

TOWN OF PILOT MOUNTAIN, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2016

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**TOWN OF PILOT MOUNTAIN, NORTH CAROLINA
JUNE 30, 2016**

BOARD OF COMMISSIONERS

Dwight Atkins, Mayor
Linda Needham, Mayor Pro Tem
Cordie Armstrong
Gary Bell
Kimberly Quinn

ADMINISTRATIVE AND FINANCIAL STAFF

Michael Boaz, Interim Town Manager/Finance Officer
Holly Utt, Town Clerk

Town of Pilot Mountain, North Carolina
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June 30, 2016

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FINANCIAL SECTION



Independent Auditor's Report

To the Honorable Mayor
and Members of the Board of Commissioners
Town of Pilot Mountain, 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 Pilot Mountain, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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 upon our audit, 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 Town of Pilot Mountain, North Carolina 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 on pages 4 through 15, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions, on pages 63 and 64, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Pilot Mountain, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Jackson + Company, P.A.

Winston-Salem, North Carolina

November 15, 2016

Management's Discussion and Analysis

Town of Pilot Mountain Management's Discussion and Analysis

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

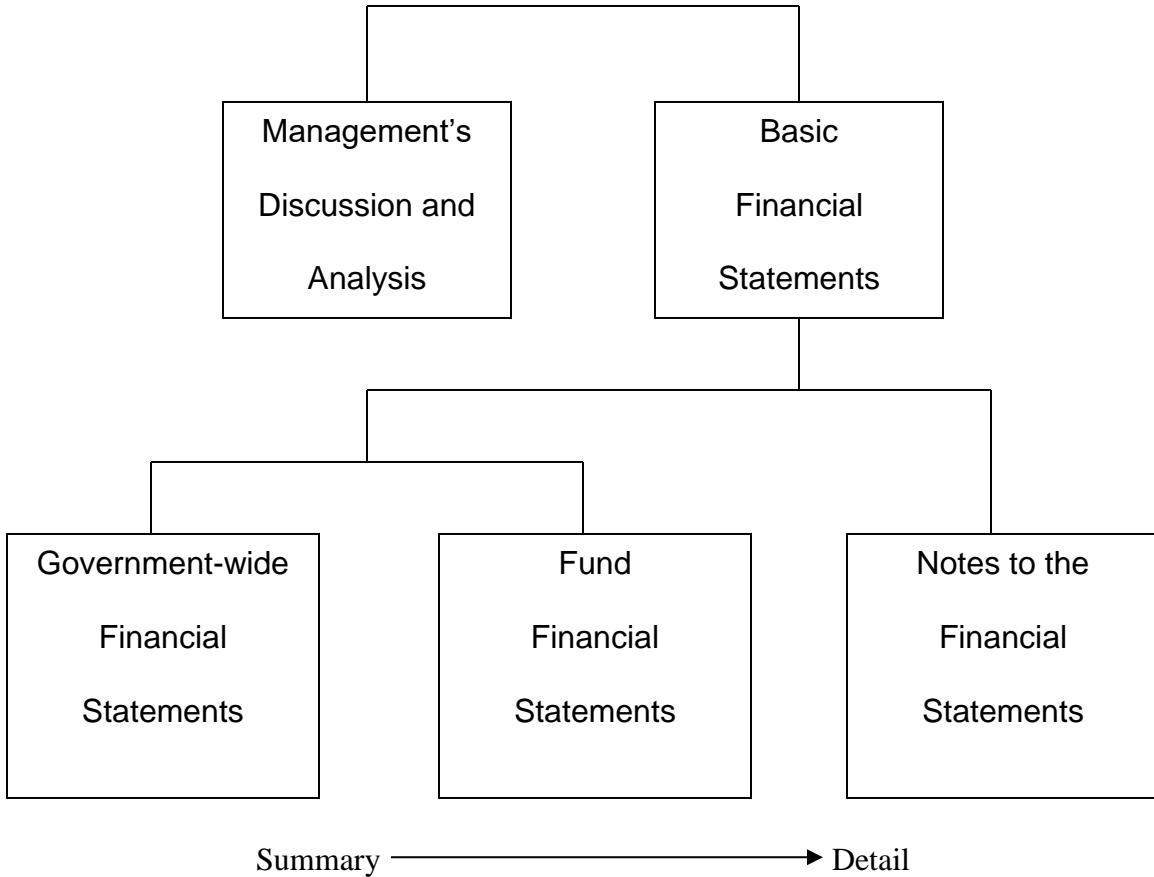
- The assets and deferred outflows of resources of the Town of Pilot Mountain exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$8,559,564 (*net position*).
- The government's total net position increased by \$214,985, primarily due to a increase in the governmental activities net position.
- As of the close of the current fiscal year, the Town of Pilot Mountain's governmental funds reported combined ending fund balances of \$884,906 with a net change of \$215,356 in fund balance. Approximately 32.43 percent of this total amount, or \$286,989, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$597,917, or 39.22 percent of total general fund expenditures for the fiscal year.
- The Town of Pilot Mountain's total debt increased by \$78,373 (9.58%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Pilot Mountain'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 Pilot Mountain.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 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 four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

Town of Pilot Mountain

Government-wide Financial Statements

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

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

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

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 Pilot Mountain, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Pilot Mountain can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Management Discussion and Analysis

Town of Pilot Mountain

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

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

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town of Pilot Mountain has two fiduciary funds, which are agency funds.

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

Other Information – In addition to the basic financial statements and accompanying notes, this report includes required supplementary information concerning the Town of Pilot Mountain's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 63 of this report.

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

Management Discussion and Analysis
Town of Pilot Mountain

Government-Wide Financial Analysis

Town of Pilot Mountain's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 1,110,471	\$ 784,918	\$ 252,996	\$ 107,824	\$ 1,363,467	\$ 892,742
Capital assets	2,128,901	2,121,446	6,195,051	6,346,326	8,323,952	8,467,772
Non-current assets	84,293	-	-	-	84,293	-
Deferred outflows of resources	37,025	37,747	13,752	14,392	50,777	52,139
Total assets and deferred outflows of resources	<u>3,360,690</u>	<u>2,944,111</u>	<u>6,461,799</u>	<u>6,468,542</u>	<u>9,822,489</u>	<u>9,412,653</u>
Long-term liabilities outstanding	352,283	180,288	413,200	424,395	765,483	604,683
Other liabilities	273,479	114,779	195,668	180,764	469,147	295,543
Deferred inflows of resources	20,483	121,505	7,812	46,343	28,295	167,848
Total liabilities and deferred inflows of resources	<u>646,245</u>	<u>416,572</u>	<u>616,680</u>	<u>651,502</u>	<u>1,262,925</u>	<u>1,068,074</u>
Net position:						
Net investment in capital assets	1,879,692	1,914,776	5,684,435	5,827,035	7,564,127	7,741,811
Restricted	286,989	280,587	-	-	286,989	280,587
Unrestricted	547,764	332,176	160,684	(9,995)	708,448	322,181
Total net position	<u>\$ 2,714,445</u>	<u>\$ 2,527,539</u>	<u>\$ 5,845,119</u>	<u>\$ 5,817,040</u>	<u>\$ 8,559,564</u>	<u>\$ 8,344,579</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Pilot Mountain exceeded liabilities and deferred inflows of resources by \$8,559,564 as of June 30, 2016. The Town's net position increased by \$214,985 for the fiscal year ended June 30, 2016. However, the largest portion (88.37%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Pilot Mountain uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Pilot Mountain's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Pilot Mountain's net position, \$286,989 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$708,448 is unrestricted.

Management Discussion and Analysis
Town of Pilot Mountain

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

- Continued success in collecting real property and motor vehicle taxes.
- Continued growth in sales tax collections.
- Continued efforts by the staff to control expenses.

Management Discussion and Analysis
Town of Pilot Mountain

**Town of Pilot Mountain's Changes in Net Position
 Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 811,284	\$ 717,668	\$ 811,284	\$ 717,668
Operating grants and contributions	59,804	49,624	-	-	59,804	49,624
Capital grants and contributions	-	-	138,180	26,481	138,180	26,481
General revenues:						
Property taxes	811,741	828,663	-	-	811,741	828,663
Other taxes	-	21,763	-	-	-	21,763
Grants and contributions not restricted to specific programs	545,111	510,625	-	-	545,111	510,625
Other	259,410	142,177	40,937	32,466	300,347	174,643
Gain (loss) on disposal of capital assets	-	(1,097)	-	-	-	(1,097)
Total revenues	1,676,066	1,551,755	990,401	776,615	2,666,467	2,328,370
Expenses:						
General government	422,306	321,533	-	-	422,306	321,533
Public safety	582,852	626,299	-	-	582,852	626,299
Transportation	164,143	68,340	-	-	164,143	68,340
Pilot Center	51,022	60,898	-	-	51,022	60,898
Economic development	14,632	39,580	-	-	14,632	39,580
Environmental protection	186,786	188,569	-	-	186,786	188,569
Cultural and recreation	38,011	61,826	-	-	38,011	61,826
Interest on long-term debt	302	6,643	-	-	302	6,643
Water and sewer	-	-	991,428	924,692	991,428	924,692
Total expenses	1,460,054	1,373,688	991,428	924,692	2,451,482	2,298,380
Increase (decrease) in net position before transfers	216,012	178,067	(1,027)	(148,077)	214,985	29,990
Transfers	(29,106)	-	29,106	-	-	-
Increase (decrease) in net position	186,906	178,067	28,079	(148,077)	214,985	29,990
Net position, July 1	2,527,539	2,349,472	5,817,040	5,965,117	8,344,579	8,314,589
Net position, June 30	\$ 2,714,445	\$ 2,527,539	\$ 5,845,119	\$ 5,817,040	\$ 8,559,564	\$ 8,344,579

Governmental activities. Governmental activities increased the Town's net position by \$186,906. Key elements of this increase are as follows:

- Higher than anticipated sales tax collections.
- Staff was diligent in monitoring expenditures and kept expenditures in the general fund below expectations.
- The staff did an excellent job of controlling expenditures during the course of the fiscal year and therefore expenditures were lower than expectations in several areas.
- The Town had a police department employee leave during the course of the year and that position was not filled.
- The Town kept a vacant position in the Public Works Department open during the course of the fiscal year.

Town of Pilot Mountain

Business-type activities: Business-type activities increased the Town of Pilot Mountain's net position by \$28,079 thereby offsetting part of the gain in the governmental activities. The key elements of this decrease are as follows:

- The Town kept a vacant position in the Public Works Department open during the fiscal year.
- The Board of Commissioners enacted a water and sewer rate increase during the fiscal year that generated additional revenue.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Pilot Mountain'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 Pilot Mountain's financing requirements.

The general fund is the chief operating fund of the Town of Pilot Mountain. At the end of the current fiscal year, Town of Pilot Mountain's fund balance available in the General Fund was \$597,917, while total fund balance reached \$884,906. The Town currently has an available fund balance of 39.22% of general fund expenditures, and total fund balance represents 58.04% of the same amount.

At June 30, 2016, the governmental funds of the Town of Pilot Mountain reported a combined fund balance of \$884,906 with a net increase in fund balance of \$215,356. Included in this change in fund balance is an increase in the fund balance for the General Fund and an increase in the fund balance for the Capital Projects Fund.

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.

These included an amendment to appropriate additional local option sales tax revenue in order to cover unanticipated expenses in the police department and Pilot Center. In addition, the Town appropriated available contingency to cover certain capital expenses.

Proprietary Funds. The Town of Pilot Mountain'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 \$160,684. The total change in net position for the fund was \$28,079. The change in net position in the Water and Sewer Fund is primarily the result of the charge for depreciation expense.

Management Discussion and Analysis
Town of Pilot Mountain

Capital Asset and Debt Administration

Capital assets. The Town of Pilot Mountain's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totals \$8,323,952 (net of accumulated depreciation). These assets include land, buildings, sewer lines, equipment, and vehicles.

Major capital asset transactions during the year include the following:

- The Town spent \$172,000 on a new dump truck and backhoe during the current fiscal year.
- The Town spent \$17,000 on a new valve assembly at the Water Treatment Plant during the fiscal year.

Management Discussion and Analysis
Town of Pilot Mountain

**Town of Pilot Mountain's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 316,040	\$ 316,040	\$ 168,864	\$ 168,864	\$ 484,904	\$ 484,904
Building and systems	1,586,846	1,640,105	5,816,243	6,080,057	7,403,089	7,720,162
Machinery and equipment	104,279	32,926	115,261	37,804	219,540	70,730
Infrastructure	107,160	111,767	-	-	107,160	111,767
Vehicles and motorized equipment	14,576	20,608	2,868	4,014	17,444	24,622
Construction in progress	-	-	91,815	55,587	91,815	55,587
Total	\$ 2,128,901	\$ 2,121,446	\$ 6,195,051	\$ 6,346,326	\$ 8,323,952	\$ 8,467,772

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

Long-term Debt. As of June 30, 2016, the Town of Pilot Mountain had total debt outstanding of \$896,363. Of this amount, \$286,538 is debt backed by the full faith and credit of the Town, \$158,913 is secured by a building, and \$176,517 is secured by equipment. The remainder of the Town's debt is secured solely by specified revenue sources.

Management Discussion and Analysis
Town of Pilot Mountain

Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Loan agreement	\$ -	\$ -	\$ 217,714	\$ 244,928	\$ 217,714	\$ 244,928
General obligation bonds	-	-	150,000	161,000	150,000	161,000
Non-general obligation	-	-	56,681	113,363	56,681	113,363
Promissory note	158,913	193,034	-	-	158,913	193,034
Note payable	4,075	13,636	-	-	4,075	13,636
Equipment loan payable	86,221	-	86,221	-	172,442	-
Compensated absences	51,240	59,131	30,859	32,898	82,099	92,029
Net pension liability	39,408	-	15,031	-	54,439	-
	<u>\$ 339,857</u>	<u>\$ 265,801</u>	<u>\$ 556,506</u>	<u>\$ 552,189</u>	<u>\$ 896,363</u>	<u>\$ 817,990</u>

Town of Pilot Mountain’s Outstanding Debt

The Town of Pilot Mountain’s total debt increased by \$78,373 (9.58%) during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Pilot Mountain is \$11,102,483.

Additional information regarding the Town of Pilot Mountain’s long-term debt can be found in Note III.B.6 of this report.

Economic Factors and Next Year’s Budgets and Rates

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

The Town’s economy has not recovered as quickly as the State and national economies. However, the Town has seen growth in sales tax revenues and expects that moderate growth to continue. The Town approved a new multi-family housing development during the fiscal year ended June 30, 2016. We expect that this new facility will be finished during the 2017 or 2018 fiscal year and it will add several million dollars to the tax base.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities:

- The Board of Commissioners continued to make capital expenditures that were deferred during the economic downturn.
- The Board of Commissioners increased the sanitation fee to make the Town’s garbage collection and recycling operations fully supported by user fees.

Management Discussion and Analysis

Town of Pilot Mountain

- The Board of Commissioners approved salary increases for all employees for the first time in several years. These increases will be made as a part of the implementation of a salary study authorized by the Board.

Business-type Activities:

- The Board of Commissioners began a capital project to replace the Town's aging meter infrastructure.
- The Board of Commissioners made capital expenditures that were deferred during the economic downturn.

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 Michael Boaz, Town Manager/Finance Officer or Holly Utt, Town Clerk, Town of Pilot Mountain, 124 West Main Street, Box 1, Pilot Mountain, NC 27041. One can also call (336) 368-2248, visit our website at www.pilotmountainnc.org or send an email to mboaz@pilotmountainnc.org or hutt@pilotmountainnc.org.

Basic Financial Statements

Town of Pilot Mountain, North Carolina
Statement of Net Position
June 30, 2016

	Primary Government			Pilot Mountain ABC Board	Pilot Mountain Tourism Development Authority
	Governmental Activities	Business-type Activities	Total		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 630,943	\$ 93,552	\$ 724,495	\$ 105,498	\$ 32,946
Taxes receivables (net)	23,952	-	23,952	-	-
Accrued interest receivable	-	-	-	-	-
Accounts receivable (net)	12,134	109,969	122,103	-	2,822
Grant repayment	168,586	-	168,586	-	-
Due from other governments	136,339	16,060	152,399	-	-
Due from component unit	1,448	-	1,448	-	-
Inventory	-	-	-	98,673	-
Prepaid items	-	-	-	2,251	-
Restricted cash and cash equivalents	137,069	33,415	170,484	-	-
Total current assets	1,110,471	252,996	1,363,467	206,422	35,768
Non-current assets:					
Grant repayment	84,293	-	84,293	-	-
Capital assets:					
Land, non-depreciable improvements, and construction in progress	316,040	260,679	576,719	-	-
Other capital assets, net of depreciation	1,812,861	5,934,372	7,747,233	24,067	-
Total capital assets	2,128,901	6,195,051	8,323,952	24,067	-
Security deposit	-	-	-	5,000	-
Total assets	3,323,665	6,448,047	9,771,712	235,489	35,768
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferral	37,025	13,752	50,777	2,419	-
Total deferred outflows of resources	37,025	13,752	50,777	2,419	-
LIABILITIES					
Current liabilities:					
Accounts payable	33,026	17,112	50,138	62,905	40
Accrued interest payable	-	1,835	1,835	-	-
Grant repayment	168,586	-	168,586	-	-
Due to primary government	-	-	-	1,448	-
Current portion of long-term liabilities	71,867	143,306	215,173	32,672	-
Payable from restricted assets	-	33,415	33,415	-	-
Total current liabilities	273,479	195,668	469,147	97,025	40
Long-term liabilities:					
Net pension liability	39,408	15,031	54,439	2,693	-
Grant repayment	84,293	-	84,293	-	-
Due in more than one year	228,582	398,169	626,751	28,597	-
Total liabilities	625,762	608,868	1,234,630	128,315	40
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	20,483	7,812	28,295	4,526	-
Total deferred inflows of resources	20,483	7,812	28,295	4,526	-
NET POSITION					
Net investment in capital assets	1,879,692	5,684,435	7,564,127	(6,943)	-
Restricted for:					
Stabilization by State Statute	149,920	-	149,920	-	-
Streets-Powell Bill	137,069	-	137,069	-	-
Other functions	-	-	-	27,508	35,728
Unrestricted	547,764	160,684	708,448	84,502	-
Total net position	\$ 2,714,445	\$ 5,845,119	\$ 8,559,564	\$ 105,067	\$ 35,728

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

Town of Pilot Mountain, North Carolina
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Pilot Mountain ABC Board	Pilot Mountain Tourism Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		
Primary Government:									
Governmental Activities:									
General government	\$ 422,306	\$ -	\$ -	\$ -	\$ (422,306)	\$ -	\$ (422,306)	\$ -	\$ -
Public safety	582,852	-	14,297	-	(568,555)	-	(568,555)	-	-
Transportation	164,143	-	45,507	-	(118,636)	-	(118,636)	-	-
Pilot Center	51,022	-	-	-	(51,022)	-	(51,022)	-	-
Economic development	14,632	-	-	-	(14,632)	-	(14,632)	-	-
Environmental protection	186,786	-	-	-	(186,786)	-	(186,786)	-	-
Cultural and recreation	38,011	-	-	-	(38,011)	-	(38,011)	-	-
Interest on long-term debt	302	-	-	-	(302)	-	(302)	-	-
Total governmental activities	1,460,054	-	59,804	-	(1,400,250)	-	(1,400,250)	-	-
Business-type activities:									
Water and sewer	991,428	811,284	-	138,180	-	(41,964)	(41,964)	-	-
Total business-type activity	991,428	811,284	-	138,180	-	(41,964)	(41,964)	-	-
Total primary government	\$ 2,451,482	\$ 811,284	\$ 59,804	\$ 138,180	\$ (1,400,250)	(41,964)	(1,442,214)	-	-
Component units:									
ABC Board	\$ 866,700	\$ 921,192	\$ -	\$ -	\$ -	-	-	54,492	-
Tourism Development Authority	19,688	29,120	-	-	-	-	-	-	9,432
Total component units	\$ 886,388	\$ 950,312	\$ -	\$ -	\$ -	-	-	54,492	9,432
General revenues:									
Taxes:									
Property taxes, levied for general purpose					811,741	-	811,741	-	-
Unrestricted intergovernmental revenues					545,111	-	545,111	-	-
Unrestricted investment earnings					672	-	672	-	-
Miscellaneous					224,617	40,937	265,554	-	-
Forgiveness of debt					34,121	-	34,121	-	-
Total general revenues not including transfers					1,616,262	40,937	1,657,199	-	-
Transfers					(29,106)	29,106	-	-	-
Total general revenues and transfers					1,587,156	70,043	1,657,199	-	-
Change in net position					186,906	28,079	214,985	54,492	9,432
Net position, beginning					2,527,539	5,817,040	8,344,579	50,575	26,296
Net position, ending					\$ 2,714,445	\$ 5,845,119	\$ 8,559,564	\$ 105,067	\$ 35,728

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

Town of Pilot Mountain, North Carolina
Balance Sheet
Governmental Funds
June 30, 2016

	Major Fund		Total Governmental Funds
	General	Pilot Center Phase II Capital Projects Fund	
ASSETS			
Cash and cash equivalents	\$ 630,943	\$ -	\$ 630,943
Restricted cash	137,069	-	137,069
Receivables, net:			
Taxes	23,952	-	23,952
Other	12,133	-	12,133
Due from other governments	136,339	-	136,339
Due from component unit	1,448	-	1,448
Total assets	<u>941,884</u>	<u>-</u>	<u>941,884</u>
LIABILITIES			
Accounts payable and accrued liabilities	33,026	-	33,026
Total liabilities	<u>33,026</u>	<u>-</u>	<u>33,026</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	23,952	-	23,952
Total deferred inflows of resources	<u>23,952</u>	<u>-</u>	<u>23,952</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	149,920	-	149,920
Streets	137,069	-	137,069
Unassigned	597,917	-	597,917
Total fund balances	<u>884,906</u>	<u>-</u>	<u>884,906</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 941,884</u>	<u>\$ -</u>	

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

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

Gross capital assets at historical cost	\$ 3,565,453	
Accumulated depreciation	<u>1,436,552</u>	2,128,901

Grant repayment receivable
 252,879 |

Deferred outflows of resources related to pensions are not reported in the funds
 37,025 |

Liabilities for earned revenues considered deferred inflows of resources in fund statements.
 23,952 |

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

Compensated absences	(51,239)
Long-term debt	(249,209)
Net pension liability	(39,408)
Grant repayment payable	(252,879)

Deferred inflows of resources related to pensions are not reported in the funds
 (20,483) |

Net position of governmental activities
 \$ 2,714,445 |

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

Town of Pilot Mountain, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	Major Fund		
	General Fund	Pilot Center Phase II Capital Projects Fund	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 822,903	\$ -	\$ 822,903
Unrestricted intergovernmental	545,111	-	545,111
Restricted intergovernmental	62,208	-	62,208
Permits and fees	2,205	-	2,205
Investment earnings	672	-	672
Miscellaneous	213,786	-	213,786
Total revenues	<u>1,646,885</u>	-	<u>1,646,885</u>
EXPENDITURES			
Current:			
General government	394,091	-	394,091
Public safety	601,442	-	601,442
Transportation	192,492	-	192,492
Pilot Center	17,784	-	17,784
Economic development	14,632	-	14,632
Environmental protection	225,582	-	225,582
Culture and recreation	38,011	-	38,011
Debt service:			
Principal	9,561	-	9,561
Interest and other charges	302	-	302
Total expenditures	<u>1,493,897</u>	-	<u>1,493,897</u>
Excess (deficiency) of revenues over expenditures	<u>152,988</u>	-	<u>152,988</u>
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(30,742)	1,636	(29,106)
Loan proceeds - equipment loan	86,221		86,221
Sale of capital assets	5,253	-	5,253
Total other financing sources (uses)	<u>60,732</u>	<u>1,636</u>	<u>62,368</u>
Net change in fund balance	213,720	1,636	215,356
Fund balances, beginning	<u>671,186</u>	<u>(1,636)</u>	<u>669,550</u>
Fund balances, ending	<u>\$ 884,906</u>	<u>\$ -</u>	<u>\$ 884,906</u>

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

**Town of Pilot Mountain, 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		\$ 215,356
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 86,236	
Depreciation expense for governmental activities	(78,781)	
Sale on disposal of capital assets	(5,253)	
Gain on sale of capital assets	5,253	7,455
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		32,016
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		(11,162)
Change in accrued interest on taxes		(481)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Issuance of long-term debt	(86,221)	
Principal payments on long-term debt	9,561	
Forgiveness of debt	34,121	
Decrease in accrued interest payable	1,446	(41,093)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	7,891	
Pension expense	(23,076)	(15,185)
Total changes in net position of governmental activities		\$ 186,906

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

Town of Pilot Mountain, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2016

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 786,700	\$ 802,200	\$ 822,903	\$ 20,703
Unrestricted intergovernmental	428,200	438,200	545,111	106,911
Restricted intergovernmental	46,600	46,600	62,208	15,608
Permits and fees	4,500	4,500	2,205	(2,295)
Investment earnings	750	750	672	(78)
Miscellaneous	15,645	327,968	213,786	(114,182)
Total revenues	<u>1,282,395</u>	<u>1,620,218</u>	<u>1,646,885</u>	<u>26,667</u>
Expenditures:				
Current:				
General government	293,058	422,593	394,091	28,502
Public safety	583,125	623,775	601,442	22,333
Transportation	147,038	237,442	192,492	44,950
Pilot Center	26,050	23,050	17,784	5,266
Economic development	20,270	20,270	14,632	5,638
Environmental protection	193,900	237,025	225,582	11,443
Cultural and recreation	34,000	71,109	38,011	33,098
Debt service:				
Principal retirement	26,472	26,472	9,561	16,911
Interest and other charges	5,990	5,990	302	5,688
Contingency	10,000	10,000	-	10,000
Total expenditures	<u>1,339,903</u>	<u>1,677,726</u>	<u>1,493,897</u>	<u>183,829</u>
Revenues over (under) expenditures	<u>(57,508)</u>	<u>(57,508)</u>	<u>152,988</u>	<u>210,496</u>
Other financing sources (uses):				
Transfers to other funds	(30,742)	(30,742)	(30,742)	-
Loan proceeds - equipment loan	86,250	86,250	86,221	(29)
Sale of capital assets	2,000	2,000	5,253	3,253
Total other financing sources (uses)	<u>57,508</u>	<u>57,508</u>	<u>60,732</u>	<u>3,224</u>
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>213,720</u>	<u>\$ 213,720</u>
Fund balances, beginning			<u>671,186</u>	
Fund balances, ending			<u>\$ 884,906</u>	

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

Town of Pilot Mountain, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2016

	Major Enterprise Fund	
	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 93,552	\$ 93,552
Accounts receivable (net)	109,969	109,969
Due from other funds	-	-
Due from other governments	16,060	16,060
Grant receivable	-	-
Restricted cash and cash equivalents	33,415	33,415
Total current assets	<u>252,996</u>	<u>252,996</u>
Noncurrent assets:		
Capital Assets:		
Land and other non-depreciable assets	260,679	260,679
Other capital assets, net of depreciation	5,934,372	5,934,372
Total capital assets (net)	<u>6,195,051</u>	<u>6,195,051</u>
Total noncurrent assets	<u>6,195,051</u>	<u>6,195,051</u>
Total assets	<u>6,448,047</u>	<u>6,448,047</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	13,752	13,752
Total deferred outflows of resources	<u>13,752</u>	<u>13,752</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	18,947	18,947
General obligation bonds payable - current	12,000	12,000
Note payable - current	56,681	56,681
Revolving loan - current	27,214	27,214
Equipment loan - current	16,552	16,552
Compensated absences - current	30,859	30,859
Liabilities payable from restricted assets:		
Customer deposits	33,415	33,415
Total current liabilities	<u>195,668</u>	<u>195,668</u>
Noncurrent liabilities:		
Net pension liability	15,031	15,031
General obligation bonds payable - noncurrent	138,000	138,000
Note payable - noncurrent	-	-
Revolving loan - noncurrent	190,500	190,500
Equipment loan - noncurrent	69,669	69,669
Total noncurrent liabilities	<u>413,200</u>	<u>413,200</u>
Total liabilities	<u>608,868</u>	<u>608,868</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	7,812	7,812
Total deferred inflows of resources	<u>7,812</u>	<u>7,812</u>
NET POSITION		
Net investment in capital assets	5,684,435	5,684,435
Unrestricted	160,684	160,684
Total net position	<u>\$ 5,845,119</u>	<u>\$ 5,845,119</u>

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

Town of Pilot Mountain, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2016

	Major Enterprise Fund	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Water and sewer charges	\$ 811,284	\$ 811,284
Other operating revenues	40,937	40,937
Total operating revenues	<u>852,221</u>	<u>852,221</u>
OPERATING EXPENSES		
Water department	348,672	348,672
Sewer department	325,927	325,927
Depreciation	298,252	298,252
Total operating expenses	<u>972,851</u>	<u>972,851</u>
Operating income (loss)	<u>(120,630)</u>	<u>(120,630)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest and other charges	(18,577)	(18,577)
Total nonoperating revenues (expenses)	<u>(18,577)</u>	<u>(18,577)</u>
Income (loss) before contributions and transfers	(139,207)	(139,207)
Capital contributions	138,180	138,180
Transfers from General Fund	29,106	29,106
Change in net position	28,079	28,079
Total net position, beginning	5,817,040	5,817,040
Total net position, ending	<u>\$ 5,845,119</u>	<u>\$ 5,845,119</u>

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

Town of Pilot Mountain, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2016

	<u>Major Enterprise Fund</u>	
	<u>Water and Sewer Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 730,209	\$ 730,209
Cash paid for goods and services	(386,816)	(386,816)
Cash paid on behalf of employees for services	(283,355)	(283,355)
Customer deposits collected, net	1,250	1,250
Other operating revenues	40,937	40,937
Net cash provided (used) by operating activities	<u>102,225</u>	<u>102,225</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from General Fund	<u>29,106</u>	<u>29,106</u>
Net cash provided (used) by noncapital financing activities	<u>29,106</u>	<u>29,106</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term liabilities	(94,896)	(94,896)
Issuance of long-term liability	86,221	86,221
Interest paid on long-term liabilities	(19,058)	(19,058)
Acquisition and construction of capital assets	(146,976)	(146,976)
Capital contributions - State grant	13,180	13,180
Capital contributions - County grant	125,000	125,000
Net cash provided (used) by capital and related financing activities	<u>(36,529)</u>	<u>(36,529)</u>
Net increase (decrease) in cash and cash equivalents	94,802	94,802
Balances, beginning	<u>32,165</u>	<u>32,165</u>
Balances, ending	<u>\$ 126,967</u>	<u>\$ 126,967</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	<u>\$ (120,630)</u>	<u>\$ (120,630)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	298,252	298,252
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(8,577)	(8,577)
(Increase) decrease in due from other funds	(55,058)	(55,058)
(Increase) decrease in due from other governments	(11,996)	(11,996)
(Increase) decrease in grant receivable	5,444	5,444
(Increase) decrease in net pension asset	19,817	19,817
(Increase) decrease in deferred outflows of resources	640	640
Increase (decrease) in accounts payable and accrued liabilities	(1,378)	(1,378)
Increase (decrease) in customer deposits	1,250	1,250
Increase (decrease) in compensated absences	(2,039)	(2,039)
Increase (decrease) in net pension liability	15,031	15,031
Decrease in deferred inflow	(38,531)	(38,531)
Total adjustments	<u>222,855</u>	<u>222,855</u>
Net cash provided by operating activities	<u>\$ 102,225</u>	<u>\$ 102,225</u>

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

Exhibit 9

**Town of Pilot Mountain
Statement of Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2016**

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 23,485</u>
Total assets	<u><u>\$ 23,485</u></u>
Liabilities	
Liabilities:	
Intergovernmental payable	<u>\$ 23,485</u>
Total liabilities	<u><u>\$ 23,485</u></u>

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

Notes to the Financial Statements

Town of Pilot Mountain, 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 Pilot Mountain 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 Pilot Mountain 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 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.

Pilot Mountain ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Pilot Mountain ABC Board, PO Box 1478, Pilot Mountain, NC 27041.

Pilot Mountain Tourism Development Authority

The members of the Tourism Development Authority's governing board are appointed by the Town. In addition, the Town of Pilot Mountain transfers all of the occupancy tax collected to the Tourism Development Authority to be used to promote tourism. The Tourism Development Authority, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). A separate report was not issued for the Tourism Development Authority.

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.

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

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, including fiduciary funds. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental funds:

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

Pilot Center Phase II Capital Projects Fund. This fund is used to account for the renovations related to Phase II of the Pilot Center building.

The Town reports the following major enterprise fund:

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

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

The Town reports the following fund type:

Agency Fund. Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others. The Town reports the following agency funds:

Mount Pilot Now Agency Fund

The Town maintains fiduciary responsibility over the bank account for Mount Pilot Now.

Pilot Mountain Area Business Association Committee Agency Fund

The Town maintains fiduciary responsibility over the bank account for the Pilot Mountain Area Business Association Committee.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

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 Proprietary Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board and the board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and its component units 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).

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board and the Tourism Development Authority consider 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

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

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

Town of Pilot Mountain Restricted Cash

Governmental Activities

General Fund

Streets	\$ 137,069
Total Governmental Activities	<u>137,069</u>

Business-Type Activities

Water and Sewer Fund

Customer deposits	33,415
Total Business-Type Activities	<u>33,415</u>

Total Restricted Cash	<u><u>\$ 170,484</u></u>
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the ABC Board are valued at the lower of cost (first-in, first-out) or market. The inventories of the ABC Board consist of goods held for sale. The cost of these inventories are expensed when consumed rather than when purchased.

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

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are set at \$2,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings and systems	20 to 50
Infrastructure	30
Plant and distribution systems	40
Equipment	3 to 10
Furniture and maintenance equipment	3 to 20
Vehicles	3 to 20

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

Asset Class	Estimated Useful Lives
Equipment	5 to 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 one item that meets this criterion, contributions made to the pension plan in the

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meets the criterion for this category - property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

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

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

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave. Any unused vacation at the end of each calendar year in excess of the thirty days is converted to sick leave. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

Upon initial eligibility, ABC Board employees earn 96 vacation hours per year and after 10 years of eligible service, 144 vacation hours per year. Unused vacation at the end of each calendar year may not be carried over to the next year.

ABC Board employees can accumulate an unlimited amount of sick leave. Sick leave may be used in the determination of length of service for retirement benefit purposes. Since the ABC Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

 Restricted for Capital Projects Fund – portion of fund balance that is restricted by revenue source that is used to account for the revenue and expenditures of the Pilot Center Phase II Capital Projects Fund.

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

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

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

12. Pensions

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

II. Stewardship, Compliance and Accountability

A. Excess of Expenditures over Appropriations

For the Pilot Mountain ABC Board, there were ten individual expenditure line items that exceeded authorized appropriations by the Board. These over-expenditures occurred because of expenditures not being adequately budgeted. Management and the Board will more closely review the budget reports to ensure compliance in future years.

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2016, the Town's deposits had a carrying amount of \$564,857 and a bank balance of \$598,127. Of the bank balance \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$103,598 and the bank balance was \$126,747. All of the bank balance was covered by federal depository insurance. The carrying amount of the deposits for the Mount Pilot Now Agency Fund was \$21,299 and the bank balance was \$21,299. All of this bank balance was covered by federal depository insurance. The carrying amount of the deposits for the Pilot Mountain Area Business Association Committee Agency Fund was \$2,186 and the bank balance was \$2,197. All of the bank balance was covered by federal depository insurance. The carrying amount of deposits for the Tourism Development Authority was \$32,896 and the bank balance was \$32,896. All of this bank balance was covered by federal depository

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

insurance. At June 30, 2016, the Town’s petty cash fund totaled \$662. At June 30, 2016, the ABC Board’s petty cash fund totaled \$1,900. At June 30, 2016, the Tourism Development Authority’s petty cash fund totaled \$50.

2. Investments

At June 30, 2016, the Town of Pilot Mountain had \$329,460 invested with the North Carolina Capital Management Trust’s Cash Portfolio which carried a credit rating of AAAM by Standard and Poor’s. The Town has no policy regarding credit risk.

3. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2016 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 14,460
Total	<u>\$ 14,460</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 316,040	\$ -	\$ -	\$ 316,040
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>316,040</u>	<u>-</u>	<u>-</u>	<u>316,040</u>
Capital assets being depreciated:				
Buildings and systems	2,547,542	-	-	2,547,542
Machinery and equipment	279,499	86,236	32,500	333,235
Vehicles and motorized equipment	230,436	-	-	230,436
Infrastructure	138,200	-	-	138,200
Total capital assets being depreciated	<u>3,195,677</u>	<u>86,236</u>	<u>32,500</u>	<u>3,249,413</u>
Less accumulated depreciation for:				
Buildings and systems	907,437	53,259	-	960,696
Machinery and equipment	246,573	14,883	32,500	228,956
Vehicles and motorized equipment	209,828	6,032	-	215,860
Infrastructure	26,433	4,607	-	31,040
Total accumulated depreciation	<u>1,390,271</u>	<u>78,781</u>	<u>32,500</u>	<u>1,436,552</u>
Total capital assets being depreciated, net	<u>1,805,406</u>			<u>1,812,861</u>
Governmental activity capital assets, net	<u>\$ 2,121,446</u>			<u>\$ 2,128,901</u>

Town of Pilot Mountain, 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	\$	21,292
Public safety		4,692
Transportation		14,973
Pilot Center		33,238
Environmental protection		4,586
Total depreciation expense		\$ 78,781

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 168,864	\$ -	\$ -	\$ 168,864
Construction in progress	55,587	36,228	-	91,815
Total capital assets not being depreciated	224,451	36,228	-	260,679
Capital assets being depreciated:				
Buildings and systems	13,988,863	20,776	-	14,009,639
Machinery and equipment	132,864	89,972	-	222,836
Vehicles and motorized equipment	55,283	-	-	55,283
Total capital assets being depreciated	14,177,010	110,748	-	14,287,758
Less accumulated depreciation for:				
Buildings and systems	7,908,806	284,590	-	8,193,396
Machinery and equipment	95,060	12,515	-	107,575
Vehicles and motorized equipment	51,269	1,146	-	52,415
Total accumulated depreciation	8,055,135	298,251	-	8,353,386
Total capital assets being depreciated, net	6,121,875			5,934,372
Business-type activity capital assets, net	\$ 6,346,326			\$ 6,195,051

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended 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
Capital assets being depreciated:				
Furniture and equipment	\$ 84,268	\$ 4,553	\$ -	\$ 88,821
Total capital assets being depreciated	84,268	4,553	-	88,821
Less accumulated depreciation for:				
Furniture and equipment	57,484	7,270	-	64,754
Total accumulated depreciation	57,484	7,270	-	64,754
ABC Board capital assets, net	<u>\$ 26,784</u>			<u>\$ 24,067</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

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 Pilot Mountain 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 Pilot Mountain's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.67% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Pilot Mountain were \$43,857 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.

Town of Pilot Mountain, 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 a liability of \$54,439 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 liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was .01213%, which was a decrease of .004% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$31,877. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 12,796
Net difference between projected and actual earnings on pension plan investments	-	15,499
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,920	-
Town contributions subsequent to the measurement date	43,857	-
Total	<u>\$ 50,777</u>	<u>\$ 28,295</u>

\$43,857 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

Year ended June 30:

2017	\$	(15,862)
2018		(15,862)
2019		(15,860)
2020		26,209
Thereafter		-
	\$	<u>(21,375)</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:

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

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	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	<u>100%</u>	

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.

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

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 379,611	\$ 54,439	\$ (219,511)

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 Pilot Mountain 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	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>8</u>
Total	<u>9</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.

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

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

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

3. Contributions.

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

The Town has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

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 and employees not engaged in law enforcement employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for law enforcement officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for law enforcement officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

d. Other Employment Benefit

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

e. Pilot Mountain ABC Board Retirement Plan

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The ABC Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The ABC Board's contractually required contribution rate for the year ended June 30, 2016, was 6.67% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the ABC Board were \$2,419 for the year ended June 30, 2016.

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

Town of Pilot Mountain, 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 Board reported a liability of \$2,693 for its proportionate share of the net pension liability. 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 Board's proportion of the net pension asset was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Board's proportion was 0.00060%, which was a decrease of 0.00038% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Board recognized pension expense of \$749. At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 634
Net difference between projected and actual earnings on pension plan investments	-	765
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,127
Employer contributions subsequent to the measurement date	2,419	-
	\$ 2,419	\$ 4,526

\$2,419 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

Year ended June 30:

2017	\$	(1,748)
2018		(1,748)
2019		(1,745)
2020		715
	\$	<u>(4,526)</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:

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.

Valuation was 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

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	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%
	<u>100.0%</u>	

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.

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

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
ABC Board's proportionate share of net pension liability (asset)	\$ 18,779	\$ 2,693	\$ (10,859)

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.

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Changes in proportion and differences between Town contributions and proportionate share of contributions	\$ 6,920
Contributions to pension plan in current fiscal year	43,857
Total	\$ 50,777

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

Source	Amount
Taxes Receivable, less penalties (General Fund)	\$ 23,952
Differences between expected and actual experience	12,796
Net difference between projected and actual earnings on pension plan investments	15,499
	\$ 52,247

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town does not carry flood insurance as none of the Town's property is within flood zones.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$30,000.

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

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

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

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

The finance officer of the Tourism Development Authority is bonded in the amount of \$50,000, secured by a corporate surety.

4. Claims, Judgments and Contingent Liabilities

As of June 30, 2016, the Town was aware of several unasserted possible claims or assessments. In the opinion of the Town's management, the ultimate effect of these matters will not have a material adverse effect on the Town's financial position.

5. Commitments

The Town has entered into a contract for solid waste collection expiring June, 2020 for approximately \$60,000 per year.

The ABC Board has an operating lease for its facility at 630 S. Key Street, Suite C, Pilot Mountain, North Carolina. The lease expires December 31, 2019. Rental expense was \$27,012 for the year ended June 30, 2016. The future minimum lease payments under this operating lease as at June 30, 2016 are as follows:

Year Ending June 30,	
2017	\$ 27,417
2018	28,240
2019	29,087
2020	14,759
	<u>\$ 99,503</u>

The ABC Board is responsible for utilities and insurance.

The payment of the rentals is guaranteed by the Town of Pilot Mountain.

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

6. Long-term Obligations

a. Loan Agreement

The Town has pledged future water and sewer revenues, net of specified operating expenses, to repay \$544,284 in water and sewer system revenue bonds issued in June, 2004. Proceeds from the bonds provided financing for the construction of water line extensions and water plant renovations. The bonds are secured solely by water and sewer revenues, net of specified operating expenses and are payable, including interest at 2.57%, through 2024. Annual principal and interest payments on the bonds are expected to require substantially all water and sewer net revenues. The total principal and interest remaining to be paid on the bonds is \$242,893. Principal and interest paid for the current year and total water and sewer revenues, net of specified operating expenses were \$33,509 and \$177,622, respectively.

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Principal	Interest
2017	\$ 27,214	\$ 5,595
2018	27,214	4,896
2019	27,214	4,196
2020	27,214	3,497
2021	27,214	2,798
2022-2024	81,644	4,197
	<u>\$ 217,714</u>	<u>\$ 25,179</u>

b. General Obligation Bonds

The Town's general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due. The bonds bear interest at 5.00% per annum.

Annual debt service requirements to maturity for long-term obligations are as follows:

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

Year Ending June 30	Principal	Interest
2017	\$ 12,000	\$ 7,500
2018	13,000	6,900
2019	13,000	6,250
2020	14,000	5,600
2021	14,000	4,900
2022-2026	70,000	14,000
2027	14,000	700
	\$ 150,000	\$ 45,850

c. Non-General Obligation

The Town has pledged future water and sewer revenues, net of specified operating expenses, to repay \$1,133,634 in water and sewer system revenue bonds issued in December, 1995. Proceeds from the bonds provided financing for the cost of the “Effluent Pump Station” under the State Clean Water Bond Loan Program. The bonds are secured solely by water and sewer revenues, net of specified operating expenses, and are payable, including interest at 3.43%, through 2017. Annual principal and interest payments on the bonds are expected to require substantially all water and sewer net revenues. The total principal and interest remaining to be paid on the bonds is \$58,625. Principal and interest paid for the current year and total water and sewer revenues, net of specified operating expenses, were \$60,570 and \$177,622, respectively.

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Principal	Interest
2017	\$ 56,681	\$ 1,944

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

d. Promissory Note

On March 23, 2009 the Town entered into an interlocal agreement with Surry County, North Carolina for the creation of a workforce development center. Surry County purchased the building to house the project for \$540,040, and named the Town as the owner on the deed. Surry County has gifted one half of the building to the Town and the Town has signed a promissory note for the remaining half at \$270,020. The promissory note calls for interest at 3%. Payments of \$11,243, which includes interest, are due each October 1 and April 1 through April 1, 2025. The promissory note is secured by a Deed of Trust on the building. The Town has agreed to assume certain costs related to the project such as site assessment, renovations, and improvements. Upon sale of the property or any portion thereof, the sales proceeds will accrue to the County and Town equally.

Annual debt service requirements to maturity for long-term obligations are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ -	\$ -
2018	17,853	4,634
2019	18,393	4,094
2020	18,949	3,538
2021	19,521	2,965
2022-2025	<u>84,197</u>	<u>5,780</u>
	<u>\$ 158,913</u>	<u>\$ 21,011</u>

On January 18, 2013, the Town of Pilot Mountain recorded a declaration of Pilot Center Condominium, which encumbered the property. In conjunction with the creation of the Condominium, there also was incorporated under the laws of the State of North Carolina an association known as the Pilot Center Condominium Association. Subsequent to that date on January 30, 2013, the Town of Pilot Mountain sold a portion of the property.

During the current year, Surry County forgave the 2016 and 2017 payments.

e. Note Payable

On November 18, 2013, the Town borrowed \$28,158 from a bank to purchase a vehicle. The note payable requires monthly payments of \$822 which includes interest at 3.2% through November, 2016. The note is secured by the vehicle.

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>
2017	<u>\$ 4,075</u>	<u>\$ 33</u>

f. Equipment Loan Payable

On November 30, 2015, the Town borrowed \$172,442 from a financing organization to purchase a dump truck and backhoe. The note payable requires yearly payments of \$36,636 which includes interest at 2.05% through November, 2020. The note is secured by the equipment. The loan will be repaid by the general and enterprise funds equally.

Annual debt service requirements to maturity for long-term obligations for each fund are as follows:

Year Ending June 30	General Fund		Enterprise Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 16,552	\$ 1,766	\$ 16,552	\$ 1,766	\$ 33,104	\$ 3,532
2018	16,891	1,427	16,891	1,427	33,782	2,854
2019	17,237	1,081	17,237	1,081	34,474	2,162
2020	17,590	727	17,590	727	35,180	1,454
2021	17,951	367	17,951	367	35,902	734
	\$ 86,221	\$ 5,368	\$ 86,221	\$ 5,368	\$ 172,442	\$ 10,736

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

f. Changes in Long-Term Liabilities

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

	Beginning		Ending		Current Portion
	Balance	Increases	Decreases	Balance	of Balance
Governmental activities:					
Promissory note	\$ 193,034	\$ -	\$ 34,121	\$ 158,913	\$ -
Note payable	13,636	-	9,561	4,075	4,075
Equipment loan payable	-	86,221	-	86,221	16,552
Compensated absences	59,131	-	7,891	51,240	51,240
Net pension liability (LGERS)	-	39,408	-	39,408	-
Governmental activity long-term liabilities	<u>\$ 265,801</u>	<u>\$ 125,629</u>	<u>\$ 51,573</u>	<u>\$ 339,857</u>	<u>\$ 71,867</u>
Business-type activities:					
Loan agreement	\$ 244,928	\$ -	\$ 27,214	\$ 217,714	\$ 27,214
General obligation bonds	161,000	-	11,000	150,000	12,000
Non-General obligation	113,363	-	56,682	56,681	56,681
Equipment loan payable	-	86,221	-	86,221	16,552
Compensated absences	32,898	-	2,039	30,859	30,859
Net pension liability (LGERS)	-	15,031	-	15,031	-
Business-type activity long-term liabilities	<u>\$ 552,189</u>	<u>\$ 101,252</u>	<u>\$ 96,935</u>	<u>\$ 556,506</u>	<u>\$ 143,306</u>

The LGERS plan had a net pension liability as of June 30, 2016; however, the plan had a net pension asset at the beginning of the fiscal year.

At June 30, 2016, the Town had a legal debt margin of \$11,102,483.

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

g. Pilot Mountain ABC Board – Long-Term Debt

The ABC Board has long-term debt consisting of the following at June 30, 2016:

Note payable to a bank that requires monthly payments of \$759, including interest at 3.98% through February, 2020. The note is secured by certain equipment.

\$ 31,010

Note payable to a bank that requires monthly payments of \$2,122 including interest at the bank's prime rate plus 1%, with a minimum of 4.25%. The monthly payment amount could adjust annually in August of each year if prime does increase. Prime would have to increase above 4.25% to see a change in monthly payment. This monthly payment will continue until maturity of the loan in August, 2018, when all remaining principal and interest will be due. The note is guaranteed by the Town of Pilot Mountain.

30,259

61,269

Less current portion

(32,672)

\$ 28,597

Maturities of long-term debt are as follows:

Year Ending June 30,	
2017	\$ 32,672
2018	13,941
2019	8,677
2020	<u>5,979</u>
	<u><u>\$ 61,269</u></u>

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2016, consist of the following:

Due from Water and Sewer Fund to General Fund for cash advances	<u><u>\$ -</u></u>
--	--------------------

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

Transfers to other funds at June 30, 2016 consist of the following:

Transfers from General Fund:	
To Water Sewer fund	\$29,106
To Pilot Center Phase II Capital Project	<u>1,636</u>
	<u><u>\$30,742</u></u>
Transfers from Water Sewer fund	
To NCREDC Municipal Wastewater Collection System	\$29,106
To Water Meter capital project fund	<u>12,235</u>
	<u><u>\$41,341</u></u>

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 2,128,901	\$ 6,195,051
Less: long-term debt	<u>249,209</u>	<u>510,616</u>
Net investment in capital assets	<u><u>\$ 1,879,692</u></u>	<u><u>\$ 5,684,435</u></u>

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

E. Fund Balance

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

Total fund balance - General Fund	\$ 884,906
Less:	
Stabilization by State Statute	149,920
Streets - Powell Bill	137,069
Remaining Fund Balance	597,917

IV. Jointly Governed Organizations

The Town, in conjunction with twelve counties and sixty other municipalities established the Piedmont Triad Regional 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 \$749 to the Council during the fiscal year ended June 30, 2016.

V. Related Party Transactions

The ABC Board purchases bookkeeping services from an accounting firm owned by the spouse of the previous Mayor of the Town of Pilot Mountain. The same individual also serves as the finance officer for the Board. The Mayor and the other Town Commissioners appoint the ABC Board members. \$2,690 in fees were expensed by the ABC Board related to these services for the year ended June 30, 2016.

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Town of Pilot Mountain, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

VII. Grant Repayment Receivable and Payable

In prior years, the Town served as a conduit for a flow through grant to a third party.

In the current year, the Town was advised that the third party failed its baseline employment goal and therefore is required to repay \$337,172 over 4 years to the grantor. \$84,293 of this amount was repaid by the third party to the Town and the Town remitted same to the grantor leaving \$252,879 outstanding at June 30, 2016. The outstanding balance is reflected in the financial statements in accordance with the repayment document which requires payments of \$84,293 at December 1, 2016, June 1, 2017 and December 2017. The payments made in the current year are reflected as a receipt and as a disbursement in the amount of \$84,293.

Subsequent to year end, negotiations have been initiated to create a Promissory Note and Deed of Trust on the third party property in the amount of \$252,879 to collateralize the balance of the obligation in lieu of making periodic payments in December 2016, June 2017 and December 2017. The Town and the Department of Commerce will be co-beneficiaries of both the Promissory Note and the Deed of Trust. The property is to be marketed, and when it is sold, the Note will be paid off with the NC Department of Commerce receiving the funds and the Town therefore would be released from its repayment obligation to the NC Department of Commerce. The Note would have an outside due date of September 30, 2017.

The above described negotiations have not yet been consummated and accordingly the possibility exist that there may be changes thereto or even may be expenditures or losses involved. Even so, in the opinion of the Town's management these negotiations will occur as described and the ultimate effect of these matters will not have a material effect on the Town's net position.

Accordingly, it is reasonably expected that the repayment terms of the outstanding receivable and payable as presently in the financial statements may change.

VIII. Subsequent Events

Subsequent events have been evaluated through November 15, 2016, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

Local Governmental Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Pilot Mountain's proportion of the net pension liability (asset) (%)	0.01213%	0.01217%	0.01180%
Pilot Mountain's proportion of the net pension liability (asset) (\$)	\$ 54,439	\$ (71,772)	\$ 142,235
Pilot Mountain's covered-employee payroll	\$ 722,998	\$ 732,684	\$ 716,954
Pilot Mountain's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.53%	(9.80%)	19.84%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

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

Town of Pilot Mountain, North Carolina
Town of Pilot Mountain's Contributions
Required Supplementary Information
Last Three Fiscal Years

Local Governmental Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 43,857	\$ 52,139	\$ 52,433
Contributions in relation to the contractually required contribution	43,857	52,139	52,433
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pilot Mountain's covered-employee payroll	\$ 631,972	\$ 722,998	\$ 732,684
Contributions as a percentage of covered- employee payroll	6.94%	7.21%	7.16%

Individual Fund Schedules

Town of Pilot Mountain, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 815,924	\$
Interest		6,979	
Total	<u>802,200</u>	<u>822,903</u>	<u>20,703</u>
Unrestricted intergovernmental:			
Local option sales taxes		410,124	
Controlled substance tax		1,917	
Utilities sales tax		126,215	
Beer and wine tax		6,625	
Court fees and charges		230	
Total	<u>438,200</u>	<u>545,111</u>	<u>106,911</u>
Restricted intergovernmental:			
Powell Bill allocation		45,507	
ABC revenue for law enforcement		1,448	
Solid waste disposal tax		956	
Grant income		14,297	
Total	<u>46,600</u>	<u>62,208</u>	<u>15,608</u>
Permits and fees:			
Inspection and zoning	<u>4,500</u>	<u>2,205</u>	<u>(2,295)</u>
Investment earnings	<u>750</u>	<u>672</u>	<u>(78)</u>
Miscellaneous:			
Cemetery income		9,250	
Rental income		4,675	
Sanitation fees		54,609	
Grant repayment		84,293	
Miscellaneous		60,959	
Total	<u>327,968</u>	<u>213,786</u>	<u>(114,182)</u>
 Total revenues	 <u>1,620,218</u>	 <u>1,646,885</u>	 <u>26,667</u>

cont.

Town of Pilot Mountain, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		5,525	
Grant repayment		84,293	
Other operating expenditures		11,656	
Total	<u>108,943</u>	<u>101,474</u>	<u>7,469</u>
Administration:			
Salaries and employee benefits		163,371	
Professional services		44,799	
Supplies		11,508	
Travel and training		6,892	
Postage		531	
Utilities		10,459	
Maintenance and repairs		7,332	
Advertising		968	
Contracted services		37,371	
Insurance and bonds		8,265	
Dues and subscriptions		1,902	
Miscellaneous		(781)	
Total	<u>313,650</u>	<u>292,617</u>	<u>21,033</u>
Total general government	<u>422,593</u>	<u>394,091</u>	<u>28,502</u>
Public safety:			
Police department:			
Salaries and employee benefits		501,590	
Supplies		31,854	
Uniforms		5,929	
Automotive supplies		12,268	
Travel and training		2,328	
Telephone and postage		5,541	
Utilities		4,599	
Maintenance and repairs		15,280	
Contracted services		900	
Insurance and bonds		10,295	
Dues and subscription		853	
Miscellaneous		1,005	
Total	<u>614,775</u>	<u>592,442</u>	<u>22,333</u>
Rescue squad:			
Contributions		9,000	
Total	<u>9,000</u>	<u>9,000</u>	<u>-</u>
Total public safety	<u>623,775</u>	<u>601,442</u>	<u>22,333</u>

cont.

**Town of Pilot Mountain, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Transportation:			
Public works:			
Salaries and employee benefits		37,818	
Supplies		4,125	
Training and travel		250	
Utilities		40,380	
Maintenance and repairs		22,119	
Contracted services		23,535	
Insurance		6,852	
Rents		1,648	
Miscellaneous		356	
Capital outlay		43,118	
Total	<u>150,663</u>	<u>180,201</u>	<u>(29,538)</u>
Powell Bill:			
Street maintenance and repairs		12,291	
Total	<u>86,779</u>	<u>12,291</u>	<u>74,488</u>
Total transportation	<u>237,442</u>	<u>192,492</u>	<u>44,950</u>
Pilot Center:			
Utilities		15,902	
Maintenance and repairs		1,457	
Contracted services		425	
Total Pilot Center	<u>23,050</u>	<u>17,784</u>	<u>5,266</u>
Economic development			
Contracted services		10,006	
Miscellaneous		4,626	
Total economic development	<u>20,270</u>	<u>14,632</u>	<u>5,638</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		63,842	
Supplies		1,534	
Utilities		1,970	
Maintenance and repairs		8,853	
Telephone		1,989	
Contracted services		80,905	
Miscellaneous		10,116	
Capital outlay		43,118	
Total	<u>226,025</u>	<u>212,327</u>	<u>13,698</u>
Cemetery:			
Maintenance and repairs		13,255	
Total	<u>11,000</u>	<u>13,255</u>	<u>(2,255)</u>
Total environmental protection	<u>237,025</u>	<u>225,582</u>	<u>11,443</u>

cont.

Town of Pilot Mountain, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Cultural and recreation:			
Library:			
Contributions		34,000	
Maintenance and repairs		4,011	
Total cultural and recreation	<u>71,109</u>	<u>38,011</u>	<u>33,098</u>
Debt service:			
Principal		9,561	
Interest and other charges		302	
Total debt service	<u>32,462</u>	<u>9,863</u>	<u>22,599</u>
Contingency	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total expenditures	<u>1,677,726</u>	<u>1,493,897</u>	<u>183,829</u>
Revenues over (under) expenditures	<u>(57,508)</u>	<u>152,988</u>	<u>210,496</u>
Other financing sources (uses):			
Transfers to other funds	(30,742)	(30,742)	-
Loan proceeds - equipment loan	86,250	86,221	(29)
Sale of capital assets	2,000	5,253	3,253
Total other financing sources (uses)	<u>57,508</u>	<u>60,732</u>	<u>3,224</u>
Fund balance appropriated	-	-	-
Net change in fund balance	<u>\$ -</u>	213,720	<u>\$ 213,720</u>
Fund balances, beginning		<u>671,186</u>	
Fund balances, ending		<u>\$ 884,906</u>	

Town of Pilot Mountain, North Carolina
Capital Projects Fund - Pilot Center Phase II
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Restricted intergovernmental:					
Federal and State grants	\$ 426,600	\$ 410,000	\$ -	\$ 410,000	\$ (16,600)
Other grants	260,000	45,161	-	45,161	(214,839)
Total revenues	<u>686,600</u>	<u>455,161</u>	<u>-</u>	<u>455,161</u>	<u>(231,439)</u>
Expenditures:					
Capital outlay	686,600	456,441	-	456,441	230,159
Non-capital expenditures	-	356	-	356	(356)
Total expenditures	<u>686,600</u>	<u>456,797</u>	<u>-</u>	<u>456,797</u>	<u>229,803</u>
Revenues over (under) expenditures	<u>-</u>	<u>(1,636)</u>	<u>-</u>	<u>(1,636)</u>	<u>(1,636)</u>
Other financing sources (uses)					
Transfers from other funds:					
General Fund	-	-	1,636	1,636	1,636
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,636</u>	<u>1,636</u>	<u>1,636</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,636)</u>	1,636	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			(1,636)		
Fund balance, ending			<u>\$ -</u>		

**Town of Pilot Mountain, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales	\$ 470,000	\$ 468,070	\$ (1,930)
Sewer charges	352,000	339,224	(12,776)
Water and sewer taps	3,000	3,990	990
Other operating revenues	22,800	40,937	18,137
Total operating revenues	<u>847,800</u>	<u>852,221</u>	<u>4,421</u>
Total revenues	<u>847,800</u>	<u>852,221</u>	<u>4,421</u>
Expenditures:			
Water department:			
Salaries and employee benefits		187,629	
Uniforms		761	
Professional services		6,056	
Utilities		46,356	
Maintenance & repairs		30,220	
Chemicals		17,855	
Supplies		14,090	
Contracted services		32,995	
Insurance and bonds		6,633	
Miscellaneous		9,514	
Total water department	<u>371,402</u>	<u>352,109</u>	<u>19,293</u>
Sewer department:			
Salaries		103,373	
Professional services		7,827	
Utilities		57,565	
Maintenance & repairs		62,126	
Chemicals		6,726	
Supplies		12,307	
Contracted services		61,287	
Insurance and bonds		6,633	
Miscellaneous		9,728	
Total sewer department	<u>331,945</u>	<u>327,572</u>	<u>4,373</u>

(continued)

**Town of Pilot Mountain, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Interest and other charges		19,055	
Principal retirement		94,896	
Total debt service	116,340	113,951	2,389
Capital outlay:			
Capital outlay		110,748	
Total capital outlay	31,198	110,748	(79,550)
Contingency	3,000	-	3,000
Total expenditures	853,885	904,380	(50,495)
Revenues over (under) expenditures	(6,085)	(52,159)	(46,074)
Other financing sources (uses):			
Transfers from other funds	-	29,106	29,106
Issuance of debt	-	86,221	86,221
Transfers to other funds	-	(41,341)	(41,341)
Total other financing sources (uses)	-	73,986	73,986
Fund balance appropriated	6,085	-	(6,085)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 21,827	\$ 21,827

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

Reconciling items:	
Principal retirement	94,896
Issuance of debt	(86,221)
Capital outlay	110,748
Decrease in accrued interest payable	478
Decrease in accrued vacation pay	2,039
Decrease in deferred outflows of resources - pensions	(640)
Depreciation	(298,252)
Decrease in net pension asset	(19,817)
Decrease in deferred outflows of resources - pensions	38,531
Increase in net pension liability	(15,031)
Transfer to wastewater capital project	29,106
Transfer to water meter capital project	12,235
Capital contributions	138,180
Total reconciling items	6,252
Change in net position	\$ 28,079

Town of Pilot Mountain, North Carolina
Capital Projects Fund - NCREDC Municipal Wastewater Collection System
"As-Built" Survey and Mapping for GIS Database
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Restricted intergovernmental:					
State grants	\$ 40,000	\$ 26,481	\$ 13,180	\$ 39,661	\$ (339)
Total revenues	<u>40,000</u>	<u>26,481</u>	<u>13,180</u>	<u>39,661</u>	<u>(339)</u>
Expenditures:					
Capital outlay	69,106	55,587	13,180	68,767	339
Total expenditures	<u>69,106</u>	<u>55,587</u>	<u>13,180</u>	<u>68,767</u>	<u>339</u>
Excess of revenues over (under) expenditures	<u>(29,106)</u>	<u>(29,106)</u>	-	<u>(29,106)</u>	-
Other financing sources (uses)					
Transfers from other funds:					
Water and Sewer Fund	29,106	-	29,106	29,106	-
Total other financing sources (uses)	<u>29,106</u>	<u>-</u>	<u>29,106</u>	<u>29,106</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (29,106)</u>	29,106	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>(29,106)</u>		
Fund balance, ending			<u>\$ -</u>		

Town of Pilot Mountain, North Carolina
Capital Projects Fund - Water Meter
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Surry County grant	\$ 125,000	\$ -	\$ 125,000	\$ 125,000	\$ -
Total revenues	<u>125,000</u>	<u>-</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Expenditures:					
Capital outlay	137,235	-	23,048	23,048	114,187
Total expenditures	<u>137,235</u>	<u>-</u>	<u>23,048</u>	<u>23,048</u>	<u>114,187</u>
Excess of revenues over (under) expenditures	<u>(12,235)</u>	<u>-</u>	<u>101,952</u>	<u>101,952</u>	<u>114,187</u>
Other financing sources (uses)					
Transfers from other funds:					
Water and Sewer Fund	12,235	-	12,235	12,235	-
Total other financing sources (uses)	<u>12,235</u>	<u>-</u>	<u>12,235</u>	<u>12,235</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	114,187	<u>\$ 114,187</u>	<u>\$ 114,187</u>
Fund balance , beginning			-		
Fund balance , ending			<u>\$ 114,187</u>		

Town of Pilot Mountain, North Carolina
Combining Statement of Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

	Mount Pilot Now Agency Fund	Pilot Mountain Area Business Association Committee Agency Fund	Total
Assets			
Cash and cash equivalents	\$ 21,299	\$ 2,186	\$ 23,485
Total assets	<u>\$ 21,299</u>	<u>\$ 2,186</u>	<u>\$ 23,485</u>
Liabilities			
Intergovernmental payable	\$ 21,299	\$ 2,186	\$ 23,485
Total liabilities	<u>\$ 21,299</u>	<u>\$ 2,186</u>	<u>\$ 23,485</u>

Town of Pilot Mountain, North Carolina
Mount Pilot Now Agency Fund
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets:				
Cash and cash equivalents	<u>\$ 22,050</u>	<u>\$ 47,497</u>	<u>\$ 48,248</u>	<u>\$ 21,299</u>
Liabilities:				
Intergovernmental payable	<u>\$ 22,050</u>	<u>\$ 47,497</u>	<u>\$ 48,248</u>	<u>\$ 21,299</u>

Town of Pilot Mountain, North Carolina
Pilot Mountain Area Business Association Committee Agency Fund
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets:				
Cash and cash equivalents	<u>\$ 2,689</u>	<u>\$ 663</u>	<u>\$ 1,166</u>	<u>\$ 2,186</u>
Liabilities:				
Intergovernmental payable	<u>\$ 2,689</u>	<u>\$ 663</u>	<u>\$ 1,166</u>	<u>\$ 2,186</u>

Town of Pilot Mountain, North Carolina
Pilot Mountain Tourism Development Authority
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues	\$ 28,380	\$ 29,120	\$ 740
Expenditures:			
Economic development	28,380	19,688	8,692
Revenues over (under) expenditures	\$ -	\$ 9,432	\$ 9,432

Other Schedules

Town of Pilot Mountain, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2016

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2015</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$ -	\$ 829,075	\$ 820,043	\$ 9,032
2014-2015	11,141	-	7,482	3,659
2013-2014	5,794	-	2,204	3,590
2012-2013	3,766	-	1,565	2,201
2011-2012	4,023	-	1,297	2,726
2010-2011	4,906	-	949	3,957
2009-2010	2,599	-	302	2,297
2008-2009	3,841	-	516	3,325
2007-2008	2,545	-	318	2,227
2006-2007	5,402	-	4	5,398
2005-2006	5,254	-	5,254	-
	<u>\$ 49,271</u>	<u>\$ 829,075</u>	<u>\$ 839,934</u>	<u>\$ 38,412</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>14,460</u>
Ad valorem taxes receivable - net				<u>\$ 23,952</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 822,903
Reconciling items:				
Interest collected				(6,979)
Discounts allowed				18,756
Taxes written off				5,254
Subtotal				<u>17,031</u>
Total collections and credits				<u>\$ 839,934</u>

Town of Pilot Mountain, 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	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 142,130,345	0.58	\$ 824,356	\$ 761,339	\$ 63,017
Penalties	-		157	157	-
Total	<u>142,130,345</u>		<u>824,513</u>	<u>761,496</u>	<u>63,017</u>
Discoveries:					
Current and prior years	1,653,393	0.56	9,259	9,257	2
Total	<u>1,653,393</u>		<u>9,259</u>	<u>9,257</u>	<u>2</u>
Releases	(809,828)		(4,697)	(4,688)	(9)
Total property valuation	<u>\$ 142,973,910</u>				
Net levy			829,075	766,065	63,010
Unpaid (by taxpayer) taxes at June 30, 2016			<u>(9,032)</u>	<u>(9,032)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 820,043</u>	<u>\$ 757,033</u>	<u>\$ 63,010</u>
Current levy collection percentage			<u>98.91%</u>	<u>98.82%</u>	<u>100.00%</u>