

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

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

**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

CERTIFIED PUBLIC ACCOUNTANTS  
LENOIR, NORTH CAROLINA

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

### **Town Council Members**

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

### **Administrative and Financial Staff**

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

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

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

**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 Asset-Local Government Employees' Retirement System	46
B-2	Schedule of Contributions -Local Government Employees' Retirement System And Notes	46
 <b>Combining and Individual Fund Statements and Schedules:</b>		
C-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	47-50
D-1	Combining Balance Sheet for Non-Major Governmental Fund	51
D-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	52
D-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual - From Inception – Grant Project Fund	53
D-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual - From Inception – PSG Custom Fabricators	54
 <b>Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:</b>		
E-1	Water and Sewer Fund	55-57
E-2	Water and Sewer Capital Projects Fund	58-59
E-3	Water and Sewer Capital Reserve Fund	60
 <b>Other Schedules:</b>		
F-1	Schedule of Ad Valorem Taxes Receivable	61
F-2	Analysis of Current Tax Levy - Town-Wide Levy	62
 <b>Compliance Section:</b>		
	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	63-64
	Schedule of Findings and Responses	65
	Schedule of Prior Year Audit Findings	66

## FINANCIAL SECTION

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**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Wilkesboro, North Carolina as of and for the year ended June 30, 2016, 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 62 percent of the assets, 62 percent of the net position, and 94 percent of the revenues of the discretely presented component units. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Wilkesboro ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Wilkesboro ABC Board and the Wilkesboro Tourism Development, Convention, and Visitors Bureau were not audited in accordance with *Government Auditing Standards*.

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

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

***Opinions***

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented

component units, each major fund, and the aggregate remaining fund information of the Town of Wilkesboro as of June 30, 2016, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's, the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions and the Local Government Employees' Retirements System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 3-9 and 44-46, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Wilkesboro. The combining and individual fund statements, budgetary schedules, other schedules (pages 47-62), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditor. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund statements, budgetary schedules, other schedules 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 February 14, 2017 on our consideration of Town of Wilkesboro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The financial statements of the Town's component units, the Town of Wilkesboro ABC Board and the Wilkesboro Tourism Development, Convention, and Visitors Bureau, were not audited in accordance with *Governmental Auditing Standards*. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Wilkesboro's internal control over financial reporting and compliance.

*Huntley, Sigmon & Associates, CPAs, PLLC*

HUNTLEY, SIGMON & ASSOCIATES, CPAs, PLLC  
Lenoir, North Carolina  
February 14, 2017

## Management Discussion and Analysis



## Management's Discussion and Analysis

As management of the Town of Wilkesboro, we offer readers of the Town of Wilkesboro's financial statements this narrative overview and analysis of the financial activities of the Town of Wilkesboro for the fiscal year ended June 30, 2016. 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

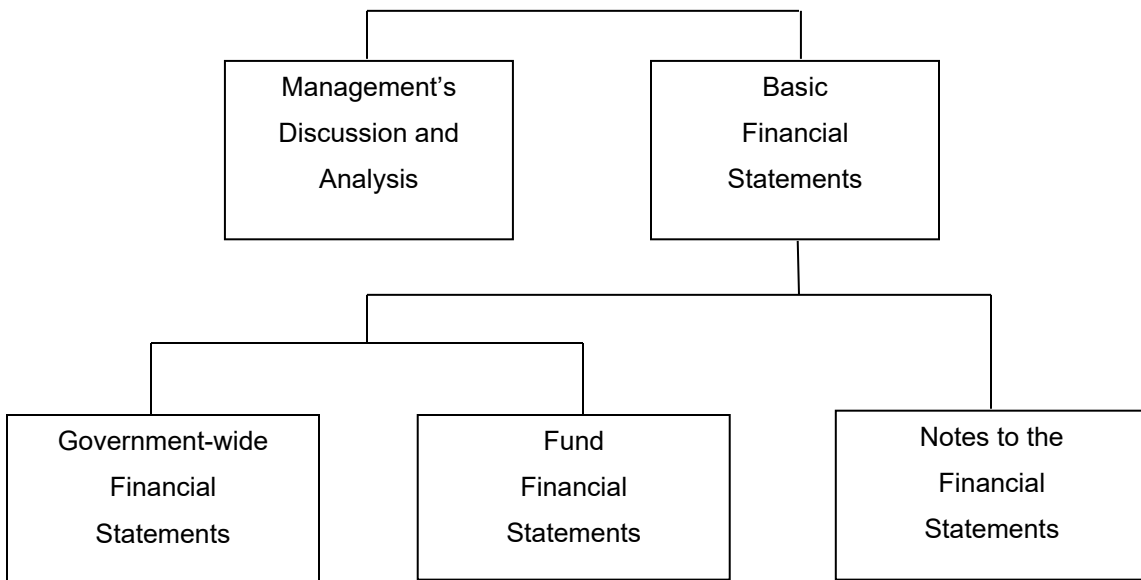
- The assets of the Town of Wilkesboro exceeded its liabilities at the close of the fiscal year by \$35,392,932 (*net position*).
- The government's total net position increased by \$869,916, 2.48%. The general fund added major capital assets in the form of equipment, while the business-type activities 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 \$2,535,697, a decrease of \$581,368. Approximately 71.2% of this total amount or \$1,805,898 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,805,898 or 28.6% of total general fund expenditures for the fiscal year.
- The Town of Wilkesboro's total long-term liabilities increased by \$96,993 (1.05%) during the current fiscal year even with the Town acquiring new debt of \$525,000 for a fire truck.

### 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



Summary → Detail

Basic Financial Statements

## Management's Discussion and Analysis Town of Wilkesboro

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

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

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

### Government-wide Financial Statements

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

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

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

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

### Fund Financial Statements

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

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

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

(reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 20-43 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 44 of this report.

**Government-Wide Financial Analysis**

**Town of Wilkesboro’s Net Position**

**Figure 2**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>6/30/2016</b>	<b>6/30/2015</b>	<b>6/30/2016</b>	<b>6/30/2015</b>	<b>6/30/2016</b>	<b>6/30/2015</b>
Current and other assets	\$ 3,023,865	\$ 3,677,374	\$ 4,045,580	\$ 5,937,675	\$ 7,069,445	\$ 9,615,049
Net Pension assets	0	191,138		144,192		335,330
Deferred outflows	131,719	126,202	95,382	94,959	227,101	221,161
Capital assets	<u>5,628,995</u>	<u>5,052,854</u>	<u>33,472,736</u>	<u>30,547,001</u>	<u>39,101,731</u>	<u>35,599,855</u>
Total assets	<u>\$ 8,784,579</u>	<u>\$ 9,047,568</u>	<u>\$ 37,613,698</u>	<u>\$ 36,723,827</u>	<u>\$ 46,398,277</u>	<u>\$ 45,771,395</u>
Long-term liabilities						
outstanding	\$ 2,204,577	\$ 1,567,632	\$ 6,313,018	\$ 6,852,842	\$ 8,517,595	\$ 8,420,474
Other liabilities	438,585	504,669	1,356,719	944,126	1,795,304	1,448,795
Deferred Inflows	92,490	484,542	59,956	354,568	152,446	839,110
Total liabilities	<u>\$ 2,735,652</u>	<u>\$ 2,556,843</u>	<u>\$ 7,729,693</u>	<u>\$ 8,151,536</u>	<u>\$ 10,465,345</u>	<u>\$ 10,708,379</u>
Net assets:						
Net invested in						
Capital assets						
related debt	\$ 4,956,246	\$ 4,752,912	\$ 27,196,460	\$ 23,542,444	\$ 32,152,706	\$ 28,295,356
Restricted	689,799	678,414	-	-	689,799	678,414
Unrestricted	<u>402,882</u>	<u>1,059,399</u>	<u>2,687,545</u>	<u>5,029,847</u>	<u>3,090,427</u>	<u>6,089,246</u>
Total net position	<u>\$ 6,048,927</u>	<u>\$ 6,490,725</u>	<u>\$ 29,884,005</u>	<u>\$ 28,572,291</u>	<u>\$ 35,932,932</u>	<u>\$ 35,063,016</u>

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets of the Town of Wilkesboro exceeded liabilities by \$35,932,932 as of June 30, 2016. The Town’s net position increased by \$869,916, or 2.48%, for the fiscal year ended June 30, 2016.

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

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 \$689,799 (1.92%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,090,427 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 96.92%, which is on par with the statewide average of 97.42%. This represents a decrease of 1.22% when compared to prior year.

**Town of Wilkesboro Changes in Net Position**

**Figure 3**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 177,620	\$ 213,139	\$ 6,594,736	\$ 6,463,505	\$ 6,772,356	\$ 6,676,644
Operating grants and contributions	623,382	896,922	-	-	623,382	896,922
Capital grants and contributions			-	-	-	-
<b>General revenues:</b>						
Property taxes	2,803,453	2,738,940	-	-	2,803,453	2,738,940
Other taxes	1,637,702	1,567,786	-	-	1,637,702	1,567,786
<b>Other</b>	<u>284,875</u>	<u>382,410</u>	<u>249,351</u>	<u>311,248</u>	<u>534,226</u>	<u>693,658</u>
<b>Total revenues</b>	<u>\$ 5,527,032</u>	<u>\$ 5,799,197</u>	<u>\$ 6,844,087</u>	<u>\$ 6,774,753</u>	<u>\$ 12,371,119</u>	<u>\$ 12,573,950</u>
<b>Expenses:</b>						
General government	\$ 2,377,893	\$ 2,317,827	-	-	\$ 2,377,893	\$ 2,317,827
Public safety	2,491,318	2,532,861	-	-	2,491,318	2,532,861
Highways/Streets	263,552	420,503	-	-	263,552	420,503
Economic Development	286,299	288,830	-	-	286,299	288,830
Environ. Protection	299,568	275,980	-	-	299,568	275,980
Culture and recreation	238,884	288,793	-	-	238,884	288,793
Interest on long-term debt	11,316	5,413	-	-	11,316	5,413
Water and sewer			<u>\$ 5,532,373</u>	<u>\$ 5,276,858</u>	<u>5,532,373</u>	<u>5,276,858</u>
<b>Total expenses</b>	<u>\$ 5,968,830</u>	<u>\$ 6,130,207</u>	<u>\$ 5,532,373</u>	<u>\$ 5,276,858</u>	<u>\$ 11,501,203</u>	<u>\$ 11,407,065</u>
Increase (decrease) in net position	\$ (441,798)	\$ (331,010)	\$ 1,311,714	\$ 1,497,895	\$ 869,916	\$ 1,166,885
Net position, July 1	<u>\$ 6,490,725</u>	<u>\$ 6,821,735</u>	<u>\$ 28,572,291</u>	<u>\$ 27,074,396</u>	<u>\$ 35,063,016</u>	<u>\$ 33,896,131</u>
Net position, June 30	<u>\$ 6,048,927</u>	<u>\$ 6,490,725</u>	<u>\$ 29,884,005</u>	<u>\$ 28,572,291</u>	<u>\$ 35,932,932</u>	<u>\$ 35,063,016</u>

**Governmental activities:** Governmental activities decreased the Town's net position by \$441,798. The key element of this decrease in net position is the end of the FEMA SAFER grant that assisted the Town with its Fire Department staffing expenditures. The 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. 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.

## Management's Discussion and Analysis Town of Wilkesboro

**Business-type activities:** Business-type activities increased the Town of Wilkesboro's net position by \$1,311,714. 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 concerning the handling of sludge materials produced in normal plant activities.

### Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Wilkesboro. At the end of the current fiscal year, unassigned fund balance of the General Fund decreased by \$557,753 to \$1,805,898, while total fund balance decreased \$581,368, 18.65%, to a total of \$2,535,697. 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 28.6% of total General Fund expenditures, while total fund balance represents 40.1% of that same amount compared to 38.5% and 50.7% in the prior year, respectively.

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

**Proprietary Funds.** The Town of Wilkesboro's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,687,545. The total change in net position was a decrease of \$2,342,302. 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, 2016, totals \$39,101,731 (net of accumulated depreciation). These assets include buildings, water and sewer lines, land, machinery and equipment, park facilities, vehicles, and infrastructure.

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

- Water and sewer capital asset additions of \$2,925,735.
- General fund capital asset additions of \$576,141.

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

**Figure 4**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>6/30/2016</b>	<b>6/30/2015</b>	<b>6/30/2016</b>	<b>6/30/2015</b>	<b>6/30/2016</b>	<b>6/30/2015</b>
Land	\$ 1,706,036	\$ 1,706,036	\$ 609,932	\$ 609,932	\$ 2,315,968	\$ 2,315,968
Building & improvements	1,772,442	1,809,950			1,772,442	1,809,950
Plant & dist. systems		-	28,240,338	19,993,477	28,240,338	19,993,477
Machinery & equipment	965,566	1,155,090	658,105	575,330	1,623,671	1,730,420
Infrastructure	657,870	381,778			657,870	381,778
Construction in progress	527,081	-	3,964,361	9,368,262	4,491,442	9,368,262
Total	<u>\$ 5,628,995</u>	<u>\$ 5,052,854</u>	<u>\$ 33,472,736</u>	<u>\$ 30,547,001</u>	<u>\$ 39,101,731</u>	<u>\$ 35,599,855</u>

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

**Long-term Debt**

The Town of Wilkesboro’s total long-term liabilities increased by \$96,993 (1.05%) during the current fiscal year even with the Town acquiring new debt of \$525,000 for a fire truck.

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 \$50,386,932.

Additional information regarding the Town of Wilkesboro’s long-term debt can be found in note II.B.5. beginning on page 39 of this report.

**Economic Factors**

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

- The unemployment rate for Wilkes County at June 30, 2016 stands at 5%, which is has been holding steadily for the last couple years 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 5.2%. 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. The project grants are being tied to the creation of a new business as well as the expansion of a current business in Town. These businesses are pledging to create over 100 new professional jobs in the Town as an agreement to receive grant funds. This project is expected to break ground in the spring of 2017.
- The retail development along the US 421 business corridor continues to develop despite the current economic downturn. Numerous projects are currently in different phases of planning, construction, and completion.
- 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.

## Management's Discussion and Analysis Town of Wilkesboro

### 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.

Budgeted expenditures have decreased from last year by 6.8% to \$6,021,000. 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. Additionally, the reduction is reflective of the one-time capital expenditures made prior year as we have caught up on certain items that were put to the side during the economic downturn.

**Business-type Activities:** Budgeted expenditures in the Water and Sewer Fund are expected to decrease by \$530,000 to \$10,301,000. The Fund will be breaking 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. 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 will be exploring grant opportunities for this expansion, but it will yield high usage revenue to the Town and further solidify our partnership.

### 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](http://www.wilkesboronc.org).

## BASIC FINANCIAL STATEMENTS



**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
June 30, 2016

<b>Primary Government</b>					
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Wilkesboro Tourism Development, Convention, and Visitors Bureau</b>	<b>Wilkesboro ABC Board</b>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 839,352	\$ 2,362,955	\$ 3,202,307	\$ 217,664	\$ 133,769
Investments	1,300,786	273,717	1,574,503		
Taxes receivables (net)	193,928	-	193,928	-	-
Accounts receivable	24,763	613,059	637,822	-	-
Due from other governments	561,477	138,786	700,263	-	-
Due from component units	14,045	-	14,045	-	-
Due from primary government	-	-	-	41,159	-
Inventories	-	469,668	469,668	-	286,097
Prepaid items	-	-	-	-	2,750
Restricted cash and cash equivalents	89,514	187,395	276,909	-	-
Total current assets	<u>\$ 3,023,865</u>	<u>\$ 4,045,580</u>	<u>\$ 7,069,445</u>	<u>\$ 258,823</u>	<u>\$ 422,616</u>
Noncurrent assets:					
Net pension asset	\$ -	\$ -	\$ -	\$ -	\$ -
Capital assets:					
Land, non-depreciable improvements, and construction in progress	2,233,117	4,574,293	6,807,410	-	-
Other capital assets, net of depreciation	3,395,878	28,898,443	32,294,321	-	86,283
Total capital assets	<u>\$ 5,628,995</u>	<u>\$ 33,472,736</u>	<u>\$ 39,101,731</u>	<u>\$ -</u>	<u>\$ 86,283</u>
Total assets	<u>\$ 8,652,860</u>	<u>\$ 37,518,316</u>	<u>\$ 46,171,176</u>	<u>\$ 258,823</u>	<u>\$ 508,899</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Contribution to Pension Plan in					
Current Fiscal Year	\$ 131,719	\$ 95,382	\$ 227,101	\$ -	\$ 45,046
Pension Deferrals	-	-	-	-	27,732
Total Deferred inflows of resources	<u>\$ 131,719</u>	<u>\$ 95,382</u>	<u>\$ 227,101</u>	<u>\$ -</u>	<u>\$ 72,778</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 243,387	\$ 590,172	\$ 833,559	\$ 5,730	\$ 101,835
Due to primary government	-	-	-	14,045	-
Due to other governments	-	-	-	-	65,175
Due to component units	41,159	-	41,159	-	-
Current portion of long-term liabilities	154,039	703,093	857,132	-	-
Payable from restricted assets	-	63,454	63,454	-	-
Total current liabilities	<u>438,585</u>	<u>1,356,719</u>	<u>1,795,304</u>	<u>19,775</u>	<u>167,010</u>
Long-term liabilities:					
Net Pension liability	152,172	110,193	262,365	-	12,611
Due in more than one year	2,052,405	6,202,825	8,255,230	-	-
Total liabilities	<u>\$ 2,643,162</u>	<u>\$ 7,669,737</u>	<u>\$ 10,312,899</u>	<u>\$ 19,775</u>	<u>\$ 179,621</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid Taxes	\$ 3,097	\$ -	\$ 3,097	\$ -	\$ -
Unexpended Grant Proceeds	6,597	-	6,597	-	-
Pension Deferrals	82,796	59,956	142,752	-	6,555
Total Deferred inflows of resources	<u>\$ 92,490</u>	<u>\$ 59,956</u>	<u>\$ 152,446</u>	<u>\$ -</u>	<u>\$ 6,555</u>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 4,956,246	\$ 27,196,460	\$ 32,152,706	\$ -	\$ 86,283
Restricted for:					
Stabilization by state statute	600,285	-	600,285	41,159	-
Transportation	85,907	-	85,907	-	-
Public safety	3,607	-	3,607	-	-
Other purposes	-	-	-	-	66,450
Unrestricted	402,882	2,687,545	3,090,427	197,889	242,768
Total net position	<u>\$ 6,048,927</u>	<u>\$ 29,884,005</u>	<u>\$ 35,932,932</u>	<u>\$ 239,048</u>	<u>\$ 395,501</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, 2016

EXHIBIT 2  
PAGE 1 of 2

TOWN OF WILKESBORO, NORTH CAROLINA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

EXHIBIT 2  
PAGE 2 of 2

Program Revenues					Net (Expense) Revenue and Changes in Net Assets				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Wilkesboro Tourism Development, Convention, and Visitors Bureau	Wilkesboro ABC Board
					Governmental Activities	Business-type Activities	Total		
<b>Primary government:</b>									
Governmental Activities:									
General government	\$ 2,377,893	\$ 45,420	\$ -	\$ -	\$ (2,332,473)	\$ -	\$ (2,332,473)	\$ -	\$ -
Public safety	2,491,318	4,783	221,712	-	(2,264,823)	-	(2,264,823)	-	-
Transportation	263,552	-	115,371	-	(148,181)	-	(148,181)	-	-
Economic Development	286,299	-	286,299	-	-	-	-	-	-
Environmental protection	299,568	114,913	-	-	(184,655)	-	(184,655)	-	-
Cultural and recreation	238,884	12,504	-	-	(226,380)	-	(226,380)	-	-
Interest on long-term debt	11,316	-	-	-	(11,316)	-	(11,316)	-	-
Total governmental activities	\$ 5,968,830	\$ 177,620	\$ 623,382	\$ -	\$ (5,167,828)	\$ -	\$ (5,167,828)	\$ -	\$ -
Business-type activities:									
Water and sewer	\$ 5,532,373	\$ 6,594,736	\$ -	\$ -	\$ -	\$ 1,062,363	\$ 1,062,363	\$ -	\$ -
Total business-type activities	\$ 5,532,373	\$ 6,594,736	\$ -	\$ -	\$ -	\$ 1,062,363	\$ 1,062,363	\$ -	\$ -
Total primary government	\$ 11,501,203	\$ 6,772,356	\$ 623,382	\$ -	\$ (5,167,828)	\$ 1,062,363	\$ (4,105,465)	\$ -	\$ -
<b>Component units:</b>									
Wilkesboro Tourism Development, Convention, and Visitors Bureau	\$ 117,401	\$ -	\$ -	\$ -	-	-	-	\$ (117,401)	\$ -
Wilkesboro ABC Board	2,182,574	2,237,997	-	-	-	-	-	-	55,433
Total component units	\$ 2,299,975	\$ 2,237,997	\$ -	\$ -	-	-	-	\$ (117,401)	\$ 55,433
<b>General revenues:</b>									
Taxes:									
Property taxes, levied for general purpose	\$ 2,803,453	\$ -	\$ 2,803,453	\$ -	\$ 2,803,453	\$ -	\$ 2,803,453	\$ -	\$ -
Other taxes	1,637,702	-	1,637,702	-	1,637,702	-	1,637,702	-	-
Occupancy tax	-	-	-	-	-	-	-	144,905	-
Unrestricted investment earnings	9,203	2,676	11,879	-	9,203	2,676	11,879	640	-
Miscellaneous	275,672	246,675	522,347	-	275,672	246,675	522,347	-	-
Total general revenues	\$ 4,726,030	\$ 249,351	\$ 4,975,381	\$ 145,545	\$ 4,726,030	\$ 249,351	\$ 4,975,381	\$ 145,545	\$ -
Change in net position	\$ (441,798)	\$ 1,311,714	\$ 869,916	\$ 28,144	\$ 6,490,725	\$ 28,572,291	\$ 35,063,016	\$ 210,904	\$ 340,068
Net position, beginning	\$ 6,490,725	\$ 28,572,291	\$ 35,063,016	\$ 210,904	\$ 6,048,927	\$ 29,884,005	\$ 35,932,932	\$ 239,048	\$ 395,501
Net position, ending	\$ 6,048,927	\$ 29,884,005	\$ 35,932,932	\$ 239,048	\$ 6,048,927	\$ 29,884,005	\$ 35,932,932	\$ 239,048	\$ 395,501

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

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

**TOWN OF WILKESBORO, NORTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016**

	Major Funds		Total Governmental Funds
	General	Total Non-Major Funds	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 832,755	\$ 6,597	\$ 839,352
Restricted Cash	89,514	-	89,514
Investments	1,300,786	-	1,300,786
Receivables, net:			
Taxes	193,928	-	193,928
Accounts	24,763	-	24,763
Due from other governments	561,477	-	561,477
Due from component units	14,045	-	14,045
Total assets	<u>\$ 3,017,268</u>	<u>\$ 6,597</u>	<u>\$ 3,023,865</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 243,387	\$ -	\$ 243,387
Due to component unit	41,159	-	41,159
Total liabilities	<u>\$ 284,546</u>	<u>\$ -</u>	<u>\$ 284,546</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid Taxes	\$ 3,097	\$ -	\$ 3,097
Unexpended Grant Proceeds	-	6,597	6,597
Taxes Receivable, net	193,928	-	193,928
Total deferred inflows of resources	<u>\$ 197,025</u>	<u>\$ 6,597</u>	<u>\$ 203,622</u>
<b>FUND BALANCES</b>			
Restricted:			
Stabilization by State Statute	\$ 600,285	\$ -	\$ 600,285
Streets-Powell bill	85,907	-	85,907
Drug crime prevention	3,607	-	3,607
Assigned:			
Designated for subsequent year's expenditures	40,000	-	40,000
Unassigned	1,805,898	-	1,805,898
Total fund balances	<u>\$ 2,535,697</u>	<u>\$ -</u>	<u>\$ 2,535,697</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,017,268</u>	<u>\$ 6,597</u>	<u>\$ 3,023,865</u>

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

Total Fund Balances, Governmental Funds \$ 2,535,697

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

Gross Capital Assets	\$ 10,426,676	
Accumulated Depreciation	<u>(4,797,681)</u>	5,628,995

Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position 131,719

Liabilities for earned revenues considered deferred inflows of resources in fund statements. 193,928

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

Gross long-term debt	<span style="float:right">(2,206,444)</span>
Net pension deferrals	<span style="float:right">(82,796)</span>
Net pension liability	<span style="float:right"><u>(152,172)</u></span>
Net position of governmental activities	<span style="float:right"><u>\$ 6,048,927</u></span>

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, 2016**

	<b>Major Funds</b>		
	<b>General Fund</b>	<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Ad valorem taxes	\$ 2,779,611	\$ -	\$ 2,779,611
Unrestricted intergovernmental	1,490,603	-	1,490,603
Restricted intergovernmental	489,583	286,299	775,882
Permits and fees	15,111	-	15,111
Sales and services	157,108	-	157,108
Investment earnings	9,203	-	9,203
Miscellaneous	275,672	-	275,672
Total revenues	<u>\$ 5,216,891</u>	<u>\$ 286,299</u>	<u>\$ 5,503,190</u>
<b>EXPENDITURES</b>			
Current:			
General government	\$ 2,245,202	\$ -	\$ 2,245,202
Public safety	2,888,435	-	2,888,435
Transportation	484,066	-	484,066
Economic development	-	286,299	286,299
Environmental protection	267,561	-	267,561
Cultural and recreation	274,486	-	274,486
Debt service:			
Principal	152,193	-	152,193
Interest and other charges	11,316	-	11,316
Total expenditures	<u>\$ 6,323,259</u>	<u>\$ 286,299</u>	<u>\$ 6,609,558</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,106,368)</u>	<u>\$ -</u>	<u>\$ (1,106,368)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from issuance of debt	\$ 525,000	\$ -	\$ 525,000
Total other financing sources (uses)	<u>\$ 525,000</u>	<u>\$ -</u>	<u>\$ 525,000</u>
Net change in fund balance	<u>\$ (581,368)</u>	<u>\$ -</u>	<u>\$ (581,368)</u>
Fund balances, beginning	<u>\$ 3,117,065</u>	<u>\$ -</u>	<u>\$ 3,117,065</u>
Fund balances, ending	<u><u>\$ 2,535,697</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,535,697</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  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2016**

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

Net changes in fund balances - total governmental funds	\$	(581,368)
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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

Capital outlay expenditures that were capitalized	\$ 887,719	
Depreciation expense	(311,578)	
Capital project cost closed	<u>-</u>	576,141

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		-
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		23,842
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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.

New long-term debt issued	\$ (525,000)	
Principal payments on long-term debt	<u>152,193</u>	(372,807)

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.

Compensated absences	\$ (6,150)	
Pension Expense	\$ 49,420	
Net pension obligation (LEO)	(5,880)	
Other postemployment benefits	<u>(124,995)</u>	(87,605)

Total changes in net position of governmental activities	\$	<u><u>(441,798)</u></u>
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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, 2016**

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 3,057,500	\$ 3,057,500	\$ 2,779,611	\$ (277,889)
Unrestricted intergovernmental	1,434,500	1,434,500	1,490,603	56,103
Restricted intergovernmental	644,500	644,500	489,583	(154,917)
Permits and fees	13,100	13,100	15,111	2,011
Sales and services	169,400	169,400	157,108	(12,292)
Investment earnings	5,000	5,000	9,203	4,203
Miscellaneous	560,000	560,000	275,672	(284,328)
Total revenues	<u>\$ 5,884,000</u>	<u>\$ 5,884,000</u>	<u>\$ 5,216,891</u>	<u>\$ (667,109)</u>
<b>Expenditures:</b>				
Current:				
General government	\$ 2,227,000	\$ 2,377,000	\$ 2,245,202	\$ 131,798
Public safety	3,010,500	3,150,500	2,888,435	262,065
Transportation	495,000	495,000	484,066	10,934
Environmental protection	308,500	308,500	267,561	40,939
Cultural and recreation	287,000	297,000	274,486	22,514
Debt service:				
Principal retirement	125,000	178,000	152,193	25,807
Interest and other charges	6,000	13,000	11,316	1,684
Contingency:				
Contingency	-	-	-	-
Total expenditures	<u>\$ 6,459,000</u>	<u>\$ 6,819,000</u>	<u>\$ 6,323,259</u>	<u>\$ 495,741</u>
Revenues over (under) expenditures	<u>\$ (575,000)</u>	<u>\$ (935,000)</u>	<u>\$ (1,106,368)</u>	<u>\$ (171,368)</u>
Other financing sources (uses):				
Proceeds from Issuance of Debt	500,000	500,000	525,000	25,000
Total other financing sources (uses)	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 525,000</u>	<u>\$ 25,000</u>
Revenues and other sources over (under) expenditures and other uses	\$ (75,000)	\$ (435,000)	\$ (581,368)	\$ (146,368)
Fund balance appropriated	75,000	435,000	-	(435,000)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (581,368)</u>	<u>\$ (581,368)</u>
Fund balance, beginning			<u>3,117,065</u>	
Fund balance, ending			<u>\$ 2,535,697</u>	

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2016**

	<b>Major Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,362,955	\$ 2,362,955
Investments	\$ 273,717	\$ 273,717
Accounts receivable - billed	20,768	20,768
Accounts receivable - unbilled	592,291	592,291
Due from other governments	138,786	138,786
Inventories	469,668	469,668
Restricted cash and cash equivalents	187,395	187,395
Total current assets	<u>\$ 4,045,580</u>	<u>\$ 4,045,580</u>
Noncurrent assets:		
Net Pension Asset	\$ -	\$ -
Capital assets:		
Land and other non-depreciable assets	\$ 4,574,293	\$ 4,574,293
Other capital assets, net of depreciation	28,898,443	28,898,443
Capital assets (net)	<u>\$ 33,472,736</u>	<u>\$ 33,472,736</u>
Total noncurrent assets	<u>\$ 37,518,316</u>	<u>\$ 37,518,316</u>
Total assets	<u>\$ 37,518,316</u>	<u>\$ 37,518,316</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Contributions to pension plan	\$ 95,382	\$ 95,382
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 590,172	\$ 590,172
Liabilities payable from restricted assets:		
Customer deposits	63,454	63,454
Installment purchase-current	323,554	323,554
Promissory note-current	379,539	379,539
Total current liabilities	<u>\$ 1,356,719</u>	<u>\$ 1,356,719</u>
Noncurrent liabilities:		
Net pension liability	\$ 110,193	\$ 110,193
Other noncurrent liabilities:		
Compensated absences	39,920	39,920
Other postemployment benefits	589,722	589,722
Installment purchase-noncurrent	683,299	683,299
Notes payable-NONCURRENT	4,889,884	4,889,884
Total noncurrent liabilities	<u>\$ 6,313,018</u>	<u>\$ 6,313,018</u>
Total liabilities	<u>\$ 7,669,737</u>	<u>\$ 7,669,737</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals	\$ 59,956	\$ 59,956
<b>NET POSITION</b>		
Net investment in capital assets	\$ 27,196,460	\$ 27,196,460
Unrestricted	2,687,545	2,687,545
Total net position	<u>\$ 29,884,005</u>	<u>\$ 29,884,005</u>

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, 2016**

	<b>Major Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 6,556,615	\$ 6,556,615
Water and sewer taps	16,805	16,805
Other operating revenue	21,316	21,316
<b>Total operating revenues</b>	<b>\$ 6,594,736</b>	<b>\$ 6,594,736</b>
<b>OPERATING EXPENSES</b>		
Administration	\$ 962,102	\$ 962,102
Water treatment and distribution	1,120,636	1,120,636
Waste collection and treatment	1,243,048	1,243,048
Maintenance	1,343,859	1,343,859
Depreciation	668,226	668,226
<b>Total operating expenses</b>	<b>\$ 5,337,871</b>	<b>\$ 5,337,871</b>
<b>Operating income</b>	<b>\$ 1,256,865</b>	<b>\$ 1,256,865</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	\$ 2,676	\$ 2,676
Interest and other charges	(194,502)	(194,502)
Miscellaneous Income	246,675	246,675
<b>Total nonoperating revenue (expenses)</b>	<b>\$ 54,849</b>	<b>\$ 54,849</b>
<b>Change in net position</b>	<b>\$ 1,311,714</b>	<b>\$ 1,311,714</b>
<b>Total net position, beginning</b>	<b>\$ 28,572,291</b>	<b>\$ 28,572,291</b>
<b>Total net position, ending</b>	<b>\$ 29,884,005</b>	<b>\$ 29,884,005</b>

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



**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Major Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 6,600,313	\$ 6,600,313
Cash paid for goods and services	(2,702,872)	(2,702,872)
Cash paid to or on behalf of employees for services	(1,870,525)	(1,870,525)
Customer deposits received	12,220	12,220
Customer deposits returned	(9,104)	(9,104)
Net cash provided by operating activities	<u>\$ 2,030,032</u>	<u>\$ 2,030,032</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	\$ (3,141,211)	\$ (3,141,211)
Principal paid on long-term debt	(728,281)	(728,281)
Interest paid on long-term debt	(194,502)	(194,502)
Sales Tax Receivable	(2,891)	(2,891)
Miscellaneous income	246,675	246,675
Net cash used by capital and related financing activities	<u>\$ (3,820,210)</u>	<u>\$ (3,820,210)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	<u>\$ 2,676</u>	<u>\$ 2,676</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,787,502)	\$ (1,787,502)
Balances, beginning	4,611,569	4,611,569
Balances, ending	<u>\$ 2,824,067</u>	<u>\$ 2,824,067</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	<u>\$ 1,256,865</u>	<u>\$ 1,256,865</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 668,226	\$ 668,226
Changes in assets, deferred inflows, deferred outflows and liabilities:		
Decrease in accounts receivable	5,169	5,169
Decrease in inventory	102,315	102,315
Decrease in net pension asset	144,192	144,192
Increase in deferred outflows of resources-pension	(423)	(423)
Increase in net pension liability	110,193	110,193
Decrease in deferred inflows of resources-pension	(294,612)	(294,612)
Decrease in accounts payable and accrued liabilities	(18,085)	(18,085)
Increase in customer deposits	3,116	3,116
Decrease in accrued vacation pay	(493)	(493)
Increase in OPEB liability	53,569	53,569
Total adjustments	<u>\$ 773,167</u>	<u>\$ 773,167</u>
Net cash provided by operating activities	<u>\$ 2,030,032</u>	<u>\$ 2,030,032</u>

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

## Notes to the Financial Statement

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**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, 2016**

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

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental funds:

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

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

The Town reports the following major enterprise fund:

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

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

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

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

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

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method,

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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, 2016**

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

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

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

**Town of Wilkesboro-Restricted Cash**

**Governmental Activities**

**General Fund**

<b>Streets</b>	<b>\$85,907</b>
<b>Drug Crime Prevention</b>	<b><u>3,607</u></b>
<b>Total Governmental Activities</b>	<b><u>\$89,514</u></b>

**Water Sewer Fund**

<b>Customer Deposits</b>	<b>\$63,454</b>
<b>Capital Projects</b>	<b><u>123,941</u></b>

<b>Total Business Type Activities</b>	<b><u>\$187,395</u></b>
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<b>Total Restricted Cash</b>	<b><u>\$276,909</u></b>
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**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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.

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

**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 2016 fiscal year. In addition to liabilities, the statement of

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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.

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.



**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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. Pensions**

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

## **II. Detail Notes on All Funds**

### **A. Assets**

#### **1. Deposits**

All the deposits of the Town, the Tourism Bureau, and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's, the Tourism Bureau's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, the Tourism Bureau, and the ABC Board, these deposits are considered to be held by the Town's, the Tourism Bureau's, and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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, 2016, the Town's deposits had a carrying amount of \$3,479,016 and a bank balance of \$3,945,911. Of the Town's bank balance, \$2,573,322 was covered by federal depository insurance and the remainder, \$1,372,589, was covered by collateral held under the pooling method. The carrying amount of deposits for the Tourism Bureau was \$217,664, and the bank balance was \$220,898. All of the Tourism's bank balance was covered by federal depository insurance. The carrying amount of deposits for the ABC Board was \$132,469 and the bank balance was \$121,247. All of the ABC Board's bank balance was covered by federal depository insurance. At June 30, 2016, the Town's petty cash fund totaled \$200 and the ABC Board had cash of \$1,300

**2. Investments**

At June 30, 2016, the Town had \$273,717 invested with the North Carolina Capital Management Trust's Cash 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,		Maturity	Rating	Callable
		2016				
Government Agency:						
Federal National Mortgage Association	Fair Value Level 1	\$ 250,075		2/26/2019	AAA	8/26/2016
Federal Home Loan Banks	Fair Value Level 1	150,002		7/18/2019	AA+	7/8/2016
Federal Farm Credit Banks	Fair Value Level 1	150,089		11/25/2019	AAA	11/25/2016
Federal National Mortgage Association	Fair Value Level 1	100,014		5/15/2018	AAA	8/15/2016
Federal Farm Credit Banks	Fair Value Level 1	200,020		7/13/2018	AAA	7/13/2016
Federal National Mortgage Association	Fair Value Level 1	150,023		11/16/2018	AAA	8/16/2016
Federal National Mortgage Association	Fair Value Level 1	100,022		12/27/2018	AAA	9/27/2016
Federal National Mortgage Association	Fair Value Level 1	200,041		1/29/2019	AA+	7/29/2016
Brokerage account			500			
						<u>\$1,300,786</u>

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.

The Town has no 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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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 51% of its investments in the Federal National Mortgage Association; 22% in the Federal Farm Credit Banks; 17% in the North Carolina Capital Management Trust's Cash Portfolio; and 10% 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, 2016 are net of the following allowances for doubtful accounts:

General Fund	
Taxes Receivable	<u>\$ 52,200</u>

**4. Capital Assets**

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Government activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,706,036			\$ 1,706,036
Deposit on Equipment	-	\$ 527,081	-	527,081
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>\$ 1,706,036</u>	<u>\$ 527,081</u>	<u>-</u>	<u>\$ 2,233,117</u>
	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets being depreciated:</b>				
Buildings	\$ 2,738,483	\$ 43,846		\$ 2,782,329
Other Improvements	453,406			453,406
Equipment and furniture	565,964	20,789		586,753
Vehicles and motorized equipment	3,565,844			3,565,844
Computer software	31,000			31,000
Computer equipment	52,307			52,307
Infrastructure	425,917	296,003		721,920
Total capital assets being depreciated	<u>\$ 7,832,921</u>	<u>\$ 360,638</u>	<u>\$ -</u>	<u>\$ 8,193,559</u>
<b>Less accumulated depreciation for:</b>				
Buildings	\$ 1,062,731	\$ 58,866		\$ 1,121,597
Other Improvements	319,208	22,488		341,696
Equipment and furniture	353,341	26,405		379,746
Vehicles and motorized equipment	2,642,718	179,762		2,822,480
Computer software	29,893	1,107		31,000
Computer equipment	34,073	3,039		37,112
Infrastructure	44,139	19,911		64,050
Total accumulated depreciation	<u>\$ 4,151,162</u>	<u>\$ 311,578</u>	<u>\$ -</u>	<u>\$ 4,797,681</u>
Total capital assets being depreciated, net	<u>\$ 3,346,818</u>			<u>\$ 3,395,878</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 5,052,854</u>			<u>\$ 5,628,995</u>

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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

General government	\$ 38,315
Public safety	159,928
Transportation	45,147
Environmental protection	34,340
Cultural and recreational	<u>33,848</u>
 Total depreciation expense	 <u>\$ 311,578</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Water and Sewer Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 609,932			\$ 609,932
Construction in progress	<u>9,368,262</u>	<u>\$ 3,351,258</u>	<u>\$ 8,755,159</u>	<u>3,964,361</u>
Total capital assets not being depreciated	<u>\$ 9,978,194</u>	<u>\$ 3,351,258</u>	<u>\$ 8,755,159</u>	<u>\$ 4,574,293</u>
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	\$ 30,365,536	\$ 8,798,103		\$ 39,163,639
Equipment	<u>2,715,928</u>	<u>199,759</u>	<u>-</u>	<u>2,915,687</u>
Total capital assets being depreciated	<u>\$ 33,081,464</u>	<u>\$ 8,997,862</u>	<u>-</u>	<u>\$ 42,079,326</u>
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	\$ 10,372,059	\$ 551,242		\$ 10,923,301
Equipment	<u>2,140,598</u>	<u>116,984</u>	<u>-</u>	<u>2,257,582</u>
Total accumulated depreciation	<u>\$ 12,512,657</u>	<u>\$ 668,226</u>	<u>-</u>	<u>\$ 13,180,883</u>
Total capital assets being depreciated, net	<u>\$ 20,568,807</u>			<u>\$ 28,898,443</u>
 <b>Business-type activities capital assets, net</b>	 <u>\$ 30,547,001</u>			 <u>\$ 33,472,736</u>

**Construction commitments**

The Town has no active construction projects as of June 30, 2016.

**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 11,600			\$ 11,600
<b>Capital assets being depreciated:</b>				
Buildings and improvements	\$ 246,581	\$ -		\$ 246,581
Furniture and equipment	70,217	3,800		74,017
Motor Vehicle	<u>3,800</u>	<u>-</u>		<u>3,800</u>
Total capital assets being depreciated	<u>\$ 320,598</u>	<u>\$ 3,800</u>		<u>\$ 324,398</u>
<b>Less accumulated depreciation for:</b>				
Buildings	\$ 202,532	\$ 5,931		\$ 208,463
Furniture and equipment	34,302	5,430		39,732
Motor Vehicle	<u>760</u>	<u>760</u>		<u>1,520</u>
Total accumulated depreciation	<u>\$ 237,594</u>	<u>\$ 12,121</u>		<u>\$ 237,594</u>

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

Total capital assets being depreciated, net	\$ 83,004	\$ 74,683
<b>ABC Board capital assets, net</b>	<b>\$ 94,604</b>	<b>\$ 86,283</b>

**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](http://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, 2016, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year.

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

Contributions to the pension plan from the Town of Wilkesboro were \$227,101 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Town reported a liability of \$152,172 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the Town's proportion was 0.0585%, which was an increase of 0.0016% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$137,031. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 61,671
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	74,694
Changes in proportion and differences between City contributions and proportionate share of contributions	-	6,387
Town contributions subsequent to the measurement date	227,101	-
Total	<u>\$ 227,101</u>	<u>\$ 142,752</u>

\$227,101 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$(89,102)
2018	(89,102)
2019	(88,989)
2020	124,439
2021	-
Thereafter	-
Total	<u>\$(142,752)</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 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, 2016**

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

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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

<b>Asset Class</b>	<b>Target Allocations</b>	<b>Lon-Term Expected Real Rate of return</b>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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.

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 1,829,508	\$ 262,365	\$ (1,057,918)

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

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

**1. *Plan Description***

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

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2015, 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>

A separate report was not issued for the plan.

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

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

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

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



**TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

**3. Contributions**

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

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 3.57% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.50% - 7.35% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases.

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

Annual required contribution	\$ 48,005
Interest on net pension obligation	15,608
Adjustment to annual required contribution	<u>(27,431)</u>
Annual pension cost	\$ 36,182
Contributions made	<u>30,302</u>
Increase (decrease) in net pension obligation	\$ 5,880
Net pension obligation beginning of year	<u>312,158</u>
Net pension obligation end of year	<u>\$ 318,038</u>

3 Year Trend Information

For Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 22,988	0%	\$ 297,288
2015	\$ 29,180	49.04%	\$ 312,158
2016	\$ 36,182	83.75%	\$ 318,038

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

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$534,869. The covered payroll (annual payroll of active employees was covered by the plan) as \$783,142, and the ratio of the UAAL to the covered payroll was 68.30 percent.

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

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

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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, 2016 were \$61,287, which consisted of \$39,431 from the Town and \$21,856 from the law enforcement officers.

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

For the year ended June 30, 2016, 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, 2016 was \$101,094

**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](http://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, 2015, the State contributed \$13,900,000 to the plan. The Town of Wilkesboro's proportionate share of the State's contribution is \$5,400.

*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.

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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

At June 30, 2016, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$5,400. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015 and at June 30, 2014 was 0%.

For the year ended June 30, 2016, the Town recognized pension expense of \$5,400 and revenue of \$5,400 for support provided by the State. At June 30, 2016, 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, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

**f. Other Postemployment Benefits**

**Healthcare Benefits**

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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, 2016, the Town's total contributions were \$177,994.

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

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

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

Annual required contribution	\$ 356,558
Interest on net OPEB obligation	4,530
Adjustment to annual required contribution	<u>(4,530)</u>
Annual OPEB cost (expense)	\$ 356,558
Contributions made	<u>(177,994)</u>
Increase (decrease) in net OPEB obligation	\$ 178,564
Net OPEB obligation, beginning of year	<u>1,566,549</u>
Net OPEB obligation, end of year	<u><u>\$ 1,745,113</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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, 2016, the actuarial accrued liability for benefits was \$3,048,306, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,685,361, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 83.0 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.

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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

The following simplifying assumptions were made:

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

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

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

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

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

*Health insurance premiums* – 2016 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, 2016, 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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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.

**3. Deferred Outflows and Inflows of Revenues**

	<u>Amount</u>
Deferred Outflows-Contributions to pension plan in current fiscal year	<u>\$ 227,101</u>

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

Prepaid taxes (General Fund)	\$ 3,097
Taxes receivable, net of penalty (General Fund)	\$ 193,928
Unexpended grant proceeds (Special Revenue Fund)	\$ 6,597
Pension deferrals	\$ 142,752

**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.	\$ 501,786
Promissory Note due in annual installments of \$36,820 through September 2017; Interest at 1.87%. Secured by equipment.	71,624
Promissory Note due in quarterly installments of \$14,128 through December 2018; Interest at 1.49%. Secured by equipment.	83,673
Promissory Note due in annual installments of \$16,004 through December 2016; Interest at 2.00%. Secured by equipment.	<u>15,666</u>
Total General Fund	<u>\$ 672,749</u>

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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. \$ 30,427

Promissory Note due in quarterly installments of \$8,579 through December 2018;  
Interest at 1.49%. Secured by equipment. 50,811

Promissory Note due in annual installments of \$488,611 beginning May 2012;  
Interest at 2.50%. Secured by water and sewer revenues. 5,188,185

Total Water and Sewer Fund \$ 5,269,423

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

Year Ending June 30,	Governmental Activities Principal	Interest	Business-type Principal	Activities Interest
2017	\$ 154,039	\$ 14,886	\$ 379,539	\$ 121,844
2018	112,773	11,917	394,352	127,059
2019	49,776	9,839	361,934	117,629
2020	51,052	8,563	361,934	108,580
2021	52,361	7,254	361,934	99,532
Next 5 years	252,748	15,520	1,809,671	361,939
Next 1 years	<u>                    </u>	<u>                    </u>	<u>1,600,059</u>	<u>135,720</u>
Total	<u>\$ 672,749</u>	<u>\$ 67,979</u>	<u>\$ 5,269,423</u>	<u>\$ 1,072,303</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, 2016, including \$65,281 of interest, are as follows:

Year Ending June 30,	Business-type Principal	Activities Interest
2017	\$ 323,554	\$ 33,824
2018	335,471	21,907
2019	<u>347,828</u>	<u>9,550</u>
Principal payments	<u>\$ 1,006,853</u>	
Total interest payments		<u>\$ 65,281</u>

**c. General Obligation Indebtedness**

At June 30, 2016, the Town of Wilkesboro had a legal debt margin of \$50,386,932.

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion of Balance
<b>Governmental activities:</b>					
Promissory notes	\$ 299,942	\$ 525,000	\$ 152,193	\$ 672,749	\$ 154,039
Compensated absences	54,116	6,150		60,266	
Net pension obligation	312,158	5,880		318,038	
Net pension obligation (LGERS)	0	152,172		152,172	
Other postemployment benefits	1,030,395	124,996		1,155,391	
<b>Governmental activity long-term liabilities</b>	<b>\$ 1,696,611</b>	<b>\$ 814,198</b>	<b>\$ 152,193</b>	<b>\$ 2,358,616</b>	<b>\$ 154,039</b>
<b>Business-type activities:</b>					
Installment purchase	\$ 1,318,913		\$ 312,060	\$ 1,006,853	\$ 323,554
Promissory notes	5,685,644		416,221	5,269,423	379,539
Compensated absences	40,413		493	39,920	
Net pension obligation (LGERS)		\$ 110,193		110,193	
Other postemployment benefits	536,153	53,569		589,722	
<b>Business-type activity long-term liabilities</b>	<b>\$ 7,581,123</b>	<b>\$ 163,762</b>	<b>\$ 728,774</b>	<b>\$ 7,016,111</b>	<b>\$ 703,093</b>

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, 2016, consist of the following:

Due from component unit-Tourism Bureau for reimbursement of expenses to primary government-General Fund	<u>\$ 14,045</u>
Due from the primary government-General Fund for occupancy tax collected for component unit-Tourism Bureau	<u>\$ 41,159</u>

**D. On-Behalf Payments for Fringe Benefits and Salaries**

For the fiscal year ended June 30, 2016, the Town of Wilkesboro has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$5,400 for the thirty four volunteer firemen and the four employed firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by the Town for each member, investment income, and a State appropriation.

**E. Fund Balance**

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation. There are no outstanding encumbrances. As part of the budgetary process for Fiscal Year 2016, Town Council has adopted a formal Fund Balance Policy to guide the financial decisions of the Town in the future. The adopted policy states:



**TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

*“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, 2016 is:

Total fund balance - General Fund	\$ 2,535,697
Less:	
Restricted:	
Stabilization by State Statute	600,285
Streets - Powell Bill	85,907
Public Safety - Drug Crime Prevention	3,607
Assigned:	
Appropriated Fund Balance in 2017 budget	40,000
Unassigned fund balance -28.6% of expenditures	1,805,898

**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, 2016.

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, 2016. The Town appropriated \$70,000 to the Wilkes Economic Development Corporation during the year. Complete financial statements for the Corporation can be obtained from the Corporation’s offices at PO Box 727, North Wilkesboro, NC 28659.

**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.

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**VI. Significant Effect of Subsequent Events**

The Town has evaluated subsequent events through February 14, 2017, the date which the financial statements were available to be issued. The following events have arisen in the time period following June 30, 2016:

- The Town has entered into contracts to produce a water line loop; including tank and pump station, totaling \$7,000,000 which includes \$1,650,000 in grant funds from multiple sources.
- The Town has approved a project budget for a downtown revitalization project totaling \$1,600,000 which includes \$600,000 in grant and sponsorship revenue as well as revenue from both General and Utility Funds.
- The Town has received a \$900,000 grant for the construction of an additional clarifier at the Waste Treatment Facility. Total project is estimated to cost \$2,000,000.
- The Town has continued negotiations with both Contractors and the Town of North Wilkesboro in regards to the Joint Water Intake Project. Currently, the Town has a contractual liability to pay half of the planning fees for this project. Those fees are currently estimated at \$1,100,000, total and are held on a 20-year note carried by the Town of North Wilkesboro.

**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, 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.

Required  
Supplementary Financial Data

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

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- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
  
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance and Notes
  
- Schedule of Funding Progress for Other Postemployment Benefits
  
- Schedule of Employer Contributions for Other Postemployment Benefits and Notes
  
- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
  
- Schedule of Contributions to Local Government Employees' Retirement System

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ([b - a]/c)
12/31/10	\$ -	\$ 209,398	\$ 209,398	0%	\$ 700,128	29.91%
12/31/11	\$ -	\$ 234,660	\$ 234,660	0%	\$ 691,931	33.91%
12/31/12	\$ -	\$ 243,536	\$ 243,660	0%	\$ 700,693	34.76%
12/31/13	\$ -	\$ 271,208	\$ 271,208	0%	\$ 711,977	38.09%
12/31/14	\$ -	\$ 373,064	\$ 373,064	0%	\$ 690,928	53.99%
12/31/15	\$ -	\$ 534,869	\$ 534,869	0%	\$ 783,142	68.30%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2011	19,920	0%
2012	29,049	0%
2013	30,022	0%
2014	31,621	0%
2015	39,430	0%
2016	48,005	63%

Notes to the Required Schedules:

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

Valuation date	12/31/15
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	3.57%
Projected salary increases*	3.5% to 7.35%
*Includes inflation at	3.00%
Cost-of-living adjustments	N/A

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

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

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%

Notes to the Required Schedules:

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

Valuation date	6/30/2016
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage of Pay, Open
Remaining amortization period	30 Years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	3.0%
Medical cost trend rate	
Pre-Medicare trend rate	5.00%
Post-Medicare trend rate	5.00% to 4.00%
Year of Ultimate trend rate	2023
*Includes inflation at	4.50%

**EXHIBIT B-2**

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

**Local Government Employee's Retirement System**

	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.0585%	0.0569%	0.0560%
Town's proportion of the net pension liability (Asset) (\$)	\$ 152,172	\$ (335,330)	\$675,015
Town's covered-employee payroll	\$ 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	4.69%	-10.85%	27.94%
Plan fiduciary net position as a percentage of the pension liability	98.09%	102.64%	94.35%

**Town of Wilkesboro's Contribution**

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

SUPPLEMENTARY INFORMATION:

Combining and Individual Fund Statements and Schedules

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

TOWN OF WILKESBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
Ad valorem taxes:			
Taxes	\$ 3,037,500	\$ 2,747,102	\$ (290,398)
Interest	20,000	32,509	12,509
TOTAL	<u>\$ 3,057,500</u>	<u>\$ 2,779,611</u>	<u>\$ (277,889)</u>
Unrestricted intergovernmental:			
Local Option Sales Taxes	\$ 825,000	\$ 864,649	\$ 39,649
Payments in lieu of taxes	500	1,125	625
Telecommunications sales tax	36,000	29,043	(6,957)
Utility franchise tax	490,000	535,298	45,298
Piped natural gas tax	8,000	7,562	(438)
Video franchise fee	40,000	37,802	(2,198)
Beer and wine tax	15,000	15,124	124
ABC profit distribution	20,000	-	(20,000)
TOTAL	<u>\$ 1,434,500</u>	<u>\$ 1,490,603</u>	<u>\$ 56,103</u>
Restricted intergovernmental:			
Powell bill allocation	\$ 115,000	\$ 115,371	\$ 371
Other federal and state grants	400,000	220,402	(179,598)
Controlled substance tax	2,500	1,310	(1,190)
On behalf of payments	-	5,400	5,400
Solid waste disposal tax	2,000	2,228	228
Occupancy tax	125,000	144,872	19,872
TOTAL	<u>\$ 644,500</u>	<u>\$ 489,583</u>	<u>\$ (154,917)</u>
Permits and fees:			
Franchise fees	\$ 10,000	\$ 10,240	\$ 240
Business registration fees	-	705	705
Street Assessment	-	-	-
Permits	3,100	4,166	1,066
TOTAL	<u>\$ 13,100</u>	<u>\$ 15,111</u>	<u>\$ 2,011</u>
Sales and services:			
Rents	\$ 25,000	\$ 24,669	\$ (331)
Court costs, fees, and charges	5,000	4,783	(217)
Parking violation penalties	400	240	(160)
Sanitation fees	125,000	112,692	(12,308)
Open air market fees	10,000	6,726	(3,274)
Community Garden Proceeds	1,000	-	(1,000)
Recycling Facility Proceeds	-	2,221	2,221
Park lights	3,000	5,778	2,778
TOTAL	<u>\$ 169,400</u>	<u>\$ 157,108</u>	<u>\$ (12,292)</u>
Investment earnings	<u>\$ 5,000</u>	<u>\$ 9,203</u>	<u>\$ 4,203</u>



TOWN OF WILKESBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Miscellaneous:			
Other	\$ 558,000	\$ 269,922	\$ (288,078)
Cemetery donation	2,000	5,750	3,750
TOTAL	<u>\$ 560,000</u>	<u>\$ 275,672</u>	<u>\$ (284,328)</u>
TOTAL REVENUES	<u>\$ 5,884,000</u>	<u>\$ 5,216,891</u>	<u>\$ (667,109)</u>
EXPENDITURES:			
General government:			
Governing body:			
Salaries and employee benefits		\$ 26,621	
Operating expenditures		143,683	
Economic Development		142,195	
TOTAL	<u>\$ 321,500</u>	<u>\$ 312,499</u>	<u>\$ 9,001</u>
Administration:			
Salaries and employee benefits		\$ 307,739	
Other operating expenditures		265,758	
Insurance		1,009,212	
TOTAL	<u>\$ 1,697,500</u>	<u>\$ 1,582,709</u>	<u>\$ 114,792</u>
Public buildings:			
Salaries and employee benefits		\$ 159,629	
Other operating expenditures		158,708	
Capital outlay		31,657	
TOTAL	<u>\$ 358,000</u>	<u>\$ 349,994</u>	<u>\$ 8,006</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 2,377,000</u>	<u>\$ 2,245,202</u>	<u>\$ 131,798</u>
Public safety:			
Police:			
Salaries and employee benefits		\$ 1,033,714	
Other operating expenditures		256,691	
Capital outlay		-	
TOTAL	<u>\$ 1,313,000</u>	<u>\$ 1,290,405</u>	<u>\$ 22,595</u>
Fire:			
Salaries and employee benefits		\$ 498,821	
Retirement benefits paid		53,805	
Other operating expenditures		248,150	
Capital outlay		527,081	
TOTAL	<u>\$ 1,444,000</u>	<u>\$ 1,327,857</u>	<u>\$ 116,143</u>
Inspections:			
Salaries and employee benefits		\$ 126,524	
Other operating expenditures		143,649	
TOTAL	<u>\$ 393,500</u>	<u>\$ 270,173</u>	<u>\$ 123,327</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
TOTAL PUBLIC SAFETY	\$ 3,150,500	\$ 2,888,435	\$ 262,065
Transportation:			
Streets:			
Salaries and employee benefits		\$ 67,899	
Other operating expenditures		154,061	
Capital Outlay		262,106	
TOTAL TRANSPORTATION	\$ 495,000	\$ 484,066	\$ 10,934
Environmental protection:			
Sanitation:			
Salaries and employee benefits		\$ 174,937	
Other operating expenditures		52,840	
Landfill tipping fees		39,784	
TOTAL ENVIRONMENTAL PROTECTION	\$ 308,500	\$ 267,561	\$ 40,939
Cultural and recreation:			
Parks and Recreation:			
Salaries and employee benefits		\$ 124,788	
Other operating expenditures		82,823	
Capital outlay		66,875	
TOTAL CULTURAL AND RECREATION	\$ 297,000	\$ 274,486	\$ 22,514
Debt Service:			
Principal retirement		\$ 152,193	
Interest and other charges		11,316	
TOTAL DEBT SERVICE	\$ 191,000	\$ 163,509	\$ 27,491
Contingency:			
Contingency		-	
TOTAL CONTINGENCY	\$ -	\$ -	\$ -
TOTAL EXPENDITURES	\$ 6,819,000	\$ 6,323,259	\$ 495,741
REVENUES OVER/(UNDER) EXPENDITURES	\$ (935,000)	\$ (1,106,368)	\$ (171,368)
OTHER FINANCING SOURCES (USES):			
Proceeds from issuance of debt:	500,000	525,000	25,000
TOTAL OTHER FINANCING SOURCES (USES)	\$ 500,000	\$ 525,000	\$ 25,000

TOWN OF WILKESBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (435,000)	\$ (581,368)	\$ (146,368)
Fund balance appropriated	<u>435,000</u>	<u>-</u>	<u>(435,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (581,368)</u>	<u>\$ (581,368)</u>
Fund balance, beginning		<u>3,117,065</u>	
Fund balance, ending		<u>\$ 2,535,697</u>	

TOWN OF WILKESBORO, NORTH CAROLINA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Fiscal Year Ended June 30, 2016

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

TOWN OF WILKESBORO, NORTH CAROLINA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Fiscal Year Ended June 30, 2016

	SPECIAL REVENUE FUND Grant Project Fund	SPECIAL REVENUE FUND PSG Custom Fab.	Total Nonmajor Governmental Funds
REVENUES:			
Restricted Intergovernmental	\$ -	\$ 286,299	\$ 286,299
TOTAL REVENUES	<u>\$ -</u>	<u>\$ 286,299</u>	<u>\$ 286,299</u>
EXPENDITURES:			
Economic Development	\$ -	\$ 286,299	\$ 286,299
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ 286,299</u>	<u>\$ 286,299</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, 2016

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES:					
Restricted Intergovernmental Government Grant	\$ 59,200	\$ 52,603	\$ -	\$ 52,603	\$ (6,597)
EXPENDITURES:					
Cultural and Recreational	\$ 61,000	\$ 52,603	\$ -	\$ 52,603	\$ 8,397
REVENUES UNDER EXPENDITURES	\$ (1,800)	\$ -	\$ -	\$ -	\$ 1,800
OTHER FINANCING SOURCES					
Transfer from General Fund	\$ 1,800	\$ -	\$ -	\$ -	\$ (1,800)
REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning of year			\$ -		
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, 2016

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES:					
Restricted Intergovernmental					
CDBG Grant	\$ 750,000	\$ 288,830	\$ 286,299	\$ 575,129	\$ (174,871)
TOTAL REVENUES	<u>\$ 750,000</u>	<u>\$ 288,830</u>	<u>\$ 286,299</u>	<u>\$ 575,129</u>	<u>\$ (174,871)</u>
EXPENDITURES:					
Capital Outlay					
Building Repair and Renovation	\$ 750,000	\$ 288,830	\$ 286,299	\$ 575,129	\$ 174,871
TOTAL EXPENDITURES	<u>\$ 750,000</u>	<u>\$ 288,830</u>	<u>\$ 286,299</u>	<u>\$ 575,129</u>	<u>\$ 174,871</u>
REVENUES UNDER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning of year			\$ -		
Fund Balance, end of year			<u>\$ -</u>		

TOWN OF WILKESBORO, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (Non-GAAP)  
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
Operating revenues:			
Water sales	\$ 3,100,000	\$ 2,903,158	\$ (196,842)
Sewer charges	3,600,000	3,658,626	58,626
Water and sewer taps	25,000	16,805	(8,195)
Other operating revenue	31,000	21,316	(9,684)
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 6,756,000</b>	<b>\$ 6,599,905</b>	<b>\$ (156,095)</b>
Nonoperating revenue:			
Interest earnings	\$ 5,000	\$ 2,676	\$ (2,324)
Miscellaneous	370,000	236,674	(133,326)
<b>TOTAL NONOPERATING REVENUES</b>	<b>\$ 375,000</b>	<b>\$ 239,350</b>	<b>\$ (135,650)</b>
<b>TOTAL REVENUES</b>	<b>\$ 7,131,000</b>	<b>\$ 6,839,255</b>	<b>\$ (291,745)</b>
<b>EXPENDITURES:</b>			
Water and sewer administration:			
Salaries and employee benefits		\$ 278,326	
Other operating expenditures		89,511	
Insurance		543,397	
<b>TOTAL</b>	<b>\$ 949,700</b>	<b>\$ 911,234</b>	<b>\$ 38,466</b>
Water treatment and distribution:			
Salaries and employee benefits		\$ 511,267	
Utilities		247,795	
Maintenance		162,857	
Other operating expenditures		211,909	
<b>TOTAL</b>	<b>\$ 1,223,500</b>	<b>\$ 1,133,828</b>	<b>\$ 89,672</b>
Waste collection and treatment:			
Salaries and employee benefits		\$ 445,008	
Utilities		319,468	
Maintenance		191,660	
Other operating expenditures		291,254	
<b>TOTAL</b>	<b>\$ 1,250,000</b>	<b>\$ 1,247,390</b>	<b>\$ 2,610</b>
Maintenance:			
Salaries and employee benefits		\$ 622,571	
Maintenance		38,125	
Other operating expenditures		601,758	
<b>TOTAL</b>	<b>\$ 1,276,000</b>	<b>\$ 1,262,454</b>	<b>\$ 13,546</b>



TOWN OF WILKESBORO, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (Non-GAAP)  
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement		\$ 728,281	
Interest and other charges		194,502	
TOTAL DEBT SERVICE	<u>\$ 975,000</u>	<u>\$ 922,783</u>	<u>\$ 52,217</u>
Capital outlay:			
Water Improvements & Extensions		\$ 42,944	
Sewer Improvements & Extensions		-	
Equipment		199,759	
TOTAL CAPITAL OUTLAY	<u>\$ 467,000</u>	<u>\$ 242,703</u>	<u>\$ 224,297</u>
Contingency			
Contingency		-	
TOTAL CONTINGENCY	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>
TOTAL EXPENDITURES	<u>\$ 6,441,200</u>	<u>\$ 5,720,392</u>	<u>\$ 720,808</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 689,800</u>	<u>\$ 1,118,862</u>	<u>\$ 429,062</u>
OTHER FINANCING SOURCES (USES):			
Transfers to other funds:			
Water & Sewer Capital Projects Fund	(4,464,800)	(2,821,166)	1,643,634
Transfers from other funds:			
Proceeds from issuance of debt	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (4,464,800)</u>	<u>\$ (2,821,166)</u>	<u>\$ 1,643,634</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (3,775,000)</u>	<u>\$ (1,702,304)</u>	<u>\$ 2,072,696</u>
APPROPRIATED RETAINED EARNINGS	<u>\$ 3,775,000</u>	<u>\$ -</u>	<u>\$ (3,775,000)</u>
REVENUES, OTHER SOURCES, AND APPROPRIATED RETAINED EARNINGS OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ (1,702,304)</u>	<u>\$ (1,702,304)</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, 2016

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

REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (1,702,304)
Reconciling items:	
Principal retirement	\$ 728,281
Capital outlay	242,703
(Increase) Decrease in accrued vacation pay	493
(Increase) Decrease in OPEB liability	(53,569)
Decrease in net pension asset	(144,192)
Increase in net pension liability	(110,193)
Decrease in deferred outflows of resources-pensions	428
Decrease in deferred inflows of resources-pensions	294,612
Depreciation	(668,226)
Increase (Decrease) in inventory	(102,315)
Increase (Decrease) in accounts receivable	(5,169)
Transfer to Water & Sewer Capital Project Fund	2,821,165
Rent income in the water and sewer Capital reserve fund	10,000
TOTAL RECONCILING ITEMS	<u>\$ 3,014,018</u>
CHANGE IN NET POSITION	<u>\$ 1,311,714</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, 2016

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
<b>Revenues- 2010 Wastewater Improvements</b>					
Federal Grant	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
Vendor Contribution	15,000	-	-	-	(15,000)
Total	<u>\$ 1,015,000</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ (15,000)</u>
<b>Revenues-Brown's Ford Water Loop &amp; Tank</b>					
IDF Grant	\$ 1,110,000	\$ -	\$ -	\$ -	\$ (1,110,000)
Golden LEAF Grant	200,000	-	-	-	\$ (200,000)
West Wilkes Water Assn Contribution	150,000	-	-	-	\$ (150,000)
Total	<u>\$ 1,460,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,460,000)</u>
<b>TOTAL REVENUES</b>	<u>\$ 2,475,000</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ (1,475,000)</u>
<b>Expenditures-2010 Wastewater Improvements</b>					
Closing Fee	\$ 147,271	\$ 144,628	\$ -	\$ 144,628	\$ 2,643
Administration Cost/Legal	40,000	36,129	-	36,129	3,871
Engineering	1,175,309	1,193,423	16,500	1,209,923	(34,614)
Construction-Lynch	4,761,154	4,751,621	-	4,751,621	9,533
Construction-Spur	2,553,075	2,445,896	-	2,445,896	107,179
Contingency	219,211	106,120	60,842	166,962	52,249
Total	<u>\$ 8,896,020</u>	<u>\$ 8,677,817</u>	<u>\$ 77,342</u>	<u>\$ 8,755,159</u>	<u>\$ 140,861</u>
<b>Expenditures-Brown's Ford Loop &amp; Tank</b>					
Construction	\$ 5,084,350	\$ 261,393	\$ 7,087	\$ 268,480	\$ 4,815,870
Construction Observation and Admin	125,000	570	-	570	124,430
Engineering	375,000	1,850	452,750	454,600	(79,600)
Contingency	254,200	-	-	-	254,200
Total	<u>\$ 5,838,550</u>	<u>\$ 263,813</u>	<u>\$ 459,837</u>	<u>\$ 723,650</u>	<u>\$ 5,114,900</u>
<b>Expenditures-Water Dept. Sludge Handling Project</b>					
Engineering	\$ 250,000	\$ 188,559	\$ 46,899	\$ 235,458	\$ 14,542
Legal, Permits, Other	25,000	824	5,260	6,084	18,916
Construction	2,450,000	31,410	2,596,909	2,628,319	(178,319)
Contingency	275,000	-	-	-	275,000
Total	<u>\$ 3,000,000</u>	<u>\$ 220,793</u>	<u>\$ 2,649,068</u>	<u>\$ 2,869,861</u>	<u>\$ 130,139</u>
<b>Expenditures-Wastewater Sludge Project</b>					
Equipment	\$ 200,000	\$ 177,889	\$ 7,111	\$ 185,000	\$ 15,000
Construction	250,000	-	156,690	156,690	93,310
Contingency	50,000	-	1,210	1,210	48,790
Total	<u>\$ 500,000</u>	<u>\$ 177,889</u>	<u>\$ 165,011</u>	<u>\$ 342,900</u>	<u>\$ 157,100</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, 2016

	Project Authorization	Actual		Total To Date	Variance Positive (Negative)
		Prior Years	Current Year		
TOTAL EXPENDITURES	<u>\$ 18,234,570</u>	<u>\$ 9,340,312</u>	<u>\$ 3,351,258</u>	<u>\$ 12,691,570</u>	<u>\$ 5,543,000</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (15,759,570)</u>	<u>\$ (8,340,312)</u>	<u>\$ (3,351,258)</u>	<u>\$ (11,691,570)</u>	<u>\$ 4,068,000</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Issuance of Debt	\$ 7,363,544	\$ 7,029,070	\$ -	\$ 7,029,070	\$ (334,474)
Transfer From Water and Sewer Capital Reserve Fund	441,476	441,476	-	441,476	-
Transfer From Water and Sewer Fund	76,000	75,000	-	75,000	(1,000)
Transfer From Water and Sewer Fund	4,378,550	263,813	7,087	270,900	(4,107,650)
Transfer From Water and Sewer Fund	3,000,000	220,793	2,649,068	2,869,861	(130,139)
Transfer From Water and Sewer Fund	500,000	177,889	165,011	342,900	(157,100)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 15,759,570</u>	<u>\$ 8,208,041</u>	<u>\$ 2,821,166</u>	<u>\$ 11,029,207</u>	<u>\$ (4,730,363)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ (132,271)</u>	<u>\$ (530,092)</u>	<u>\$ (662,363)</u>	<u>\$ (662,363)</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
 WATER AND SEWER CAPITAL RESERVE FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET TO ACTUAL (Non-GAAP)  
 For the Fiscal Year Ended June 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>REVENUES</b>					
Rent Income-Vulcan Materials	\$ -	\$ 90,000	\$ 10,000	\$ 100,000	\$ 100,000
Investment Earnings	137,459	250,600	-	250,600	\$ 113,141
<b>TOTAL REVENUES</b>	<b>\$ 137,459</b>	<b>\$ 340,600</b>	<b>\$ 10,000</b>	<b>\$ 350,600</b>	<b>\$ 213,141</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
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)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (137,459)</b>	<b>\$ (226,658)</b>	<b>\$ -</b>	<b>\$ (226,658)</b>	<b>\$ (89,199)</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>					
	<b>\$ -</b>	<b>\$ 113,942</b>	<b>\$ 10,000</b>	<b>\$ 123,942</b>	<b>\$ 123,942</b>

## Other Schedules

This section contains additional information required on property taxes.

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

TOWN OF WILKESBORO, NORTH CAROLINA  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 TOWN-WIDE LEVY  
 For the Fiscal Year Ended June 30, 2016

Fiscal Year	Uncollected Balance June 30, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2015-2016	\$ -	\$ 2,792,090	\$ 2,706,219	\$ 85,871
2014-2015	50,971		19,372	31,599
2013-2014	26,303		9,163	17,140
2012-2013	15,694		6,231	9,463
2011-2012	68,527		4,052	64,475
2010-2011	28,376		1,678	26,698
2009-2010	4,334		239	4,095
2008-2009	2,697		42	2,655
2007-2008	2,172		197	1,975
2006-2007	2,276		119	2,157
2005-2006	2,036		2,036	-
Total	<u>\$ 203,386</u>	<u>\$ 2,792,090</u>	<u>\$ 2,749,348</u>	\$ 246,128
Less: Allowance for Uncollectible Accounts-General Fund				<u>52,200</u>
AD VALOREM TAXES RECEIVABLE-NET				<u>\$ 193,928</u>

RECONCILIATION TO REVENUES:

Ad Valorem Taxes-General Fund	\$ 2,779,611
Reconciling Items:	
Interest Collected	\$ (32,509)
Taxes Written Off	2,018
Prior Years Releases	<u>228</u>
Subtotal	<u>\$ (30,263)</u>
TOTAL COLLECTIONS AND CREDITS	<u>\$ 2,749,348</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
TOWN-WIDE LEVY  
For the Fiscal Year Ended June 30, 2016

	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	\$ 624,592,490	\$ 0.44	\$ 2,748,199	\$ 2,532,200	\$ 215,999
Penalties			324	324	-
Total	<u>\$ 624,592,490</u>		<u>\$ 2,748,523</u>	<u>\$ 2,532,524</u>	<u>\$ 215,999</u>
Discoveries:					
Current year taxes	\$ 13,758,291	\$ 0.44	\$ 60,536	\$ 60,536	
Prior year taxes			14,104	14,104	
Penalties			6,390	6,390	
TOTAL	<u>\$ 13,758,291</u>		<u>\$ 81,030</u>	<u>\$ 81,030</u>	<u>\$ -</u>
Abatements	<u>\$ (8,514,126)</u>		<u>\$ (37,463)</u>	<u>\$ (33,782)</u>	<u>\$ (3,681)</u>
TOTAL PROPERTY VALUATION	<u><u>\$ 629,836,655</u></u>				
Net Levy			\$ 2,792,090	\$ 2,579,772	\$ 212,318
Uncollected Taxes at June 30, 2016			<u>(85,871)</u>	<u>(85,851)</u>	<u>(20)</u>
Current Year's Taxes Collected			<u>\$ 2,706,219</u>	<u>\$ 2,493,921</u>	<u>\$ 212,298</u>
Current Levy Collection Percentage			<u>96.92%</u>	<u>96.67%</u>	<u>99.99%</u>



## Compliance Section

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

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of the Town of Wilkesboro, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises the Town of Wilkesboro's basic financial statements, and have issued our report thereon dated February 14, 2017. Our report includes a reference to other auditors who audited the financial statements of the Town of Wilkesboro ABC Board, as described in our report on the Town of Wilkesboro's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Wilkesboro ABC Board and the Wilkesboro Tourism Development, Convention, and Visitors Bureau were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

*Huntley, Sigmon & Associates, CPAs, PLLC*

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

February 14, 2017

TOWN OF WILKESORO, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2016

Section I. Financial Statement Findings

There were no findings reported

TOWN OF WILKESBORO, NORTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2016

**There were no findings for 2013 or 2014**

**Finding: 2015-1-** The Town submitted the 2014 and 2015 Federal Clearinghouse OMB A-133 Section 320(a) reporting packages on January 29, 2016. No reporting is required for 2016.