

**TOWN OF WILKESBORO
NORTH CAROLINA**

Annual Financial Report

Year Ended June 30, 2017



Rives & Associates, LLP
Certified Public Accountants and Consultants

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Town of Wilkesboro, North Carolina

Town Council Members

Mike Inscore, Mayor
Russell F. Ferree, Mayor Pro Tem
Jimmy Hays
J. Gary Johnson
Nellie Archibald

Administrative and Financial Staff

Ken Noland, Town Manager
Bob Urness, Finance Director
James K. Byrd, Town Clerk

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**Town of Wilkesboro, North Carolina
Table of Contents
June 30, 2017**

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

**Town of Wilkesboro, North Carolina
Table of Contents
June 30, 2016**

<u>Exhibit</u>		<u>Page</u>
B-2	Schedule of Proportionate Share of the Net Pension Liability (Asset) - Local Government Employees' Retirement System	47
B-2	Schedule of Contributions -Local Government Employees' Retirement System	47
 Combining and Individual Fund Statements and Schedules:		
C-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	48-51
D-1	Combining Balance Sheet for Non-Major Governmental Fund	52
D-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	53
D-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual - From Inception – Grant Project Fund	54
D-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual - From Inception – PSG Custom Fabricators	55
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
E-1	Water and Sewer Fund	56-58
E-2	Water and Sewer Capital Projects Fund	59-60
E-3	Water and Sewer Capital Reserve Fund	61
 Other Schedules:		
F-1	Schedule of Ad Valorem Taxes Receivable	62
F-2	Analysis of Current Tax Levy - Town-Wide Levy	63
 Compliance Section:		
	Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	64-65
	Schedule of Findings	66
	Corrective Action Plan	67
	Schedule of Prior Year Audit Findings	68

FINANCIAL SECTION

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Rives & Associates, LLP
Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Wilkesboro, North Carolina, as of and for the year ended June 30, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Wilkesboro ABC Board, which represents 61 percent of the assets, 64 percent of the net position, and 93 percent of the revenues of the discretely presented component units. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Wilkesboro ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Town of Wilkesboro ABC Board and the Wilkesboro Tourism Development, Convention, and Visitors Bureau were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's, the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset an Contributions on pages 3-9 and 45-47, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Wilkesboro, North Carolina. 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. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, the 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 June 29, 2018 on our consideration of Town of Wilkesboro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of fur testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The financial statements of the Town's component units, the Town of Wilkesboro ABC Board and the Wilkesboro Tourism Development, Convention, and Visitor's Bureau, were not audited in accordance with *Governmental Auditing Standards*. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Town of Wilkesboro's internal control over financial reporting and compliance.

Rives & Associates LLP

Lexington, North Carolina
June 29, 2018

Management's Discussion and Analysis

TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2017

As management of the Town of Wilkesboro, we offer readers of the Town of Wilkesboro's financial statements this narrative overview and analysis of the financial activities of the Town of Wilkesboro for the fiscal year ended June 30, 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

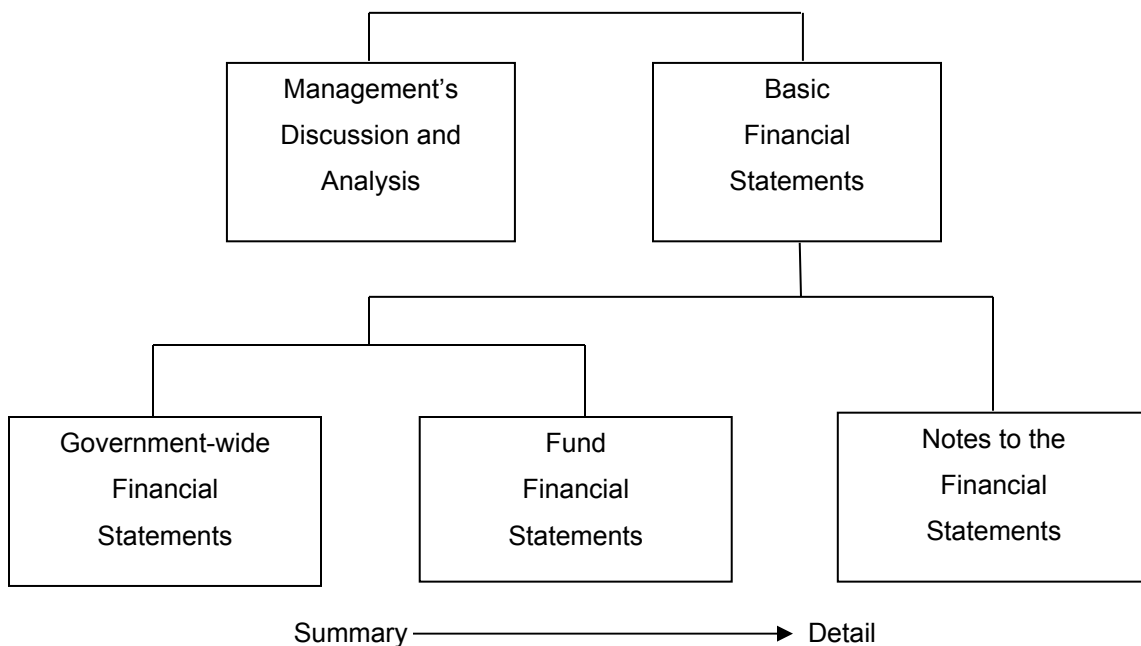
- The assets of the Town of Wilkesboro exceeded its liabilities at the close of the fiscal year by \$35,984,642 (*net position*).
- The government's total net position increased by \$51,170, 0.14%. The general fund added major capital assets in the form of equipment, while the business-type activities were able to add to their facilities through the completion of 2 major capital projects.
- As of the close of the current fiscal year, the Town of Wilkesboro's governmental funds reported combined ending fund balances of \$2,866,979, an increase of \$331,282. Approximately 73.8% of this total amount or \$2,115,988 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,115,988 or 33.4% of total general fund expenditures for the fiscal year.
- The Town of Wilkesboro's total long-term liabilities increased by \$5,663,116 (66.5%) during the current fiscal year. This substantial increase is due to multiple factors such as debt secured for property purchases (\$875,000) and the Brown's Ford Loop Project (\$4,500,000) as well as actuarial valuations which resulted increases to Net Pension Liability (\$1,104,749).

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2017

Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2017

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

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 19-44 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Wilkesboro's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 45 of this report.

Government-Wide Financial Analysis

Town of Wilkesboro's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Current and other assets	\$ 3,456,204	\$ 3,023,865	\$ 7,801,335	\$ 4,045,580	\$ 11,257,539	\$ 7,069,445
Net Pension assets						
Deferred outflows	660,308	131,719	444,441	95,382	1,104,749	227,101
Capital assets	<u>5,862,108</u>	<u>5,628,995</u>	<u>34,029,361</u>	<u>33,472,736</u>	<u>39,891,469</u>	<u>39,101,731</u>
Total assets	<u>\$ 9,907,620</u>	<u>\$ 8,784,579</u>	<u>\$ 42,275,137</u>	<u>\$ 37,613,698</u>	<u>\$ 52,253,757</u>	<u>\$ 46,398,277</u>
Long-term liabilities						
outstanding	\$ 3,821,089	\$ 2,204,577	\$ 10,359,622	\$ 6,313,018	\$ 14,180,711	\$ 8,517,595
Other liabilities	632,610	438,585	1,383,584	1,356,719	2,016,194	1,795,304
Deferred Inflows	<u>48,966</u>	<u>92,490</u>	<u>23,244</u>	<u>59,956</u>	<u>72,210</u>	<u>152,446</u>
Total liabilities	<u>\$ 4,502,665</u>	<u>\$ 2,735,652</u>	<u>\$ 11,766,450</u>	<u>\$ 7,729,693</u>	<u>\$ 16,269,115</u>	<u>\$ 10,465,345</u>
Net assets:						
Net invested in						
Capital assets						
related debt	\$ 5,036,845	\$ 4,956,246	\$ 28,345,248	\$ 27,196,460	\$ 33,382,093	\$ 32,152,706
Restricted	643,991	689,799	-	-	643,991	689,799
Unrestricted	<u>(204,881)</u>	<u>402,882</u>	<u>2,163,439</u>	<u>2,687,545</u>	<u>1,958,558</u>	<u>3,090,427</u>
Total net position	<u>\$ 5,475,955</u>	<u>\$ 6,048,927</u>	<u>\$ 30,508,687</u>	<u>\$ 29,884,005</u>	<u>\$ 35,984,642</u>	<u>\$ 35,932,932</u>

TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2017

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Wilkesboro exceeded liabilities by \$35,984,642 as of June 30, 2017. The Town's net position increased by \$51,710, or 0.14%, for the fiscal year ended June 30, 2017. There was also a beginning restatement of \$(216,831) to the net position as a result of the LEO pension plan. However, the largest portion reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Wilkesboro uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Wilkesboro's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Wilkesboro's net position \$643,991 (1.79%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,958,558 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.96%. The statewide average in fiscal year 2016 was 98.78%. This represents an increase of 0.04% when compared to prior year.

Town of Wilkesboro Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Revenues:						
Program revenues:						
Charges for services	\$ 138,582	\$ 177,620	\$ 6,957,016	\$ 6,594,736	\$ 7,095,598	\$ 6,772,356
Operating grants and contributions	510,626	623,382	-	-	510,626	623,382
Capital grants and contributions	-	-	94,340	-	94,340	-
General revenues:						
Property taxes	3,080,511	2,803,453	-	-	3,080,511	2,803,453
Other taxes	1,873,343	1,637,702	-	-	1,873,343	1,637,702
Other	240,461	284,875	266,589	249,351	507,050	534,226
Total revenues	<u>\$ 5,843,523</u>	<u>\$ 5,527,032</u>	<u>\$ 7,317,945</u>	<u>\$ 6,884,087</u>	<u>\$ 13,161,468</u>	<u>\$ 12,371,119</u>
Expenses:						
General government	\$ 2,348,832	\$ 2,377,893	\$ -	\$ -	\$ 2,348,832	\$ 2,377,893
Public safety	2,596,930	2,491,318	-	-	2,596,930	2,491,318
Highways/Streets	528,508	263,552	-	-	528,508	263,552
Economic Development	174,871	286,299	-	-	174,871	286,299
Environ. Protection	271,952	299,568	-	-	271,952	299,568
Culture and recreation	263,686	238,884	-	-	263,686	238,884
Interest on long-term debt	14,885	11,316	-	-	14,885	11,316
Water and sewer			6,693,263	5,532,373	6,693,263	5,532,373
Total expenses	<u>\$ 6,199,664</u>	<u>\$ 5,968,830</u>	<u>\$ 6,693,263</u>	<u>\$ 5,532,373</u>	<u>\$ 12,892,927</u>	<u>\$ 11,501,203</u>
Increase (decrease) in net position	\$ (356,141)	\$ (441,798)	\$ 624,682	\$ 1,311,714	\$ 268,541	\$ 869,916
Net position, July 1*	<u>\$ 5,832,096</u>	<u>\$ 6,490,725</u>	<u>\$ 29,884,005</u>	<u>\$ 28,572,291</u>	<u>\$ 35,716,101</u>	<u>\$ 35,063,016</u>
Net position, June 30	<u>\$ 5,475,955</u>	<u>\$ 6,048,927</u>	<u>\$ 30,508,687</u>	<u>\$ 29,884,005</u>	<u>\$ 35,984,642</u>	<u>\$ 35,932,932</u>

*Net position as of July 1 was restated by \$(216,831) for liabilities related to the LEO pension plan.

TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2017

Governmental activities: Governmental activities decreased the Town's net position by \$356,141. The key element of this decrease in net position has been the increase of long-term liabilities. Both planned debt increases and increase in liabilities is driven by OPEB liabilities and the Town's portion of Pension expense allocated to it by the State through the Town's participation in the Local Government Employees Retirement System and the Law Enforcement Officers' pension plan. This represents post-employment benefits due to employees as a result of Town policy. See the notes section for more information with regards to this and other Town policies.

Business-type activities: Business-type activities increased the Town of Wilkesboro's net position by \$624,682. The key elements of this increase in net position are the increases in charges for services which resulted from higher system usage by customers and the use of accumulated funds to complete projects at both plants in an effort to fortify the integrity of the system.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Wilkesboro. At the end of the current fiscal year, unassigned fund balance of the General Fund increased by \$310,090 to \$2,115,988, while total fund balance increased \$331,282, 13.06%, to a total of \$2,866,979. This circumstance is a result of planned expenditures on behalf of the Town. Over the past couple of years, the Town has been able to increase its fund balance by putting off certain expenditures during a time of economic settling. Now that the economy has normalized, these funds are being allocated to specific projects including building maintenance and Fire Department restructuring. While these expenditures are mostly capital in nature, the Town has also considered the normal growth of operational expenses over time. As such, the Town has voted a tax increase into place for the 2016 tax year moving the rate from \$.44 to \$.48. This increase will allow the Town to maintain the level of service offered to citizens for the foreseeable future.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 33.4% of total General Fund expenditures, while total fund balance represents 45.3% of that same amount compared to 28.6% and 40.1% in the prior year, respectively.

General Fund Budgetary Highlights. During the 2017 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. These amendments are typical occurrences as Council adjusts to opportunities and circumstances that arise throughout the year.

Proprietary Funds. The Town of Wilkesboro's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,361,439. The total change in net position was a decrease of \$524,106. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Wilkesboro's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Wilkesboro's investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$39,891,469 (net of accumulated depreciation). These assets include buildings, water and sewer lines, land, machinery and equipment, park facilities, vehicles, and infrastructure.

TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2017

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

- Water and sewer capital asset additions of \$1,475,199.
- General fund capital asset additions of \$571,843.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Land	\$ 1,803,348	\$ 1,706,036	\$ 609,932	\$ 609,932	\$ 2,413,280	\$ 2,315,968
Building & improvements	1,960,219	1,772,442	-	-	1,960,219	1,772,442
Plant & dist. systems	-	-	30,781,325	28,240,338	30,781,325	28,240,338
Machinery & equipment	1,469,547	965,566	726,250	658,105	2,195,797	1,623,671
Infrastructure	628,994	657,870	-	-	628,994	657,870
Construction in progress	-	527,081	1,911,854	3,964,361	1,911,854	4,491,442
Total	\$ 5,862,108	\$ 5,628,995	\$ 34,029,361	\$ 33,472,736	\$ 39,891,469	\$ 39,101,731

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

Long-term Debt

The Town of Wilkesboro's total long-term liabilities increased by \$5,663,116 (66.49%) during the current fiscal year related to new debt of \$6,688,032 for both General and Water Sewer for various projects and the increase of both the LGERS and LEO pension liabilities

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Wilkesboro is \$50,158,408.

Additional information regarding the Town of Wilkesboro's long-term debt can be found in note II.B.5. beginning on page 40 of this report.

Economic Factors

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

- The unemployment rate for Wilkes County at June 30, 2016 stands at 4.2%, which has been holding steady as the local economy normalizes and begins to show signs of growth.. This rate is indicative of the national economic environment and is on par with the state-wide average of 4.2%. The Town and County as a whole have had several exciting announcements with regards to employment opportunities in the area.
- The Town has secured grant funds for Water and Sewer line work that will directly enhance our system's efficiency of service to our US 421 business corridor. It regards the service line loop encompassing our large retail customer base in this area including future expansion. Known as the Brown' Ford Loop Project, it is in full swing at year end with anticipation of being completed and online in FY 2019
- The retail development along the US 421 business corridor continues to develop. Numerous projects are currently in different phases of planning, construction, and completion with more in discussion.
- For the first time in a few years, the Town is also in the process of planning utility line work for new housing developments. This is certainly an encouraging sign for the strength of our local economy.

TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2017

- The Town is very excited about the prospect of a joint water intake project between the Town of Wilkesboro, Wilkes County and the Town of North Wilkesboro. The project is in current planning and negotiation stages, but could prove to be very fruitful by providing a consistent water supply for all parties with access to the W. Kerr Scott Reservoir. Thus, further solidifying the Town of Wilkesboro as an attractive economic destination for businesses with a high demand for water in their scope of business.

Budget Highlights

Governmental Activities: The tax rate will increase for the first time in 10 years from 44 cents per one hundred dollars (\$100) valuation of taxable property to a rate of 48 cents happened in FY 2016. The rate continues at 48 cents for FY 2018.

Budgeted expenditures have increased from last year by .76% to \$6,871,000. While this is a substantial increase, it does allow for planned expenditures including debt service of planned capital purchases and other increases to operations and personnel. This fiscal plan allows for the Board to maintain flexibility as it entertains plans for the possibility of a concerted revitalization effort in the downtown.

Business-type Activities: Budgeted expenditures in the Water and Sewer Fund are expected to decrease by \$2,606,000 to \$7,695,000. The drastic decrease is a result of the Fund's completion of internally funded capital projects. For the past 5 years, the Town has been able to fund multiple construction projects through the use of current revenue and retained earnings. The current projects underway are too substantial to handle in this manner and financing has been placed.

The Fund has broken ground on the Brown's Ford Loop project which will allow the system to better serve existing and future customers on the Hwy 421 corridor and has begun planning for an additional clarifier unit at the Waste Treatment Facility in order to meet increased needs. Additionally, the Fund is exploring options with surrounding government agencies to collectively gain access to a more consistent water source than our current. The planning and design stages are under way and could prove very positive to the Town in the near future.

Tyson Foods continues to be the Town's major utility customer by a wide margin. While Tyson's water usage does have some seasonality, the overall usage increase has been very positive for the Town. Overall usage is showing signs of leveling out with an upward trend. This user is a tremendous asset to the Town as well as a close business partner. Due to the proposed expansion of the plant, we anticipate the need to add an additional clarifier to our Wastewater facility. The Town has obtained a grant for this expansion and expects to begin the project on FY 2018 with completion to follow in FY 2019.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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TOWN OF WILKESBORO, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2017

<u>Primary Government</u>					
	Governmental Activities	Business-type Activities	Total	Wilkesboro Tourism Development, Convention, and Visitors Bureau	Wilkesboro ABC Board
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 525,462	\$ 1,775,665	\$ 2,301,127	\$ 246,519	\$ 80,552
Investments	1,424,113	275,044	1,699,157	-	-
Taxes receivables (net)	218,323	-	218,323	-	-
Accounts receivable	8,321	599,758	608,079	600	-
Due from other governments	492,774	136,138	628,912	-	-
Due from component units	24,293	-	24,293	-	-
Due from primary government	-	-	-	45,078	-
Inventories	-	437,162	437,162	-	294,025
Prepaid items	-	-	-	-	2,750
Due from General Fund	-	13,963	13,963	-	-
Restricted cash and cash equivalents	762,918	4,563,605	5,326,523	-	-
Total current assets	<u>3,456,204</u>	<u>7,801,335</u>	<u>11,257,539</u>	<u>292,197</u>	<u>377,327</u>
Noncurrent assets:					
Net pension asset	-	-	-	-	-
Capital assets:					
Land, non-depreciable improvements, and construction in progress	1,803,348	2,521,786	4,325,134	-	-
Other capital assets, net of depreciation	4,058,760	31,507,575	35,566,335	-	88,616
Total capital assets	<u>5,862,108</u>	<u>34,029,361</u>	<u>39,891,469</u>	<u>-</u>	<u>88,616</u>
Total assets	<u>9,318,312</u>	<u>41,830,696</u>	<u>51,149,008</u>	<u>292,197</u>	<u>465,943</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension Deferrals	660,308	444,441	1,104,749	-	126,979
Total Deferred inflows of resources	<u>660,308</u>	<u>444,441</u>	<u>1,104,749</u>	<u>-</u>	<u>126,979</u>
LIABILITIES					
Current liabilities:					
Accounts payable	297,429	185,218	482,647	58,076	107,014
Due to primary government	-	-	-	24,293	-
Due to Enterprise Fund	13,963	-	13,963	-	-
Due to other governments	-	-	-	-	58,869
Due to component units	45,078	-	45,078	-	-
Current portion of long-term liabilities	276,140	1,134,816	1,410,956	-	-
Payable from restricted assets	-	63,550	63,550	-	-
Total current liabilities	<u>632,610</u>	<u>1,383,584</u>	<u>2,016,194</u>	<u>82,369</u>	<u>165,883</u>
Long-term liabilities:					
Net Pension liability-LGERS	792,191	533,208	1,325,399	-	53,695
Net Pension liability-LEO	530,663	-	530,663	-	-
Due in more than one year	2,498,235	9,826,414	12,324,649	-	-
Total liabilities	<u>4,453,699</u>	<u>11,743,206</u>	<u>16,196,905</u>	<u>82,369</u>	<u>219,578</u>
DEFERRED INFLOWS OF RESOURCES					
Prepaid Taxes	7,835	-	7,835	-	-
Unexpended Grant Proceeds	6,597	-	6,597	-	-
Pension Deferrals	34,534	23,244	57,778	-	1,882
Total Deferred inflows of resources	<u>48,966</u>	<u>23,244</u>	<u>72,210</u>	<u>-</u>	<u>1,882</u>
NET POSITION					
Net investment in capital assets	5,036,845	28,345,248	33,382,093	-	88,616
Restricted for:					
Stabilization by state statute	525,388	-	525,388	45,678	-
Transportation	114,063	-	114,063	-	-
Public safety	4,540	-	4,540	-	-
Other purposes	-	-	-	-	69,992
Unrestricted	(204,881)	2,163,439	1,958,558	164,150	212,854
Total net position	<u>\$ 5,475,955</u>	<u>\$ 30,508,687</u>	<u>\$ 35,984,642</u>	<u>\$ 209,828</u>	<u>\$ 371,462</u>

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

TOWN OF WILKESBORO, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 2,348,832	\$ 30,787	\$ -	\$ -
Public safety	2,596,930	8,919	221,843	-
Transportation	528,508	-	113,912	-
Economic Development	174,871	-	174,871	-
Environmental protection	271,952	88,511	-	-
Cultural and recreation	263,686	10,365	-	-
Interest on long-term debt	14,885	-	-	-
Total governmental activities	<u>6,199,664</u>	<u>138,582</u>	<u>510,626</u>	<u>-</u>
Business-type activities:				
Water and sewer	6,693,263	6,957,016	-	94,340
Total business-type activities	<u>6,693,263</u>	<u>6,957,016</u>	<u>-</u>	<u>94,340</u>
Total primary government	<u>\$ 12,892,927</u>	<u>\$ 7,095,598</u>	<u>\$ 510,626</u>	<u>\$ 94,340</u>
Component units:				
Development, Convention, and Wilkesboro ABC Board	207,180	-	-	-
	2,380,057	2,356,014	-	-
Total component units	<u>\$ 2,587,237</u>	<u>\$ 2,356,014</u>	<u>\$ -</u>	<u>\$ -</u>

-

General revenues:

Taxes:

- Property taxes, levied for general purpose
- Other taxes
- Occupancy tax
- Unrestricted investment earnings
- Miscellaneous
- Total general revenues
- Change in net position
- Net position, beginning, previously reported
- Restatement
- Net position, beginning, restated
- Net position, ending

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-type Activities	Total	Wilkesboro Tourism Development, Convention, and Visitors Bureau	Wilkesboro ABC Board
\$ (2,318,045)	\$ -	\$ (2,318,045)	\$ -	\$ -
(2,366,168)	-	(2,366,168)	-	-
(414,596)	-	(414,596)	-	-
-	-	-	-	-
(183,441)	-	(183,441)	-	-
(253,321)	-	(253,321)	-	-
(14,885)	-	(14,885)	-	-
(5,550,456)	-	(5,550,456)	-	-
-	358,093	358,093	-	-
-	358,093	358,093	-	-
(5,550,456)	358,093	(5,192,363)	-	-
-	-	-	(207,180)	-
-	-	-	-	(24,043)
-	-	-	(207,180)	(24,043)
3,080,511	-	3,080,511	-	-
1,873,343	-	1,873,343	-	-
-	-	-	167,235	-
14,861	11,749	26,610	346	-
225,600	254,840	480,440	10,378	4
5,194,315	266,589	5,460,904	177,959	4
(356,141)	624,682	268,541	(29,221)	(24,039)
6,048,927	29,884,005	35,932,932	239,049	395,501
(216,831)	-	(216,831)	-	-
5,832,096	29,884,005	35,716,101	-	-
\$ 5,475,955	\$ 30,508,687	\$ 35,984,642	\$ 209,828	\$ 371,462

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

TOWN OF WILKESBORO, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	Major Funds		Total Governmental Funds
	General	Total Non-Major Funds	
ASSETS			
Cash and cash equivalents	\$ 518,865	\$ 6,597	\$ 525,462
Restricted Cash	762,918	-	762,918
Investments	1,424,113	-	1,424,113
Receivables, net:			
Taxes	218,323	-	218,323
Accounts	8,321	-	8,321
Due from other governments	492,774	-	492,774
Due from component units	24,293	-	24,293
Total assets	<u>\$ 3,449,607</u>	<u>\$ 6,597</u>	<u>\$ 3,456,204</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 297,429	\$ -	\$ 297,429
Due to Enterprise Fund	13,963	-	13,963
Due to component unit	45,078	-	45,078
Total liabilities	<u>356,470</u>	<u>-</u>	<u>356,470</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid Taxes	7,835	-	7,835
Unexpended Grant Proceeds	-	6,597	6,597
Taxes Receivable, net	218,323	-	218,323
Total deferred inflows of resources	<u>226,158</u>	<u>6,597</u>	<u>232,755</u>
FUND BALANCES			
Restricted:			
Stabilization by State Statute	525,388	-	525,388
Streets-Powell bill	114,063	-	114,063
Drug crime prevention	4,540	-	4,540
Assigned:			
Designated for subsequent year's expenditures	107,000	-	107,000
Unassigned	2,115,988	-	2,115,988
Total fund balances	<u>2,866,979</u>	<u>-</u>	<u>2,866,979</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,449,607</u>	<u>\$ 6,597</u>	<u>\$ 3,456,204</u>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balances, Governmental Funds \$ 2,866,979

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross Capital Assets	\$ 10,998,519	
Accumulated Depreciation	<u>(5,136,411)</u>	5,862,108

Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position 660,308

Liabilities for earned revenues considered deferred inflows of resources in fund statements. 218,323

Long-term liabilities used in governmental activities are not financial uses and therefore not reported in the funds

Gross long-term debt	(2,774,375)
Net pension deferrals	(34,534)
Net pension liability	<u>(1,322,854)</u>
Net position of governmental activities	<u>\$ 5,475,955</u>

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

TOWN OF WILKESBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	Major Funds		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 3,056,116	\$ -	\$ 3,056,116
Unrestricted intergovernmental	1,612,081	-	1,612,081
Restricted intergovernmental	597,015	174,871	771,886
Permits and fees	8,155	-	8,155
Sales and services	130,427	-	130,427
Investment earnings	14,861	-	14,861
Miscellaneous	225,600	-	225,600
Total revenues	<u>5,644,255</u>	<u>174,871</u>	<u>5,819,126</u>
EXPENDITURES			
Current:			
General government	2,559,888	-	2,559,888
Public safety	2,585,720	-	2,585,720
Transportation	473,383	-	473,383
Economic development	-	174,871	174,871
Environmental protection	232,545	-	232,545
Cultural and recreation	243,380	-	243,380
Debt service:			
Principal	229,905	-	229,905
Interest and other charges	14,885	-	14,885
Total expenditures	<u>6,339,706</u>	<u>174,871</u>	<u>6,514,577</u>
Excess (deficiency) of revenues over expenditures	<u>(695,451)</u>	<u>-</u>	<u>(695,451)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt	1,026,733	-	1,026,733
Total other financing sources (uses)	<u>1,026,733</u>	<u>-</u>	<u>1,026,733</u>
Net change in fund balance	<u>331,282</u>	<u>-</u>	<u>331,282</u>
Fund balances, beginning	2,535,697	-	2,535,697
Fund balances, ending	<u>\$ 2,866,979</u>	<u>\$ -</u>	<u>\$ 2,866,979</u>

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

TOWN OF WILKESBORO, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
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	\$	331,282
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period</p>		
Capital outlay expenditures that were capitalized	\$ 1,098,924	
Depreciation expense	(338,730)	
Capital project cost closed	<u>(527,081)</u>	233,113
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		-
<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		24,395
<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	\$ (1,026,733)	
Principal payments on long-term debt	<u>229,905</u>	(796,828)
<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	\$ 5,695	
Pension Expense	(63,168)	
Net pension obligation (LEO)	4,206	
Other postemployment benefits	<u>(94,836)</u>	(148,103)
Total changes in net position of governmental activities	\$	<u><u>(356,141)</u></u>

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

TOWN OF WILKESBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2017

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 3,203,000	\$ 3,203,000	\$ 3,056,116	\$ (146,884)
Unrestricted intergovernmental	1,586,000	1,586,000	1,612,081	26,081
Restricted intergovernmental	542,000	752,000	597,015	(154,985)
Permits and fees	1,100	1,100	8,155	7,055
Sales and services	158,900	198,900	130,427	(68,473)
Investment earnings	12,000	12,000	14,861	2,861
Miscellaneous	478,000	478,000	225,600	(252,400)
Total revenues	5,981,000	6,231,000	5,644,255	(586,745)
Expenditures:				
Current:				
General government	2,209,300	2,849,300	2,559,888	289,412
Public safety	2,583,700	2,793,700	2,585,720	207,980
Transportation	485,000	485,000	473,383	11,617
Environmental protection	279,000	279,000	232,545	46,455
Cultural and recreation	244,000	244,000	243,380	620
Debt service:				
Principal retirement	210,000	210,000	229,905	(19,905)
Interest and other charges	10,000	10,000	14,885	(4,885)
Contingency:				
Contingency	-	-	-	-
Total expenditures	6,021,000	6,871,000	6,339,706	531,294
Revenues over (under) expenditures	(40,000)	(640,000)	(695,451)	(55,451)
Other financing sources (uses):				
Proceeds from Issuance of Debt		400,000	1,026,733	626,733
Total other financing sources (uses)	-	400,000	1,026,733	626,733
Revenues and other sources over (under) expenditures and other uses	(40,000)	(240,000)	331,282	571,282
Fund balance appropriated	40,000	240,000	-	(240,000)
Net change in fund balance	\$ -	\$ -	331,282	\$ 331,282
Fund balance, beginning			2,535,697	
Fund balance, ending			\$ 2,866,979	

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

TOWN OF WILKESBORO, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Major Enterprise Funds	
	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,775,665	\$ 1,775,665
Investments	275,044	275,044
Restricted cash and cash equivalents	4,563,605	4,563,605
Accounts receivable - billed	21,642	21,642
Accounts receivable - unbilled	578,116	578,116
Due from other governments	136,138	136,138
Inventories	437,162	437,162
Due from General Fund	13,963	13,963
	<hr/>	<hr/>
Total current assets	7,801,335	7,801,335
Noncurrent assets:		
Net Pension Asset	-	-
Capital assets:		
Land and other non-depreciable assets	2,521,786	2,521,786
Other capital assets, net of depreciation	31,507,575	31,507,575
Capital assets (net)	<hr/>	<hr/>
Total noncurrent assets	34,029,361	34,029,361
Total assets	<hr/>	<hr/>
	\$ 41,830,696	\$ 41,830,696
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	\$ 444,441	\$ 444,441
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 185,218	\$ 185,218
Liabilities payable from restricted assets:		
Customer deposits	63,550	63,550
Installment purchase-current	335,471	335,471
Promissory note-current	799,345	799,345
Total current liabilities	<hr/>	<hr/>
	1,383,584	1,383,584
Noncurrent liabilities:		
Net pension liability	533,208	533,208
Other noncurrent liabilities:		
Compensated absences	40,308	40,308
Other postemployment benefits	638,127	638,127
Installment purchase-noncurrent	347,828	347,828
Notes payable-NONCURRENT	8,800,151	8,800,151
Total noncurrent liabilities	<hr/>	<hr/>
Total liabilities	10,359,622	10,359,622
	<hr/>	<hr/>
	11,743,206	11,743,206
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	23,244	23,244
NET POSITION		
Net investment in capital assets	28,345,248	28,345,248
Unrestricted	2,163,439	2,163,439
Total net position	<hr/>	<hr/>
	\$ 30,508,687	\$ 30,508,687

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

TOWN OF WILKESBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Major Enterprise Funds	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 6,897,167	\$ 6,897,167
Water and sewer taps	25,686	25,686
Other operating revenue	34,163	34,163
Total operating revenues	6,957,016	6,957,016
OPERATING EXPENSES		
Administration	1,410,664	1,410,664
Water treatment and distribution	1,272,909	1,272,909
Waste collection and treatment	1,356,530	1,356,530
Maintenance	1,510,559	1,510,559
Depreciation	918,574	918,574
Total operating expenses	6,469,236	6,469,236
Operating income	487,780	487,780
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	11,749	11,749
Capital contributions	94,340	94,340
Interest and other charges	(224,027)	(224,027)
Miscellaneous Income	254,840	254,840
Total nonoperating revenue (expenses)	136,902	136,902
Change in net position	624,682	624,682
Total net position, beginning	29,884,005	29,884,005
Total net position, ending	\$ 30,508,687	\$ 30,508,687

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

TOWN OF WILKESBORO, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2017

	Major Enterprise Funds	
	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 6,941,455	\$ 6,941,455
Cash paid for goods and services	(4,099,169)	(4,099,169)
Cash paid to or on behalf of employees for services	(1,774,513)	(1,774,513)
Customer deposits received	14,135	14,135
Customer deposits returned	(14,039)	(14,039)
Net cash provided by operating activities	<u>1,067,869</u>	<u>1,067,869</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,475,199)	(1,475,199)
Principal paid on long-term debt	(703,094)	(703,094)
Interest paid on long-term debt	(155,908)	(155,908)
Loans to General Fund	(13,963)	(13,963)
Capital contribution	94,340	94,340
Issuance of new debt	4,709,613	4,709,613
Miscellaneous income	254,840	254,840
Net cash used by capital and related financing activities	<u>2,710,629</u>	<u>2,710,629</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	11,749	11,749
Net increase (decrease) in cash and cash equivalents	3,790,247	3,790,247
Balances, beginning	2,824,067	2,824,067
Balances, ending	<u>\$ 6,614,314</u>	<u>\$ 6,614,314</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	<u>\$ 487,780</u>	<u>\$ 487,780</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	918,574	918,574
Changes in assets, deferred inflows, deferred outflows and liabilities:		
Decrease in accounts receivable	15,949	15,949
Decrease in inventory	32,504	32,504
Decrease in net pension asset	-	-
Increase in deferred outflows of resources-pension	(349,059)	(349,059)
Increase in net pension liability	423,015	423,015
Decrease in deferred inflows of resources-pension	(36,712)	(36,712)
Decrease in accounts payable and accrued liabilities	(473,071)	(473,071)
Increase in customer deposits	96	96
Increase in accrued vacation pay	388	388
Increase in OPEB liability	48,405	48,405
Total adjustments	<u>580,089</u>	<u>580,089</u>
Net cash provided by operating activities	<u>\$ 1,067,869</u>	<u>\$ 1,067,869</u>

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

Notes to the Financial Statement

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

A. Reporting Entity

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

Wilkesboro Tourism Development, Convention, and Visitors Bureau

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

Town of Wilkesboro ABC Board

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

B. Basis of Presentation

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

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

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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental funds:

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

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

The Town reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. Water and Sewer Projects Funds have been consolidated in the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Funds have been included in the supplemental information.

C. Measurement Focus and Basis of Accounting

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

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

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

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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Wilkesboro because the tax is levied by Wilkes County and then remitted to and distributed by the State. 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. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

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

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

TOWN OF WILKESBORO, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2017

State law [G.S. 159-30(c)] authorizes the Town, the Tourism Bureau, and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's, the Tourism Bureau's, and the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT 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 and Tourism Bureau pool money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

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

Town of Wilkesboro-Restricted Cash

Governmental Activities:

General Fund	
Streets	\$ 114,063
Drug Crime Prevention	4,540
Capital Projects	644,314
Total Governmental Activities	762,917

Enterprise Funds:

Water Sewer Fund:	
Customer Deposits	63,550
Capital Projects	4,500,055
Total Enterprise Funds	4,563,605

Total Restricted Cash	\$ 5,326,522
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TOWN OF WILKESBORO, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2017

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 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 inventory of the Town is valued at cost (first-in, first-out), which approximates market. The inventory of the ABC Board is valued at replacement cost, which approximates the lower of cost (first-in, first-out) or market. The inventory of the Town's enterprise fund consists of materials and supplies held for subsequent use. The cost of this inventory is expensed when consumed rather than when purchased. The inventory of the ABC Board is held for sale to customers.

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

7. Capital Assets

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

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

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

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

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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has only one item that meet this criterion, contributions made to the pension plan in the 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 it will not be recognized as revenue until then. The Town has four items that meet that criterion for this category – prepaid taxes, property tax receivable in the general fund, unexpended grant proceeds in a special revenue fund and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

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

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

10. Economic Dependency

The enterprise fund has one major customer from whom receipts were approximately 63% of the revenue reported as water and sewer charges.

11. Compensated Absences

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

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

12. Net Position/Fund Balances

Net Position

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

Fund Balances

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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

13. 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 Wilkesboro's employer contributions are recognized when due and the Town of Wilkesboro has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town, the Tourism Bureau, and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's, the Tourism Bureau's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

At June 30, 2017, the Town's deposits had a carrying amount of \$7,627,450 and a bank balance of \$7,883,580. Of the Town's bank balance, \$1,266,871 was covered by federal depository insurance and the remainder, \$6,616,709, was covered by collateral held under the pooling method. The carrying amount of deposits for the Tourism Bureau was \$246,519, and the bank balance was \$163,777. All of the Tourism's bank balance was covered by federal depository insurance. The carrying amount of deposits for the ABC Board was \$79,252 and the bank balance was \$60,505. All of the ABC Board's bank balance was covered by federal depository insurance. At June 30, 2017, the Town's petty cash fund totaled \$200 and the ABC Board had cash of \$1,300.

2. Investments

At June 30, 2017, the Town had \$275,044 invested with the North Carolina Capital Management Trust's Governmental Portfolio, which carried a credit rating of AAAM by Standard and Poor's.

Other government investments are as follows:

Investment by Type	Valuation Measurement Method	Book Value at June 30, 2017	Maturity	Rating	Callable
Government Agency:					
Federal National Mortgage Association	Fair Value Level 1	\$ 272,390	9/9/2019	AA+	9/9/2019
Federal Home Loan Banks	Fair Value Level 1	197,798	7/12/2019	AA+	7/12/2019
Federal Farm Credit Banks	Fair Value Level 1	148,856	11/25/2019	AA+	11/25/2019
Federal National Mortgage Association	Fair Value Level 1	199,150	1/29/2019	AA+	1/29/2019
Federal National Mortgage Association	Fair Value Level 1	99,374	12/27/2018	AA+	12/27/2018
Federal National Mortgage Association	Fair Value Level 1	149,007	11/16/2018	AA+	11/16/2018
Federal National Mortgage Association	Fair Value Level 1	249,005	2/26/2019	AA+	2/26/2019
Federal National Mortgage Association	Fair Value Level 1	99,815	5/15/2018	AA+	5/15/2018
Brokerage account		8,718			
		\$ 1,424,113			

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities fair are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

The Town has no formal policy regarding credit risk, custodial risk or interest rate risk, except as to the requirements of G.S. 159-30(c) which describes the investments allowed by state statute. For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments.

Concentration of credit risk. The Council places no limit on the amount the Town may invest in any one issuer. The Town has 63% of its investments in the Federal National Mortgage Association; 9% in the Federal Farm Credit Banks; 16% in the North Carolina Capital Management Trust's Government Portfolio; and 12% in the Federal Home Loan Banks.

3. Receivables - Allowances for Doubtful Accounts

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

General Fund

Taxes Receivable	<u>\$ 52,200</u>
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TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

4. Capital Assets

Primary Government

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

Government Activities:

	Beginning	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated:				
Land	\$ 1,706,036	\$ 97,312		\$ 1,803,348
Deposit on Equipment	527,081		\$ 527,081	-
Construction In Progress	-			-
Total Capital Assets Not Being Depreciated	2,233,117	97,312	527,081	1,803,348
Capital Assets Being Depreciated:				
Buildings	2,782,329	273,054		3,055,383
Other Improvements	453,406	-	-	453,406
Equipment and Furniture	586,753	11,854		598,607
Vehicles and Motorized equipment	3,565,844	716,704		4,282,548
Computer software	31,000	-	-	31,000
Computer Equipment	52,307	-	-	52,307
Infrastructure	721,920	-	-	721,920
Total Capital Assets Being Depreciated	8,193,559	1,001,612	-	9,195,171
Less Accumulated Depreciation for :				
Buildings	1,121,597	62,793		1,184,390
Other Improvements	341,696	22,484	-	364,180
Equipment and Furniture	379,746	28,899	-	408,645
Vehicles and Motorized equipment	2,822,480	192,639	-	3,015,119
Computer software	31,000		-	31,000
Computer Equipment	37,112	3,039	-	40,151
Infrastructure	64,050	28,876		92,926
Total Accumulated Depreciated	4,797,681	338,730	-	5,136,411
Total Capital Assets being Depreciated, Net	3,395,878	662,882	-	4,058,760
Government Activity Capital Assets, Net	\$ 5,628,995	\$ 760,194	\$ 527,081	\$ 5,862,108

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

General government	\$ 40,629
Public safety	176,229
Transportation	50,882
Environmental protection	34,340
Cultural and recreational	36,650
Total depreciation expense	\$ 338,730

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

Business-type Activities:				Ending
Water and Sewer Fund:	Beginning	Increases	Decreases	Balances
Capital Assets Not Being Depreciated:				
Land	\$ 609,932			\$ 609,932
Construction In Progress	3,964,361	1,257,521	3,310,028	1,911,854
Total Capital Assets Not Being Depreciated	4,574,293	1,257,521	3,310,028	2,521,786
Capital Assets Being Depreciated:				
Plant and Distribution system	39,163,639	3,334,456		42,498,095
Equipment	2,915,687	193,250		3,108,937
Total Capital Assets Being Depreciated	42,079,326	3,527,706	-	45,607,032
Less Accumulated Depreciation for :				
Plant and Distribution system	10,923,301	793,469		11,716,770
Equipment	2,257,582	125,105		2,382,687
Total Accumulated Depreciated	13,180,883	918,574	-	14,099,457
Total Capital Assets being Depreciated, Net	28,898,443	2,609,132	-	31,507,575
Government Activity Capital Assets, Net	\$ 33,472,736	\$ 3,866,653	\$ 3,310,028	\$ 34,029,361

Construction commitments

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

Project	Spent-to-date	Commitment
Browns Ford Water Loop	\$ 1,213,304	\$ 6,091,231
Downtown project	627,260	1,594,800
Asset Inventory system	71,290	-
Total	\$ 1,911,854	\$ 7,686,031

Discretely presented component unit

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

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 11,600	-	-	\$ 11,600
Capital assets being depreciated:				
Buildings and improvements	\$ 246,581	\$ -	-	\$ 246,581
Furniture and equipment	74,017	17,016	-	91,033
Motor Vehicle	3,800	-	-	3,800
Total capital assets being depreciated	\$ 324,398	\$ 17,016	-	\$ 341,414
Less accumulated depreciation for:				
Buildings	\$ 208,463	\$ 5,931	-	\$ 214,394
Furniture and equipment	39,732	7,992	-	47,724
Motor Vehicle	1,520	760	-	2,280
Total accumulated depreciation	\$ 249,715	\$14,683	-	\$ 264,398
Total capital assets being depreciated, net	\$ 83,004	\$ 2,333	-	\$ 77,016
ABC Board capital assets, net	\$ 86,283	\$ 2,333	-	\$ 88,616

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Wilkesboro employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Wilkesboro's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.33% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Wilkesboro were \$256,292 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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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 \$1,325,399 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 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 Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.06245%, which was an increase of 0.0039% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$350,371. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,901	\$ 46,443
Changes of assumptions	90,778	-
Net difference between projected and actual earnings on pension plan investments	732,778	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	11,335
Town contributions subsequent to the measurement date	256,292	-
Total	\$ 1,104,749	\$ 57,778

\$256,292 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$117,868
2019	117,987
2020	345,855
2021	208,969
2022	-
Thereafter	-
Total	\$ 790,679

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 factors
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

TOWN OF WILKESBORO, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2017

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, 2016 are summarized in the following table:

Asset Class	Target Allocations	Lon-Term Expected Real Rate of return
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>100.0%</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 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:

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 3,145,788	\$ 1,325,398	\$ (195,127)

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

The Town of Wilkesboro administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers 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 .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	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>20</u>
Total	<u>22</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 following criteria which are outlined in GASB Statements 73.

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	3.5 to 7.35 percent, including inflation and productivity factors
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 adjustment for mortality improvements based on Scale AA.

TOWN OF WILKESBORO, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2017

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. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$32,091 as benefits came due for the reporting period.

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

At June 30, 2017, the Town reported a total pension liability of \$530,663. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$37,656.

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	\$ -0-	\$ -0-
Changes in assumptions	-0-	9,582
Town benefit payments and plan administrative expense		
Made subsequent to the measurement date	<u>16,040</u>	<u>-0-</u>
Total	<u><u>\$ 16,040</u></u>	<u><u>\$ 9,582</u></u>

\$16,040 (with \$0 administrative expenses) was 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 relate to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$1,768
2019	1,768
2020	1,768
2021	1,768
2022	1,768
Thereafter	<u>742</u>
Total	<u>\$9,582</u>

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>	Discount Rate (3.86%)	<u>1% Increase (4.86%)</u>
Total net pension liability (asset)	\$ 571,065	\$ 530,663	\$ 493,713

TOWN OF WILKESBORO, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2017

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

	2017
Beginning balance	\$ 534,869
Service cost	20,713
Interest on the total pension liability	18,522
Changes of benefits terms	-
Difference between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(11,350)
Benefit payments	(32,091)
Other changes	-
	\$ 530,663

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 health mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuations 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

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were \$68,767, which consisted of \$43,425 from the Town and \$25,342 from the law enforcement officers.

d. 401(K) Retirement Plan

For the year ended June 30, 2017, the Town contributed to an approved 401(K) Retirement Plan covering eligible employees not engaged in law enforcement. The Town elected to make matching contributions of up to five percent (5%) of eligible salaries. The Town's contribution to the plan for the year ended June 30, 2017 was \$105,681.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

Plan Description. The State of North Carolina contributes, on behalf of the Town of Wilkesboro, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2016, the State contributed \$13,900,000 to the plan. The Town of Wilkesboro's proportionate share of the State's contribution is \$3,023.

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

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

At June 30, 2017, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$6,953. 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 contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2016 and at June 30, 2015 was 0%.

For the year ended June 30, 2017, the Town recognized pension expense of \$3,023 and revenue of \$3,023 for support provided by the State. At June 30, 2017, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

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

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

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

f. Other Postemployment Benefits

1. Healthcare Benefits

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

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

Funding Policy. By Town resolution, the Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the responsible fund. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In the fiscal year ended June 30, 2017, the Town's total contributions were \$140,441.

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

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

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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

Annual required contribution	\$ 283,682
Interest on net OPEB obligation	3,535
Adjustment to annual required contribution	<u>(3,535)</u>
Annual OPEB cost (expense)	\$ 283,682
Contributions made	<u>(140,441)</u>
Increase (decrease) in net OPEB obligation	\$ 143,241
Net OPEB obligation, beginning of year	<u>1,745,113</u>
Net OPEB obligation, end of year	<u>\$ 1,888,354</u>

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

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 283,682	49.5%	\$1,888,354
2016	\$ 356,558	49.9%	\$1,745,113
2015	\$ 383,225	36.7%	\$1,566,549
2014	\$ 391,373	18.6%	\$1,323,781

Funded Status and Funding Progress. As of June 30, 2017, the actuarial accrued liability for benefits was \$2,378,606 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,801,853, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 63.0 percent.

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

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

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

The following simplifying assumptions were made:

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

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

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

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

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

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

Health insurance premiums – 2017 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

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

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

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 4.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount. The remaining amortization period at June 30, 2017, was thirty years.

2. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not 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.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

3. Deferred Outflows and Inflows of Revenues

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources Net Position</u>	<u>General Fund</u>
Taxes receivable, net	\$ -	\$ -	\$ 218,323
Unexpended grant proceeds		6,597	6,597
Prepaid taxes		7,835	7,835
Differences between expected and actual experience	24,902	46,443	-
Changes in assumptions	90,778		-
Net difference between projected and actual earnings on pension plan investments	732,778		-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	11,335	-
Employer contributions subsequent to measurement date	256,292		-
	<u>\$ 1,104,750</u>	<u>\$ 72,210</u>	<u>\$ 232,755</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 carries commercial coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

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

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

For health and dental insurance coverage, the Town is self-insured for individual losses up to \$50,000. The Town purchases reinsurance for individual losses over \$45,000, as well as reinsurance for total plan losses in excess of \$1,248,730.

5. Long-Term Obligations

a. Promissory Notes

Serviced by the General Fund:

Promissory Note due in quarterly installments of \$14,904 through November 2025; Interest at 2.54%. Secured by equipment.	\$ 454,468
Promissory Note due in annual installments of \$36,820 through September 2017; Interest at 1.87%. Secured by equipment.	36,146
Purchase money note on purchase of land of \$75,866 through January, 2018; Interest at 0.00%. Purchase money note subordinated to deed listed below.	75,866
Promissory Note due in quarterly installments of \$14,128 through December 2018; Interest at 1.49%. Secured by equipment.	28,097

TOWN OF WILKESBORO, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2017

Promissory Note due in annual installments of \$87,500 plus interest through June 30, 2027; Interest at prime plus 2% (currently 2.32%). Secured by equipment, fixtures and improvements, land and moneys on deposit (restricted cash) related to the project. 875,000

Total General Fund \$1,469,577

Serviced by the Water and Sewer Fund:

Promissory Note due in annual installments of \$15,641 through September 2017; Interest at 1.87%. Secured by equipment. \$ 15,352

Promissory Note due in quarterly installments of \$8,579 through December 2018; Interest at 1.49%. Secured by equipment. 17,065

Promissory Note due in annual installments of \$509,394 including interest through June 30, 2027; Interest at prime plus 2% (currently 2.32%). Secured by equipment, fixtures, improvements, land and moneys on deposit (restricted cash) related to the project. 4,500,000

Promissory Note due in annual installments of \$488,611 beginning May 2012; Interest at 2.50%. Secured by water and sewer revenues. 5,067,079

Total Water and Sewer Fund \$ 9,599,496

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

Year Ending June 30,	Governmental Activities		Business-type	Activities
	Principal	Interest	Principal	Interest
2018	\$ 276,140	\$ 32,217	\$ 799,345	\$ 231,460
2019	137,276	28,109	776,324	212,633
2020	138,552	24,803	785,938	193,971
2021	139,862	21,464	795,774	175,085
2022	141,204	18,091	805,839	155,972
Next 5 years	636,543	40,059	4,188,539	484,792
Next 1 years	-	-	<u>1,447,737</u>	<u>90,483</u>
Total	<u>\$ 1,469,577</u>	<u>\$ 164,743</u>	<u>\$ 9,599,496</u>	<u>\$ 1,544,396</u>

b. Installment Purchase

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

The future minimum payments of the installment purchase as of June 30, 2017, including \$31,457 of interest, are as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2018	\$ 335,471	\$ 21,907
2019	<u>347,828</u>	<u>9,550</u>
Principal payments	<u>\$ 683,299</u>	
Total interest payments		<u>\$ 31,457</u>

TOWN OF WILKESBORO, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2017

c. General Obligation Indebtedness

At June 30, 2017, the Town of Wilkesboro had a legal debt margin of \$50,158,408.

d. Changes in Long-Term Liabilities

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion of Balance
Governmental activities:					
Promissory notes	\$ 672,749	\$ 1,026,733	\$ 229,905	\$ 1,469,577	\$ 276,140
Compensated absences	60,266	-	5,695	54,571	-
Net pension obligation (LEO)	318,038	216,831	4,206	530,663	-
Net pension obligation (LGERS)	152,172	640,019	-	792,191	-
Other postemployment benefits	1,155,391	94,836	-	1,250,227	-
Governmental activity long-term liabilities	\$ 2,358,616	\$ 1,978,419	\$ 239,806	\$ 4,097,229	\$ 276,140
Business-type activities:					
Installment purchase	\$ 1,006,853	-	\$ 323,554	\$ 683,299	\$ 335,471
Promissory notes	5,269,423	\$4,709,613	379,540	9,599,496	799,345
Compensated absences	39,920	388	-	40,308	-
Net pension obligation (LGERS)	110,193	423,015	-	533,208	-
Other postemployment benefits	589,722	48,405	-	638,127	-
Business-type activity long-term liabilities	\$ 7,016,111	\$ 5,181,421	\$ 703,094	\$ 11,494,438	\$ 1,134,816

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

C. Interfund Balances and Activity

Balances due to/from Primary Government and Component Units

Balances due to/from primary government and component units at June 30, 2017, consist of the following:

General Fund:

Due from component unit-Tourism Bureau for reimbursement of expenses
to primary government-General Fund \$ 24,293

Due from the primary government-General Fund for occupancy tax
collected for component unit-Tourism Bureau \$ 45,078

Due to Enterprise Fund \$ 13,963

Enterprise Fund:

Due from General Fund \$ 13,963

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2017, the Town of Wilkesboro has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$3,023 for the thirty four volunteer firemen and the four employed firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by the Town for each member, investment income, and a State appropriation.

TOWN OF WILKESBORO, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2017

E. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation. There are no outstanding encumbrances. As part of the budgetary process in Fiscal Year 2017, Town Council has adopted a formal Fund Balance Policy to guide the financial decisions of the Town in the future. The adopted policy states:

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

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

Current Fund Balance Condition as of June 30, 2017 is:

Total fund balance - General Fund	\$ <u>2,866,979</u>
Less:	
Restricted:	
Stabilization by State Statute	525,388
Streets - Powell Bill	114,063
Public Safety - Drug Crime Prevention	4,540
Assigned:	
Appropriated Fund Balance in 2018 budget	107,000
Unassigned fund balance - 33.8% of expenditures	2,115,988

III. Jointly Governed Organization

The Town, in conjunction with seven counties and nineteen other municipalities established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council’s governing board. The Town paid membership fees of \$780 to the Council during the fiscal year ended June 30, 2017.

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

IV. Joint Ventures

The Town participates in a joint venture to operate the Wilkes Economic Development Corporation, a nonprofit corporation, with Wilkes County, another municipality, and the Wilkes Chamber of Commerce. The Town appoints one board member to the eighteen-member board of the Corporation. The Town has an ongoing financial responsibility for the joint venture because the Wilkes Economic Development Corporation’s continued existence depends on the participating governments’ continued funding. None of the participating governments have an equity interest in the nonprofit corporation, so no equity interests have been reflected in the financial statements at June 30, 2017. The Town appropriated \$15,435 to the Wilkes Economic Development Corporation during the year. Complete financial statements for the Corporation can be obtained from the Corporation’s offices at PO Box 727, North Wilkesboro, NC 28659.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Significant Effect of Subsequent Events

The Town has evaluated subsequent events through June 29, 2018, the date which the financial statements were available to be issued. The following events have arisen in the time period following June 30, 2017:

- On October 23, 2017, the Town was hit by a tornado. The path of the storm traveled straight through the middle of Town. Subsequently, the State of North Carolina declared the Town and surrounding counties a disaster area. The Town has been involved with the aftermath since the event with current estimated costs of \$400,000 involved with debris removal of thousands of cubic yards of organic materials.

VII. Pending or threatened Litigation, Claims and Assessments

There is one lawsuit pending against the Town of Wilkesboro – *Scott Church v. Town of Wilkesboro, 16 CVS 1430*, Wilkes Superior Court. The lawsuit was filed in September 2016, Answer was filed in late December, 2016 and the initial round of depositions will begin February 15 and 16, 2017. Plaintiff and his attorneys have attempted to depict this as a "whistleblower" case. The lawsuit alleges wrongful discharge of the plaintiff who was the former operator responsible for the Wilkesboro Wastewater Treatment Plant. Plaintiff contends that there were improprieties in the operation of the Town's waste water treatment plant that steps were taken to create false samples, that the plant is undersized to handle the amount of solid waste and has dumped either untreated or poorly treated waste into the Yadkin River. The Town strongly denies those allegations and contests liability. The Town has \$5 million in liability insurance coverage and believes the insurance far exceeds the value of this case.

There also may be a criminal component to this case. As a result of plaintiff's allegations, EPA and the SBI have conducted an investigation and the Town has responded to a federal grand jury subpoena. It is unknown at this time whether the U.S. Attorney's office will pursue any form of criminal charges and if so, what those charges will be and against whom those charges could or might be filed. There is, of course, always a possibility of a fine. No additional information is available on the possible criminal aspect of this case.

The lawsuit listed above was settled in the subsequent period. The town does not admit any fault in the litigation. Also according to the agreement the Town itself will only pay the Town's insurance policy deductible of \$2,500.

The last pending litigation involving the Town ended in 2017.

VIII. 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 Statement 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 \$216,831.

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Required
Supplementary Financial Data

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

- Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance

- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance and Notes

- Schedule of Funding Progress for Other Postemployment Benefits

- Schedule of Employer Contributions for Other Postemployment Benefits and Notes

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

- Schedule of Contributions to Local Government Employees' Retirement System

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

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY

	<u>2017</u>
Beginning balance	\$ 534,869
Service costs	20,713
Interest on the total pension liability	18,522
Changes of benefit terms	-
Difference between expected and actual experience in the measurement of the total pension liability	-
Changes in assumptions or other inputs	(11,350)
Benefit payments	(32,091)
Other changes	-
	<u>\$ 530,663</u>

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL

Total pension liability	\$ 530,663
Covered payroll	\$ 783,142
Total pension liability as a percentage of covered payroll	67.76%

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/09	\$ -	\$ 3,802,148	\$ 3,802,148	0%	\$ 2,552,671	148.9%
6/30/11	-	3,165,920	3,165,920	0%	2,862,767	110.6%
6/30/12	-	2,585,047	2,585,047	0%	2,936,599	88%
12/31/12	-	4,431,543	4,431,543	0%	2,735,365	162%
6/30/14	-	2,750,070	2,750,070	0%	3,245,746	85%
6/30/15	-	2,838,359	2,838,359	0%	3,544,646	80%
06/30/16	-	3,048,306	3,048,306	0%	3,685,361	83%
06/30/17	-	2,378,606	2,378,606	0%	3,801,853	63%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 330,184	11.5%
2011	\$ 322,698	13.8%
2012	\$ 318,325	49.1%
2013	\$ 359,433	24.1%
2014	\$ 351,167	11.5%
2015	\$ 372,063	37.1%
2016	\$ 356,558	49.9%
2017	\$ 283,682	49.5%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at June 30, 2017. Additional information as of the latest actuarial valuation follows:

Valuation date	6/30/2017
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage of Pay, Open
Remaining amortization period	30 Years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	3.0%
Medical cost trend rate	
Pre-Medicare trend rate	4.00%
Post-Medicare trend rate	4
Year of Ultimate trend rate	2023
*Includes inflation at	4.00%

Town of Wilkesboro, North Carolina
The Town of Wilkesboro's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
For June 30, 2017, 2016, 2015 and 2014

Local Government Employee's Retirement System

	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.0625%	0.0585%	0.0569%	0.0560%
Town's proportion of the net pension liability (Asset) (\$)	\$ 1,325,399	\$ 152,172	\$ (335,330)	\$675,015
Town's covered-employee payroll	\$ 3,422,499	\$ 3,247,723	\$ 3,091,122	\$ 2,415,634
Town's proportionate share of the net pension Liability (asset) as a percentage of its covered-employee payroll	38.73%	4.69%	-10.85%	27.94%
Plan fiduciary net position as a percentage of the pension liability	91.47%	98.09%	102.64%	94.35%

Town of Wilkesboro's Contribution

	2017	2016	2015	2014
Contractually required contribution	\$ 256,292	\$ 227,101	\$ 221,161	\$ 204,963
Contributions in relation to the contractually required contribution	256,292	227,101	221,161	204,963
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 3,422,499	\$ 3,247,723	\$ 3,091,122	\$ 2,415,634
Contributions as a percentage of covered-employee payroll	7.49%	6.99%	7.15%	8.48%

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SUPPLEMENTARY INFORMATION:

Combining and Individual Fund Statements and Schedules

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

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TOWN OF WILKESBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Ad valorem taxes:			
Taxes	\$ 3,193,000	\$ 3,033,003	\$ (159,997)
Interest	10,000	23,113	13,113
TOTAL	<u>\$ 3,203,000</u>	<u>\$ 3,056,116</u>	<u>\$ (146,884)</u>
Unrestricted intergovernmental:			
Local Option Sales Taxes	\$ 925,000	\$ 957,878	\$ 32,878
Payments in lieu of taxes	1,000	1,066	66
Telecommunications sales tax	35,000	28,710	(6,290)
Utility franchise tax	525,000	523,574	(1,426)
Piped natural gas tax	8,000	7,221	(779)
Video franchise fee	50,000	48,035	(1,965)
Beer and wine tax	17,000	15,597	(1,403)
ABC profit distribution	25,000	30,000	5,000
TOTAL	<u>\$ 1,586,000</u>	<u>\$ 1,612,081</u>	<u>\$ 26,081</u>
Restricted intergovernmental:			
Powell bill allocation	\$ 115,000	\$ 113,912	\$ (1,088)
Other federal and state grants	435,000	218,802	(216,198)
Controlled substance tax	5,000	3,041	(1,959)
On behalf of payments	-	-	-
Solid waste disposal tax	2,000	2,316	316
Occupancy tax	195,000	258,944	63,944
TOTAL	<u>\$ 752,000</u>	<u>\$ 597,015</u>	<u>\$ (154,985)</u>
Permits and fees:			
Franchise fees	\$ -	\$ -	\$ -
Business registration fees	1,000	1,610	610
Street Assessment	-	-	-
Permits	100	6,545	6,445
TOTAL	<u>\$ 1,100</u>	<u>\$ 8,155</u>	<u>\$ 7,055</u>
Sales and services:			
Rents	\$ 25,000	\$ 22,632	\$ (2,368)
Court costs, fees, and charges	47,900	8,919	(38,981)
Parking violation penalties	-	-	-
Sanitation fees	115,000	86,828	(28,172)
Open air market fees	8,000	4,918	(3,082)
Community Garden Proceeds	-	-	-
Recycling Facility Proceeds	-	1,683	1,683
Park lights	3,000	5,447	2,447
TOTAL	<u>\$ 198,900</u>	<u>\$ 130,427</u>	<u>\$ (68,473)</u>
Investment earnings	<u>\$ 12,000</u>	<u>\$ 14,861</u>	<u>\$ 2,861</u>

No assurance is provided on these financial statements or supplementary information

TOWN OF WILKESBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Miscellaneous:			
Other	\$ 473,600	\$ 223,340	\$ (250,260)
Cemetery donation	4,400	2,260	(2,140)
TOTAL	<u>\$ 478,000</u>	<u>\$ 225,600</u>	<u>\$ (252,400)</u>
 TOTAL REVENUES	 <u>\$ 6,231,000</u>	 <u>\$ 5,644,255</u>	 <u>\$ (586,745)</u>
EXPENDITURES:			
General government:			
Governing body:			
Salaries and employee benefits		\$ 24,437	
Operating expenditures		70,255	
Economic Development		186,365	
TOTAL	<u>\$ 309,300</u>	<u>\$ 281,057</u>	<u>\$ 28,243</u>
Administration:			
Salaries and employee benefits		\$ 343,081	
Other operating expenditures		501,087	
Insurance		1,148,461	
TOTAL	<u>\$ 2,253,500</u>	<u>\$ 1,992,629</u>	<u>\$ 260,871</u>
Public buildings:			
Salaries and employee benefits		\$ 150,247	
Other operating expenditures		90,258	
Capital outlay		45,697	
TOTAL	<u>\$ 286,500</u>	<u>\$ 286,202</u>	<u>\$ 298</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 2,849,300</u>	<u>\$ 2,559,888</u>	<u>\$ 289,412</u>
Public safety:			
Police:			
Salaries and employee benefits		\$ 1,107,251	
Other operating expenditures		310,953	
Capital outlay		-	
TOTAL	<u>\$ 1,616,000</u>	<u>\$ 1,418,204</u>	<u>\$ 197,796</u>
Fire:			
Salaries and employee benefits		\$ 461,256	
Retirement benefits paid		52,020	
Other operating expenditures		181,273	
Capital outlay		201,477	
TOTAL	<u>\$ 905,000</u>	<u>\$ 896,026</u>	<u>\$ 8,974</u>
Inspections:			
Salaries and employee benefits		\$ 128,965	
Other operating expenditures		142,525	
TOTAL	<u>\$ 272,700</u>	<u>\$ 271,490</u>	<u>\$ 1,210</u>
TOTAL PUBLIC SAFETY	<u>\$ 2,793,700</u>	<u>\$ 2,585,720</u>	<u>\$ 207,980</u>

No assurance is provided on these financial statements or supplementary information

TOWN OF WILKESBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Streets:			
Salaries and employee benefits		\$ 164,995	
Other operating expenditures		308,388	
Capital Outlay		-	
TOTAL TRANSPORTATION	<u>\$ 485,000</u>	<u>\$ 473,383</u>	<u>\$ 11,617</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		\$ 158,603	
Other operating expenditures		24,275	
Landfill tipping fees		49,667	
TOTAL ENVIRONMENTAL PROTECTION	<u>\$ 279,000</u>	<u>\$ 232,545</u>	<u>\$ 46,454</u>
Cultural and recreation:			
Parks and Recreation:			
Salaries and employee benefits		\$ 125,500	
Other operating expenditures		99,771	
Capital outlay		18,109	
TOTAL CULTURAL AND RECREATION	<u>\$ 244,000</u>	<u>\$ 243,380</u>	<u>\$ 620</u>
Debt Service:			
Principal retirement		\$ 229,905	
Interest and other charges		14,885	
TOTAL DEBT SERVICE	<u>\$ 220,000</u>	<u>\$ 244,790</u>	<u>\$ (24,790)</u>
Contingency:			
Contingency	-	-	-
TOTAL CONTINGENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL EXPENDITURES	<u>\$ 6,871,000</u>	<u>\$ 6,339,706</u>	<u>\$ 531,293</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>\$ (640,000)</u>	<u>\$ (695,451)</u>	<u>\$ (55,451)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from issuance of debt:	<u>\$ 400,000.0</u>	<u>\$ 1,026,733</u>	<u>\$ 626,733</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 400,000</u>	<u>\$ 1,026,733</u>	<u>\$ 626,733</u>

No assurance is provided on these financial statements or supplementary information

TOWN OF WILKESBORO, NORTH CAROLINA
 GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (240,000)	\$ 331,282	\$ 571,283
Fund balance appropriated	<u>240,000</u>	<u>-</u>	<u>(240,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 331,282</u>	<u>\$ 331,282</u>
Fund balance, beginning		<u>2,535,697</u>	
Fund balance, ending		<u>\$ 2,866,979</u>	

No assurance is provided on these financial statements or supplementary information

TOWN OF WILKESBORO, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2017

	SPECIAL REVENUE FUND Grant Project Fund	SPECIAL REVENUE FUND PSG Custom Fab.	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,597	\$ -	\$ 6,597
TOTAL ASSETS	\$ 6,597	\$ -	\$ 6,597
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Unearned revenue	\$ 6,597	-	\$ 6,597
TOTAL LIABILITIES	\$ 6,597	\$ -	\$ 6,597
FUND BALANCE			
Unassigned	\$ -	\$ -	\$ -
TOTAL FUND BALANCE	\$ -	\$ -	\$ -
TOTAL LIABILITIES AND FUND BALANCE	\$ 6,597	\$ -	\$ 6,597

No assurance is provided on these financial statements or supplementary information.

TOWN OF WILKESBORO, NORTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2017

	SPECIAL REVENUE FUND Grant Project Fund	SPECIAL REVENUE FUND PSG Custom Fab.	Total Nonmajor Governmental Funds
REVENUES:			
Restricted Intergovernmental	\$ -	\$ 174,871	\$ 174,871
TOTAL REVENUES	<u>\$ -</u>	<u>\$ 174,871</u>	<u>\$ 174,871</u>
EXPENDITURES:			
Economic Development	\$ -	\$ 174,871	\$ 174,871
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ 174,871</u>	<u>\$ 174,871</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF WILKESBORO, NORTH CAROLINA
SPECIAL REVENUE FUND-GRANT PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From inception and for the Fiscal Year Ended June 30, 2017

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

TOWN OF WILKESBORO, NORTH CAROLINA
 SPECIAL REVENUE FUND - PSG CUSTOM FABRICATORS
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 From inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES:					
Restricted Intergovernmental CDBG Grant	\$ 750,000	\$ 575,129	\$ 174,871	\$ 750,000	\$ -
TOTAL REVENUES	\$ 750,000	\$ 575,129	\$ 174,871	\$ 750,000	\$ -
EXPENDITURES:					
Capital Outlay Building Repair and Renovation	\$ 750,000	\$ 575,129	\$ 174,871	\$ 750,000	\$ -
TOTAL EXPENDITURES	\$ 750,000	\$ 575,129	\$ 174,871	\$ 750,000	\$ -
REVENUES UNDER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance, beginning of year			\$ -		
Fund Balance, end of year			\$ -		

TOWN OF WILKESBORO, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Operating revenues:			
Water and sewer sales	\$ 7,111,000	\$ 6,897,167	\$ (213,833)
Water and sewer taps	35,000	25,686	(9,314)
Other operating revenue	20,000	34,163	14,163
TOTAL OPERATING REVENUES	<u>7,166,000</u>	<u>6,957,016</u>	<u>(208,984)</u>
Nonoperating revenue:			
Interest earnings	5,000	11,749	6,749
Miscellaneous	517,500	244,840	(272,660)
TOTAL NONOPERATING REVENUES	<u>522,500</u>	<u>256,589</u>	<u>(265,910)</u>
 TOTAL REVENUES	 <u>7,688,500</u>	 <u>7,213,604</u>	 <u>(474,895)</u>
EXPENDITURES:			
Water and sewer administration:			
Salaries and employee benefits		266,820	
Other operating expenditures		155,984	
Insurance		931,294	
TOTAL	<u>1,397,000</u>	<u>1,354,098</u>	<u>42,902</u>
Water treatment and distribution:			
Salaries and employee benefits		513,064	
Utilities		257,255	
Maintenance		251,664	
Other operating expenditures		238,510	
TOTAL	<u>1,173,000</u>	<u>1,260,494</u>	<u>(87,494)</u>
Waste collection and treatment:			
Salaries and employee benefits		427,085	
Utilities		342,183	
Maintenance		113,813	
Other operating expenditures		468,632	
TOTAL	<u>1,428,000</u>	<u>1,351,713</u>	<u>76,287</u>
Maintenance:			
Salaries and employee benefits		657,065	
Maintenance		72,370	
Other operating expenditures		768,885	
TOTAL	<u>1,455,000</u>	<u>1,498,320</u>	<u>(43,320)</u>

TOWN OF WILKESBORO, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement		703,094	
Interest and other charges		224,027	
TOTAL DEBT SERVICE	<u>975,000</u>	<u>927,120</u>	<u>47,880</u>
Capital outlay:			
Water Improvements & Extensions		24,428	
Asset Inventory System		71,290	
Equipment		151,917	
TOTAL CAPITAL OUTLAY	<u>203,000</u>	<u>247,635</u>	<u>(44,635)</u>
Contingency			
Contingency		-	
TOTAL CONTINGENCY	<u>220,000</u>	<u>-</u>	<u>220,000</u>
TOTAL EXPENDITURES	<u>6,851,000</u>	<u>6,639,380</u>	<u>211,620</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>837,500</u>	<u>574,224</u>	<u>(263,276)</u>
OTHER FINANCING SOURCES (USES):			
Transfers to other funds:			
Water & Sewer Capital Projects Fund	4,000,000	(1,153,181)	(5,153,181)
Transfers from other funds:			
Proceeds from issuance of debt	-	4,709,613	4,709,613
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,000,000</u>	<u>3,556,432</u>	<u>(443,568)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(3,162,500)</u>	<u>4,130,656</u>	<u>(706,844)</u>
APPROPRIATED RETAINED EARNINGS	<u>3,162,500</u>	<u>-</u>	<u>(3,162,500)</u>
REVENUES, OTHER SOURCES, AND APPROPRIATED RETAINED EARNINGS OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ 4,130,656</u>	<u>\$ 4,130,656</u>

TOWN OF WILKESBORO, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2017

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

REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 4,130,656</u>
Reconciling items:	
Principal retirement	703,094
Issuance of new debt	(4,709,613)
Capital outlay	247,635
Increase in accrued vacation pay	(388)
Increase in OPEB liability	(48,405)
Decrease in net pension asset	-
Increase in net pension liability	(423,015)
Increase in deferred outflows of resources-pensions	349,059
Decrease in deferred inflows of resources-pensions	36,712
Depreciation	(918,574)
Capital contributions-Water Sewer Project Fund	94,340
Transfer to Water & Sewer Capital Project Fund	1,153,181
Rent income in the water and sewer:	
Capital reserve fund	10,000
TOTAL RECONCILING ITEMS	<u>(3,505,974)</u>
CHANGE IN NET POSITION	<u><u>\$ 624,682</u></u>

TOWN OF WILKESBORO, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
BUDGET AND ACTUAL (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Actual		Total To Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues- Downtown Revitalization Project					
Federal Grant	\$ 500,000	\$ -	\$ 94,340	\$ 94,340	\$ (405,660)
Other	50,000	-	-	-	(50,000)
Partnerships	850,000	-	-	-	(850,000)
Total	<u>1,400,000</u>	<u>-</u>	<u>94,340</u>	<u>94,340</u>	<u>(1,305,660)</u>
Revenues-Brown's Ford Water Loop & Tank					
IDF Grant	1,110,000	-	-	-	(1,110,000)
Golden LEAF Grant	200,000	-	-	-	(200,000)
Department of Commerce Grant	700,000	-	-	-	(700,000)
West Wilkes Water Assn Contribution	5,000	-	-	-	(5,000)
Total	<u>2,015,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,015,000)</u>
Revenues-Clarifier Project-Wastewater Treatment Grant	1,900,000	-	-	-	(1,900,000)
	<u>1,900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,900,000)</u>
Revenue-Asset Inventory and Assessment Grant	135,000	-	-	-	(135,000)
Total	<u>135,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(135,000)</u>
 TOTAL REVENUES	 <u>5,450,000</u>	 <u>-</u>	 <u>94,340</u>	 <u>94,340</u>	 <u>(5,355,660)</u>
Expenditures-Downtown Revitalization Project					
Repairs and Renovations	2,650,000	-	627,260	627,260	2,022,740
Contingency	200,000	-	-	-	200,000
Total	<u>2,850,000</u>	<u>-</u>	<u>627,260</u>	<u>627,260</u>	<u>2,222,740</u>
Expenditures-Brown's Ford Loop & Tank					
Construction	6,073,241	268,480	399,968	668,448	5,404,793
Construction Observation and Admin	125,000	570	-	570	124,430
Engineering	475,000	454,600	89,686	544,286	(69,286)
Land	250,000	-	-	-	250,000
Contingency	346,162	-	-	-	346,162
Total	<u>7,269,403</u>	<u>723,650</u>	<u>489,654</u>	<u>1,213,304</u>	<u>6,056,099</u>
Expenditures-Water Dept. Sludge Handling Project					
Engineering	250,000	235,458	10,000	245,458	4,542
Legal, Permits, Other	25,000	6,084	-	6,084	18,916
Construction	2,450,000	2,628,319	15,158	2,643,477	(193,477)
Contingency	275,000	-	5,921	5,921	269,079
Total	<u>3,000,000</u>	<u>2,869,861</u>	<u>31,079</u>	<u>2,900,940</u>	<u>99,060</u>
Expenditures-Wastewater Sludge Project					
Equipment	200,000	185,000	-	185,000	15,000
Construction	250,000	156,690	-	156,690	93,310
Contingency	50,000	1,210	38,238	39,448	10,552
Total	<u>500,000</u>	<u>342,900</u>	<u>38,238</u>	<u>381,138</u>	<u>118,862</u>
Expenditures-Clarifier Project-Wastewater Treatment					
Engineering	85,000	-	-	-	85,000
Administration	40,000	-	-	-	40,000
Construction	1,908,420	-	-	-	1,908,420
Contingency	101,580	-	-	-	101,580
Total	<u>2,135,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,135,000</u>

TOWN OF WILKESBORO, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
BUDGET AND ACTUAL (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total To Date	
Expenditures-Asset Inventory and Assessment Infrastructure Planning	150,000	-	71,290	71,290	78,710
TOTAL EXPENDITURES	15,904,403	3,936,411	1,257,521	5,193,932	10,710,471
REVENUES OVER (UNDER) EXPENDITURES	(10,454,403)	(3,936,411)	(1,163,181)	(5,099,592)	5,354,811
OTHER FINANCING SOURCES (USES)					
Proceeds from Issuance of Debt	4,500,000	-	4,500,000	4,500,000	-
Proceeds from Issuance of Debt	250,000	-	-	-	(250,000)
Transfer From Water and Sewer	754,403	-	489,654	489,654	(264,749)
Transfer From Water and Sewer	235,000	-	-	-	(235,000)
Transfer From Water and Sewer	15,000	-	-	-	(15,000)
Transfer from General Fund	550,000	-	-	-	(550,000)
Transfer From Water and Sewer Fund	650,000	-	532,920	532,920	(117,080)
Transfer From Water and Sewer Fund	3,000,000	2,869,861	31,079	2,900,940	(99,060)
Transfer From Water and Sewer Fund	500,000	342,900	38,238	381,138	(118,862)
TOTAL OTHER FINANCING SOURCES (USES)	10,454,403	3,212,761	5,591,891	8,804,652	(1,649,751)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ (723,650)	\$ 4,428,710	\$ 3,705,060	\$ 3,705,060

TOWN OF WILKESBORO, NORTH CAROLINA
 WATER AND SEWER CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET TO ACTUAL (Non-GAAP)
 For the Fiscal Year Ended June 30, 2017

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES					
Rent Income-Vulcan Materials	\$ -	\$ 100,000	\$ 10,000	\$ 110,000	\$ 110,000
Investment Earnings	137,459	250,600	-	250,600	\$ 113,141
TOTAL REVENUES	\$ 137,459	\$ 350,600	\$ 10,000	\$ 360,600	\$ 223,141
OTHER FINANCING SOURCES (USES)					
Transfer from Water and Sewer Capital Project Fund	\$ 304,017	\$ 214,818	\$ -	\$ 214,818	\$ (89,199)
Transfer From Water and Sewer Capital Project Fund	(441,476)	(441,476)	-	(441,476)	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ (137,459)	\$ (226,658)	\$ -	\$ (226,658)	\$ (89,199)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES					
	\$ -	\$ 123,942	\$ 10,000	\$ 133,942	\$ 133,942

Other Schedules

This section contains additional information required on property taxes.

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

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TOWN OF WILKESBORO, NORTH CAROLINA
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 TOWN-WIDE LEVY
 For the Fiscal Year Ended 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	\$ -	\$ 3,059,268	\$ 2,966,226	\$ 93,042
2015-2016	85,871		35,029	50,842
2014-2015	31,599		21,939	9,660
2013-2014	17,140		5,538	11,602
2012-2013	9,463		1,536	7,927
2011-2012	64,475		962	63,513
2010-2011	26,698		729	25,969
2009-2010	4,095		115	3,980
2008-2009	2,655		109	2,546
2007-2008	1,975		533	1,442
2006-2007	2,157		2,157	-
2005-2006	-		-	-
	<u>\$ 246,128</u>	<u>\$ 3,059,268</u>	<u>\$ 3,034,873</u>	<u>\$ 270,523</u>
				<u>52,200</u>
				<u>\$ 218,323</u>

Less: Allowance for Uncollectible Accounts-General Fund

AD VALOREM TAXES RECEIVABLE-NET

RECONCILIATION TO REVENUES:

Ad Valorem Taxes-General Fund	<u>\$ 3,056,116</u>
Reconciling Items:	
Interest Collected	\$ (19,653)
Taxes Written Off	(1,590)
Prior Years Releases	-
Subtotal	<u>\$ (21,243)</u>
TOTAL COLLECTIONS AND CREDITS	<u>\$ 3,034,873</u>

TOWN OF WILKESBORO, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Fiscal Year Ended June 30, 2017

	Town-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 610,068,782	\$ 0.48	\$ 2,928,330	\$ 2,749,007	\$ 179,323
Property taxed at prior year's rate	11,516,073	\$ 0.44	50,671		50,671
Total	\$ 621,584,855		\$ 2,979,001	\$ 2,749,007	\$ 229,994
Discoveries:					
Current year taxes	\$ 15,477,033	\$ 0.48	\$ 74,290	\$ 74,290	\$ -
Prior year taxes	3,885,521	\$ 0.44	17,096	17,096	-
TOTAL	\$ 19,362,554		\$ 91,386	\$ 91,386	\$ -
Abatements and releases	\$ (2,451,242)		\$ (11,119)	\$ (11,119)	\$ -
TOTAL PROPERTY VALUATION	\$ 638,496,167				
Net Levy			\$ 3,059,268	\$ 2,829,274	\$ 229,994
Uncollected Taxes at June 30, 2017			(93,042)	(93,042)	-
Current Year's Taxes Collected			<u>\$ 2,966,226</u>	<u>\$ 2,736,232</u>	<u>\$ 229,994</u>
Current Levy Collection Percentage			<u>96.96%</u>	<u>96.71%</u>	<u>100.00%</u>

Compliance Section

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Rives & Associates, LLP
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Independent Auditor's 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*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Wilkesboro, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Wilkesboro's basic financial statements, and have issued our report thereon dated June 29, 2018. Our report includes a reference to other auditors who audited the financial statements of the Town of Wilkesboro ABC Board, as described in our report of the Town of Wilkesboro's financial statements. This report does not include the results of the auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Wilkesboro ABC Board and the Wilkesboro Tourism Development, Convention, and Visitors Bureau were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Rives & Associates LLP

Lexington, North Carolina
June 29, 2018

TOWN OF WILKESBORO, NORTH CAROLINA
Schedule of Findings
For the Year Ended June 30, 2017

SECTION I - FINANCIAL STATEMENT FINDINGS

None reported.

TOWN OF WILKESBORO, NORTH CAROLINA
Corrective Action Plan
For the Year Ended June 30, 2017

SECTION I - FINANCIAL STATEMENT FINDINGS

None reported.

TOWN OF WILKESBORO, NORTH CAROLINA
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2017

SECTION I - FINANCIAL STATEMENT FINDINGS

None reported.