	14,000	13,840	(160)
ABC profit distribution	80,000	-	(80,000)
Hold harmless funds	55,000	52,276	(2,724)
TOTAL	<u>\$ 1,284,000</u>	<u>\$ 1,282,817</u>	<u>\$ (1,183)</u>
Restricted intergovernmental:			
Powell bill allocation	\$ 100,000	\$ 113,415	\$ 13,415
Other federal and state grants	495,500	282,058	(213,442)
Controlled substance tax	1,000	5,777	4,777
On behalf of payments	-	14,022	14,022
Solid waste disposal tax	1,892	1,931	39
Occupancy tax	120,000	113,113	(6,887)
TOTAL	<u>\$ 718,392</u>	<u>\$ 530,316</u>	<u>\$ (188,076)</u>
Permits and fees:			
Franchise fees	\$ 8,000	\$ 8,942	\$ 942
Street Assessment	104,760	31,118	(73,642)
Permits	11,500	13,283	1,783
TOTAL	<u>\$ 124,260</u>	<u>\$ 53,343</u>	<u>\$ (70,917)</u>
Sales and services:			
Rents	\$ 25,000	\$ 21,927	\$ (3,073)
Court costs, fees, and charges	3,500	4,271	771
Parking violation penalties	500	925	425
Sanitation fees	115,000	115,188	188
Open air market fees	20,000	16,736	(3,264)
Community Garden Proceeds	800	920	120
Park lights	3,000	3,187	187
TOTAL	<u>\$ 167,800</u>	<u>\$ 163,154</u>	<u>\$ (4,646)</u>
Investment earnings	\$ 10,000	\$ 3,952	\$ (6,048)

TOWN OF WILKESBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Miscellaneous:			
Other	\$ 190,100	\$ 107,192	\$ (82,908)
Reimbursement for In Kind Work		100,000	100,000
Cemetery donation	2,000	900	(1,100)
TOTAL	<u>\$ 192,100</u>	<u>\$ 208,092</u>	<u>\$ 15,992</u>
TOTAL REVENUES	<u>\$ 5,169,960</u>	<u>\$ 5,047,992</u>	<u>\$ (121,968)</u>
EXPENDITURES:			
General government:			
Governing body:			
Salaries and employee benefits		\$ 24,437	
Operating expenditures		133,438	
TOTAL	<u>\$ 238,000</u>	<u>\$ 157,875</u>	<u>\$ 80,125</u>
Administration:			
Salaries and employee benefits		\$ 349,308	
Other operating expenditures		228,448	
Insurance		674,780	
TOTAL	<u>\$ 1,491,550</u>	<u>\$ 1,252,536</u>	<u>\$ 239,014</u>
Public buildings:			
Salaries and employee benefits		\$ 114,151	
Other operating expenditures		130,070	
Capital outlay		29,656	
TOTAL	<u>\$ 340,600</u>	<u>\$ 273,877</u>	<u>\$ 66,723</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 2,070,150</u>	<u>\$ 1,684,288</u>	<u>\$ 385,862</u>
Public safety:			
Police:			
Salaries and employee benefits		\$ 901,627	
Other operating expenditures		274,790	
Capital outlay		41,473	
TOTAL	<u>\$ 1,221,600</u>	<u>\$ 1,217,890</u>	<u>\$ 3,710</u>
Fire:			
Salaries and employee benefits		\$ 469,980	
Retirement benefits paid		34,170	
Other operating expenditures		166,688	
Capital outlay		24,694	
TOTAL	<u>\$ 899,500</u>	<u>\$ 695,532</u>	<u>\$ 203,968</u>
Inspections:			
Salaries and employee benefits		\$ 70,592	
Other operating expenditures		81,458	
TOTAL	<u>\$ 154,500</u>	<u>\$ 152,050</u>	<u>\$ 2,450</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
TOTAL PUBLIC SAFETY	\$ 2,275,600	\$ 2,065,472	\$ 210,128
Transportation:			
Streets:			
Salaries and employee benefits		\$ 115,622	
Other operating expenditures		328,421	
Capital Outlay		101,987	
TOTAL TRANSPORTATION	\$ 646,060	\$ 546,030	\$ 100,030
Environmental protection:			
Sanitation:			
Salaries and employee benefits		\$ 144,703	
Other operating expenditures		31,067	
Landfill tipping fees		41,929	
Capital Outlay		161,491	
TOTAL ENVIRONMENTAL PROTECTION	\$ 430,050	\$ 379,190	\$ 50,860
Cultural and recreation:			
Parks and recreation:			
Salaries and employee benefits		\$ 94,196	
Other operating expenditures		79,105	
Capital outlay		58,685	
TOTAL	\$ 252,310	\$ 231,986	\$ 20,324
Tourism:			
Tourism development	\$ 120,000	\$ 110,462	\$ 9,538
TOTAL CULTURE AND RECREATION	\$ 372,310	\$ 342,448	\$ 29,862
Debt Service:			
Principal retirement		\$ 22,595	
Interest and other charges		1,880	
TOTAL DEBT SERVICE	\$ 59,000	\$ 24,475	\$ 34,525
Contingency:			
Contingency		-	
TOTAL CONTINGENCY	\$ 228,500	\$ -	\$ 228,500
TOTAL EXPENDITURES	\$ 6,081,670	\$ 5,041,903	\$ 1,039,767
REVENUES OVER/(UNDER) EXPENDITURES	\$ (911,710)	\$ 6,089	\$ 917,799
OTHER FINANCING SOURCES (USES):			
Transfers from other funds:			
Water and sewer fund	\$ 200,000	\$ 200,000	\$ -
Proceeds from issuance of debt:	483,210	245,210	(238,000)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 683,210	\$ 445,210	\$ (238,000)

TOWN OF WILKESBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (228,500)	\$ 451,299	\$ 679,799
Fund balance appropriated	<u>228,500</u>	<u>-</u>	<u>(228,500)</u>
Net change in fund balance	<u>\$ (0)</u>	<u>\$ 451,299</u>	<u>\$ 451,299</u>
Fund balance, beginning		<u>2,728,355</u>	
Fund balance, ending		<u>\$ 3,179,654</u>	

TOWN OF WILKESBORO, NORTH CAROLINA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2013

	SPECIAL REVENUE FUND Grant Project Fund	SPECIAL REVENUE FUND Integrity Design Grant	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,693	\$ -	\$ 6,693
Due from other governments	-	105,748	105,748
<b>TOTAL ASSETS</b>	<b>\$ 6,693</b>	<b>\$ 105,748</b>	<b>\$ 112,441</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Due to General Fund	\$ -	\$ 105,748	\$ 105,748
Unearned revenue	6,693	-	6,693
<b>TOTAL LIABILITIES</b>	<b>\$ 6,693</b>	<b>\$ 105,748</b>	<b>\$ 112,441</b>
<b>FUND BALANCE</b>			
Unassigned	\$ -	\$ -	\$ -
<b>TOTAL FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 6,693</b>	<b>\$ 105,748</b>	<b>\$ 112,441</b>

TOWN OF WILKESBORO, NORTH CAROLINA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Fiscal Year Ended June 30, 2013

	SPECIAL REVENUE FUND Grant Project Fund	SPECIAL REVENUE FUND Grant Project Fund	CAPITAL PROJECT FUND Cub Creek Restoration	Total Nonmajor Governmental Funds
<b>REVENUES:</b>				
Restricted Intergovernmental	\$ 10,159	\$ 270,003	\$ 231,000	\$ 511,162
Vendor Contribution	-	-	185,000	185,000
Total Revenues	<u>\$ 10,159</u>	<u>\$ 270,003</u>	<u>\$ 416,000</u>	<u>\$ 696,162</u>
<b>EXPENDITURES:</b>				
Cultural and Recreation	\$ 10,159	-	\$ 416,000	\$ 426,159
Economic Development	-	270,003	-	270,003
Total Expenditures	<u>\$ 10,159</u>	<u>\$ 270,003</u>	<u>\$ 416,000</u>	<u>\$ 696,162</u>
REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

TOWN OF WILKESBORO, NORTH CAROLINA  
SPECIAL REVENUE FUND - GRANT PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
From Inception and for the Fiscal Year Ended June 30, 2013

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Restricted intergovernmental Government Grant	\$ 59,200	\$ 42,347	\$ 10,159	\$ 52,506	\$ (6,694)
EXPENDITURES:					
Cultural and Recreation	\$ 61,000	\$ 42,347	\$ 10,159	\$ 52,506	\$ 8,494
REVENUES UNDER EXPENDITURES	\$ (1,800)	\$ -	\$ -	\$ -	\$ 1,800
OTHER FINANCING SOURCES:					
Transfer from General Fund	1,800	-	-	-	(1,800)
REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year			-		
Fund balance, end of year			<u>\$ -</u>		

TOWN OF WILKESBORO, NORTH CAROLINA  
SPECIAL REVENUE FUND - INTEGRITY DESIGN GRANT  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
From Inception and for the Fiscal Year Ended June 30, 2013

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>REVENUES:</b>					
Restricted intergovernmental					
State Grant - SBEA -CDBG	\$ 250,000	\$ -	\$ 214,977	\$ 214,977	\$ (35,023)
State Grant - Rural Center	75,000	-	55,026	55,026	(19,974)
<b>TOTAL REVENUES</b>	<b>\$ 325,000</b>	<b>\$ -</b>	<b>\$ 270,003</b>	<b>\$ 270,003</b>	<b>\$ (54,997)</b>
<b>EXPENDITURES:</b>					
Economic Development					
Passed-Through to Integrity Design:					
SBEA-CDBG Funds:					
Administration	\$ 25,000	\$ -	\$ 18,750	\$ 18,750	\$ 6,250
Planning	5,000	-	-	-	5,000
Equipment	136,522	-	112,749	112,749	23,773
Building Repairs	83,478	-	83,478	83,478	-
	<u>250,000</u>	<u>-</u>	<u>214,977</u>	<u>214,977</u>	<u>35,023</u>
Passed-Through to Integrity Design:					
Rural Center Funds					
Building Repairs	75,000	-	55,026	55,026	19,974
	<u>75,000</u>	<u>-</u>	<u>55,026</u>	<u>55,026</u>	<u>19,974</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 325,000</b>	<b>\$ -</b>	<b>\$ 270,003</b>	<b>\$ 270,003</b>	<b>\$ 54,997</b>
<b>REVENUES UNDER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Fund balance, beginning of year			-		
Fund balance, end of year			<u>\$ -</u>		

TOWN OF WILKESBORO, NORTH CAROLINA  
 CAPITAL PROJECT FUND - CUB CREEK RESTORATION PHASE II  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 From Inception and for the Fiscal Year Ended June 30, 2013

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>REVENUES:</b>					
Restricted intergovernmental					
State Grant - Clean Water Management					
Trust Fund	\$ 219,000	\$ 95,000	\$ 124,000	\$ 219,000	\$ -
State Grant - Division of Water Resources	167,000	60,000	107,000	167,000	-
Total	<u>\$ 386,000</u>	<u>\$ 155,000</u>	<u>\$ 231,000</u>	<u>\$ 386,000</u>	<u>\$ -</u>
Vendor Contribution			185,000	185,000	185,000
<b>TOTAL REVENUES</b>	<u><u>\$ 386,000</u></u>	<u><u>\$ 155,000</u></u>	<u><u>\$ 416,000</u></u>	<u><u>\$ 571,000</u></u>	<u><u>\$ 185,000</u></u>
<b>EXPENDITURES:</b>					
Cultural and Recreation					
Cub Creek Restoration	\$ 723,500	\$ 208,127	\$ 416,000	\$ 624,127	\$ 99,373
<b>TOTAL EXPENDITURES</b>	<u><u>\$ 723,500</u></u>	<u><u>\$ 208,127</u></u>	<u><u>\$ 416,000</u></u>	<u><u>\$ 624,127</u></u>	<u><u>\$ 99,373</u></u>
<b>REVENUES UNDER EXPENDITURES</b>	<u><u>\$ (337,500)</u></u>	<u><u>\$ (53,127)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (53,127)</u></u>	<u><u>\$ 284,373</u></u>
<b>OTHER FINANCING SOURCES:</b>					
Transfer from General Fund	\$ 287,500	\$ 53,127	\$ -	\$ 53,127	\$ (234,373)
Transfer from W/S Fund	50,000	-	-	-	(50,000)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u><u>\$ 337,500</u></u>	<u><u>\$ 53,127</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 53,127</u></u>	<u><u>\$ (284,373)</u></u>
<b>REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

TOWN OF WILKESBORO, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (Non-GAAP)  
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
Operating revenues:			
Water sales	\$ 2,555,951	\$ 2,621,713	\$ 65,762
Sewer charges	2,796,000	3,204,702	408,702
Water and sewer taps	30,000	22,765	(7,235)
Other operating revenue	28,000	21,745	(6,255)
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 5,409,951</b>	<b>\$ 5,870,925</b>	<b>\$ 460,974</b>
Nonoperating revenue:			
Interest earnings	\$ 10,000	\$ 2,541	\$ (7,459)
Miscellaneous	229,000	158,468	(70,532)
<b>TOTAL NONOPERATING REVENUES</b>	<b>\$ 239,000</b>	<b>\$ 161,009</b>	<b>\$ (77,991)</b>
<b>TOTAL REVENUES</b>	<b>\$ 5,648,951</b>	<b>\$ 6,031,934</b>	<b>\$ 382,983</b>
<b>EXPENDITURES:</b>			
Water and sewer administration:			
Salaries and employee benefits		\$ 132,401	
Other operating expenditures		10,213	
Insurance		472,013	
<b>TOTAL</b>	<b>\$ 695,550</b>	<b>\$ 614,627</b>	<b>\$ 80,923</b>
Water treatment and distribution:			
Salaries and employee benefits		\$ 506,234	
Utilities		223,364	
Maintenance		106,608	
Other operating expenditures		336,580	
<b>TOTAL</b>	<b>\$ 1,179,500</b>	<b>\$ 1,172,786</b>	<b>\$ 6,714</b>
Waste collection and treatment:			
Salaries and employee benefits		\$ 401,077	
Utilities		275,851	
Maintenance		80,072	
Other operating expenditures		216,538	
<b>TOTAL</b>	<b>\$ 976,900</b>	<b>\$ 973,538</b>	<b>\$ 3,362</b>
Maintenance:			
Salaries and employee benefits		\$ 458,508	
Maintenance		34,041	
Other operating expenditures		601,011	
<b>TOTAL</b>	<b>\$ 1,112,800</b>	<b>\$ 1,093,560</b>	<b>\$ 19,240</b>

TOWN OF WILKESBORO, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (Non-GAAP)  
For the Fiscal Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal retirement		\$ 690,340	
Interest and other charges		253,624	
TOTAL DEBT SERVICE	<u>\$ 967,401</u>	<u>\$ 943,964</u>	<u>\$ 23,437</u>
Capital outlay:			
Equipment		269,119	
TOTAL CAPITAL OUTLAY	<u>\$ 270,800</u>	<u>\$ 269,119</u>	<u>\$ 1,681</u>
Contingency			
Contingency		-	
TOTAL CONTINGENCY	<u>\$ 110,500</u>	<u>\$ -</u>	<u>\$ 110,500</u>
TOTAL EXPENDITURES	<u>\$ 5,313,451</u>	<u>\$ 5,067,594</u>	<u>\$ 245,857</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 335,500</u>	<u>\$ 964,340</u>	<u>\$ 628,840</u>
OTHER FINANCING SOURCES (USES):			
Transfers to other funds:			
General fund	\$ (200,000)	\$ (200,000)	\$ -
Water & Sewer Capital Projects Fund	(500,000)	(493,475)	6,525
Transfers from other funds:			
Proceeds from issuance of debt	179,000	74,000	(105,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (521,000)</u>	<u>\$ (619,475)</u>	<u>\$ (98,475)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (185,500)</u>	<u>\$ 344,865</u>	<u>\$ 530,365</u>
APPROPRIATED RETAINED EARNINGS	<u>\$ 185,500</u>	<u>\$ -</u>	<u>\$ (185,500)</u>
REVENUES, OTHER SOURCES, AND APPROPRIATED RETAINED EARNINGS OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ 344,865</u>	<u>\$ 344,865</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (Non-GAAP)  
For the Fiscal Year Ended June 30, 2013

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

REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 344,865
Reconciling items:	
Principal retirement	\$ 690,340
Capital outlay	269,119
Proceeds From Issuance of Debt	(74,000)
(Increase) Decrease in accrued vacation pay	(3,555)
(Increase) Decrease in OPEB liability	(94,367)
Depreciation	(671,649)
Increase (Decrease) in inventory	61,177
Increase (Decrease) in accounts receivable	(43,496)
Transfer to Water & Sewer Capital Project Fund	493,475
Capital contributions	578,446
Rent income in the water and sewer	
Capital reserve fund	10,000
TOTAL RECONCILING ITEMS	<u>\$ 1,215,490</u>
CHANGE IN NET POSITION	<u><u>\$ 1,560,355</u></u>

TOWN OF WILKESBORO, NORTH CAROLINA  
 WATER AND SEWER CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 BUDGET AND ACTUAL (Non-GAAP)  
 From Inception and for the Fiscal Year Ended June 30, 2013

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues - 201 Wastewater Improvements					
Federal Grant	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
Vendor Contribution	15,000	-	-	-	(15,000)
Total	\$ 1,015,000	\$ 1,000,000	\$ -	\$ 1,000,000	\$ (15,000)
Revenues - Cherry Street W/S Improvements					
Grant - ARC	\$ 300,000	\$ -	\$ -	\$ -	\$ (300,000)
Grant - Rural Center	706,404	-	578,446	578,446	(127,958)
Total	\$ 1,006,404	\$ -	\$ 578,446	\$ 578,446	\$ (427,958)
TOTAL REVENUES	\$ 2,021,404	\$ 1,000,000	\$ 578,446	\$ 1,578,446	\$ (442,958)
Expenditures - 201 Wastewater Improvements					
Closing Fee	\$ 147,271	\$ 144,628	\$ -	\$ 144,628	\$ 2,643
Administration Cost/Legal	40,000	36,129	-	36,129	3,871
Engineering	1,175,309	1,141,109	18,505	1,159,614	15,695
Construction - Lynch	4,761,154	4,751,621	-	4,751,621	9,533
Construction - Spur	2,553,075	2,358,742	87,154	2,445,896	107,179
Contingency	219,211	48,100	-	48,100	171,111
Total	\$ 8,896,020	\$ 8,480,329	\$ 105,659	\$ 8,585,988	\$ 310,032
Expenditures - Cherry Street W/S Improvements					
Construction - Buckeye Construction	\$ 1,245,969	\$ -	\$ 1,024,222	\$ 1,024,222	\$ 221,747
Paving	40,000	-	176,167	176,167	(136,167)
Engineering	103,910	-	196,474	196,474	(92,564)
Construction Observation	60,000	-	40,896	40,896	19,104
Grant Administration	25,000	-	-	-	25,000
Legal / Other	15,000	-	-	-	15,000
Contingency	10,000	-	389	389	9,611
Total	\$ 1,499,879	\$ -	\$ 1,438,148	\$ 1,438,148	\$ 61,731
TOTAL EXPENDITURES	\$ 10,395,899	\$ 8,480,329	\$ 1,543,807	\$ 10,024,136	\$ 371,763
REVENUES OVER (UNDER) EXPENDITURES	\$ (8,374,495)	\$ (7,480,329)	\$ (965,361)	\$ (8,445,690)	\$ (71,195)
OTHER FINANCING SOURCES (USES):					
Proceeds from Issuance of Debt	\$ 7,363,544	\$ 7,029,070	\$ -	\$ 7,029,070	\$ (334,474)
Transfer from Water and Sewer Capital Reserve Fund	441,476	441,476	-	441,476	-
Transfer from Water and Sewer Fund	76,000	75,000	-	75,000	(1,000)
Transfer from Water and Sewer Fund	493,475	-	493,475	493,475	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ 8,374,495	\$ 7,545,546	\$ 493,475	\$ 8,039,021	\$ (335,474)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES					
	\$ -	\$ 65,217	\$ (471,886)	\$ (406,669)	\$ (406,669)

TOWN OF WILKESBORO, NORTH CAROLINA  
 WATER AND SEWER CAPITAL RESERVE FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (Non-GAAP)  
 From Inception and for the Fiscal Year Ended June 30, 2013

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>REVENUES:</b>					
Rent Income-Vulcan Materials	\$ -	\$ 60,000	\$ 10,000	\$ 70,000	\$ 70,000
Investment Earnings	137,459	250,600	-	250,600	113,141
<b>Total Revenues</b>	<b>\$ 137,459</b>	<b>\$ 310,600</b>	<b>\$ 10,000</b>	<b>\$ 320,600</b>	<b>\$ 183,141</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer from Water and Sewer Fund	\$ 641,336	\$ 641,336	\$ -	\$ 641,336	\$ -
Transfer from Water and Sewer Capital Projects Fund	964,430	332,740	-	332,740	(631,690)
Transfer from Capital Projects Fund	-	25,000	-	25,000	25,000
Transfer to Water and Sewer Fund	(428,071)	(428,071)	-	(428,071)	-
Transfer to Water and Sewer Capital Projects Fund	(1,285,430)	(767,939)	-	(767,939)	517,491
Transfer to General Fund	(4,724)	(4,724)	-	(4,724)	-
Transfer to Capital Projects Fund	(25,000)	(25,000)	-	(25,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (137,459)</b>	<b>\$ (226,658)</b>	<b>-</b>	<b>\$ (226,658)</b>	<b>\$ (89,199)</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ -</b>	<b>\$ 83,942</b>	<b>\$ 10,000</b>	<b>\$ 93,942</b>	<b>\$ 93,942</b>

## Other Schedules

This section contains additional information required on property taxes.

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

TOWN OF WILKESBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
June 30, 2013

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2012</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 2,625,349	\$ 2,580,215	\$ 45,134
2011-2012	124,804	-	43,998	80,806
2010-2011	53,554	-	22,791	30,763
2009-2010	9,449	-	4,173	5,276
2008-2009	7,242	-	3,797	3,445
2007-2008	5,626	-	2,961	2,665
2006-2007	4,035	-	1,332	2,703
2005-2006	3,145	-	163	2,982
2004-2005	3,468	-	52	3,416
2003-2004	4,495	-	296	4,199
2002-2003	<u>5,172</u>	<u>-</u>	<u>5,172</u>	<u>-</u>
Total	<u>\$ 220,990</u>	<u>\$ 2,625,349</u>	<u>\$ 2,664,950</u>	<u>\$ 181,389</u>
Less: Allowance for Uncollectible Accounts-General Fund				<u>(36,500)</u>
AD VALOREM TAXES RECEIVABLE - NET				<u>\$ 144,889</u>
RECONCILEMENT WITH REVENUES:				
Taxes - Ad Valorem Taxes - General Fund				<u>\$ 2,685,690</u>
Reconciling Items:				
Interest Collected				\$ (30,410)
Taxes Written off				5,166
Prior Years Releases				<u>4,504</u>
Subtotal				<u>\$ (20,740)</u>
TOTAL COLLECTIONS AND CREDITS				<u>\$ 2,664,950</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
TOWN-WIDE LEVY  
For the Fiscal Year Ended June 30, 2013

	Town-Wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	<u>\$ 651,681,606</u>	<u>\$ 0.40</u>	<u>\$ 2,606,726</u>	<u>\$ 2,490,312</u>	<u>\$ 116,414</u>
Discoveries:					
Current year taxes	\$ 7,549,270		\$ 30,197	\$ 30,197	
Prior year taxes			60	60	
Penalties			<u>2</u>	<u>2</u>	
TOTAL	<u>\$ 7,549,270</u>		<u>\$ 30,259</u>	<u>\$ 30,259</u>	<u>\$ -</u>
Abatements	<u>\$ (2,909,069)</u>		<u>\$ (11,636)</u>	<u>\$ (2,906)</u>	<u>\$ (8,730)</u>
TOTAL PROPERTY VALUATION	<u><u>\$ 656,321,807</u></u>				
Net Levy			\$ 2,625,349	\$ 2,517,665	\$ 107,684
Uncollected Taxes at June 30, 2013			<u>45,134</u>	<u>41,014</u>	<u>4,120</u>
Current Year's Taxes Collected			<u><u>\$ 2,580,215</u></u>	<u><u>\$ 2,476,651</u></u>	<u><u>\$ 103,564</u></u>
Current Levy Collection Percentage			<u><u>98.28%</u></u>	<u><u>98.37%</u></u>	<u><u>96.17%</u></u>

## Compliance Section

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

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of the Town of Wilkesboro, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the Town of Wilkesboro's basic financial statements, and have issued our report thereon dated January 10, 2014. Our report includes a reference to other auditors who audited the financial statements of the Town of Wilkesboro ABC Board, as described in our report on the Town of Wilkesboro's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Wilkesboro ABC Board and the Wilkesboro Tourism Development, Convention, and Visitors Bureau were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

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

#### Compliance and Other Matters

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

#### Purpose of this Report

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

*Huntley, Sigmon & Associates, CPAs, PLLC*

HUNTLEY, SIGMON & ASSOCIATES, CPAs, PLLC  
Lenoir, North Carolina

January 10, 2014

HUNTLEY,  
SIGMON &  
ASSOCIATES, CPAs, PLLC

**HS&A**

Certified Public Accountants

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Lenoir, North Carolina 28645

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

**Independent Auditor's Report**

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

Report on Compliance for Each Major State Program

We have audited the Town of Wilkesboro, North Carolina, compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission that could have a direct and material effect on each of the Town of Wilkesboro's major State programs for the year ended June 30, 2013. Town of Wilkesboro's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Town of Wilkesboro, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

*Huntley, Sigmon & Associates, CPAs, PLLC*

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



TOWN OF WILKESBORO, NORTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2013

**There were no findings for 2011 or 2012**

**Finding 2010-1**

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

Status: We found no new instances in 2013.

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Federal</u> <u>(Direct &amp;</u> <u>Pass through)</u> <u>Expenditures</u>
<b>Federal Grants:</b>			
<b>Cash Programs:</b>			
<u>U.S. Department of Transportation</u>			
<u>Safety Belt Performance Grants</u>			
Passed-through the NC Department of Transportation			
Governor's Highway Safety Program	20.609	K4-10-04-15	\$12,778
<u>U. S. Department of Homeland Security</u>			
<u>Federal Emergency Management Agency</u>			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		269,275
<u>U. S Housing and Urban Development</u>			
<u>State-Administered Small Cities Program</u>			
Passed-through Community Investment and Assistance-CDBG:			
(currently Division of Community Assistance)			
Integrity Design Grant	14.228	11-C-2341	C 214,977
Total Federal Assistance			<u>497,030</u>
<b>State Grants:</b>			
<b>Cash Programs:</b>			
<u>N.C. Department of Transportation:</u>			
Powell Bill			92,236
<u>N. C. Environmental and Natural Resources</u>			
NC Clean Water Management Trust Fund/Cub Creek Project		CWMTF Proj# 2010-437	124,000
Division of Water Resources/Cub Creek Stream restoration Phase 2A		N/A	107,000
<u>N.C. Department of Commerce</u>			
Passed-through the N.C. Rural Economic Development Center, Inc.:			
Cherry Street Water/Sewer System		2010-277-40401-107	B 578,446
Integrity Design Grant		2012-271-60501-118	C 55,026
Total State assistance			<u>956,708</u>
Total federal and State assistance			\$ <u>1,453,738</u>

Notes (Basis of Presentation)

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

TOWN OF WILKESBORO, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2013

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Section II. Financial Statement Findings

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None Reported

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Section III. Federal Award Findings and Questioned Costs

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None Reported

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Section IV. State Award Findings and Questioned Costs

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None Reported