

TOWN OF NORTH WILKESBORO, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2017

**TOWN OF NORTH WILKESBORO, NORTH CAROLINA
JUNE 30, 2017**

BOARD OF COMMISSIONERS

Robert L. Johnson, Mayor

Debbie Ferguson

Bart Hayes

Junior Goforth

Joe Johnston

Bert Hall

ADMINISTRATIVE STAFF

Larry South, Town Manager

Kay F. Minton, Town Clerk

Connie Bauguess, Finance Officer

Town of North Wilkesboro, North Carolina
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June 30, 2017

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Financial Section



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of North Wilkesboro, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of North Wilkesboro ABC Board. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of North Wilkesboro ABC Board, is based solely on the report of 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 Town of North Wilkesboro ABC Board were not audited in accordance with *Governmental Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of North Wilkesboro, North Carolina as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15, the Other Postemployment Benefits Schedules of Funding Progress and Employer Contributions on page 67, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 68 and 69, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 70 and 71 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 auditor 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 North Wilkesboro. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, and the procedures performed as described above by us and other auditors, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017 on our consideration of Town of North Wilkesboro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of North Wilkesboro's internal control over financial reporting and compliance.

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

Winston-Salem, North Carolina
December 5, 2017

Management's Discussion and Analysis

Town of North Wilkesboro Management's Discussion and Analysis

As management of the Town of North Wilkesboro, we offer readers of the Town of North Wilkesboro's financial statements this narrative overview and analysis of the financial activities of the Town of North Wilkesboro for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

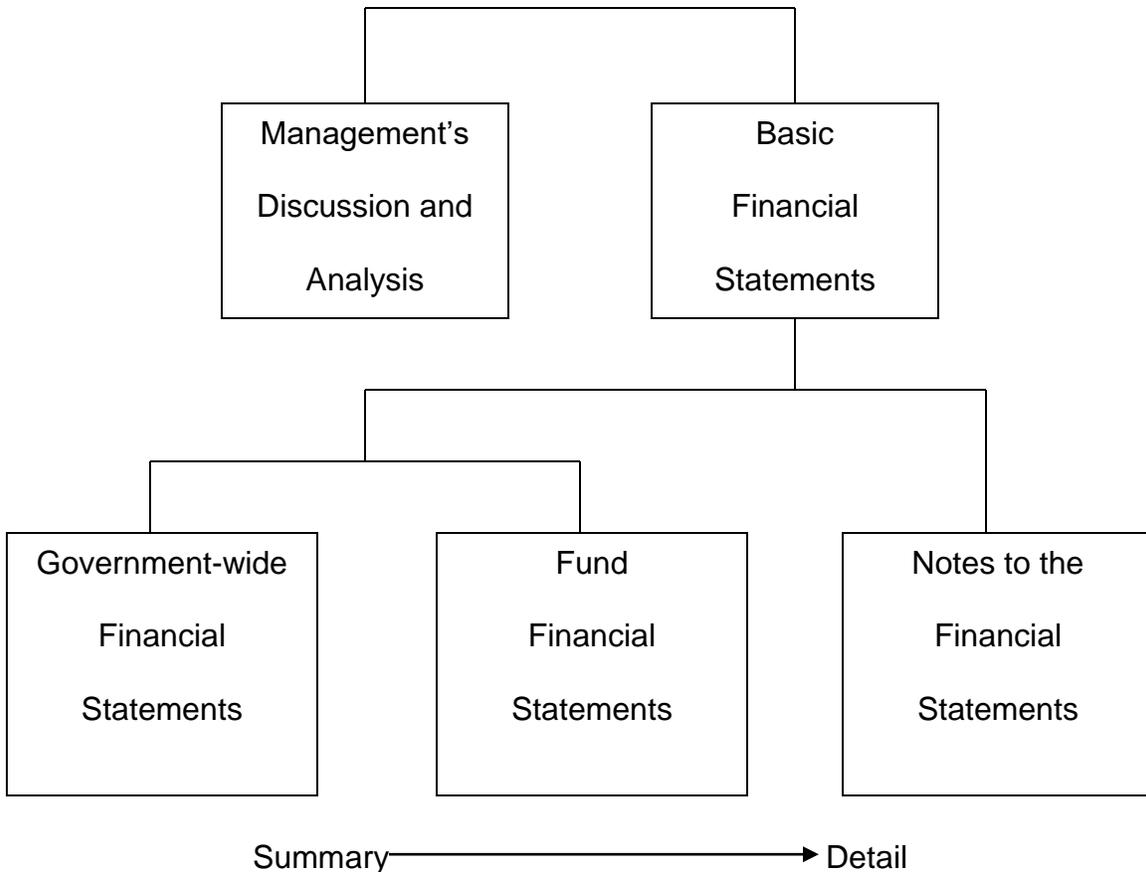
- The assets and deferred outflows of resources of the Town of North Wilkesboro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$65,748,299 (*net position*).
- The government's total net position increased by \$36,717,157, primarily due to an increase in the governmental activities net position.
- As of the close of the current fiscal year, the Town of North Wilkesboro's governmental funds reported combined ending fund balances of \$4,553,055 with a net decrease of \$252,755 in fund balance. Approximately 30.28 percent of this total amount, or \$1,378,849 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,807,582, or 29.86 percent of total general fund expenditures for the fiscal year.
- The Town of North Wilkesboro's total debt increased by \$490,310 (9.97%) during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Management Discussion and Analysis
Town of North Wilkesboro

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 26 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of North Wilkesboro's progress in funding its obligation to provide other postemployment benefits to its employees and the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 67 of this report.

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

Management Discussion and Analysis
Town of North Wilkesboro

Government-Wide Financial Analysis

Town of North Wilkesboro's Net Position

Figure 2

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and other assets | \$ 19,885,870 | \$ 5,122,556 | \$ 2,947,597 | \$ 2,615,384 | \$ 22,833,467 | \$ 7,737,940 |
| Capital assets | 44,064,614 | 7,452,955 | 18,817,957 | 18,975,848 | 62,882,571 | 26,428,803 |
| Deferred outflows of resources | 694,890 | 153,138 | 152,278 | 35,889 | 847,168 | 189,027 |
| Total assets and deferred outflows of resources | 64,645,374 | 12,728,649 | 21,917,832 | 21,627,121 | 86,563,206 | 34,355,770 |
| Long-term liabilities outstanding | 2,390,471 | 1,532,722 | 2,543,609 | 2,305,945 | 4,934,080 | 3,838,667 |
| Other liabilities | 440,924 | 412,836 | 380,414 | 568,770 | 821,338 | 981,606 |
| Deferred inflows of resources | 15,044,747 | 91,481 | 14,742 | 28,168 | 15,059,489 | 119,649 |
| Total liabilities and deferred inflows of resources | 17,876,142 | 2,037,039 | 2,938,765 | 2,902,883 | 20,814,907 | 4,939,922 |
| Net position: | | | | | | |
| Net investment in capital assets | 43,348,578 | 6,573,682 | 16,322,488 | 16,363,540 | 59,671,066 | 22,937,222 |
| Restricted | 876,030 | 701,159 | - | - | 876,030 | 701,159 |
| Unrestricted | 2,544,624 | 3,416,769 | 2,656,579 | 2,360,698 | 5,201,203 | 5,777,467 |
| Total net position | \$ 46,769,232 | \$ 10,691,610 | \$ 18,979,067 | \$ 18,724,238 | \$ 65,748,299 | \$ 29,415,848 |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Town of North Wilkesboro exceeded liabilities and deferred inflows by \$65,748,299 as of June 30, 2017. The Town's net position increased by \$36,717,157 for the fiscal year ended June 30, 2017. However, the largest portion (90.76%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of North Wilkesboro uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of North Wilkesboro's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of North Wilkesboro's net position, \$876,030 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,201,203 is unrestricted.

Management Discussion and Analysis
Town of North Wilkesboro

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

- Continued diligence in the collection of property taxes by maintaining a tax collection rate of 96.61%.

Management Discussion and Analysis
Town of North Wilkesboro

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

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 516,691 | \$ 479,656 | \$ 2,875,959 | \$ 2,875,246 | \$ 3,392,650 | \$ 3,354,902 |
| Operating grants and contributions | 171,692 | 183,990 | - | - | 171,692 | 183,990 |
| Capital grants and contributions | 51,278 | 316,874 | - | 14,935 | 51,278 | 331,809 |
| General revenues: | | | | | | |
| Property taxes | 2,249,294 | 2,191,085 | - | - | 2,249,294 | 2,191,085 |
| Grants and contributions not restricted to specific programs | 1,752,459 | 1,629,979 | - | - | 1,752,459 | 1,629,979 |
| Other | 1,062,393 | 1,083,758 | 5,641 | 4,233 | 1,068,034 | 1,087,991 |
| Contribution of capital assets from lease cancellation | 36,911,418 | - | - | - | 36,911,418 | - |
| Gain (loss) on disposal of capital assets | (40,207) | 79,088 | - | 7,670 | (40,207) | 86,758 |
| Total revenues | 42,675,018 | 5,964,430 | 2,881,600 | 2,902,084 | 45,556,618 | 8,866,514 |
| Expenses: | | | | | | |
| General government | 1,318,252 | 1,538,427 | - | - | 1,318,252 | 1,538,427 |
| Public safety | 2,848,167 | 2,725,838 | - | - | 2,848,167 | 2,725,838 |
| Transportation | 667,522 | 689,246 | - | - | 667,522 | 689,246 |
| Economic development | - | 44,848 | - | - | - | 44,848 |
| Environmental protection | 815,422 | 791,908 | - | - | 815,422 | 791,908 |
| Cultural and recreational | 544,471 | 505,399 | - | - | 544,471 | 505,399 |
| Interest on long-term debt | 18,856 | 15,359 | - | - | 18,856 | 15,359 |
| Water and sewer | - | - | 2,626,771 | 2,584,326 | 2,626,771 | 2,584,326 |
| Total expenses | 6,212,690 | 6,311,025 | 2,626,771 | 2,584,326 | 8,839,461 | 8,895,351 |
| Increase (decrease) in net position before transfers | 36,462,328 | (346,595) | 254,829 | 317,758 | 36,717,157 | (28,837) |
| Transfers | - | - | - | - | - | - |
| Increase (decrease) in net position | 36,462,328 | (346,595) | 254,829 | 317,758 | 36,717,157 | (28,837) |
| Net position, July 1 as previously reported | 10,691,610 | 11,038,205 | 18,724,238 | 18,406,480 | 29,415,848 | 29,444,685 |
| Restatement | (384,706) | - | - | - | (384,706) | - |
| Net position, July 1 as restated | 10,306,904 | 11,038,205 | 18,724,238 | 18,406,480 | 29,031,142 | 29,444,685 |
| Net position, June 30 | \$ 46,769,232 | \$ 10,691,610 | \$ 18,979,067 | \$ 18,724,238 | \$ 65,748,299 | \$ 29,415,848 |

Management Discussion and Analysis
Town of North Wilkesboro

Governmental activities. Governmental activities increased the Town's net position by \$36,462,328. Key elements of this decrease are as follows:

- The Town kept operating expenses as low as possible while maintaining services.
- Capital grants and contributions were received in the amount of \$171,692 in various Capital Projects.
- The Town received a contribution of capital assets from a lease cancellation in the amount of \$36,911,418.

Business-type activities: Business-type activities increased the Town of North Wilkesboro's net position by \$254,829. The key elements of this increase are as follows:

- Water and sewer charges were consistent while expenditures were up slightly.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of North Wilkesboro. At the end of the current fiscal year, Town of North Wilkesboro's fund balance available in the General Fund was \$1,807,582, while total fund balance reached \$3,796,813. The Town currently has an available fund balance of 29.86% of general fund expenditures, while total fund balance represents 62.71% of the same amount.

At June 30, 2017, the governmental funds of the Town of North Wilkesboro reported a combined fund balance of \$4,553,055 with a net decrease in fund balance of \$252,755. Included in this change in fund balance is a decrease in the fund balance for the General Fund and for the Non-Major Funds.

Management Discussion and Analysis
Town of North Wilkesboro

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

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

Proprietary Funds. The Town of North Wilkesboro's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,656,579. The total change in net position for the fund was \$254,829.

Capital Asset and Debt Administration

Capital assets. The Town of North Wilkesboro's investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$62,882,571 (net of accumulated depreciation). These assets include land, buildings, sewer lines, equipment, and vehicles.

The following are some of the capital asset transactions during the year:

- Purchased computer equipment for \$9,248.
- Renovations at various sites amounted to \$138,045.
- Purchased 2 salt spreaders and other equipment for \$40,694.
- Purchased a 2017 Dodge Durango police department vehicle for \$35,000.
- Improved waste water treatment troughs in the amount of \$41,913.
- Replaced water sewer pump for \$21,694.
- Upgraded water lines for \$205,890.
- Other water sewer improvements amounted to \$55,558.

These capital improvement donations and purchases will assist the Town in continuing to deliver top quality service to our citizens and assist in helping our town develop economically.

Management Discussion and Analysis
Town of North Wilkesboro

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

Figure 4

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 2,356,568 | \$ 1,514,468 | \$ 44,618 | \$ 44,618 | \$ 2,401,186 | \$ 1,559,086 |
| Building and systems | 36,474,969 | 1,957,867 | 16,845,953 | 17,233,171 | 53,320,922 | 19,191,038 |
| Other improvements | 4,314,028 | 3,253,857 | - | - | 4,314,028 | 3,253,857 |
| Equipment and furniture | 63,226 | 58,713 | 307,463 | 380,210 | 370,689 | 438,923 |
| Vehicles and motorized equipment | 405,025 | 596,803 | 41,883 | 70,251 | 446,908 | 667,054 |
| Construction in progress | 450,798 | 71,247 | 1,578,040 | 1,247,598 | 2,028,838 | 1,318,845 |
| Total | \$ 44,064,614 | \$ 7,452,955 | \$ 18,817,957 | \$ 18,975,848 | \$ 62,882,571 | \$ 26,428,803 |

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

Management Discussion and Analysis
Town of North Wilkesboro

Long-term Debt. As of June 30, 2017, the Town of North Wilkesboro had total debt outstanding of \$5,405,762. Of this amount, \$2,194,257 is debt backed by the full faith and credit of the Town, \$1,262,996 is secured by equipment. The remainder of the Town's debt is secured solely by specified revenue sources.

Town of North Wilkesboro's Outstanding Liabilities

Figure 5

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Notes payable | \$ 716,036 | \$ 879,270 | \$ 546,960 | \$ 646,860 | \$ 1,262,996 | \$ 1,526,130 |
| NC DENR Drinking Water Loan | - | - | 816,713 | 952,832 | 816,713 | 952,832 |
| NC DENR Water Quality Loan | - | - | - | 211,262 | - | 211,262 |
| NC DENR Drinking Water State Revolving Loan | - | - | 1,131,796 | 801,354 | 1,131,796 | 801,354 |
| Compensated absences | 185,576 | 188,174 | 38,213 | 36,354 | 223,789 | 224,528 |
| Net pension liability (LEO) | 605,667 | 615,942 | - | - | 605,667 | 615,942 |
| Net pension liability (LGERS) | 749,696 | 163,831 | 174,370 | 38,396 | 924,066 | 202,227 |
| Other postemployment benefits | 353,309 | 304,458 | 87,426 | 76,719 | 440,735 | 381,177 |
| | <u>\$ 2,610,284</u> | <u>\$ 2,151,675</u> | <u>\$ 2,795,478</u> | <u>\$ 2,763,777</u> | <u>\$ 5,405,762</u> | <u>\$ 4,915,452</u> |

The Town of North Wilkesboro's total debt increased by \$490,310 (9.97%) during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of North Wilkesboro is \$33,079,035.

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

Economic Factors and Next Year's Budgets and Rates

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

- For the fiscal year 2017/2018, the tax rate remains the same at \$.52 per \$100 valuation. This is a straight forward primarily operations budget with little capital outlay with the exception of some needed upgrades and equipment replacement in the water and sewer fund. The budget includes the use of \$655,541 of general fund balance, we typically do not need to use the fund balance in the amount budgeted.

Budget Highlights for the Fiscal Year Ending June 30, 2018

- 4.00% cost of living increase for our valuable and dedicated employees. We must stay competitive to retain and recruit the best in all departments
- 10% Mayor and Commissioners stipend increase, the first increase in 10 years.
- Replacement chassis for solid waste truck, \$120,000.
- \$52,000 for a salt containment structure as the town shops on Flint Hill Road.
- \$90,000 to add a splash pad at the Smoot Park Pool
- \$210,000 dredging and pump upgrades in the water department
- \$235,000 for water line upgrades
- \$42,000 for a new Bobcat in water and sewer maintenance
- \$117,500 for capital needs/pump upgrades in the wastewater department

- We did not address nor include the potential revenue from the lease of the hospital. It is my belief that it is prudent to address and discuss some additional urgent capital needs only after the money is received and deposited. The board has been presented some initial thoughts on the projected needs and cash management of the lease proceeds.

- The Town of North Wilkesboro has had a tremendous year 16-17, so much progress and growth in both tax base and new businesses, lots of successful events and many visitors along with beautification and new streetscape. After the budget was adopted, the town received \$15 million upfront lease payment on June 30, 2017, from Wake Forest Baptist Hospital for a lease of town owned property used as our regional primary health care facilities. The town retained a professional financial advisory firm, Davenport and Company, LLC, to assist in maximizing the return of the investment of this revenue. On November 29th, 2017, the town invested approximately \$10 million of these funds over a ten year period, at an average return of 2.546%, in securities acceptable to the NC Local Government Commission.

- I see FY 17-18 having just as much potential and good news, if not more.
Very exciting times in our great town.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Larry South, Town Manager or Connie Bauguess, Finance Officer, Town of North Wilkesboro, 832 Main Street, North Wilkesboro, NC 28659.

Basic Financial Statements

Town of North Wilkesboro, North Carolina
Statement of Net Position
June 30, 2017

| | Primary Government | | | Town of North Wilkesboro ABC Board |
|---|----------------------------|-----------------------------|---------------|--|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 18,395,387 | \$ 2,390,481 | \$ 20,785,868 | \$ 132,438 |
| Taxes receivables (net) | 111,704 | - | 111,704 | - |
| Accounts receivable (net) | 66,872 | 432,753 | 499,625 | - |
| Other receivables | - | - | - | - |
| Due from other governments | 665,713 | - | 665,713 | - |
| Internal balances | (7,570) | 7,570 | - | - |
| Grants receivable | 45,159 | - | 45,159 | - |
| Inventories | - | 41,545 | 41,545 | 202,991 |
| Prepaid items | - | - | - | 1,759 |
| Restricted cash and cash equivalents | 105,786 | 75,248 | 181,034 | - |
| Total current assets | 19,383,051 | 2,947,597 | 22,330,648 | 337,188 |
| Non-current assets: | | | | |
| Land held for resale | 502,819 | - | 502,819 | - |
| Capital assets: | | | | |
| Land, non-depreciable improvements, and construction in progress | 2,807,366 | 1,622,658 | 4,430,024 | - |
| Other capital assets, net of depreciation | 41,257,248 | 17,195,299 | 58,452,547 | 55,792 |
| Total capital assets | 44,064,614 | 18,817,957 | 62,882,571 | 55,792 |
| Total assets | 63,950,484 | 21,765,554 | 85,716,038 | 392,980 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension deferrals | 694,890 | 152,278 | 847,168 | 47,445 |
| Total deferred outflows of resources | 694,890 | 152,278 | 847,168 | 47,445 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 213,611 | 48,998 | 262,609 | 139,773 |
| Accrued interest payable | - | 4,299 | 4,299 | - |
| Current portion of long-term liabilities | 219,813 | 251,869 | 471,682 | - |
| Prepaid fees | 7,500 | - | 7,500 | - |
| Payable from restricted assets | - | 75,248 | 75,248 | - |
| Total current liabilities | 440,924 | 380,414 | 821,338 | 139,773 |
| Long-term liabilities: | | | | |
| Net pension liability-LGERS | 749,696 | 174,369 | 924,065 | - |
| Total pension liability-LEO | 605,667 | - | 605,667 | - |
| Due in more than one year | 1,035,108 | 2,369,240 | 3,404,348 | - |
| Total liabilities | 2,831,395 | 2,924,023 | 5,755,418 | 139,773 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Lease prepayment | 15,000,000 | - | 15,000,000 | - |
| Pension deferrals | 44,747 | 14,742 | 59,489 | 19,773 |
| Total deferred inflows of resources | 15,044,747 | 14,742 | 15,059,489 | 19,773 |
| NET POSITION | | | | |
| Net investment in capital assets | 43,348,578 | 16,322,488 | 59,671,066 | 55,792 |
| Restricted for: | | | | |
| Stabilization by State Statute | 777,744 | - | 777,744 | - |
| Streets-Powell Bill | 98,286 | - | 98,286 | - |
| Other functions | - | - | - | 39,397 |
| Unrestricted | 2,544,624 | 2,656,579 | 5,201,203 | 185,690 |
| Total net position | \$ 46,769,232 | \$ 18,979,067 | \$ 65,748,299 | \$ 280,879 |

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

Town of North Wilkesboro, North Carolina
Statement of Activities
For the Year Ended June 30, 2017

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | Town of North Wilkesboro ABC Board |
|--|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|------------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | |
| Primary Government: | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| General government | \$ 1,318,252 | \$ - | \$ - | \$ - | \$ (1,318,252) | \$ - | \$ (1,318,252) | \$ - |
| Public safety | 2,848,167 | 8,221 | 24,644 | - | (2,815,302) | - | (2,815,302) | - |
| Transportation | 667,522 | - | 147,048 | - | (520,474) | - | (520,474) | - |
| Economic development | - | - | - | 51,278 | 51,278 | - | 51,278 | - |
| Environmental protection | 815,422 | 426,898 | - | - | (388,524) | - | (388,524) | - |
| Cultural and recreational | 544,471 | 81,572 | - | - | (462,899) | - | (462,899) | - |
| Interest on long-term debt | 18,856 | - | - | - | (18,856) | - | (18,856) | - |
| Total governmental activities | 6,212,690 | 516,691 | 171,692 | 51,278 | (5,473,029) | - | (5,473,029) | - |
| Business-type activities: | | | | | | | | |
| Water and sewer | 2,626,771 | 2,875,959 | - | - | - | 249,188 | 249,188 | - |
| Total business-type activity | 2,626,771 | 2,875,959 | - | - | - | 249,188 | 249,188 | - |
| Total primary government | \$ 8,839,461 | \$ 3,392,650 | \$ 171,692 | \$ 51,278 | \$ (5,473,029) | \$ 249,188 | \$ (5,223,841) | \$ - |
| Component units: | | | | | | | | |
| ABC Board | \$ 1,014,946 | \$ 1,025,328 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,382 |
| Total component units | \$ 1,014,946 | \$ 1,025,328 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,382 |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes, levied for general purpose | | | | | 2,249,294 | - | 2,249,294 | - |
| Unrestricted intergovernmental revenues | | | | | 1,752,459 | - | 1,752,459 | - |
| Unrestricted investment earnings | | | | | 10,803 | 5,641 | 16,444 | - |
| Rental payments | | | | | 956,997 | - | 956,997 | - |
| Miscellaneous | | | | | 94,593 | - | 94,593 | - |
| Contribution of capital assets from lease cancellation | | | | | 36,911,418 | - | 36,911,418 | - |
| Loss on disposal of capital assets | | | | | (40,207) | - | (40,207) | - |
| Total general revenues not including transfers | | | | | 41,935,357 | 5,641 | 41,940,998 | - |
| Transfers | | | | | - | - | - | - |
| Total general revenues and transfers | | | | | 41,935,357 | 5,641 | 41,940,998 | - |
| Change in net position | | | | | 36,462,328 | 254,829 | 36,717,157 | 10,382 |
| Net position, beginning, previously reported | | | | | 10,691,610 | 18,724,238 | 29,415,848 | 270,497 |
| Restatement | | | | | (384,706) | - | (384,706) | - |
| Net position, beginning, restated | | | | | 10,306,904 | 18,724,238 | 29,031,142 | - |
| Net position, ending | | | | | \$ 46,769,232 | \$ 18,979,067 | \$ 65,748,299 | \$ 280,879 |

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

Town of North Wilkesboro, North Carolina
Balance Sheet
Governmental Funds
June 30, 2017

| | Major Fund | | |
|--|----------------------|------------------------------|---------------------------------|
| | General | Total Non-Major Funds | Total Governmental Funds |
| ASSETS | | | |
| Cash and cash equivalents | \$ 17,613,862 | \$ 781,525 | \$ 18,395,387 |
| Restricted cash | 105,786 | - | 105,786 |
| Receivables, net: | | | |
| Taxes | 111,704 | - | 111,704 |
| Accounts | 66,872 | - | 66,872 |
| Grants receivable | - | 45,159 | 45,159 |
| Due from other governments | 665,713 | - | 665,713 |
| Land held for resale | 502,819 | - | 502,819 |
| Total assets | <u>19,066,756</u> | <u>826,684</u> | <u>19,893,440</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 143,169 | 70,442 | 213,611 |
| Due to other funds | 7,570 | - | 7,570 |
| Prepaid fees | 7,500 | - | 7,500 |
| Total liabilities | <u>158,239</u> | <u>70,442</u> | <u>228,681</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property taxes receivable | 111,704 | - | 111,704 |
| Lease prepayment | 15,000,000 | - | 15,000,000 |
| Total deferred inflows of resources | <u>15,111,704</u> | <u>-</u> | <u>15,111,704</u> |
| FUND BALANCES | | | |
| Non Spendable | | | |
| Land held for resale | 502,819 | - | 502,819 |
| Restricted | | | |
| Stabilization by State Statute | 732,585 | 45,159 | 777,744 |
| Streets | 98,286 | - | 98,286 |
| Committed | | | |
| Capital projects funds | - | 711,083 | 711,083 |
| Assigned | | | |
| Subsequent year's expenditures | 655,541 | - | 655,541 |
| Unassigned | 1,807,582 | - | 1,807,582 |
| Total fund balances | <u>3,796,813</u> | <u>756,242</u> | <u>4,553,055</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 19,066,756</u> | <u>\$ 826,684</u> | |

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

Town of North Wilkesboro, North Carolina
Balance Sheet
Governmental Funds
June 30, 2017

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

| | | |
|---|------------------|-----------------------------|
| Total fund balance, governmental funds | | \$ 4,553,055 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Gross capital assets at historical cost | \$ 51,560,261 | |
| Accumulated depreciation | <u>7,495,646</u> | 44,064,615 |
| Deferred outflows of resources related to pensions are not reported in the funds | | 694,890 |
| Earned revenues considered deferred inflows of resources in fund statements. | | 111,704 |
| Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds. | | |
| Compensated absences | | (185,576) |
| Long-term debt | | (716,040) |
| Other postemployment benefits | | (353,309) |
| Net pension liability (LGERS) | | (749,696) |
| Net pension liability (LEO) | | (605,667) |
| Deferred inflows of resources related to pensions are not reported in the funds | | <u>(44,744)</u> |
| Net position of governmental activities | | <u><u>\$ 46,769,232</u></u> |

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

Town of North Wilkesboro, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

| | Major Funds | | |
|---|---------------------|------------------------------|---------------------------------|
| | General Fund | Total Non-Major Funds | Total Governmental Funds |
| REVENUES | | | |
| Ad valorem taxes | \$ 2,275,749 | \$ - | \$ 2,275,749 |
| Unrestricted intergovernmental | 1,752,459 | - | 1,752,459 |
| Restricted intergovernmental | 162,374 | 51,278 | 213,652 |
| Permits and fees | 50,925 | - | 50,925 |
| Sales and services | 482,484 | - | 482,484 |
| Investment earnings | 10,800 | - | 10,800 |
| Miscellaneous | 1,044,193 | - | 1,044,193 |
| Total revenues | 5,778,984 | 51,278 | 5,830,262 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 1,216,628 | - | 1,216,628 |
| Public safety | 2,589,830 | - | 2,589,830 |
| Transportation | 660,823 | - | 660,823 |
| Environmental protection | 664,544 | - | 664,544 |
| Cultural and recreational | 422,243 | - | 422,243 |
| Debt service: | | | |
| Principal | 163,235 | - | 163,235 |
| Interest and other charges | 18,856 | - | 18,856 |
| Capital outlay | - | 379,551 | 379,551 |
| Total expenditures | 5,736,159 | 379,551 | 6,115,710 |
| Excess (deficiency) of revenues over expenditures | 42,825 | (328,273) | (285,448) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from (to) other funds | (318,137) | 318,137 | - |
| Sale of capital assets | 32,693 | - | 32,693 |
| Total other financing sources (uses) | (285,444) | 318,137 | 32,693 |
| Net change in fund balance | (242,619) | (10,136) | (252,755) |
| Fund balance, beginning | 4,039,432 | 766,378 | 4,805,810 |
| Fund balances, ending | \$ 3,796,813 | \$ 756,242 | \$ 4,553,055 |

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

Town of North Wilkesboro, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

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

| | | |
|---|-----------------|-----------------------------|
| Net changes in fund balances - total governmental funds | | \$ (252,755) |
| <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 depreciation exceeded capital outlays in the current period.</p> | | |
| Capital outlay expenditures which were capitalized | \$ 593,290 | |
| Depreciation expense for governmental activities | (820,149) | |
| Proceeds from sale of capital assets | (32,693) | |
| Loss on disposal of capital assets | <u>(40,207)</u> | (299,759) |
| <p>Contributions to the pension plan in the current fiscal year are not included on the statement of activities.</p> | | |
| | | 173,252 |
| <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 | | (26,457) |
| <p>Contribution of capital assets from lease cancellation</p> | | |
| | | 36,911,418 |
| <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 | | - |
| Principal payments on long-term debt | | 163,235 |
| <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 | | 2,598 |
| Pension expense (LGERS) | | (199,787) |
| Pension expense (LEO) | | 39,434 |
| Other postemployment benefits | | <u>(48,851)</u> |
| Total changes in net position of governmental activities | | <u><u>\$ 36,462,328</u></u> |

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

Town of North Wilkesboro, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

| | General Fund | | | Variance with Final Budget - Positive (Negative) |
|---|------------------|--------------------|---------------------|---|
| | Original | Final | Actual Amounts | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 2,060,000 | \$ 2,070,000 | \$ 2,275,749 | \$ 205,749 |
| Unrestricted intergovernmental | 1,614,000 | 1,503,500 | 1,752,459 | 248,959 |
| Restricted intergovernmental | 171,000 | 148,400 | 162,374 | 13,974 |
| Permits and fees | 17,000 | 18,000 | 50,925 | 32,925 |
| Sales and services | 564,000 | 480,080 | 482,484 | 2,404 |
| Investment earnings | 17,000 | 12,100 | 10,797 | (1,303) |
| Miscellaneous | 938,717 | 811,500 | 1,039,766 | 228,266 |
| Total revenues | <u>5,381,717</u> | <u>5,043,580</u> | <u>5,774,554</u> | <u>730,974</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,164,368 | 1,530,596 | 1,216,628 | 313,968 |
| Public safety | 2,708,697 | 2,623,088 | 2,571,330 | 51,758 |
| Transportation | 708,859 | 714,940 | 660,823 | 54,117 |
| Environmental protection | 698,719 | 687,198 | 664,544 | 22,654 |
| Cultural and recreational | 340,569 | 433,219 | 422,243 | 10,976 |
| Debt service: | | | | |
| Principal retirement | 60,000 | 166,981 | 163,235 | 3,746 |
| Interest and other charges | 13,820 | 13,820 | 18,856 | (5,036) |
| Total expenditures | <u>5,695,032</u> | <u>6,169,842</u> | <u>5,717,659</u> | <u>452,183</u> |
| Revenues over (under) expenditures | <u>(313,315)</u> | <u>(1,126,262)</u> | <u>56,895</u> | <u>1,183,157</u> |
| Other financing sources (uses): | | | | |
| Transfers from other funds | 40,000 | 40,000 | 40,000 | - |
| Transfers to other funds | (535,684) | (358,137) | (393,137) | (35,000) |
| Installment purchase obligation issued | - | 238,137 | - | (238,137) |
| Sale of capital assets | - | 100,000 | 32,693 | (67,307) |
| Total other financing sources (uses) | <u>(495,684)</u> | <u>20,000</u> | <u>(320,444)</u> | <u>(340,444)</u> |
| Fund balance appropriated | 808,999 | 1,106,262 | - | (1,106,262) |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>(263,549)</u> | <u>\$ (263,549)</u> |
| Fund balances, beginning | | | <u>3,963,307</u> | |
| Fund balances, ending | | | <u>\$ 3,699,758</u> | |
| Legally budgeted Firemen's Supplementary Fund and Health Equity Fund are consolidated into the General Fund for reporting purposes: | | | | |
| Contribution from State Firemen's Relief Fund | | | \$ 4,427 | |
| Transfer from general fund | | | 35,000 | |
| Investment earnings | | | 3 | |
| Expenditures | | | (18,500) | |
| Fund balance, beginning | | | <u>76,125</u> | |
| Fund balance, ending | | | <u>\$ 3,796,813</u> | |

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

Town of North Wilkesboro, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2017

| | Major Enterprise Fund | |
|---|---------------------------------|----------------------|
| | Water and Sewer Fund | Total |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 2,390,481 | \$ 2,390,481 |
| Accounts receivable (net) | 432,753 | 432,753 |
| Due from other governments | - | - |
| Due from other funds | 7,570 | 7,570 |
| Inventories | 41,545 | 41,545 |
| Restricted cash and cash equivalents | 75,248 | 75,248 |
| Total current assets | <u>2,947,597</u> | <u>2,947,597</u> |
| Noncurrent assets: | | |
| Capital Assets: | | |
| Land and construction in progress | 1,622,658 | 1,622,658 |
| Other capital assets, net of depreciation | 17,195,299 | 17,195,299 |
| Capital assets | <u>18,817,957</u> | <u>18,817,957</u> |
| Total noncurrent assets | <u>18,817,957</u> | <u>18,817,957</u> |
| Total assets | <u>21,765,554</u> | <u>21,765,554</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension deferrals | 152,278 | 152,278 |
| Total deferred outflows of resources | <u>152,278</u> | <u>152,278</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 48,998 | 48,998 |
| Accrued interest | 4,299 | 4,299 |
| Compensated absences - current | 19,107 | 19,107 |
| Loans payable - current | 232,762 | 232,762 |
| Liabilities payable from restricted assets: | | |
| Customer deposits | 75,248 | 75,248 |
| Total current liabilities | <u>380,414</u> | <u>380,414</u> |
| Noncurrent liabilities: | | |
| Other postemployment benefits | 87,426 | 87,426 |
| Compensated absences | 19,106 | 19,106 |
| Net pension liability-LGERS | 174,369 | 174,369 |
| Loans payable | 2,262,708 | 2,262,708 |
| Total noncurrent liabilities | <u>2,543,609</u> | <u>2,543,609</u> |
| Total liabilities | <u>2,924,023</u> | <u>2,924,023</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension deferrals | 14,742 | 14,742 |
| Total deferred inflows of resources | <u>14,742</u> | <u>14,742</u> |
| NET POSITION | | |
| Net investment in capital assets | 16,322,488 | 16,322,488 |
| Unrestricted | 2,656,579 | 2,656,579 |
| Total net position | <u>\$ 18,979,067</u> | <u>\$ 18,979,067</u> |

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

Town of North Wilkesboro, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2017

| | Major Enterprise Fund | |
|---|------------------------------|----------------------|
| | Water and Sewer Fund | Total |
| OPERATING REVENUES | | |
| Charges for services | \$ 2,794,288 | \$ 2,794,288 |
| Water and sewer taps | 11,300 | 11,300 |
| Other operating revenues | 17,931 | 17,931 |
| Total operating revenues | <u>2,823,519</u> | <u>2,823,519</u> |
| OPERATING EXPENSES | | |
| Administration and billing | 180,574 | 180,574 |
| Water treatment and distribution | 734,509 | 734,509 |
| Water maintenance and construction | 244,021 | 244,021 |
| Waste collection and treatment | 502,360 | 502,360 |
| Sanitary sewer maintenance and construction | 102,110 | 102,110 |
| Depreciation | 818,013 | 818,013 |
| Total operating expenses | <u>2,581,587</u> | <u>2,581,587</u> |
| Operating income (loss) | <u>241,932</u> | <u>241,932</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Rental income | 52,440 | 52,440 |
| Investment earnings | 5,641 | 5,641 |
| Interest and other charges | (45,184) | (45,184) |
| Total nonoperating revenues (expenses) | <u>12,897</u> | <u>12,897</u> |
| Income (loss) before contributions and transfers | 254,829 | 254,829 |
| Transfers from other funds | - | - |
| Change in net position | 254,829 | 254,829 |
| Total net position, beginning | 18,724,238 | 18,724,238 |
| Total net position, ending | <u>\$ 18,979,067</u> | <u>\$ 18,979,067</u> |

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

Town of North Wilkesboro, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2017

| | <u>Major Enterprise Fund</u> | |
|--|---------------------------------|---------------------|
| | <u>Water and Sewer Fund</u> | <u>Totals</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 2,862,655 | \$ 2,862,655 |
| Cash paid for goods and services | (891,550) | (891,550) |
| Cash paid on behalf of employees for services | (835,387) | (835,387) |
| Customer deposits received, net | (1,759) | (1,759) |
| Net cash provided (used) by operating activities | <u>1,133,959</u> | <u>1,133,959</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Principal paid on long-term liabilities | (447,280) | (447,280) |
| Proceeds from long-term liabilities | 330,442 | 330,442 |
| Interest paid on long-term liabilities | (47,111) | (47,111) |
| Acquisition and construction of capital assets | (660,121) | (660,121) |
| Net cash provided (used) by capital and related financing activities | <u>(824,070)</u> | <u>(824,070)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Rental income | 52,440 | 52,440 |
| Investment earnings | 5,640 | 5,640 |
| Net cash provided (used) by investing activities | <u>58,080</u> | <u>58,080</u> |
| Net increase (decrease) in cash and cash equivalents | 367,969 | 367,969 |
| Balances, beginning | 2,097,760 | 2,097,760 |
| Balance, ending | <u>\$ 2,465,729</u> | <u>\$ 2,465,729</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | |
| Operating income (loss) | \$ 241,932 | \$ 241,932 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation | 818,013 | 818,013 |
| Changes in assets, deferred outflows of resources, and liabilities: | | |
| (Increase) decrease in accounts receivable | 33,461 | 33,461 |
| (Increase) decrease in due from other governments | 5,675 | 5,675 |
| (Increase) decrease in inventories | (3,380) | (3,380) |
| (Increase) decrease in deferred outflows of resources - pensions | (116,389) | (116,389) |
| Increase (decrease) in net pension liability | 135,973 | 135,973 |
| Increase (decrease) in deferred inflows of resources - pensions | (13,426) | (13,426) |
| Increase (decrease) in accounts payable and accrued liabilities | 21,293 | 21,293 |
| Increase (decrease) in customer deposits | (1,759) | (1,759) |
| Increase (decrease) in other postemployment benefits | 10,707 | 10,707 |
| Increase (decrease) in compensated absences | 1,859 | 1,859 |
| Total adjustments | <u>892,027</u> | <u>892,027</u> |
| Net cash provided by operating activities | <u>\$ 1,133,959</u> | <u>\$ 1,133,959</u> |

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

Notes to the Financial Statements

Town of North Wilkesboro, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Town of North Wilkesboro ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements of the ABC Board may be obtained from Town of North Wilkesboro ABC Board, 297 Wilkesboro Avenue, North Wilkesboro, NC 28659.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental 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 administration, public safety, street maintenance and construction, and sanitation services. Additionally, the Town has legally adopted a Firemen's Supplementary Fund and Health Equity Fund. Under GASB 54 guidance these funds are consolidated in the General Fund. The budgetary comparison for these funds have been included in the supplemental information.

The Town reports the following non-major governmental funds:

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

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

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

Neighborhood Streetscape Capital Projects Fund. This fund is used to account for the construction of street improvements.

Community Waste Reduction and Recycling Grant Capital Projects Fund. This fund is used to account for the purchase of a vehicle.

NC DOT Project No. R-2603 Highway 268 Capital Projects Fund. This fund is used to account for improvements to a highway.

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

Yadkin Valley Downtown Streetscape Capital Projects Fund. This fund is used to account for the construction of the downtown streetscape.

Building Rehab and Condemnation Capital Projects Fund. This fund is used to account for building rehab and condemnation improvements.

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because

the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of North Wilkesboro because the tax is levied by Wilkes County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost- reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Firemen's Supplementary Fund, The Health Equity Fund (Governmental Fund), the Capital Reserve Capital Projects Fund (Governmental Fund), the Enterprise Fund, the Capital Reserve Capital Projects Fund (Enterprise Fund) and the Health Equity Water Fund (Enterprise Fund). All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Fire Station Building Project Capital Projects Fund, the NC STEP Program Capital Projects Fund, the Yadkin Valley Market Place Capital Projects Fund, the Neighborhood Streetscape Capital Projects Fund, the Community Waste Reduction and Recycling Grant Capital Projects Fund, the NC DOT No. R-2603 Highway 268 Capital Projects Fund, the Yadkin Valley Downtown Streetscape Capital Projects Fund, the Building Rehab and Condemnation Capital Projects Fund, the Kerr Scott Reservoir Raw Water Capital Projects Fund, and the Hwy. 115 South Sewer Extension Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Town Manager is authorized to transfer appropriations between departments within a fund without limit provided those transfers are reported to the Board of Commissioners at their next regular meeting. However, any revisions that alter total expenditures of any fund must be approved by the governing board. The board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and its component unit to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town and its component unit's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Prepaid fees held by the Town before services are supplied are restricted to the service for which the fee was collected.

Town of North Wilkesboro Restricted Cash

| | |
|--------------------------------|-------------------|
| Governmental Activities | |
| General Fund | |
| Streets | \$ 98,286 |
| Prepaid fees | 7,500 |
| Total Governmental Activities | <u>105,786</u> |
| Business-Type Activities | |
| Water and Sewer Fund | |
| Customer deposits | 75,248 |
| Total Business-Type Activities | <u>75,248</u> |
| Total Restricted Cash | <u>\$ 181,034</u> |

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2016.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the Town and the ABC Board are valued at the lower of cost (first-in, first-out) or market. The inventory of the Town's enterprise fund consists of materials and supplies held for subsequent use. The inventory of the ABC Board consists of goods held for sale. The cost of these inventories are expensed when consumed rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are set at \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-------------------------------------|-------------------------------|
| Buildings and distributions systems | 5 to 40 years |
| Other improvements | 5 to 40 years |
| Equipment and furniture | 5 to 40 years |
| Vehicles | 5 to 10 years |

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

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|---------------------------|-------------------------------|
| Building and improvements | 10 to 20 years |
| Furniture and equipment | 5 to 10 years |

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2017 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category - property taxes receivable and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

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

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of 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 in spendable form or (b) legally or contractually required to be maintained intact.

Land held for resale - portion of fund balance that is not an available resource because it represents the year-end balance of land held for resale, which is not spendable resources.

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

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

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

Committed Fund Balance – portion of fund balance that can be used for specific purposes imposed by majority vote by quorum of the Town of North Wilkesboro's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitations.

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

Assigned Fund Balance – portion of fund balance that Town of North Wilkesboro intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

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

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

12. Defined Benefit Cost-Sharing Plans

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

II. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2017, the Town's deposits had a carrying amount of \$20,152,354 and a bank balance of \$20,085,663. Of the bank balance, \$255,002 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2017 the Town's petty cash fund totaled \$600.

At June 30, 2017, the Town of North Wilkesboro had \$813,948 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

At June 30, 2017, the ABC Board's deposits had a carrying amount of \$130,738 and a bank balance of \$137,355. All of the bank balance was covered by federal depository insurance. At June 30, 2017, the ABC Board's cash on hand totaled \$1,700.

2. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2017 is net of the following allowances for doubtful accounts:

| | |
|---------------------|-------------------|
| General Fund: | |
| Taxes receivable | \$ 134,603 |
| Accounts receivable | <u>8,115</u> |
| | <u>\$ 142,718</u> |
| Enterprise Fund: | |
| Accounts receivable | <u>\$ 49,917</u> |
| | <u>\$ 49,917</u> |

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|------------|-----------|----------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,514,468 | \$ 915,000 | \$ 72,900 | \$ 2,356,568 |
| Construction in progress | 71,247 | 379,551 | | 450,798 |
| Total capital assets not being depreciated | 1,585,715 | 1,294,551 | 72,900 | 2,807,366 |
| Capital assets being depreciated: | | | | |
| Buildings | 3,893,001 | 34,590,201 | - | 38,483,202 |
| Other improvements | 4,820,305 | 1,544,262 | - | 6,364,567 |
| Equipment and furniture | 763,766 | 40,694 | - | 804,460 |
| Vehicles | 3,246,398 | 35,000 | 180,733 | 3,100,665 |
| Total capital assets being depreciated | 12,723,470 | 36,210,157 | 180,733 | 48,752,894 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,935,134 | 73,099 | - | 2,008,233 |
| Other improvements | 1,566,448 | 484,091 | - | 2,050,539 |
| Equipment and furniture | 705,053 | 36,181 | - | 741,234 |
| Vehicles | 2,649,595 | 226,778 | 180,733 | 2,695,640 |
| Total accumulated depreciation | 6,856,230 | 820,149 | 180,733 | 7,495,646 |
| Total capital assets being depreciated, net | 5,867,240 | | | 41,257,248 |
| Governmental activity capital assets, net | \$ 7,452,955 | | | \$ 44,064,614 |

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

| | |
|----------------------------|-------------------|
| General government | \$ 298,616 |
| Public safety | 209,712 |
| Transportation | 19,437 |
| Environmental protection | 151,236 |
| Recreational and cultural | 141,148 |
| Total depreciation expense | <u>\$ 820,149</u> |

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|-----------|-----------|----------------------|
| Business-type activities: | | | | |
| <i>Water and Sewer Fund</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 44,618 | \$ - | \$ - | \$ 44,618 |
| Construction in progress | 1,247,598 | 330,442 | | 1,578,040 |
| Total capital assets not being depreciated | 1,292,216 | 330,442 | - | 1,622,658 |
| Capital assets being depreciated: | | | | |
| Building and distribution systems | 31,349,919 | 325,056 | - | 31,674,975 |
| Equipment and furniture | 1,187,338 | 4,624 | - | 1,191,962 |
| Vehicles | 270,808 | - | | 270,808 |
| Total capital assets being depreciated | 32,808,065 | 329,680 | - | 33,137,745 |
| Less accumulated depreciation for: | | | | |
| Building and distribution systems | 14,116,748 | 712,274 | - | 14,829,022 |
| Equipment and furniture | 807,128 | 77,371 | - | 884,499 |
| Vehicles | 200,557 | 28,368 | | 228,925 |
| Total accumulated depreciation | 15,124,433 | 818,013 | - | 15,942,446 |
| Total capital assets being depreciated, net | 17,683,632 | | | 17,195,299 |
| Business-type activity capital assets, net | \$ 18,975,848 | | | \$ 18,817,957 |

Construction Commitments

The government has active construction projects as of June 30, 2017. At year-end, the government's commitments with contractors is as follows:

| Projects | Spent-to-date | Remaining Commitment |
|---|---------------|-------------------------|
| Yadkin Valley Downtown Streetscape Improvements | \$ 251,893 | \$ 31,627 |

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2017, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|---------------|---------------|--------------------|
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 191,410 | \$ 13,608 | \$ 18,165 | \$ 186,853 |
| Furniture and equipment | 41,920 | 8,742 | 349 | 50,313 |
| Total capital assets being depreciated | <u>233,330</u> | <u>22,350</u> | <u>18,514</u> | <u>237,166</u> |
| Less accumulated depreciation for: | | | | |
| Building and improvements | 175,298 | 2,337 | 18,165 | 159,470 |
| Furniture and equipment | 14,219 | 8,034 | 349 | 21,904 |
| Total accumulated depreciation | <u>189,517</u> | <u>10,371</u> | <u>18,514</u> | <u>181,374</u> |
| Total capital assets being depreciated, net | <u>43,813</u> | | | <u>55,792</u> |
| ABC Board capital assets, net | <u>\$ 43,813</u> | | | <u>\$ 55,792</u> |

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of North Wilkesboro is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of North Wilkesboro employees are required to contribute 6% of their compensation. Employer contributions are actuarially

determined and set annually by the LGERS Board of Trustees. The Town of North Wilkesboro's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.37% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of North Wilkesboro were \$213,463 for the year ended June 30, 2017.

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

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

At June 30, 2017, the Town reported a liability of \$924,065 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was .04354% which was a decrease of .00152% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$246,156. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 17,362 | \$ 32,381 |
| Changes in assumptions | 63,289 | - |
| Net difference between projected and actual earnings on pension plan investments | 510,891 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 1,891 | 15,996 |
| Town contributions subsequent to the measurement date | 213,463 | - |
| Total | <u>\$ 806,896</u> | <u>\$ 48,377</u> |

\$213,463 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|-----------|
| 2018 | \$ 80,468 |
| 2019 | 80,529 |
| 2020 | 237,985 |
| 2021 | 146,076 |
| 2022 | - |
| Thereafter | - |

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 3.50 to 7.75 percent, including inflation and productivity factor |
| Investment rate of return | 7.25 percent, net of pension plan investment expense, including inflation |

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Fixed Income | 29.0% | 1.4% |
| Global Equity | 42.0% | 5.3% |
| Real Estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Credit | 7.0% | 6.0% |
| Inflation Protection | 6.0% | 4.0% |
| Total | <u>100%</u> | |

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

| | <u>1% Decrease (6.25%)</u> | <u>Discount Rate (7.25%)</u> | <u>1% Increase (8.25%)</u> |
|---|--------------------------------|----------------------------------|--------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 2,193,237 | \$ 924,065 | \$ (136,042) |

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of North Wilkesboro administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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, 2016, the Separation Allowance's membership consisted of:

| | |
|--|-----------|
| Retirees receiving benefits | 3 |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | <u>24</u> |
| Total | <u>27</u> |

2. *Summary of Significant Accounting Policies:*

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

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. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 3.50 to 7.35 percent, including inflation and productivity factor |
| Discount rate | 3.86 percent |

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. 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. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$44,751 as benefits came due in the reporting period.

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

At June 30, 2017, the Town reported a total pension liability of \$605,667. The total pension liability was measured as of June 30, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$837.

| | <u>Deferred Outflows of</u> | <u>Deferred Inflows of</u> |
|---|---------------------------------|--------------------------------|
| Differences between expected and actual experience | \$ - | \$ - |
| Changes of assumptions | | 11,112 |
| Town benefit payments and plan administrative expense made subsequent to measurement date | <u>40,272</u> | <u>-</u> |
| | <u>\$ 40,272</u> | <u>\$ 11,112</u> |

\$40,272 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|----------------------------|----------|
| 2018 | \$ 2,205 |
| 2019 | 2,205 |
| 2020 | 2,205 |
| 2021 | 2,205 |
| 2022 | 2,205 |
| Thereafter | 87 |

\$40,272 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.86 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

| | <u>1% Decrease (2.86%)</u> | <u>Discount Rate (3.86%)</u> | <u>1% Increase (4.86%)</u> |
|---|--------------------------------|----------------------------------|--------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 652,989 | \$ 605,667 | \$ 562,217 |

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

| | <u>2017</u> |
|--|--------------------------|
| Beginning balance | \$ 615,942 |
| Service Cost | 26,603 |
| Interest on the total pension liability | 21,190 |
| Changes of benefit terms | - |
| Differences between expected and actual experience in measurement of the total pension liability | - |
| Changes in assumptions or other inputs | (13,317) |
| Benefit payments | (44,751) |
| Other changes | - |
| Ending balance of total pension liability | <u><u>\$ 605,667</u></u> |

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

c. Supplemental Retirement Income Plan for Law Enforcement Officers and All Other Full-Time Employees

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and employees not engaged in law enforcement employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for law enforcement officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for law enforcement officers and all other employees not engaged in law enforcement. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's and employee's salary, and all amounts contributed are vested immediately. Also, law enforcement officers and employees may make voluntary contributions to the plan.

The Town made contributions of \$54,448 for the reporting year. No amounts were forfeited.

d. Other Postemployment Benefit

Healthcare Benefits

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

Membership of the HCB Plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

| | General Employees | Law Enforcement Officers |
|--|----------------------|--------------------------------|
| Retirees and dependents receiving benefits | 5 | - |
| Terminated plan members entitled to but not yet receiving benefits | - | - |
| Active plan members | 40 | 25 |
| Total | <u>45</u> | <u>25</u> |

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

The current annual required contribution (ARC) rate is 4.00% of annual covered payroll. For the current year, the Town contributed \$66,985 or 2.67% of annual covered payroll. The Town obtains healthcare coverage through private insurers.

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

| | |
|--|--------------------------|
| Annual required contribution | \$ 122,757 |
| Interest on net OPEB obligation | 15,247 |
| Adjustment to annual required contribution | <u>(11,461)</u> |
| Annual OPEB cost (expense) | 126,543 |
| Contributions made | <u>(66,985)</u> |
| Increase (decrease) in net OPEB obligation | 59,558 |
| Net OPEB obligation, beginning of year | <u>381,177</u> |
| Net OPEB obligation, end of year | <u><u>\$ 440,735</u></u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the new OPEB obligation as of June 30, 2017 were as follows:

| 3 Year Trend Information | | | |
|--------------------------|------------|-------------|------------|
| For Year | Annual | Percentage | |
| Ended | OPEB | of Annual | Net OPEB |
| June 30 | Cost | OPEB Cost | Obligation |
| | | Contributed | |
| 2017 | \$ 126,543 | 52.9% | \$ 440,735 |
| 2016 | \$ 115,466 | 52.0% | \$ 381,177 |
| 2015 | \$ 100,969 | 48.9% | \$ 325,734 |

Funded Status and Funding Progress. As of December 31, 2015, the actuarial accrued liability for benefits was \$1,352,199 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,512,023 and the ratio of the UAAL to the covered payroll was 53.8 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts 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 actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. The investment rate included a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015 was 30 years.

e. 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. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

2. Town of North Wilkesboro ABC Board Pension Plan Obligation

a. Local Governmental Employees' Retirement System

Plan Description. The Town of North Wilkesboro ABC Board is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail

Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The ABC Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The ABC Board's contractually required contribution rate for the year ended June 30, 2017, was 7.07% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the ABC Board were \$7,625 for the year ended June 30, 2017.

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

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

At June 30, 2017, the ABC Board reported a liability of \$49,238 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial

valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The ABC Board's proportion of the net pension asset was based on a projection of the ABC Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the ABC Board's proportion was 0.00232% which was a decrease of 0.00008% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the ABC Board recognized pension expense of \$12,508. At June 30, 2017, the ABC Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 925 | \$ 1,725 |
| Changes in assumptions | 3,372 | - |
| Net difference between projected and actual earnings on pension plan investments | 27,222 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 2,122 |
| ABC Board's contributions subsequent to the measurement date | - | - |
| Total | <u>\$ 31,519</u> | <u>\$ 3,847</u> |

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|---------------------|----------|
| Year ended June 30: | |
| 2018 | \$ 3,871 |
| 2019 | 3,875 |
| 2020 | 12,349 |
| 2021 | 7,579 |
| 2022 | - |
| Thereafter | - |

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 3.50 to 7.35 percent, including inflation and productivity factor |
| Investment rate of return | 7.25 percent, net of pension plan investment expense, including inflation |

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

Valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Fixed income | 29.0% | 1.4% |
| Global Equity | 42.0% | 5.3% |
| Real Estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Credit | 7.0% | 6.0% |
| Inflation Protection | 6.0% | 4.0% |
| | <u>100.0%</u> | |

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

| | 1% Decrease (6.25%) | Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|---------------------------|-----------------------------|---------------------------|
| ABC Board's proportionate share of net pension liability (asset) | \$ 116,865 | \$ 49,238 | \$ (7,249) |

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

3. Deferred Outflows and Inflows of Resources

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

| | |
|--|--------------------------|
| Contributions to pension plan in current fiscal year | \$ 213,463 |
| Benefit payments made and administrative expenses for LEOSSA | 40,272 |
| Differences between expected and actual experience | 17,362 |
| Changes of assumptions | 63,289 |
| Net difference between projected and actual | 510,891 |
| Changes in proportion and differences between employer contributions and proportionate share of contribution | 1,891 |
| Charge on refunding | - |
| Total | <u><u>\$ 847,168</u></u> |

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

| | Statement of Net Position | General Fund Balance Sheet |
|---|------------------------------|-------------------------------|
| Taxes receivable, less penalties (General Fund) | \$ - | \$ 111,704 |
| Changes in assumptions | 11,112 | - |
| Differences between projected and actual experience | 32,381 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 15,996 | - |
| Lease prepayment | 15,000,000 | 15,000,000 |
| | <u><u>\$ 15,059,489</u></u> | <u><u>\$ 15,111,704</u></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. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that

exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town carries no flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000, the tax collector for \$2,500, the Town Manager for \$25,000, and the Town Clerk for \$25,000. The remaining employees that have access to funds are bonded under a blanket bond for \$1,000,000.

The ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has commercial property, general liability, auto liability, workmen's compensation and employee health coverage. The board also has liquor legal liability.

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

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

5. Commitments

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

Rent expense under the operating lease was as follows:

| | For the Year Ended June 30, 2017 |
|-----------------|--|
| Minimum rent | \$ 3,600 |
| Contingent rent | 14,625 |
| Total rent | <u>\$ 18,225</u> |

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

| Year Ended June 30 | |
|-----------------------|------------------|
| 2018 | \$ 3,600 |
| 2019 | 3,600 |
| 2020 | 3,600 |
| 2021 | 3,600 |
| 2022 | 3,600 |
| 2023 - 2025 | <u>7,200</u> |
| | <u>\$ 25,200</u> |

6. Long-term Obligations – Governmental Activities

a. Loan Agreement

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

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

| Year Ending June 30 | Principal | Interest |
|------------------------|------------------|---------------|
| 2018 | \$ 26,928 | \$ 736 |
| 2019 | <u>20,568</u> | <u>180</u> |
| | <u>\$ 47,496</u> | <u>\$ 916</u> |

b. Loan Agreement

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

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

| Year Ending June 30 | Principal | Interest |
|------------------------|-------------------|-----------------|
| 2018 | \$ 53,286 | \$ 2,308 |
| 2019 | 54,246 | 1,348 |
| 2020 | <u>41,383</u> | <u>370</u> |
| | <u>\$ 148,915</u> | <u>\$ 4,026</u> |

c. Loan Agreement

In June, 2012, the Town entered into a loan agreement for the purchase of two 2012 Dodge Chargers. The agreement requires monthly payments of \$1,006, which includes interest at 2.29% through June, 2017. This loan was paid off during the year ended June 30, 2017.

d. Loan Agreement

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

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

| Year Ending June 30 | Principal | Interest |
|------------------------|-----------------|--------------|
| 2018 | \$ 9,625 | \$ 79 |
| | <u>\$ 9,625</u> | <u>\$ 79</u> |

e. Loan Agreement

In September, 2015, the Town entered into a loan agreement for the construction and renovation of the Farmer's Market and surroundings. The agreement requires semi-annual payments of \$30,000, plus interest at 2.49% through September, 2025.

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

| Year Ending June 30 | Principal | Interest |
|------------------------|-------------------|------------------|
| 2018 | \$ 60,000 | \$ 12,326 |
| 2019 | 60,000 | 10,832 |
| 2020 | 60,000 | 9,338 |
| 2021 | 60,000 | 7,844 |
| 2022 | 60,000 | 6,350 |
| 2023-2026 | <u>210,000</u> | <u>10,455</u> |
| | <u>\$ 510,000</u> | <u>\$ 57,145</u> |

7. Long-term Obligations – Business-Type Activities

a. NCDENR Drinking Water Loan

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

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

| Year Ending | | |
|-------------|-------------------|------------------|
| June 30 | Principal | Interest |
| 2018 | \$ 136,119 | \$ 20,990 |
| 2019 | 136,119 | 17,491 |
| 2020 | 136,119 | 13,993 |
| 2021 | 136,119 | 10,495 |
| 2022 | 136,119 | 6,997 |
| 2023 | 136,118 | 3,498 |
| | <u>\$ 816,713</u> | <u>\$ 73,464</u> |

b. NCDENR Water Quality Loan

In June, 1998, the Town entered into a NCDENR Water Quality Loan that requires annual principal payments of \$211,262 plus semi-annual interest payments at 3.43% through May, 2017. This loan was paid off during the year ended June 30, 2017.

c. NCDENR Drinking Water State Revolving Loan

To address raw water supply storage and sufficient water supply, the Town of North Wilkesboro is partnering with the Town of Wilkesboro to design and construct a raw water intake on the Kerr Scott Reservoir. Kerr Scott Reservoir will provide a reliable source of good quality water for both towns. The Town is using a combination of grants and loans to finance the project. The Town has arranged with NCDENR for a Drinking Water State Revolving Loan. \$1,131,796 in loan proceeds have been drawn against the loan as of June 30, 2017.

The Town entered into a loan agreement where it can borrow up to \$1,578,860. The loan will be repaid over a five-year period in yearly installments of \$313,572 beginning in May, 2018 through May 2022.

d. Loan Agreement

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

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

| Year Ending | | |
|-------------|-------------------|------------------|
| June 30 | Principal | Interest |
| 2018 | \$ 44,377 | \$ 7,738 |
| 2019 | 44,377 | 6,500 |
| 2020 | 44,377 | 5,262 |
| 2021 | 44,377 | 4,024 |
| 2022 | 44,377 | 2,786 |
| 2023-2024 | <u>66,565</u> | <u>1,857</u> |
| | <u>\$ 288,450</u> | <u>\$ 28,167</u> |

e. Loan Agreement

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

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

| Year Ending | | |
|-------------|-------------------|------------------|
| June 30 | Principal | Interest |
| 2018 | \$ 52,267 | \$ 4,894 |
| 2019 | 53,346 | 3,813 |
| 2020 | 54,449 | 2,710 |
| 2021 | 55,575 | 1,589 |
| 2022 | <u>42,873</u> | <u>440</u> |
| | <u>\$ 258,510</u> | <u>\$ 13,446</u> |

8. Changes in Long-Term Liabilities

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Current Portion of Balance |
|--|----------------------|-------------------|-------------------|---------------------|-------------------------------|
| Governmental activities: | | | | | |
| Notes payable | \$ 879,270 | \$ - | \$ 163,234 | \$ 716,036 | \$ 149,839 |
| Compensated absences | 188,174 | 128,479 | 131,077 | 185,576 | 69,974 |
| Other postemployment benefits | 304,458 | 48,851 | - | 353,309 | - |
| Net pension liability (LGERS) | 163,831 | 585,865 | - | 749,696 | - |
| Total pension liability (LEO) | 615,942 | - | 10,275 | 605,667 | - |
| Governmental activity long-term liabilities | <u>\$ 2,151,675</u> | <u>\$ 763,195</u> | <u>\$ 304,586</u> | <u>\$ 2,610,284</u> | <u>\$ 219,813</u> |
| Business-type activities: | | | | | |
| NC DENR Drinking Water Loan | \$ 952,832 | \$ - | \$ 136,119 | \$ 816,713 | \$ 136,119 |
| NC DENR Water Quality Loan | 211,262 | - | 211,262 | - | - |
| NC DENR Drinking Water State Revolving Loan | 801,354 | 330,442 | - | 1,131,796 | - |
| Notes payable | 646,860 | - | 99,900 | 546,960 | 96,644 |
| Compensated absences | 36,354 | 25,192 | 23,333 | 38,213 | 19,106 |
| Other postemployment benefits | 76,719 | 10,707 | - | 87,426 | - |
| Net pension liability (LGERS) | 38,396 | 135,974 | - | 174,370 | - |
| Business-type activity long-term liabilities | <u>\$ 2,763,777</u> | <u>\$ 502,315</u> | <u>\$ 470,614</u> | <u>\$ 2,795,478</u> | <u>\$ 251,869</u> |

At June 30, 2017, the Town had a legal debt margin of \$33,079,035.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2017, consist of the following:

| | |
|------------------|-------------------|
| General Fund | <u>\$ (7,570)</u> |
| Water Sewer Fund | <u>\$ 7,570</u> |

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to and from other funds at June 30, 2017, consist of the following:

| | |
|--|---------------------|
| From Capital Reserve Fund to General Fund | \$ (40,000) |
| From General Fund to Yadkin Valley Downtown Streetscape Improvements Capital Projects Fund | (258,137) |
| From General Fund to Building Rehab and Condemnation Capital Projects Fund | (100,000) |
| From NC Step Program Capital Projects Fund to Capital Reserve Fund | (1,329) |
| From Yadkin Valley Market Place Capital Projects Fund to Capital Reserve Fund | (109) |
| From General Fund to Health Equity Fund | <u>(35,000)</u> |
| | <u>\$ (434,575)</u> |
| From the Capital Reserve Capital Projects Fund to Water Sewer Fund | <u>\$ (67,497)</u> |
| From Water Sewer Fund to Health Equity Water Fund | <u>\$ (15,000)</u> |

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2017, the Town of North Wilkesboro has recognized on-behalf payments for pension contributions made by the State as revenue of \$10,063 and an expenditure of \$10,063 for the twenty-eight volunteer firemen and three employed firemen who

perform firefighting duties for the Town’s fire department. The volunteers and employees elected to be members of the Firefighters’ and Rescue Squad Workers’ Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

E. Net Investment in Capital Assets

| | <u>Governmental</u> | <u>Business-type</u> |
|----------------------------------|----------------------|----------------------|
| Capital assets | \$ 44,064,614 | \$ 18,817,957 |
| Less: long-term debt | <u>716,036</u> | <u>2,495,469</u> |
| Net investment in capital assets | <u>\$ 43,348,578</u> | <u>\$ 16,322,488</u> |

F. 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 | \$ 3,796,813 |
| Less: | |
| Land held for resale | 502,819 |
| Stabilization by State Statute | 732,585 |
| Streets - Powell Bill | 98,286 |
| Appropriated fund balance in 2018 budget | 655,541 |
| Remaining Fund Balance | 1,807,582 |

III. Jointly Governed Organizations

The Town, in conjunction with seven counties and eighteen other municipalities established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council’s governing board. The Town paid membership fees of \$1,124 to the Council during the fiscal year ended June 30, 2017.

IV. Related Party Transactions

The Town requires that approval is required for purchases of goods and material involving a “public office” or a “public officer” who has more than a ten percent (10%) ownership in an entity who contracts with, or sells goods or materials, to the Town. The Town purchased goods and materials from a company owned by a Town volunteer/employee in the amount of \$420. The Town purchased goods from a company owned by a Town Commissioner in the amount of \$974. The Town also purchased services from a company owned by a Town Commissioner in the amount of \$2,200.

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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

VI. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$384,706.

VII. Leases and Other Matters

Effective February 7, 2007 the Town of North Wilkesboro entered into a Lease Agreement with WRMC Hospital Operating Corporation whereby the Town leased all Hospital Property to WRMC. Rental income for the year ended June 30, 2017 was \$956,997 including \$356,997 of contingent rentals. Under this lease agreement, all Hospital Property was deemed to be owned by WRMC and accordingly, all Hospital Property was recognized by WRMC for financial reporting purposes.

Upon termination of the February 7, 2007 lease, which occurred at June 30, 2017, certain Hospital Property i.e. all Real Property and Improvements as was owned by WRMC as of the lease termination date was transferred, conveyed, and assigned to the Town while certain Hospital Property, i.e. Personalty then owned by WRMC, remained the property of WRMC. Accordingly, as of June 30, 2017, to reflect this transaction, \$36,911,418 of land, buildings, and improvements has been recorded as a contribution of capital assets from lease cancellation in these financial statements. In accordance with GASB 72 these assets were recorded at acquisition value. No depreciation was recorded for these assets for the year ending June 30, 2017 due to the fact that the assets were received on June 30, 2017. For future years these assets will be depreciated in accordance with the Town's depreciation policy based on their useful lives.

Effective July 1, 2017 the Town of North Wilkesboro (Town), WRMC Operating Corporation (WRMC), Wilkes Physician Network, Inc (WPN), and Wake Forest University Baptist Medical Center (WFUBMC) entered into a lease agreement whereby the Town will lease to WRMC the "Leased Assets" (as described in the lease) i.e. real property together with the buildings, improvements, and fixtures thereon. The initial term of this lease shall be for thirty (30) years commencing as of July 1, 2017. After the initial term the lease may be renewed and extended at the option of the tenant and WFUBMC for two (2) successive periods of ten (10) years each. Lease payments consist of a \$15,000,000 "Upfront Lease Payment" (including the Lock Up Fee)

on the commencement date plus an Annual Rent payment of \$1,000,000 (which shall be increased by 2% of the amount paid the previous year) beginning on the first anniversary of the commencement date. The Town intends to elect earlier application of GASB 87 and accordingly will record this lease as a Lease Receivable and a Deferred Inflow of Resources (value of lease receivable plus the "Upfront Lease Payment") at the commencement of the lease term and will recognize interest income on the Lease Receivable and an inflow of resources (revenue) from the deferred inflow of resources over the term of the lease.

VII. Subsequent Events

Subsequent events have been evaluated through December 5, 2017, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued 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) |
|--------------------------------|--|--|--------------------------------------|--------------------------|---------------------------|---|
| 12/31/16 | \$ - | \$ 1,352,199 | 1,352,199 | 0% | 2,512,023 | 53.8% |
| 12/31/15 | \$ - | \$ 1,352,199 | 1,352,199 | 0% | 2,512,023 | 53.8% |
| 12/31/14 | \$ - | \$ 1,430,308 | 1,430,308 | 0% | 2,671,325 | 53.5% |
| 12/31/13 | \$ - | \$ 1,316,278 | 1,316,278 | 0% | 2,664,690 | 49.4% |
| 12/31/10 | \$ - | \$ 1,550,633 | 1,550,633 | 0% | 2,334,964 | 66.4% |
| 12/31/08 | \$ - | \$ 1,310,154 | 1,310,154 | 0% | 2,254,932 | 58.1% |

Schedule of Employer Contributions

| Year Ended June 30 | Annual Required Contribution | Percentage Contributed |
|-----------------------|---------------------------------|---------------------------|
| 2017 | 122,757 | 54.57% |
| 2016 | 115,466 | 52.00% |
| 2015 | 100,479 | 49.09% |
| 2014 | 124,294 | 58.92% |
| 2013 | 105,800 | 44.86% |
| 2012 | 101,976 | 45.77% |
| 2011 | 101,976 | 59.00% |

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

Local Governmental Employees' Retirement System

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|--------------|--------------|
| North Wilkesboro's proportion of the net pension liability (asset) (%) | 0.04354% | 0.04506% | 0.04802% | 0.04760% |
| North Wilkesboro's proportion of the net pension liability (asset) (\$) | \$ 924,065 | \$ 202,227 | \$ (283,196) | \$ 573,763 |
| North Wilkesboro's covered payroll | \$ 2,732,193 | \$ 2,618,450 | \$ 2,646,975 | \$ 2,547,882 |
| North Wilkesboro's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 33.82% | 7.72% | -10.70% | 22.52% |
| Plan fiduciary net position as a percentage of the total pension liability** | 91.47% | 98.09% | 102.64% | 94.35% |

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

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

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

Local Governmental Employees' Retirement System

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 213,463 | \$ 189,027 | \$ 188,470 | \$ 189,235 |
| Contributions in relation to the contractually required contribution | <u>213,463</u> | <u>189,027</u> | <u>188,470</u> | <u>189,235</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| North Wilkesboro's covered payroll | \$ 2,807,808 | \$ 2,732,193 | \$ 2,618,450 | \$ 2,646,975 |
| Contributions as a percentage of covered payroll | 7.60% | 6.92% | 7.20% | 7.15% |

Town of North Wilkesboro, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

| | 2017 |
|--|------------|
| Beginning balance | \$ 615,942 |
| Service cost | 26,603 |
| Interest on the total pension liability | 21,190 |
| Changes of benefit terms | - |
| Differences between expected and actual experience in the measurement of the total pension liability | - |
| Changes of Assumptions or other inputs | (13,317) |
| Benefit payments | (44,751) |
| Other changes | - |
| Ending balance of the total pension liability | \$ 605,667 |

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Town of North Wilkesboro, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

| | | 2017 |
|--|----|-----------|
| Total pension liability | \$ | 605,667 |
| Covered payroll | | 1,015,687 |
| Total pension liability as a percentage of covered payroll | | 59.63% |

Notes to the schedules:

The Town of North Wilkesboro has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Individual Fund Schedules

Town of North Wilkesboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|----------------------------------|----------------------|----------------------|---|
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Taxes | \$ | \$ 2,239,186 | \$ |
| Interest | | 36,563 | |
| Total | <u>2,070,000</u> | <u>2,275,749</u> | <u>205,749</u> |
| Unrestricted intergovernmental: | | | |
| Local option sales taxes | | 1,255,439 | |
| Payments in lieu of taxes | | 32,556 | |
| Telecommunications sales tax | | 62,705 | |
| Utilities sales tax | | 331,906 | |
| Piped natural gas sales tax | | 10,244 | |
| Video franchise fee | | 39,345 | |
| Beer and wine tax | | 20,264 | |
| Total | <u>1,503,500</u> | <u>1,752,459</u> | <u>248,959</u> |
| Restricted intergovernmental: | | | |
| Powell Bill allocation | | 147,048 | |
| Controlled substance tax | | 2,256 | |
| On-behalf of payments - Fire | | 10,063 | |
| Solid waste disposal tax | | 3,007 | |
| Total | <u>148,400</u> | <u>162,374</u> | <u>13,974</u> |
| Permits and fees: | | | |
| Privilege licenses and penalties | | 620 | |
| Cable franchise fees | | 11,826 | |
| Planning and zoning | | 4,272 | |
| Building permits | | 34,207 | |
| Total | <u>18,000</u> | <u>50,925</u> | <u>32,925</u> |
| Sales and services: | | | |
| Rents and concessions | | 47,575 | |
| Court costs, fees, and charges | | 5,055 | |
| Recreation Department fees | | 33,997 | |
| Garage disposal fees | | 392,691 | |
| Parking violation fees | | 3,166 | |
| Total | <u>480,080</u> | <u>482,484</u> | <u>2,404</u> |
| Investment earnings | <u>12,100</u> | <u>10,797</u> | <u>(1,303)</u> |
| Miscellaneous: | | | |
| Lease payment WRMC | | 956,997 | |
| Miscellaneous | | 82,769 | |
| Total | <u>811,500</u> | <u>1,039,766</u> | <u>228,266</u> |
| Total revenues | <u>5,043,580</u> | <u>5,774,554</u> | <u>730,974</u> cont. |

Town of North Wilkesboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------|------------------|------------------|---|
| Expenditures: | | | |
| General government: | | | |
| Governing body: | | | |
| Salaries and benefits | | 30,783 | |
| Operating expenses | | 47,027 | |
| Total | <u>83,455</u> | <u>77,810</u> | <u>5,645</u> |
| Administration: | | | |
| Salaries and employee benefits | | 208,339 | |
| Other operating expenditures | | 20,551 | |
| Total | <u>231,720</u> | <u>228,890</u> | <u>2,830</u> |
| Finance: | | | |
| Salaries and employee benefits | | 176,874 | |
| Other operating expenditures | | 48,180 | |
| Capital outlay | | 4,624 | |
| Total | <u>234,789</u> | <u>229,678</u> | <u>5,111</u> |
| Legal department: | | | |
| Salaries and employee benefits | | 32,331 | |
| Professional services | | 163,385 | |
| Total | <u>232,920</u> | <u>195,716</u> | <u>37,204</u> |
| Public buildings: | | | |
| Other operating expenditures | | 189,876 | |
| Capital outlay | | 74,191 | |
| Total | <u>482,331</u> | <u>264,067</u> | <u>218,264</u> |
| Special appropriations: | | | |
| Salaries and employee benefits | | 49,020 | |
| Total | <u>89,897</u> | <u>49,020</u> | <u>40,877</u> |
| Tourism: | | | |
| Salaries and employee benefits | | 53,694 | |
| Other operating expenditures | | 71,899 | |
| Capital outlay | | 45,854 | |
| Total | <u>175,484</u> | <u>171,447</u> | <u>4,037</u> |
| Total general government | <u>1,530,596</u> | <u>1,216,628</u> | <u>313,968</u> |
| Public safety: | | | |
| Police department: | | | |
| Salaries and employee benefits | | 1,579,921 | |
| Other operating expenditures | | 284,659 | |
| Capital outlay | | 35,000 | |
| Total | <u>1,936,978</u> | <u>1,899,580</u> | <u>37,398</u> |
| Fire department: | | | |
| Salaries and employee benefits | | 316,745 | |
| Other operating expenditures | | 147,053 | |
| Capital outlay | | 5,000 | |
| Total | <u>480,088</u> | <u>468,798</u> | <u>11,290</u> |

cont.

Town of North Wilkesboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------|-----------|-----------|------------------------------------|
| Inspections: | | | |
| Salaries and employee benefits | | 164,120 | |
| Other operating expenditures | | 38,832 | |
| Total | 206,022 | 202,952 | 3,070 |
| Total public safety | 2,623,088 | 2,571,330 | 51,758 |
| Transportation: | | | |
| Public works: | | | |
| Salaries and employee benefits | | 55,315 | |
| Other operating expenditures | | 5,208 | |
| Total | 62,791 | 60,523 | 2,268 |
| Streets and highways: | | | |
| Salaries and employee benefits | | 225,377 | |
| Other operating expenditures | | 264,750 | |
| Capital outlay | | 18,550 | |
| Total | 556,238 | 508,677 | 47,561 |
| Garage: | | | |
| Salaries and employee benefits | | 67,222 | |
| Other operating expenditures | | 24,401 | |
| Total | 95,911 | 91,623 | 4,288 |
| Total transportation | 714,940 | 660,823 | 54,117 |
| Environmental protection: | | | |
| Sanitation: | | | |
| Salaries and employee benefits | | 309,693 | |
| Other operating expenditures | | 105,558 | |
| Contracted services | | 144,483 | |
| Capital outlay | | 7,520 | |
| Total | 573,813 | 567,254 | 6,559 |
| Cemeteries: | | | |
| Salaries and employee benefits | | 78,158 | |
| Other operating expenditures | | 19,132 | |
| Total | 113,385 | 97,290 | 16,095 |
| Total environmental protection | 687,198 | 664,544 | 22,654 |

cont.

Town of North Wilkesboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|--------------------|---------------------|---|
| Cultural and recreational: | | | |
| Recreational: | | | |
| Salaries and employee benefits | | 179,536 | |
| Other operating expenditures | | 132,057 | |
| Capital outlay | | 23,000 | |
| Total | <u>345,569</u> | <u>334,593</u> | <u>10,976</u> |
| Cultural: | | | |
| Contributions to other agencies | | 87,650 | |
| Total | <u>87,650</u> | <u>87,650</u> | <u>-</u> |
| Total cultural and recreation | <u>433,219</u> | <u>422,243</u> | <u>10,976</u> |
| Debt service: | | | |
| Principal retirement | | 163,235 | |
| Interest and other charges | | 18,856 | |
| Total debt service | <u>180,801</u> | <u>182,091</u> | <u>(1,290)</u> |
| Contingency | - | - | - |
| Total expenditures | <u>6,169,842</u> | <u>5,717,659</u> | <u>452,183</u> |
| Revenues over (under) expenditures | <u>(1,126,262)</u> | <u>56,895</u> | <u>1,183,157</u> |
| Other financing sources (uses): | | | |
| Transfers from other funds: | | | |
| Capital projects funds | 40,000 | 40,000 | - |
| Transfers to other funds: | | | |
| Capital projects funds | (358,137) | (358,137) | - |
| Health Equity | | (35,000) | (35,000) |
| Installment purchase obligation issued | 238,137 | - | (238,137) |
| Sale of capital assets | 100,000 | 32,693 | (67,307) |
| Total other financing sources (uses) | <u>20,000</u> | <u>(320,444)</u> | <u>(340,444)</u> |
| Fund balance appropriated | 1,106,262 | - | (1,106,262) |
| Net change in fund balance | <u>\$ -</u> | (263,549) | <u>\$ (263,549)</u> |
| Fund balances, beginning | | <u>3,963,307</u> | |
| Fund balances, ending | | <u>\$ 3,699,758</u> | |

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Firemen's Supplementary Fund
For the Year Ended June 30, 2017

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|---|-----------------|--------------------|------------------------------------|
| Revenues: | | | |
| Contribution from State Firemen's Relief Fund | \$ 2,500 | \$ 4,427 | \$ 1,927 |
| Investment earnings | - | 3 | 3 |
| Total revenues | <u>2,500</u> | <u>4,430</u> | <u>1,930</u> |
| Expenditures: | | | |
| Salaries and benefits | <u>20,400</u> | <u>18,500</u> | <u>1,900</u> |
| Total expenditures | <u>20,400</u> | <u>18,500</u> | <u>1,900</u> |
| Revenues over (under) expenditures | <u>(17,900)</u> | <u>(14,070)</u> | <u>3,830</u> |
| Appropriated fund balance | <u>17,900</u> | <u>-</u> | <u>(17,900)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (14,070)</u> | <u>\$ (14,070)</u> |
| Fund balance, beginning | | <u>76,125</u> | |
| Fund balance, ending | | <u>\$ 62,055</u> | |

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Health Equity
For the Year Ended June 30, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|------------------------------------|-----------------|------------------|---|
| Revenues: | | | |
| Investment earnings | \$ - | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures: | | | |
| Expenditures | <u>35,000</u> | <u>-</u> | <u>35,000</u> |
| Total expenditures | <u>35,000</u> | <u>-</u> | <u>35,000</u> |
| Revenues over (under) expenditures | <u>(35,000)</u> | <u>-</u> | <u>35,000</u> |
| Other financing sources (uses): | | | |
| Transfer from general fund | <u>35,000</u> | <u>35,000</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 35,000</u> | <u>\$ 35,000</u> |
| Fund balance, beginning | | <u>-</u> | |
| Fund balance, ending | | <u>\$ 35,000</u> | |

Town of North Wilkesboro, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2017

| | Fire Station Building Project Capital Projects Fund | NC STEP Program Capital Projects Fund | Yadkin Valley Market Place Capital Projects Fund | Neighborhood Streetscape Capital Projects Fund |
|--|---|---|---|--|
| Assets | | | | |
| Cash and cash equivalents | \$ 168,074 | \$ - | \$ - | \$ 20,792 |
| Grants receivable | - | - | - | - |
| Total assets | 168,074 | - | - | 20,792 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | 702 | - | - | - |
| Total liabilities | 702 | - | - | - |
| Fund Balances | | | | |
| Restricted by stabilization by state statute | - | - | - | - |
| Committed | 167,372 | - | - | 20,792 |
| Total fund balances | 167,372 | - | - | 20,792 |
| Total liabilities and fund balances | \$ 168,074 | \$ - | \$ - | \$ 20,792 |

Continued

Town of North Wilkesboro, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2017

| | Community Waste Reduction and Recycling Grant Capital Projects Fund | NC DOT Project No. R-2603 Highway 268 Capital Projects Fund | Capital Reserve Capital Projects Fund |
|--|---|--|---|
| Assets | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 502,798 |
| Grants receivable | 12,851 | - | - |
| Total assets | <u>12,851</u> | <u>-</u> | <u>502,798</u> |
| Liabilities | | | |
| Accounts payable and accrued liabilities | 12,451 | - | 38,562 |
| Total liabilities | <u>12,451</u> | <u>-</u> | <u>38,562</u> |
| Fund Balances | | | |
| Restricted by stabilization by state statute | 12,851 | - | - |
| Committed | (12,451) | - | 464,236 |
| Total fund balances | <u>400</u> | <u>-</u> | <u>464,236</u> |
| Total liabilities and fund balances | <u>\$ 12,851</u> | <u>\$ -</u> | <u>\$ 502,798</u> |

Continued

Town of North Wilkesboro, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2017

| | Yadkin Valley Downtown Streetscape Capital Projects Fund | Building Rehab and Condemnation Capital Projects Fund | Total Non-Major Governmental Funds |
|--|---|--|---|
| | | | |
| Assets | | | |
| Cash and cash equivalents | \$ - | \$ 89,861 | \$ 781,525 |
| Grants receivable | 32,308 | - | 45,159 |
| | | | |
| Total assets | 32,308 | 89,861 | 826,684 |
| Liabilities | | | |
| Accounts payable and accrued liabilities | 18,727 | - | 70,442 |
| Total liabilities | 18,727 | - | 70,442 |
| Fund Balances | | | |
| Restricted by stabilization by state statute | 32,308 | - | 45,159 |
| Committed | (18,727) | 89,861 | 711,083 |
| Total fund balances | 13,581 | 89,861 | 756,242 |
| Total liabilities and fund balances | \$ 32,308 | \$ 89,861 | \$ 826,684 |

Town of North Wilkesboro, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2017

| | Fire Station Building Project Capital Projects Fund | NC STEP Program Capital Projects Fund | Yadkin Valley Market Place Capital Projects Fund | Neighborhood Streetscape Capital Projects Fund |
|--------------------------------------|---|---|---|--|
| Revenues: | | | | |
| Restricted intergovernmental | \$ - | \$ - | \$ - | \$ - |
| Contributions from other agencies | - | - | - | - |
| Total revenues | - | - | - | - |
| Expenditures: | | | | |
| Capital outlay | 35,368 | - | - | 38,610 |
| Economic development | - | - | - | - |
| Total expenditures | 35,368 | - | - | 38,610 |
| Revenues over (under) expenditures | (35,368) | - | - | (38,610) |
| Other financing sources (uses): | | | | |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | - | (1,329) | (109) | - |
| Total other financing sources (uses) | - | (1,329) | (109) | - |
| Net change in fund balance | (35,368) | (1,329) | (109) | (38,610) |
| Fund balance, beginning | 202,740 | 1,329 | 109 | 59,402 |
| Fund balance, ending | \$ 167,372 | \$ - | \$ - | \$ 20,792 |

Continued

Town of North Wilkesboro, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2017

| | Community Waste Reduction and Recycling Grant Capital Projects Fund | NC DOT Project No. R-2603 Highway 268 Capital Projects Fund | Capital Reserve Capital Projects Fund |
|--------------------------------------|---|--|---|
| Revenues: | | | |
| Restricted intergovernmental | \$ 18,970 | \$ - | \$ - |
| Contributions from other agencies | - | - | - |
| Total revenues | <u>18,970</u> | <u>-</u> | <u>-</u> |
| Expenditures: | | | |
| Capital outlay | 18,570 | - | - |
| Economic development | - | - | - |
| Total expenditures | <u>18,570</u> | <u>-</u> | <u>-</u> |
| Revenues over (under) expenditures | <u>400</u> | <u>-</u> | <u>-</u> |
| Other financing sources (uses): | | | |
| Transfers from other funds | - | - | 1,438 |
| Transfers to other funds | - | - | (40,000) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(38,562)</u> |
| Net change in fund balance | 400 | - | (38,562) |
| Fund balance, beginning | - | - | 502,798 |
| Fund balance, ending | <u>\$ 400</u> | <u>\$ -</u> | <u>\$ 464,236</u> |

Continued

Town of North Wilkesboro, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2017

| | Yadkin Valley Downtown Streetscape Capital Projects Fund | Building Rehab and Condemnation Capital Projects Fund | Total Non-Major Governmental Funds |
|--------------------------------------|---|--|---|
| Revenues: | | | |
| Restricted intergovernmental | \$ 32,308 | \$ - | \$ 51,278 |
| Contributions from other agencies | - | - | - |
| Total revenues | <u>32,308</u> | <u>-</u> | <u>51,278</u> |
| Expenditures: | | | |
| Capital Outlay | 276,864 | 10,139 | 379,551 |
| Economic development | - | - | - |
| Total expenditures | <u>276,864</u> | <u>10,139</u> | <u>379,551</u> |
| Revenues over (under) expenditures | <u>(244,556)</u> | <u>(10,139)</u> | <u>(328,273)</u> |
| Other financing sources (uses): | | | |
| Transfers from other funds | 258,137 | 100,000 | 359,575 |
| Transfers to other funds | - | - | (41,438) |
| Total other financing sources (uses) | <u>258,137</u> | <u>100,000</u> | <u>318,137</u> |
| Net change in fund balance | 13,581 | 89,861 | (10,136) |
| Fund balance, beginning | - | - | 766,378 |
| Fund balance, ending | <u>\$ 13,581</u> | <u>\$ 89,861</u> | <u>\$ 756,242</u> |

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Fire Station Building Project
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2017

| | Project Author - ization | Actual | | Total to Date | Variance Positive (Negative) |
|---------------------------------------|--------------------------------|-------------------|-------------------|-------------------|------------------------------------|
| | | Prior Year | Current Year | | |
| Revenues: | | | | | |
| Investment earnings | \$ 2,740 | \$ 2,740 | \$ - | \$ 2,740 | \$ - |
| Total revenues | <u>2,740</u> | <u>2,740</u> | <u>-</u> | <u>2,740</u> | <u>-</u> |
| Expenditures: | | | | | |
| Capital outlay | 202,740 | - | 35,368 | 35,368 | 167,372 |
| Total expenditures | <u>202,740</u> | <u>-</u> | <u>35,368</u> | <u>35,368</u> | <u>167,372</u> |
| Revenues over (under) expenditures | <u>(200,000)</u> | <u>2,740</u> | <u>(35,368)</u> | <u>(32,628)</u> | <u>167,372</u> |
| Other financing sources (uses) | | | | | |
| Transfers from other funds | 200,000 | 200,000 | - | 200,000 | - |
| Total other financing sources (uses) | <u>200,000</u> | <u>200,000</u> | <u>-</u> | <u>200,000</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 202,740</u> | <u>(35,368)</u> | <u>\$ 167,372</u> | <u>\$ 167,372</u> |
| Fund balance, beginning | | | <u>202,740</u> | | |
| Fund balance, ending | | | <u>\$ 167,372</u> | | |

Town of North Wilkesboro, North Carolina
Capital Projects Fund - NC STEP Program
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2017

| | Project Author - ization | Actual | | Total to Date | Variance Positive (Negative) |
|---------------------------------------|--------------------------------|-----------------|-----------------|------------------|------------------------------------|
| | | Prior Year | Current Year | | |
| Revenues: | | | | | |
| Restricted intergovernmental: | | | | | |
| State grants | \$ 125,000 | \$ 57,572 | \$ - | \$ 57,572 | \$ (67,428) |
| Investment earnings | - | 4 | - | 4 | 4 |
| Total revenues | <u>125,000</u> | <u>57,576</u> | <u>-</u> | <u>57,576</u> | <u>(67,424)</u> |
| Expenditures: | | | | | |
| Economic development | <u>131,250</u> | <u>62,497</u> | <u>-</u> | <u>62,497</u> | <u>68,753</u> |
| Total expenditures | <u>131,250</u> | <u>62,497</u> | <u>-</u> | <u>62,497</u> | <u>68,753</u> |
| Revenues over (under) expenditures | <u>(6,250)</u> | <u>(4,921)</u> | <u>-</u> | <u>(4,921)</u> | <u>1,329</u> |
| Other financing sources (uses) | | | | | |
| Transfers from (to) other funds | | | | | |
| Capital Reserve Fund | <u>6,250</u> | <u>6,250</u> | <u>(1,329)</u> | <u>4,921</u> | <u>(1,329)</u> |
| Total other financing sources (uses) | <u>6,250</u> | <u>6,250</u> | <u>(1,329)</u> | <u>4,921</u> | <u>(1,329)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 1,329</u> | <u>(1,329)</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balance, beginning | | | <u>1,329</u> | | |
| Fund balance, ending | | | <u>\$ -</u> | | |

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Yadkin Valley Market Place
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2017

| | Project Author - ization | Actual | | Total to Date | Variance Positive (Negative) |
|---------------------------------------|--------------------------------|------------------|-----------------|------------------|------------------------------------|
| | | Prior Year | Current Year | | |
| Revenues: | | | | | |
| Restricted intergovernmental: | | | | | |
| Federal grants | \$ 20,000 | \$ 20,000 | \$ - | \$ 20,000 | \$ - |
| State grants | 115,790 | 115,790 | - | 115,790 | - |
| Contributions from other agencies | 90,000 | 90,000 | - | 90,000 | - |
| Investment earnings | - | 14 | - | 14 | 14 |
| Total revenues | <u>225,790</u> | <u>225,804</u> | <u>-</u> | <u>225,804</u> | <u>14</u> |
| Expenditures: | | | | | |
| Capital outlay | <u>383,603</u> | <u>383,508</u> | <u>-</u> | <u>383,508</u> | <u>95</u> |
| Total expenditures | <u>383,603</u> | <u>383,508</u> | <u>-</u> | <u>383,508</u> | <u>95</u> |
| Revenues over (under) expenditures | <u>(157,813)</u> | <u>(157,704)</u> | <u>-</u> | <u>(157,704)</u> | <u>109</u> |
| Other financing sources (uses) | | | | | |
| Transfers from (to) other funds | | | | | |
| Capital Reserve Fund | <u>157,813</u> | <u>157,813</u> | <u>(109)</u> | <u>157,704</u> | <u>(109)</u> |
| Total other financing sources (uses) | <u>157,813</u> | <u>157,813</u> | <u>(109)</u> | <u>157,704</u> | <u>(109)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 109</u> | <u>(109)</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balance, beginning | | | <u>109</u> | | |
| Fund balance, ending | | | <u>\$ -</u> | | |

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Neighborhood Streetscape
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2017

| | Project Author - ization | Prior Year | Actual Current Year | Total to Date | Variance Positive (Negative) |
|--------------------------------------|--------------------------------|------------------|---------------------------|------------------|------------------------------------|
| Revenues: | | | | | |
| Other | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures: | | | | | |
| Capital outlay | 100,000 | 40,598 | 38,610 | 79,208 | 20,792 |
| Total expenditures | <u>100,000</u> | <u>40,598</u> | <u>38,610</u> | <u>79,208</u> | <u>20,792</u> |
| Revenues over (under) expenditures | <u>(100,000)</u> | <u>(40,598)</u> | <u>(38,610)</u> | <u>(79,208)</u> | <u>20,792</u> |
| Other financing sources (uses) | | | | | |
| Transfers from other funds | | | | | |
| General Fund | 100,000 | 100,000 | - | 100,000 | - |
| Total other financing sources (uses) | <u>100,000</u> | <u>100,000</u> | <u>-</u> | <u>100,000</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 59,402</u> | <u>(38,610)</u> | <u>\$ 20,792</u> | <u>\$ 20,792</u> |
| Fund balance, beginning | | | 59,402 | | |
| Fund balance, ending | | | <u>\$ 20,792</u> | | |

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Community Waste Reduction and Recycling Grant
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2017

| | Project Author - ization | Prior Year | Actual Current Year | Total to Date | Variance Positive (Negative) |
|--------------------------------------|--------------------------------|-----------------|---------------------------|------------------|------------------------------------|
| Revenues: | | | | | |
| Restricted intergovernmental: | | | | | |
| State grants | \$ 55,000 | \$ 36,030 | \$ 18,970 | \$ 55,000 | \$ - |
| Total revenues | <u>55,000</u> | <u>36,030</u> | <u>18,970</u> | <u>55,000</u> | <u>-</u> |
| Expenditures: | | | | | |
| Capital outlay | 115,084 | 96,114 | 18,570 | 114,684 | 400 |
| Total expenditures | <u>115,084</u> | <u>96,114</u> | <u>18,570</u> | <u>114,684</u> | <u>400</u> |
| Revenues over (under) expenditures | <u>(60,084)</u> | <u>(60,084)</u> | 400 | <u>(59,684)</u> | 400 |
| Other financing sources (uses) | | | | | |
| Transfers from other funds | | | | | |
| Capital Reserve Fund | 60,084 | 60,084 | - | 60,084 | - |
| Total other financing sources (uses) | <u>60,084</u> | <u>60,084</u> | <u>-</u> | <u>60,084</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 400 | <u>\$ 400</u> | <u>\$ 400</u> |
| Fund balance, beginning | | | - | | |
| Fund balance, ending | | | <u>\$ 400</u> | | |

Town of North Wilkesboro, North Carolina
Capital Projects Fund - NC DOT Project No. R-2603 Highway 268
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2017

| | Project Author - ization | Prior Year | Actual Current Year | Total to Date | Variance Positive (Negative) |
|--------------------------------------|--------------------------------|---------------|---------------------------|------------------|------------------------------------|
| Revenues: | | | | | |
| Restricted intergovernmental: | | | | | |
| State grants | \$ 71,247 | \$ 71,247 | \$ - | \$ 71,247 | \$ - |
| Total revenues | <u>71,247</u> | <u>71,247</u> | <u>-</u> | <u>71,247</u> | <u>-</u> |
| Expenditures: | | | | | |
| Capital outlay | 253,299 | 71,247 | - | 71,247 | 182,052 |
| Total expenditures | <u>253,299</u> | <u>71,247</u> | <u>-</u> | <u>71,247</u> | <u>182,052</u> |
| Revenues over (under) expenditures | <u>(182,052)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>182,052</u> |
| Other financing sources (uses) | | | | | |
| Transfers from other funds | | | | | |
| General Fund | 98,052 | - | - | - | (98,052) |
| Water and Sewer Enterprise Fund | 84,000 | - | - | - | (84,000) |
| Total other financing sources (uses) | <u>182,052</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(182,052)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balance, beginning | | | - | | |
| Fund balance, ending | | | <u>\$ -</u> | | |

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Capital Reserve - Capital Projects Fund
For the Year Ended June 30, 2017

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|---|-----------------|-------------------|------------------------------------|
| Revenues: | | | |
| Investment earnings | \$ - | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures: | | | |
| Operating expenses | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources (uses): | | | |
| Transfers to other funds: | | | |
| General Fund | (40,000) | (40,000) | - |
| Transfers from other funds: | | | |
| NC Step Program Capital Projects Fund | - | 1,329 | 1,329 |
| Yadkin Valley Market Place Capital Projects Fund | <u>-</u> | <u>109</u> | <u>109</u> |
| Total | <u>(40,000)</u> | <u>(38,562)</u> | <u>1,438</u> |
| Fund balance appropriated | 40,000 | - | (40,000) |
| Net change in fund balance | <u>\$ -</u> | (38,562) | <u>\$ (38,562)</u> |
| Fund balance, beginning | | <u>502,798</u> | |
| Fund balance, ending | | <u>\$ 464,236</u> | |

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Yadkin Valley Downtown Streetscape Improvements
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2017

| | Project Author - ization | Actual | | Total to Date | Variance Positive (Negative) |
|---------------------------------------|--------------------------------|---------------|------------------|------------------|------------------------------------|
| | | Prior Year | Current Year | | |
| Revenues: | | | | | |
| Restricted intergovernmental: | | | | | |
| State grants | \$ 50,000 | \$ - | \$ 32,308 | \$ 32,308 | \$ (17,692) |
| Total revenues | <u>50,000</u> | <u>-</u> | <u>32,308</u> | <u>32,308</u> | <u>(17,692)</u> |
| Expenditures: | | | | | |
| Capital outlay | 288,137 | - | 276,864 | 276,864 | 11,273 |
| Total expenditures | <u>288,137</u> | <u>-</u> | <u>276,864</u> | <u>276,864</u> | <u>11,273</u> |
| Revenues over (under) expenditures | <u>(238,137)</u> | <u>-</u> | <u>(244,556)</u> | <u>(244,556)</u> | <u>(6,419)</u> |
| Other financing sources (uses) | | | | | |
| Transfers from other funds | | | | | |
| General Fund | 238,137 | - | 258,137 | 258,137 | 20,000 |
| Total other financing sources (uses) | <u>238,137</u> | <u>-</u> | <u>258,137</u> | <u>258,137</u> | <u>20,000</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 13,581 | <u>\$ 13,581</u> | <u>\$ 13,581</u> |
| Fund balance, beginning | | | - | | |
| Fund balance, ending | | | <u>\$ 13,581</u> | | |

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Building Rehab and Condemnation
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2017

| | Project Author - ization | Prior Year | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---------------------------------------|--------------------------------|---------------|---------------------------|------------------|------------------------------------|
| Revenues: | | | | | |
| Restricted intergovernmental: | | | | | |
| Federal grants | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures: | | | | | |
| Capital outlay | 100,000 | - | 10,139 | 10,139 | 89,861 |
| Total expenditures | <u>100,000</u> | <u>-</u> | <u>10,139</u> | <u>10,139</u> | <u>89,861</u> |
| Revenues over (under) expenditures | <u>(100,000)</u> | <u>-</u> | <u>(10,139)</u> | <u>(10,139)</u> | <u>89,861</u> |
| Other financing sources (uses) | | | | | |
| Transfers from other funds | | | | | |
| General Fund | 100,000 | - | 100,000 | 100,000 | - |
| Total other financing sources (uses) | <u>100,000</u> | <u>-</u> | <u>100,000</u> | <u>100,000</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 89,861 | <u>\$ 89,861</u> | <u>\$ 89,861</u> |
| Fund balance, beginning | | | - | | |
| Fund balance, ending | | | <u>\$ 89,861</u> | | |

Town of North Wilkesboro, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|------------------|------------------|---|
| Revenues: | | | |
| Operating revenues: | | | |
| Water sales and sewer charges | \$ 2,890,000 | \$ 2,794,288 | \$ (95,712) |
| Water and sewer taps | 3,500 | 11,300 | 7,800 |
| Other operating revenues | 5,000 | 17,931 | 12,931 |
| Total operating revenues | <u>2,898,500</u> | <u>2,823,519</u> | <u>(74,981)</u> |
| Nonoperating revenues: | | | |
| Rental income | | 52,440 | |
| Investment earnings | | 5,641 | |
| Total nonoperating revenues | <u>48,800</u> | <u>58,081</u> | <u>9,281</u> |
| Total revenues | <u>2,947,300</u> | <u>2,881,600</u> | <u>(65,700)</u> |
| Expenditures: | | | |
| Administration and billing: | | | |
| Salaries and employee benefits | | 118,596 | |
| Other operating expenditures | | 60,908 | |
| Total | <u>219,792</u> | <u>179,504</u> | <u>40,288</u> |
| Water treatment and distribution: | | | |
| Salaries and employee benefits | | 294,639 | |
| Utilities | | 141,172 | |
| Other operating expenditures | | 291,081 | |
| Total | <u>838,498</u> | <u>726,892</u> | <u>111,606</u> |
| Water maintenance and construction: | | | |
| Salaries and employee benefits | | 173,078 | |
| Other operating expenditures | | 68,154 | |
| Total | <u>261,822</u> | <u>241,232</u> | <u>20,590</u> |
| Waste collection and treatment: | | | |
| Salaries and employee benefits | | 234,076 | |
| Utilities | | 71,267 | |
| Other operating expenditures | | 189,767 | |
| Total | <u>520,653</u> | <u>495,110</u> | <u>25,543</u> |
| Sanitary sewer maintenance and construction: | | | |
| Other operating expenditures | | 102,110 | |
| Total | <u>105,700</u> | <u>102,110</u> | <u>3,590</u> |
| Total operating expenditures | <u>1,946,465</u> | <u>1,744,848</u> | <u>201,617</u> (continued) |

Town of North Wilkesboro, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2017

| | Budget | Actual | Variance Positive (Negative) |
|--|-----------|-----------|------------------------------------|
| Debt service: | | | |
| Interest and other charges | | 47,111 | |
| Principal retirement | | 447,281 | |
| Total debt service | 489,632 | 494,392 | (4,760) |
| Capital outlay: | | | |
| Capital outlay | | 329,679 | |
| Total capital outlay | 578,700 | 329,679 | 249,021 |
| Total expenditures | 3,014,797 | 2,568,919 | 445,878 |
| Revenues over (under) expenditures | (67,497) | 312,681 | 380,178 |
| Other financing sources (uses): | | | |
| Transfers from (to) other funds | | | |
| Health Equity Water Fund | - | (15,000) | (15,000) |
| Capital reserve fund | 67,497 | 67,497 | - |
| Total other financing sources (uses) | 67,497 | 52,497 | (15,000) |
| Fund balance appropriated | - | - | - |
| Revenues and other sources over (under) expenditures and other uses | \$ - | 365,178 | \$ 365,178 |

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

| | | |
|---|--|------------|
| Reconciling items: | | |
| Principal retirement | | 447,280 |
| Capital outlay | | 329,679 |
| Transfers from (to) other funds | | (52,497) |
| Decrease in accrued interest payable | | 1,927 |
| Increase in compensated absences | | (1,859) |
| Increase in deferred outflow of resources - pension | | 116,389 |
| Increase in net pension liability | | (135,974) |
| Decrease in deferred inflows of resources- pensions | | 13,426 |
| Depreciation | | (818,013) |
| Increase in accrued OPEB liability | | (10,707) |
| Total reconciling items | | (110,349) |
| Change in net position | | \$ 254,829 |

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Kerr Scott Reservoir Raw Water
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2017

| | Project Author - ization | Actual | | Total to Date | Variance Positive (Negative) |
|--|--------------------------------|--------------------|------------------|--------------------|------------------------------------|
| | | Prior Year | Current Year | | |
| Revenues: | | | | | |
| Restricted intergovernmental: | | | | | |
| State grants | \$ 500,000 | \$ 204,075 | \$ - | \$ 204,075 | \$ (295,925) |
| Total revenues | <u>500,000</u> | <u>204,075</u> | <u>-</u> | <u>204,075</u> | <u>(295,925)</u> |
| Expenditures: | | | | | |
| Capital outlay | 14,118,122 | 1,247,599 | 330,442 | 1,578,041 | 12,540,081 |
| Total expenditures | <u>14,118,122</u> | <u>1,247,599</u> | <u>330,442</u> | <u>1,578,041</u> | <u>12,540,081</u> |
| Revenues over (under) expenditures | <u>(13,618,122)</u> | <u>(1,043,524)</u> | <u>(330,442)</u> | <u>(1,373,966)</u> | <u>12,244,156</u> |
| Other financing sources (uses) | | | | | |
| Transfers from other funds | 242,170 | 242,170 | - | 242,170 | - |
| Proceeds from NC DENR Drinking Water State Revolving Loan | <u>13,375,952</u> | <u>801,354</u> | <u>330,442</u> | <u>1,131,796</u> | <u>(12,244,156)</u> |
| Total other financing sources (uses) | <u>13,618,122</u> | <u>1,043,524</u> | <u>330,442</u> | <u>1,373,966</u> | <u>(12,244,156)</u> |
| Revenues and other financing sources over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Hwy. 115 South Sewer Extension Project
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2017

| | Project Author - ization | Prior Year | Actual Current Year | Total to Date | Variance Positive (Negative) |
|--------------------------------------|--------------------------------|---------------|---------------------------|------------------|------------------------------------|
| Revenues: | | | | | |
| Restricted intergovernmental: | | | | | |
| Federal grants | \$ - | \$ - | \$ - | \$ - | - |
| State grants | 564,000 | - | - | - | (564,000) |
| Other contributions | - | - | - | - | - |
| Investment earnings | - | - | - | - | - |
| Total revenues | <u>564,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(564,000)</u> |
| Expenditures: | | | | | |
| Capital outlay | <u>4,347,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,347,000</u> |
| Total expenditures | <u>4,347,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,347,000</u> |
| Other financing sources (uses) | | | | | |
| Loan proceeds | <u>3,783,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,783,000</u> |
| Total other financing sources (uses) | <u>3,783,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,783,000</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balance, beginning | | | <u>-</u> | | |
| Fund balance, ending | | | <u>\$ -</u> | | |

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Capital Projects Fund - Capital Reserve
For the Year Ended June 30, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|------------------------------------|-----------------|-------------------|---|
| Revenues: | | | |
| Investment earnings | \$ - | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures: | | | |
| Operating expenses | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources (uses): | | | |
| Transfers to other funds: | | | |
| Water sewer fund | <u>(67,497)</u> | <u>(67,497)</u> | <u>-</u> |
| Total | <u>(67,497)</u> | <u>(67,497)</u> | <u>-</u> |
| Appropriated fund balance | 67,497 | - | (67,497) |
| Net change in fund balance | <u>\$ -</u> | (67,497) | <u>\$ (67,497)</u> |
| Fund balance, beginning | | <u>794,444</u> | |
| Fund balance, ending | | <u>\$ 726,947</u> | |

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Health Equity Water Fund
For the Year Ended June 30, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|------------------------------------|-----------------|------------------|---|
| Revenues: | | | |
| Investment earnings | \$ - | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures: | | | |
| Expenditures | <u>15,000</u> | <u>-</u> | <u>15,000</u> |
| Total expenditures | <u>15,000</u> | <u>-</u> | <u>15,000</u> |
| Revenues over (under) expenditures | <u>(15,000)</u> | <u>-</u> | <u>15,000</u> |
| Other financing sources (uses): | | | |
| Transfer from water sewer fund | <u>15,000</u> | <u>15,000</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>15,000</u> | <u>\$ 15,000</u> |
| Fund balance, beginning | | <u>-</u> | |
| Fund balance, ending | | <u>\$ 15,000</u> | |

Other Schedules

Town of North Wilkesboro, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2017

| <u>Fiscal Year</u> | <u>Uncollected Balance June 30, 2016</u> | <u>Additions</u> | <u>Collections And Credits</u> | <u>Uncollected Balance June 30, 2017</u> |
|--------------------|--|---------------------|------------------------------------|--|
| 2016-2017 | \$ - | \$ 2,237,660 | \$ 2,161,724 | \$ 75,936 |
| 2015-2016 | 109,865 | - | 65,991 | 43,874 |
| 2014-2015 | 36,778 | - | 13,013 | 23,765 |
| 2013-2014 | 25,827 | - | 5,583 | 20,244 |
| 2012-2013 | 27,084 | - | 5,012 | 22,072 |
| 2011-2012 | 26,407 | - | 4,588 | 21,819 |
| 2010-2011 | 19,749 | - | 6,183 | 13,566 |
| 2009-2010 | 13,283 | - | 4,647 | 8,636 |
| 2008-2009 | 8,789 | - | 466 | 8,323 |
| 2007-2008 | 8,645 | - | 573 | 8,072 |
| 2006-2007 | 5,590 | - | 5,590 | - |
| | <u>\$ 282,017</u> | <u>\$ 2,237,660</u> | <u>\$ 2,273,370</u> | <u>\$ 246,307</u> |
| | Less: allowance for uncollectible accounts: | | | |
| | General Fund | | | <u>134,603</u> |
| | Ad valorem taxes receivable - net | | | <u>\$ 111,704</u> |
| | <u>Reconciliation to revenues:</u> | | | |
| | Ad valorem taxes - General Fund | | | \$ 2,275,749 |
| | Reconciling items: | | | |
| | Interest collected | | | (36,563) |
| | Adjustments | | | 28,594 |
| | Taxes written off | | | 5,590 |
| | Subtotal | | | <u>(2,379)</u> |
| | Total collections and credits | | | <u>\$ 2,273,370</u> |

Town of North Wilkesboro, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2017

| | Town - Wide | | | Total Levy | |
|---|-----------------------|------|---------------------|--|---------------------------------|
| | Property Valuation | Rate | Total Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy: | | | | | |
| Property taxed at current rate | \$ 426,428,654 | 0.52 | \$ 2,217,429 | \$ 2,057,585 | \$ 159,844 |
| Penalties | - | - | 5,428 | 5,428 | - |
| Discoveries current and prior years | 3,459,039 | 0.52 | 17,987 | 17,987 | - |
| Releases | (612,308) | | (3,184) | (3,184) | - |
| Total property valuation | <u>\$ 429,275,385</u> | | | | |
| Net levy | | | 2,237,660 | 2,077,816 | 159,844 |
| Unpaid (by taxpayer) taxes at June 30, 2017 | | | <u>(75,936)</u> | <u>(75,936)</u> | <u>-</u> |
| Current year's taxes collected | | | <u>\$ 2,161,724</u> | <u>\$ 2,001,880</u> | <u>\$ 159,844</u> |
| Current levy collection percentage | | | <u>96.61%</u> | <u>96.35%</u> | <u>100.00%</u> |

Compliance Section



**Report On Internal Control Over Financial Reporting And On Compliance and Other Matters
Based On An Audit Of Financial Statements Performed In Accordance With *Government
Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of North Wilkesboro, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the Town of North Wilkesboro's basic financial statements, and have issued our report thereon dated December 5, 2017. Our report includes a reference to other auditors who audited the financial statements of the Town of North Wilkesboro ABC Board, as described in our report on the Town of North 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 Town of North Wilkesboro ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a 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.

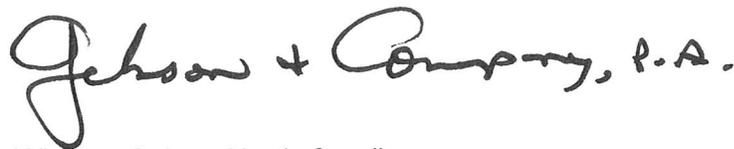
Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during 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 North Wilkesboro's financial statements are free from 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 matter 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Winston-Salem, North Carolina
December 5, 2017