

Town of Siler City, North Carolina

Financial Statements

Year Ended June 30, 2017



Town of Siler City, North Carolina

List of Principal Officials

Governing Board

John Grimes, Mayor
Larry Cheek, Mayor Pro Tem
Michael Constantino
Tony Siler
Bill Haiges
Cindy Bray
Thomas K. Price, III
Lewis Fadely

Town Officials

Bryan Thompson, Town Manager
Roy Lynch, Finance Officer

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Independent Auditors' Report

To the Honorable Mayor and
Town Commissioners
Siler City, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Siler City ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Siler City ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Siler City ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 financial statement presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As discussed in Note 7 to the financial statements, during 2017 the Town of Siler City implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are not within the Scope of GASB 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*, which resulted in a cumulative effect adjustment to net position as of the beginning of the year. Our opinion is not modified with respect to this matter.

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 11, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in the Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 50, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on page 51 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town. The combining and individual fund statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**High Point, North Carolina
December 15, 2017**

Management's Discussion and Analysis

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

Financial Highlights

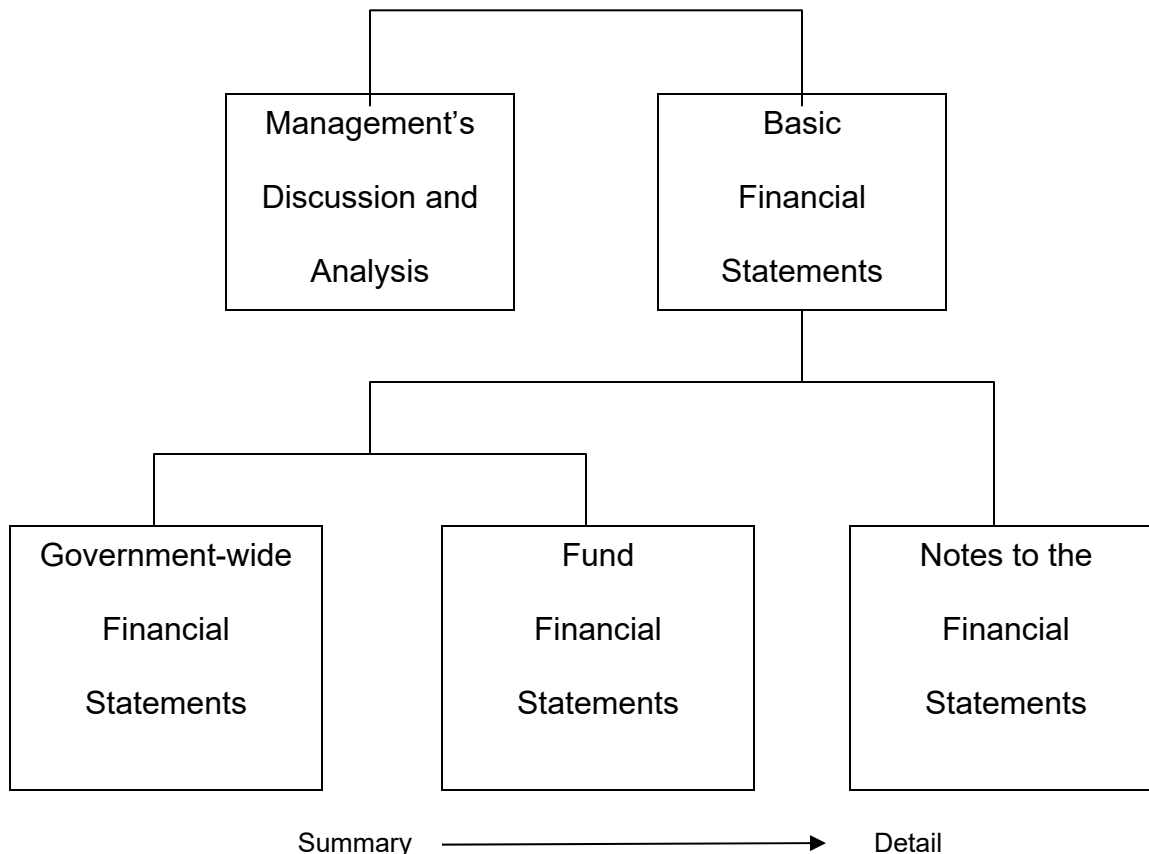
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$30,802,750 (*net position*).
- The government's total net position increased by \$1,776,162 which was the overall outcome as a result of the governmental activities' change in net position of \$1,088,018 plus the business-type activities' change in net position of \$688,144. Unrestricted intergovernmental revenues continue to grow with an increase of \$214,655 over the prior year. Property tax revenue reflected an increase of \$28,027. In the proprietary funds, charges for services exceeded total expenditures by \$681,475.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,637,486, an increase of \$838,943 in comparison with the prior year. Approximately 56.7 percent of the total fund balance, or \$2,628,320 is available for spending at the government's discretion (*unassigned fund balance*).
- The unassigned fund balance for the General Fund, \$2,628,320 represents 45.4 percent of total general fund expenditures for the fiscal year.
- The Town's total long-term liabilities decreased by \$138,128 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town'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.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Town of Siler City, North Carolina Management's Discussion and Analysis

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 the total of 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, parks and recreation, and general administration. Property taxes and State and federal revenues finance most of these activities. The business-type activities are those that the Town charges customers a fee to provide. These include the water and sewer and license plate agency services offered by the Town. The final category is the component unit. Although legally separate from the Town, the Siler City ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

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

Fund Financial Statements

The fund financial statements (Exhibit 3 through Exhibit 8) 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, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental 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 adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference/variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Town of Siler City, North Carolina
Management's Discussion and Analysis**

Proprietary Funds - The Town only has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer activities and license plate agency. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 24 through 49 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 48 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.

Government-Wide Financial Analysis

**Town of Siler City's Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 4,863,846	\$ 4,252,855	\$ 3,440,567	\$ 2,843,654	\$ 8,304,413	\$ 7,096,509
Capital assets	10,293,449	9,920,800	25,495,889	26,143,583	35,789,338	36,064,383
Deferred outflows of resources	<u>606,572</u>	<u>130,720</u>	<u>279,325</u>	<u>59,532</u>	<u>885,897</u>	<u>190,252</u>
Total assets and deferred outflows of resources	<u>15,763,867</u>	<u>14,304,375</u>	<u>29,215,781</u>	<u>29,046,769</u>	<u>44,979,648</u>	<u>43,351,144</u>
Long-term liabilities outstanding	1,987,263	1,524,779	10,751,151	11,642,309	12,314,088	13,167,088
Other liabilities	442,840	518,138	939,996	545,913	1,807,162	1,064,051
Deferred inflows of resources	<u>41,790</u>	<u>98,022</u>	<u>13,858</u>	<u>35,915</u>	<u>55,648</u>	<u>133,937</u>
Total liabilities and deferred inflows of resources	<u>2,471,893</u>	<u>2,140,939</u>	<u>11,705,005</u>	<u>12,224,137</u>	<u>14,176,898</u>	<u>14,365,076</u>
Net position:						
Net investment in capital assets	9,816,119	9,462,916	14,760,756	14,682,811	24,576,875	24,145,727
Restricted	1,525,826	1,718,874	-	-	1,525,826	1,718,874
Unrestricted	<u>1,950,029</u>	<u>981,646</u>	<u>2,750,020</u>	<u>2,139,821</u>	<u>4,700,049</u>	<u>3,121,467</u>
Total net position, previously reported	13,291,974	12,163,436	17,510,776	16,822,632	30,802,750	28,986,068
Cumulative effect adjustment	<u>-</u>	<u>40,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,520</u>
Total net position, ending	<u>\$ 13,291,974</u>	<u>\$ 12,203,956</u>	<u>\$ 17,510,776</u>	<u>\$ 16,822,632</u>	<u>\$ 30,802,750</u>	<u>\$ 29,026,588</u>

**Town of Siler City, North Carolina
Management's Discussion and Analysis**

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 exceeded liabilities and deferred inflows of resources by \$30,802,750 as of June 30, 2017. The Town's net position increased by \$1,776,162 for the fiscal year ended June 30, 2017. The largest portion (79.8%) reflects the Town's investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$1,525,826, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,700,049 is unrestricted.

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

Ongoing debt service obligations in both major funds of the Town negatively affect the total unrestricted government net position. However, several particular aspects of the Town's financial operations positively affected the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes for the year ending June 30, 2017.
- Conservative spending practices while providing the same level of service.

**Town of Siler City's Changes in Net Position
Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 781,152	\$ 817,218	\$ 5,358,191	\$ 4,745,826	\$ 6,139,343	\$ 5,563,044
Operating grants and contributions	617,102	613,716	-	-	617,102	613,716
Capital grants and contributions	417,893	3,532,272	-	-	417,893	3,532,272
General revenues:						
Property taxes	2,096,945	2,068,918	-	-	2,096,945	2,068,918
Other taxes	49,017	27,818	-	-	49,017	27,818
Unrestricted						
Intergovernmental	2,708,509	2,493,854	-	-	2,708,509	2,493,854
Other	187,671	39,284	6,669	3,675	194,340	42,959
Total revenues	6,858,289	9,593,080	5,364,860	4,749,501	12,223,149	14,342,581
Expenses:						
General government	801,844	693,710	-	-	801,844	693,710
Public safety	2,647,906	2,333,892	-	-	2,647,906	2,333,892
Transportation	1,013,095	1,086,262	-	-	1,013,095	1,086,262
Environmental protection	629,845	557,931	-	-	629,845	557,931
Economic development	177,700	145,677	-	-	177,700	145,677
Cultural and recreational	487,562	465,194	-	-	487,562	465,194
Interest on long-term debt	12,319	10,868	-	-	12,319	10,868
Water and sewer	-	-	4,552,607	4,531,578	4,552,607	4,531,578
License plate agency	-	-	124,109	113,308	124,109	113,308
Total expenses	5,757,676	5,293,534	4,676,716	4,644,866	10,446,987	9,938,420

**Town of Siler City, North Carolina
Management's Discussion and Analysis**

**Town of Siler City's Changes in Net Position
Figure 3 (Continued)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Increase in net position before transfers	\$ 1,088,018	\$ 4,299,546	\$ 688,144	\$ 104,615	\$ 1,776,162	\$ 4,404,161
Transfers	-	-	-	-	-	-
Increase in net position	1,088,018	4,299,546	688,144	104,615	1,776,162	4,404,161
Net position, beginning	<u>12,203,956</u>	<u>7,863,890</u>	<u>16,822,632</u>	<u>16,718,017</u>	<u>28,986,068</u>	<u>24,581,907</u>
Net position, end of year, previously reported	13,291,974	12,163,436	17,510,776	16,822,632	30,802,750	28,986,068
Cumulative effect adjustment	-	40,520	-	-	-	40,520
Net position, end of year, adjusted	<u>\$ 13,291,974</u>	<u>\$ 12,203,956</u>	<u>\$ 17,510,776</u>	<u>\$ 16,822,632</u>	<u>\$ 30,802,750</u>	<u>\$ 28,986,068</u>

Governmental activities. Governmental activities increased the Town's net position by \$1,088,018. The business-type activities showed an increase of \$688,144. The increase in governmental activities net position compared to the prior year in both types of Activities was due to managements' decision to contain costs.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town'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's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,628,320 while total fund balance was \$4,148,580. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 45.1% of total General Fund expenditures.

At June 30, 2017, the governmental funds of the Town reported a combined fund balance of \$4,637,486, a 22.1% increase over last year.

General Fund Budgetary Highlights. During the fiscal year, the Town made revisions 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.

The Town increased final budgeted revenues from the original budget by \$218,800 and expenditures from the original budget by \$384,875. However, fund balance appropriated was increased to \$498,211 to account for expected transfers by the General Fund for various capital projects.

**Town of Siler City, North Carolina
Management's Discussion and Analysis**

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the combined Water and Sewer and License Plate Agency Fund at the end of the fiscal year amounted to \$2,750,020. There was a total increase in net position for the combined funds of \$688,144. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$35,789,338 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the continued improvements to Siler City Municipal Airport and other facilities, general equipment and other improvements in all funds.

**Town of Siler City's Capital Assets
Figure 4
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 779,838	\$ 779,838	\$ 5,158,393	\$ 5,158,393	\$ 5,938,231	\$ 5,938,231
Construction in process	5,181,483	4,675,588	-	-	5,181,483	4,675,588
Buildings and systems Improvements other than buildings	993,911	1,117,043	2,241,853	2,434,125	3,235,764	3,551,168
Machinery and equipment	1,174,281	1,319,830	17,284,884	18,006,108	18,459,165	19,325,938
Infrastructure	728,917	582,641	810,759	544,957	1,539,676	1,127,598
Vehicles and motorized equipment	340,451	382,649	-	-	340,451	382,649
	<u>1,094,568</u>	<u>1,063,211</u>	<u>-</u>	<u>-</u>	<u>1,094,568</u>	<u>1,063,211</u>
Total	<u>\$ 10,293,449</u>	<u>\$ 9,920,800</u>	<u>\$ 25,495,889</u>	<u>\$ 26,143,583</u>	<u>\$ 35,789,338</u>	<u>\$ 36,064,383</u>

Additional information on the Town's capital assets can be found in Note 3.A.4 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2017, the Town had total outstanding debt, exclusive of compensated absences, other post-employment benefits and separation allowance of \$11,212,463. Of this debt, \$10,625,655 is backed by the full faith and credit of the Town. The remainder of the Town's debt represents installment purchase obligations and capital leases secured by property.

**Town of Siler City's Outstanding Debt
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Notes	\$ -	\$ -	\$ 10,625,655	\$ 11,426,000	\$ 10,625,655	\$ 11,426,000
Capitalized leases	308,789	173,363	109,478	34,772	418,267	208,135
Installment purchases	<u>168,541</u>	<u>284,521</u>	<u>-</u>	<u>-</u>	<u>168,541</u>	<u>284,521</u>
Total	<u>\$ 477,330</u>	<u>\$ 457,884</u>	<u>\$ 10,735,133</u>	<u>\$ 11,460,772</u>	<u>\$ 11,212,463</u>	<u>\$ 11,918,656</u>

The Town's total debt decreased by \$706,193 (5.9%) during the past fiscal year primarily due to payoff of the Police Station loan and two loan payments for the reservoir expansion project. The Town's total debt payments for the year were \$1,082,950.

Town of Siler City, North Carolina Management's Discussion and Analysis

North Carolina's 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 is \$31,978,311. The Town has no bonds authorized and issued at June 30, 2017.

Additional information regarding the Town's long-term debt can be found in Note 3.B.4 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The budget for fiscal year 2017/2018 reflects modest growth in an environment of continued economic challenges within the local economy. The budget offers critical analysis to ensure expenditures are maintained as low as practical without compromising continuity and quality of the services provided by the Town and the level of safety by which these services are offered.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Government Activities: Property tax rates were increased to \$.51 per \$100 of valuation with the adoption of the fiscal year 2017/2018 Budget Ordinance based on a revenue neutral tax revaluation. Ad valorem tax revenues are anticipated to account for 31.3 percent of General Fund revenues. Other major revenue streams for the Town's General Fund include local option sales tax and other shared revenues. These revenues are projected to bring in \$2,525,200 or 41.5 percent of total General Fund revenues. Budgeting practices by the Mayor and the Town Board have afforded the Town an opportunity to fund its needs while only approving a revenue neutral adjustment for FY2018.

Business-type Activities: The operating revenues in the Enterprise Fund are generated primarily through the Town's sale of water and sewer utilities. Revenues are projected to be \$4,911,524 for the fiscal year 2017/2018 budget. This represents a decrease of \$468,476 or 8.7 percent from the previous year due to the County discontinuing to purchase water from the Town effective January 2018. Water and sewer fees represent 97.6 percent of the revenues in the Enterprise Fund. The rates for water and sewer were maintained in this budget year. Water and sewer usage projections are anticipated to generate the needed revenue within this Fund to reduce reliance on Fund Balance for debt service obligations, capital investments, and operation and maintenance expenses while providing the same level of service.

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 Bryan Thompson, Town Manager, Town of Siler City, P. O. Box 769, Siler City, North Carolina 27344, 919-742-4731, Email: bthompson@silercity.org. The Town of Siler City ABC Board issues separate financial statements. Requests for additional information should be directed to Nancy Gooch, Store Manager, Town of Siler City ABC Board, 1404 East 11th Street, Siler City, NC 27344.

Town of Siler City, North Carolina
Statement of Net Position
June 30, 2017

Exhibit 1
(2 pages)

	Primary Government			Town of Siler City ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and investments	\$ 3,415,901	\$ 2,313,369	\$ 5,729,270	\$ 213,380
Taxes receivable (net)	43,859	-	43,859	-
Accrued interest receivable on taxes	-	-	-	-
Accounts receivable	161,957	844,560	1,006,517	-
Due from other governments	752,915	-	752,915	-
Due from component unit	13,193	-	13,193	-
Internal balances	(534)	534	-	-
Inventories	4,429	-	4,429	123,883
Prepaid expenses	-	-	-	3,039
Restricted cash and investments	472,126	282,104	754,230	-
Total current assets	<u>4,863,846</u>	<u>3,440,567</u>	<u>8,304,413</u>	<u>340,302</u>
Non-current assets:				
Capital assets:				
Land and other non-depreciable assets	5,961,321	5,158,393	11,119,714	201,385
Other capital assets, net of depreciation	4,332,128	20,337,496	24,669,624	165,551
Total capital assets	<u>10,293,449</u>	<u>25,495,889</u>	<u>35,789,338</u>	<u>366,936</u>
Total noncurrent assets	<u>10,293,449</u>	<u>25,495,889</u>	<u>35,789,338</u>	<u>366,936</u>
Total assets	<u>15,157,295</u>	<u>28,936,456</u>	<u>44,093,751</u>	<u>707,238</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	606,572	279,325	885,897	25,745
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	181,158	76,286	257,444	45,913
Accrued interest payable	6,748	99,695	106,443	-
Due to primary government	-	-	-	13,193
Payable from restricted assets	-	282,104	282,104	-
Current portion of long-term liabilities	254,934	906,237	1,161,171	12,023
Total current liabilities	<u>442,840</u>	<u>1,364,322</u>	<u>1,807,162</u>	<u>71,129</u>
Noncurrent liabilities:				
Net pension liability	667,086	317,416	984,502	28,864
Total pension liability	678,839	-	678,839	-
Due in more than one year	641,338	10,009,409	10,650,747	23,620
Total liabilities	<u>2,430,103</u>	<u>11,691,147</u>	<u>14,121,250</u>	<u>123,613</u>

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

Town of Siler City, North Carolina
Statement of Net Position
June 30, 2017

Exhibit 1
(2 pages)

	Primary Government			Town of Siler City ABC Board
	Governmental Activities	Business-type Activities	Total	
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	\$ 40,394	\$ 13,858	\$ 54,252	\$ 1,011
Prepaid other	1,396	-	1,396	-
Total deferred inflows of resources	<u>41,790</u>	<u>13,858</u>	<u>55,648</u>	<u>1,011</u>
NET POSITION				
Net investment in capital assets	9,816,119	14,760,756	24,576,875	331,293
Restricted for:				
Stabilization by State Statute	1,053,700	-	1,053,700	-
Streets - Powell Bill	472,126	-	472,126	-
Other purposes	-	-	-	42,310
Unrestricted	<u>1,950,029</u>	<u>2,750,020</u>	<u>4,700,049</u>	<u>234,756</u>
Total net position	<u>\$ 13,291,974</u>	<u>\$ 17,510,776</u>	<u>\$ 30,802,750</u>	<u>\$ 608,359</u>

Town of Siler City, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Exhibit 2

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Town of Siler City ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Government activities:								
General government	\$ 801,844	\$ 51,168	\$ -	\$ -	\$ (750,676)	\$ -	\$ (750,676)	\$ -
Public safety	2,647,906	158,406	391,126	-	(2,098,374)	-	(2,098,374)	-
Transportation	1,013,095	442	225,976	362,760	(423,917)	-	(423,917)	-
Environmental protection	629,845	541,265	-	-	(88,580)	-	(88,580)	-
Economic and physical development	177,700	-	-	4,297	(173,403)	-	(173,403)	-
Cultural and recreational	487,562	29,871	-	50,836	(406,855)	-	(406,855)	-
Interest on long-term debt	12,319	-	-	-	(12,319)	-	(12,319)	-
Total governmental activities	<u>5,770,271</u>	<u>781,152</u>	<u>617,102</u>	<u>417,893</u>	<u>(3,954,124)</u>	<u>-</u>	<u>(3,954,124)</u>	<u>-</u>
Business-type activities:								
Water and Sewer	4,552,607	5,209,857	-	-	-	657,250	657,250	-
License plate agency	124,109	148,334	-	-	-	24,225	24,225	-
Total business-type activities	<u>4,676,716</u>	<u>5,358,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>681,475</u>	<u>681,475</u>	<u>-</u>
Total primary government	<u>\$ 10,446,987</u>	<u>\$ 6,139,343</u>	<u>\$ 617,102</u>	<u>\$ 417,893</u>	<u>(3,954,124)</u>	<u>681,475</u>	<u>(3,272,649)</u>	<u>-</u>
Component unit								
Town of Siler City ABC Board	<u>\$ 1,377,393</u>	<u>\$ 1,422,553</u>	<u>\$ -</u>	<u>\$ -</u>				<u>45,160</u>
General revenues:								
Taxes								
Property taxes, levied for general purpose					2,096,945	-	2,096,945	-
Other taxes					49,017	-	49,017	-
Unrestricted intergovernmental					2,708,509	-	2,708,509	-
Unrestricted investment earnings					26,868	6,669	33,537	-
Miscellaneous					160,803	-	160,803	-
Total general revenues					<u>5,042,142</u>	<u>6,669</u>	<u>5,048,811</u>	<u>-</u>
Change in net position					<u>1,088,018</u>	<u>688,144</u>	<u>1,776,162</u>	<u>45,160</u>
Net position, beginning, previously reported					12,163,436	16,822,632	28,986,068	563,199
Cumulative effect adjustment					<u>40,520</u>	<u>-</u>	<u>40,520</u>	<u>-</u>
Net position, beginning, adjusted					<u>12,203,956</u>	<u>16,822,632</u>	<u>29,026,588</u>	<u>563,199</u>
Net position, end of year					<u>\$ 13,291,974</u>	<u>\$ 17,510,776</u>	<u>\$ 30,802,750</u>	<u>\$ 608,359</u>

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

Town of Siler City, North Carolina
Balance Sheet - Governmental Funds
June 30, 2017

Exhibit 3
(2 pages)

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets			
Cash and investments	\$ 2,813,963	\$ 601,938	\$ 3,415,901
Restricted cash	472,126	-	472,126
Taxes receivable, net	43,859	-	43,859
Accounts receivable, net	63,389	-	63,389
Due from other governments	850,702	-	850,702
Due from component unit	13,193	-	13,193
Due from other funds	116,421	9,995	126,416
Inventories	4,429	-	4,429
	<u>4,378,082</u>	<u>611,933</u>	<u>4,990,015</u>
Total assets	<u>\$ 4,378,082</u>	<u>\$ 611,933</u>	<u>\$ 4,990,015</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 174,252	\$ 6,906	\$ 181,158
Due to other funds	9,995	116,121	126,116
	<u>184,247</u>	<u>123,027</u>	<u>307,274</u>
Total liabilities	<u>184,247</u>	<u>123,027</u>	<u>307,274</u>
Deferred Inflows of Resources			
Taxes receivable	43,859	-	43,859
Prepaid taxes	240	-	240
Prepaid other	1,156	-	1,156
	<u>45,255</u>	<u>-</u>	<u>45,255</u>
Total deferred inflows of resources	<u>45,255</u>	<u>-</u>	<u>45,255</u>
Fund Balances (Deficits)			
Nonspendable			
Inventories	4,429	-	4,429
Restricted			
Stabilization by State Statute	1,043,705	9,995	1,053,700
Streets - Powell Bill	472,126	-	472,126
Committed			
Capital projects	-	98,650	98,650
Assigned			
Economic and physical development	-	(39,396)	(39,396)
Transportation	-	(35,650)	(35,650)
Cultural and recreational	-	455,307	455,307
Unassigned	2,628,320	-	2,628,320
	<u>4,148,580</u>	<u>488,906</u>	<u>4,637,486</u>
Total fund balances	<u>4,148,580</u>	<u>488,906</u>	<u>4,637,486</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,378,082</u>	<u>\$ 611,933</u>	<u>\$ 4,990,015</u>

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

Town of Siler City, North Carolina
Balance Sheet - Governmental Funds
June 30, 2017

Exhibit 3
(2 pages)

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

Total Fund Balance, Governmental Funds		\$ 4,637,486
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Gross capital assets at historical cost	\$ 19,446,892	
Accumulated depreciation	<u>(9,153,443)</u>	10,293,449
Deferred outflows of resources related to pensions are not reported in the funds.		606,572
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		43,859
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds:		
Long-term debt		(896,325)
Net pension liability		(667,086)
Total pension liability		(678,839)
Other long-term liabilities (accrued interest) are not due and payable in the current period and, therefore, not reported in the funds.		(6,748)
Deferred inflows of resources related to pensions are not reported in the funds.		<u>(40,394)</u>
Net position of governmental activities		<u><u>\$ 13,291,974</u></u>

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

Exhibit 4
(2 pages)

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u> <u>Governmental</u> <u>Funds</u>
Revenues			
Ad valorem taxes	\$ 2,137,392	\$ -	\$ 2,137,392
Other taxes and licenses	18,959	-	18,959
Unrestricted intergovernmental revenues	2,708,509	-	2,708,509
Restricted intergovernmental revenues	649,002	417,893	1,066,895
Permits and fees	134,527	-	134,527
Sales and services	712,939	-	712,939
Investment earnings	26,828	91	26,919
Miscellaneous	42,708	-	42,708
	<u>6,430,864</u>	<u>417,984</u>	<u>6,848,848</u>
Total revenues			
Expenditures			
General government	736,735	-	736,735
Public safety	2,522,784	-	2,522,784
Transportation	1,025,616	416,468	1,442,084
Environmental protection	629,845	-	629,845
Economic and physical development	175,041	4,297	179,338
Cultural and recreational	434,051	85,459	519,510
Debt service:			
Principal retirement	248,770	-	248,770
Interest and fees	11,145	-	11,145
	<u>5,783,987</u>	<u>506,224</u>	<u>6,290,211</u>
Total expenditures			
Revenues over (under) expenditures	<u>646,877</u>	<u>(88,240)</u>	<u>558,637</u>
Other financing sources (uses)			
Net transfers from (to) other funds	(473,401)	473,401	-
Capital lease obligations issued	268,216	-	268,216
Insurance proceeds	12,090	-	12,090
	<u>(193,095)</u>	<u>473,401</u>	<u>280,306</u>
Total financing sources (uses)			
Net change in fund balance	453,782	385,161	838,943
Fund balance, beginning of year	<u>3,694,798</u>	<u>103,745</u>	<u>3,798,543</u>
Fund balance, end of year	<u>\$ 4,148,580</u>	<u>\$ 488,906</u>	<u>\$ 4,637,486</u>

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

Exhibit 4
(2 pages)

**Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities**

Net changes in fund balances - total governmental funds		\$ 838,943
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal:		
Capital outlay	861,348	
Depreciation	<u>(488,699)</u>	372,649
Cost of capital asset disposed of during the year, not recognized on the modified accrual basis:		
Proceeds on disposal under modified accrual basis	8,052	
Gain on sale recognized under full accrual basis	<u>(8,052)</u>	<u>-</u>
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		153,665
Benefit payments paid and administrative expense for the Law Enforcement Officers Separation Allowance are not included on the Statement of Activities.		19,495
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in unavailable revenue, property tax receivable		(14,636)
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 assets. This amount is the net affect of these differences in the treatment of long-term debt and related items:		
Capital lease obligations issued	(268,216)	
Principal payments on long-term debt	248,770	
Decrease in accrued interest payable	<u>(1,176)</u>	(20,622)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Compensated absences	7,714	
Pension expense	(222,881)	
Other postemployment benefits liability	<u>(46,309)</u>	<u>(261,476)</u>
Total change in net position of governmental activities		<u>\$ 1,088,018</u>

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

Exhibit 5

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 2,047,400	\$ 2,047,400	\$ 2,137,392	\$ 89,992
Other taxes and licenses	2,525	2,525	18,959	16,434
Unrestricted intergovernmental revenues	2,459,980	2,459,980	2,708,509	248,529
Restricted intergovernmental revenues	420,325	671,325	649,002	(22,323)
Permits and fees	93,300	93,300	134,527	41,227
Sales and services	610,620	610,620	712,939	102,319
Investment earnings	5,750	5,550	26,828	21,278
Miscellaneous	36,100	4,100	42,708	38,608
Total revenues	<u>5,676,000</u>	<u>5,894,800</u>	<u>6,430,864</u>	<u>536,064</u>
Expenditures				
General government	777,117	775,817	736,735	39,082
Public safety	2,503,177	2,622,788	2,522,784	100,004
Transportation	969,805	1,242,954	1,025,616	217,338
Environmental protection	649,728	649,728	629,845	19,883
Economic and physical development	188,285	177,285	175,041	2,244
Cultural and recreational	479,561	479,561	434,051	45,510
Debt service:				
Principal retirement	236,438	248,770	248,770	-
Interest and fees	13,598	5,681	11,145	(5,464)
Total expenditures	<u>5,817,709</u>	<u>6,202,584</u>	<u>5,783,987</u>	<u>418,597</u>
Revenues over (under) expenditures	<u>(141,709)</u>	<u>(307,784)</u>	<u>646,877</u>	<u>954,661</u>
Other financing sources (uses)				
Transfers from (to) other funds	79,591	(531,302)	(473,401)	57,901
Capital lease obligations issued	-	268,216	268,216	-
Insurance proceeds	-	2,000	12,090	10,090
Total other financing sources (uses)	<u>79,591</u>	<u>(261,086)</u>	<u>(193,095)</u>	<u>67,991</u>
Fund balance appropriated	<u>131,959</u>	<u>630,170</u>	<u>-</u>	<u>(630,170)</u>
Net change in fund balance	<u>\$ 69,841</u>	<u>\$ 61,300</u>	<u>453,782</u>	<u>\$ 392,482</u>
Fund balance, beginning of year			<u>3,694,798</u>	
Fund balance, end of year			<u>\$ 4,148,580</u>	

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

Town of Siler City, North Carolina
Statement of Net Position - Proprietary Funds
June 30, 2017

Exhibit 6

	<u>Major Water and Sewer</u>	<u>Non-Major License Plate Agency</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 2,242,414	\$ 70,955	\$ 2,313,369
Accounts receivable (net) - billed	549,069	-	549,069
Accounts receivable (net) - unbilled	290,556	-	290,556
Accounts receivable - miscellaneous	4,935	-	4,935
Due from (to) other funds	834	(300)	534
Restricted cash and investments	282,104	-	282,104
Total current assets	<u>3,369,912</u>	<u>70,655</u>	<u>3,440,567</u>
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	5,158,393	-	5,158,393
Other capital assets, net of depreciation	20,317,622	19,874	20,337,496
Total capital assets, net	<u>25,476,015</u>	<u>19,874</u>	<u>25,495,889</u>
 Total noncurrent assets	 <u>25,476,015</u>	 <u>19,874</u>	 <u>25,495,889</u>
 Total assets	 <u>28,845,927</u>	 <u>90,529</u>	 <u>28,936,456</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan	<u>257,804</u>	<u>21,521</u>	<u>279,325</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	73,688	2,598	76,286
Accrued interest	99,695	-	99,695
Customer deposits/overpayments	282,104	-	282,104
Current portion of compensated absences	18,067	-	18,067
Current portion of long-term debt	888,170	-	888,170
Total current liabilities	<u>1,361,724</u>	<u>2,598</u>	<u>1,364,322</u>
Noncurrent liabilities:			
Net pension liability	292,960	24,456	317,416
Noncurrent portion of compensated absences	43,592	2,182	45,774
Other postemployment benefits	116,672	-	116,672
Noncurrent portion of long-term debt	9,846,963	-	9,846,963
Total noncurrent liabilities	<u>10,300,187</u>	<u>26,638</u>	<u>10,326,825</u>
 Total liabilities	 <u>11,661,911</u>	 <u>29,236</u>	 <u>11,691,147</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	<u>12,790</u>	<u>1,068</u>	<u>13,858</u>
NET POSITION			
Net investment in capital assets	14,740,882	19,874	14,760,756
Unrestricted	<u>2,688,148</u>	<u>61,872</u>	<u>2,750,020</u>
 Total net position	 <u>\$ 17,429,030</u>	 <u>\$ 81,746</u>	 <u>\$ 17,510,776</u>

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

Town of Siler City, North Carolina
Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

Exhibit 7

	<u>Major</u> <u>Water</u> <u>and Sewer</u>	<u>Non-Major</u> <u>License</u> <u>Plate Agency</u>	<u>Total</u>
Operating revenues			
Water charges	\$ 3,285,246	\$ -	\$ 3,285,246
Sewer charges	1,804,246	-	1,804,246
Water and sewer taps	3,909	-	3,909
Reconnection fees	97,140	-	97,140
Water meter installation	5,200	-	5,200
License plate agency fees	-	108,277	108,277
Notary fees	-	35,773	35,773
Other operating revenue	14,116	4,284	18,400
	<u>5,209,857</u>	<u>148,334</u>	<u>5,358,191</u>
Operating expenses			
Administration	338,775	-	338,775
Water operations	1,069,639	-	1,069,639
Sewer operations	1,285,451	-	1,285,451
Water and sewer maintenance	420,231	-	420,231
License plate agency	-	122,910	122,910
Risk Management	104,561	-	104,561
Depreciation	1,013,473	1,199	1,014,672
	<u>4,232,130</u>	<u>124,109</u>	<u>4,356,239</u>
Operating income	<u>977,727</u>	<u>24,225</u>	<u>1,001,952</u>
Nonoperating revenues (expenses)			
Interest earned on investments	6,669	-	6,669
Interest and fees	(320,477)	-	(320,477)
	<u>(313,808)</u>	<u>-</u>	<u>(313,808)</u>
Change in net position	663,919	24,225	688,144
Total net position, beginning	<u>16,765,111</u>	<u>57,521</u>	<u>16,822,632</u>
Total net position, ending	<u>\$ 17,429,030</u>	<u>\$ 81,746</u>	<u>\$ 17,510,776</u>

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

Town of Siler City, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

Exhibit 8

	<u>Major</u> <u>Water</u> <u>and Sewer</u>	<u>Non-Major</u> <u>License</u> <u>Plate Agency</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 5,070,802	\$ 148,334	\$ 5,219,136
Cash paid for goods and services	(2,009,728)	(6,689)	(2,016,417)
Cash paid to employees for services	(1,216,844)	(118,243)	(1,335,087)
Customer deposits received, net	(3,742)	-	(3,742)
	<u>1,840,488</u>	<u>23,402</u>	<u>1,863,890</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	-	-	-
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(366,585)	-	(366,585)
Proceeds from sale of capital assets	6,288	-	6,288
Principal paid on long-term debt	(793,249)	-	(793,249)
Proceeds from issuance of capital leases	120,584	-	120,584
Principal paid on capital leases	(52,974)	-	(52,974)
Interest paid on long-term debt	(320,477)	-	(320,477)
	<u>(1,406,413)</u>	<u>-</u>	<u>(1,406,413)</u>
Cash flows from investing activities			
Interest on investments	6,669	-	6,669
	<u>6,669</u>	<u>-</u>	<u>6,669</u>
Net cash provided by investing activities	<u>6,669</u>	<u>-</u>	<u>6,669</u>
Net increase in cash and investments	440,744	23,402	464,146
Cash and investments at beginning of year	<u>2,083,774</u>	<u>47,553</u>	<u>2,131,327</u>
Cash and investments at end of year	<u>\$ 2,524,518</u>	<u>\$ 70,955</u>	<u>\$ 2,595,473</u>
Cash and investments at end of year	\$ 2,242,414	\$ 70,955	\$ 2,313,369
Restricted cash and investments at end of year	<u>282,104</u>	<u>-</u>	<u>282,104</u>
Total cash and investments at end of year	<u>\$ 2,524,518</u>	<u>\$ 70,955</u>	<u>\$ 2,595,473</u>

Town of Siler City, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

Exhibit 8

	<u>Major</u> <u>Water</u> <u>and Sewer</u>	<u>Non-Major</u> <u>License</u> <u>Plate Agency</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 977,727	\$ 24,225	\$ 1,001,952
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,013,473	1,199	1,014,672
Gain on disposal of capital assets	(6,288)	-	(6,288)
Change in assets and liabilities:			
Increase in receivables	(132,767)	-	(132,767)
Decrease in net pension asset	(56,945)	(4,974)	(61,919)
Increase in deferred outflows of resources for pensions	(203,054)	(16,739)	(219,793)
Increase in net pension liability	292,960	24,456	317,416
Decrease in deferred inflows of resources for pensions	(20,240)	(1,817)	(22,057)
Decrease in accounts payable and accrued liabilities	(19,070)	(3,096)	(22,166)
Increase (decrease) in compensated absences	(24,211)	148	(24,063)
Increase in other post-employment benefits liability	22,645	-	22,645
Increase in customer deposits	(3,742)	-	(3,742)
	<u>\$ 1,840,488</u>	<u>\$ 23,402</u>	<u>\$ 1,863,890</u>
Net cash provided by operating activities	<u>\$ 1,840,488</u>	<u>\$ 23,402</u>	<u>\$ 1,863,890</u>

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation which is governed by an elected mayor and a seven-member council. The Town provides services which include general government, public safety, streets, sanitation, zoning and recreation. The Town maintains a water and sewer system which supplies services to the Town and surrounding area on a user-charge basis and a NC License Plate Agency which charges for services based on a schedule of fees set by North Carolina Department of Motor Vehicles.

As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally-separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Siler City Board of Alcoholic Beverage Control ("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, if any, 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 the Town of Siler City's ABC Board, 1404 East 11th Street, Siler City, North Carolina.

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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, and multipurpose grants that do not provide for specific identification of a program are presented as general revenues.

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

Town of Siler City, North Carolina Notes to Financial Statements

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-shared revenues, and various other taxes and licenses. The primary expenditures are for public safety, transportation, sanitation, parks and recreation, and general government services.

The Town reports the following non-major governmental funds:

Capital Projects Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The Town has seven Capital Projects Funds within the Governmental Fund Types which were established for cultural and recreational development, transportation, and economic and physical development. Additionally, the Town has legally adopted a Capital Reserve Fund. Under GASB 54 guidance, the Capital Reserve Fund is consolidated in the Capital Projects Fund.

Permanent Fund - The Permanent Fund is used to account for the principal, revenue and expenses of the Bavier donation. The principal must be preserved intact; however, the earnings must be distributed annually to full-time employees of the police department.

Proprietary Funds

The Town reports the following major enterprise fund:

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

The Town reports the following non-major enterprise fund:

License Plate Agency Fund - This fund is used to account for the Town's license plate agency operations.

C. Measurement Focus and Basis of Accounting

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

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and 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.

Town of Siler City, North Carolina
Notes to Financial Statements

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

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

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

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

D. Budgetary Data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General and Enterprise (Water and Sewer and License Plate Agency) Funds on a departmental basis. A budget is not required for the Permanent Fund (Bavier). All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Reserve Fund, Capital Projects Funds and the Water and Sewer Capital Reserve Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The annual budget is prepared on the modified accrual basis of accounting. Budgetary control is exercised in all funds. Appropriations are made at the departmental level and are amended as necessary by the governing board. The Town manager is authorized to transfer appropriations within a department. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. During the year, amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Town of Siler City, North Carolina
Notes to Financial Statements

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

(1) Deposits and Investments

All deposits of the Town and of the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board 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 the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT – Term Portfolio's securities are valued at fair value. The ABC Board has no investments.

(2) Cash and Cash Equivalents

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

(3) Restricted Assets

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

Restricted cash:

Governmental activities	
General fund	
Streets - Powell Bill	\$ 472,126
Business-type activities	
Water and sewer fund	
Customer deposits	<u>282,104</u>
Total restricted cash	<u>\$ 754,230</u>

(4) Ad Valorem Taxes Receivable

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

Town of Siler City, North Carolina
Notes to Financial Statements

(5) Allowances for Doubtful Accounts

The Town provides an allowance for uncollectible taxes which it does not expect to collect based on historical collection rates of prior tax levies and an allowance for uncollectible water and sewer accounts. The Town does not experience any other material loss from other uncollectible accounts. Losses, if any, are charged to operations by the direct write-off method.

(6) Inventory and Prepaid Items

The ABC Board's liquor inventory is stated at replacement cost prices per the approved list of the North Carolina State Board of Alcoholic Beverage Control. Wine inventory is carried at cost. The cost of these inventories is 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. Prepaid items consist of prepaid insurance.

(7) Capital Assets

Capital assets which include property, plant, equipment and infrastructure assets (roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. 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. General infrastructure assets acquired prior to July 1, 2003 have not been recorded. 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:

Infrastructure	50 years
Buildings and improvements	30 years
Vehicles	6 years
Furniture and equipment	10 years

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

Buildings	20 years
Furniture and equipment	10 years

(8) Deferred Outflows/Inflows of Resources

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

Town of Siler City, North Carolina
Notes to Financial Statements

(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 discounts. Bond issuance costs, except for prepaid insurance costs, are expensed in the 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 with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time (if any) 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 has no obligation for the 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 five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

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

Town of Siler City, North Carolina
Notes to Financial Statements

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

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

Capital Projects - portion of fund balance that is to be used for capital projects for various functions of the Town.

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

Economic and Physical Development - portion of fund balance that has been budgeted by the Board for sidewalks.

Transportation - portion of fund balance that has been budgeted by the Board for airport projects.

Cultural and Recreational - portion of fund balance that has been budgeted by the Board for parks.

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

The Town does not have a formal revenue spending policy for programs with multiple revenue sources.

The Town has not adopted a minimum fund balance policy for the general fund.

(12) Pensions

For purposes of measuring the net pension liability, 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 and the Town 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.

2. Stewardship, Compliance, and Accountability

A. Deficit in Fund Balance of Individual Funds

At June 30, 2017, The Town had deficits in the NCDOT Safe Routes to School, Obstruction Removal, Greenway Construction, Parks Master Plan, Library Remodel, Airport Runway, Airport Precision API, and Airfield Lighting Capital Projects Fund of \$33,298, \$5,700, \$6,098, \$10,500, \$24,900, \$9,426, \$25,366, and \$1,962 respectively. These deficits are a result of the Town not transferring over funds from the General Fund to cover the Town's obligation under these projects.

3. Detail Notes on All Funds

A. Assets

(1) Deposits

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

At June 30, 2017, the Town's deposits had a carrying amount of \$999,881 and a bank balance of \$1,304,220. Of the bank balance, \$553,176 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 \$211,780 and the bank balance was \$245,549. All of the bank balance was covered by federal depository insurance.

At June 30, 2017, the Town and ABC Board's petty cash fund totaled \$350 and \$1,600, respectively.

(2) Investments

At June 30, 2017, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2017</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Amortized cost	\$ 5,483,269	N/A	AAAm

The Town and the ABC Board have no policy regarding credit risk of its investments.

(3) Receivables - Allowance for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position (Exhibit 1) for are net of an allowance for uncollectible taxes of \$146,000.

The amount of water and sewer accounts receivable presented in the Balance Sheet and Statement of Net Position (Exhibit 1) are net of an allowance for uncollectible amounts of \$55,000.

Town of Siler City, North Carolina
Notes to Financial Statements

(4) Capital Assets

Primary Government

Capital asset activity for the primary government for the year ended June 30, 2017 was as follows:

<u>Governmental Activities</u>	<u>July 1, 2016</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Retirements</u>	<u>June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 779,838	\$ -	\$ -	\$ 779,838
Construction in progress	<u>4,675,588</u>	<u>505,895</u>	<u>-</u>	<u>5,181,483</u>
	<u>5,455,426</u>	<u>505,895</u>	<u>-</u>	<u>5,961,321</u>
Capital assets being depreciated:				
Buildings	3,229,976	-	-	3,229,976
Other improvements	4,154,717	-	-	4,154,717
Equipment	1,299,173	209,242	-	1,508,415
Computer equipment	264,181	-	-	264,181
Vehicles and motorized equipment	3,724,565	146,211	(229,840)	3,640,936
Infrastructure	<u>687,345</u>	<u>-</u>	<u>-</u>	<u>687,345</u>
	<u>13,359,957</u>	<u>355,453</u>	<u>(229,840)</u>	<u>13,485,571</u>
Grand total	<u>18,815,383</u>	<u>861,348</u>	<u>-</u>	<u>19,446,892</u>
Less accumulated depreciation and amortization for:				
Buildings	2,112,933	123,132	-	2,236,065
Other improvements	2,834,887	145,550	-	2,980,437
Equipment	801,525	53,662	-	855,187
Computer equipment	179,189	9,303	-	188,492
Vehicles and motorized equipment	2,661,354	114,854	(229,840)	2,546,368
Infrastructure	<u>304,696</u>	<u>42,198</u>	<u>-</u>	<u>346,894</u>
	<u>8,894,583</u>	<u>488,699</u>	<u>(229,840)</u>	<u>9,153,443</u>
Total capital assets being depreciated, net	<u>4,465,374</u>			<u>4,332,128</u>
Governmental activity capital assets, net	<u>\$ 9,920,800</u>			<u>\$ 10,293,449</u>

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

General government	\$ 54,345
Public safety	234,896
Cultural and recreation	66,940
Transportation	<u>132,518</u>
Total depreciation expense	<u>\$ 488,699</u>

Town of Siler City, North Carolina
Notes to Financial Statements

<u>Business-Type Activities - Water and Sewer Fund</u>	<u>July 1, 2016</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Retirements</u>	<u>June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 5,158,393	\$ -	\$ -	\$ 5,158,393
Capital assets being depreciated:				
Buildings	8,048,043	6,336	-	8,054,739
Other improvements	34,409,852	55,746	-	34,465,598
Equipment and vehicles	1,120,401	222,896	(35,128)	1,308,169
Computer equipment	220,307	82,000	-	302,307
	<u>43,798,963</u>	<u>366,978</u>	<u>(35,128)</u>	<u>44,130,813</u>
Grand total	<u>48,957,356</u>	<u>366,978</u>	<u>(35,128)</u>	<u>49,289,206</u>
Less accumulated depreciation and amortization for:				
Buildings	5,635,351	197,409	-	5,832,760
Other improvements	16,403,744	181,570	-	16,585,314
Equipment and vehicles	748,435	632,786	(35,128)	1,346,093
Computer equipment	47,316	1,708	-	49,024
	<u>22,834,846</u>	<u>1,013,473</u>	<u>(35,218)</u>	<u>23,813,191</u>
Total capital assets being depreciated, net	<u>20,964,117</u>			<u>20,317,623</u>
Business-type activities - Water and Sewer Fund, net	<u>\$ 26,122,510</u>			<u>\$ 25,476,015</u>
<u>Business-Type Activities - License Plate Agency</u>				
Capital assets being depreciated:				
Building renovations	\$ 23,982	\$ -	\$ -	\$ 23,982
Less accumulated depreciation and amortization for:				
Building renovations	2,909	1,199	-	4,108
Total capital assets being depreciated, net	<u>21,073</u>			<u>19,874</u>
Business-type activities - License Plate Agency, net	<u>\$ 21,073</u>			<u>\$ 19,874</u>

The Town has several active construction projects as of June 30, 2017. As of year-end, the Town has spent \$5,181,483 with respect to these projects and their remaining commitments are \$63,785.

Town of Siler City, North Carolina
Notes to Financial Statements

Discretely Presented Component Unit

Capital asset activity for the ABC Board for the year ended June 30, 2017 was as follows:

	<u>July 1, 2016</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Retirements</u>	<u>June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 201,385	\$ -	\$ -	\$ 201,385
Capital assets being depreciated:				
Buildings	329,948	-	-	329,948
Office equipment	<u>117,874</u>	<u>-</u>	<u>-</u>	<u>117,874</u>
	<u>447,822</u>	<u>-</u>	<u>-</u>	<u>447,822</u>
Grand total	<u>649,207</u>	<u>-</u>	<u>-</u>	<u>649,207</u>
Less accumulated depreciation and amortization for:				
Buildings	173,227	15,199	-	188,426
Office equipment	<u>84,064</u>	<u>9,781</u>	<u>-</u>	<u>93,845</u>
	<u>257,291</u>	<u>24,980</u>	<u>-</u>	<u>282,271</u>
Capital assets being depreciated, net	<u>190,531</u>			<u>165,551</u>
ABC Board capital assets, net	<u>\$ 391,916</u>			<u>\$ 366,936</u>

B. Liabilities

(1) **Payables**

Payables at June 30, 2017 were as follows:

	<u>Salaries and Benefits</u>	<u>Vendors</u>	<u>Total</u>
Governmental activities:			
General	\$ 173,194	\$ 1,058	\$ 174,252
Other governmental	<u>-</u>	<u>6,906</u>	<u>6,906</u>
Total - governmental activities	<u>\$ 173,194</u>	<u>\$ 7,964</u>	<u>\$ 181,158</u>
Business-type activities:			
Water and Sewer	\$ 19,668	\$ 54,020	\$ 73,688
License Plate Agency	<u>1,917</u>	<u>681</u>	<u>2,598</u>
Total - business-type activities	<u>\$ 21,585</u>	<u>\$ 54,702</u>	<u>\$ 76,286</u>

Town of Siler City, North Carolina
Notes to Financial Statements

(2) Pension Plan and Postemployment Obligations

(a) **Local Governmental Employees' Retirement System**

Plan Description - The Town 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, or by calling (919) 981-5454.

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

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

Contributions - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.36% 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 was \$226,777 for the year ended June 30, 2017.

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

Town of Siler City, North Carolina
Notes to Financial Statements

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the Town reported a liability of \$984,502 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.0464%, which was an increase of 0.0023% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$265,555. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 18,498	\$ 34,500
Changes of assumptions	67,433	-
Net difference between project and actual earning on pension plan investments	544,333	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,361	8,483
Town contributions subsequent to the measurement date	<u>226,777</u>	<u>-</u>
	<u>\$ 866,402</u>	<u>\$ 42,983</u>

\$226,777 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30

2018	\$ 89,399
2019	89,489
2020	259,280
2021	<u>158,474</u>
	<u>\$ 596,642</u>

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

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

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

Town of Siler City, North Carolina
Notes to Financial Statements

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

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

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

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

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

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

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate - The following presents the Town's proportionate share of the net pension liability 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 Siler City, North Carolina
Notes to Financial Statements

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 2,336,799	\$ 984,502	\$ (144,947)

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

Plan Description - The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer retirement defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>22</u>
Total	<u><u>25</u></u>

A separate report was not issued for the plan.

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

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

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

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

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-Year Municipal Bond Index determined at the end of each month for the year ending December 31, 2016.

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

Mortality rates are based on the RP-2014 Series Mortality tables with adjustments for mortality improvements based on Scale AA.

Town of Siler City, North Carolina
Notes to Financial Statements

Change in Actuarial Assumptions - On the prior Measurement Date (December 31, 2015), the Municipal Bond Index Rate, on which the discount rate is based, was 3.57%. Since the Prior Measurement Date, the Municipal Bond Index Rate has increased to 3.86% as of the Measurement Date (December 31, 2016). This resulted in a \$13,677 reduction in the Total Pension Liability.

Contributions - The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to pay benefits and administration costs 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. Administrative costs of the Separation Allowance are financed through investment earnings. The Town paid \$37,281 as benefits came due for the reporting period. There were no contributions made by employees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the Town reported a total pension liability of \$678,839. The total pension liabilities was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$44,079.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 11,269
Town contributions subsequent to the measurement date	<u>19,495</u>	<u>-</u>
	<u>\$ 19,495</u>	<u>\$ 11,269</u>

The \$19,495 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30

2018	\$ (2,408)
2019	(2,408)
2020	(2,408)
2021	(2,408)
2022	(1,637)
Thereafter	<u>-</u>
Total	<u>\$ (11,269)</u>

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

	<u>1% Decrease (2.86%)</u>	<u>Discount Rate (3.86%)</u>	<u>1% Increase (4.86%)</u>
Total pension liability	\$ 727,433	\$ 678,839	\$ 634,186

Town of Siler City, North Carolina
Notes to Financial Statements

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

	<u>2017</u>
Beginning balance	\$ 683,310
Service cost	22,758
Interest on the total pension liability	23,729
Changes of assumptions or other inputs	(13,677)
Benefit payments	<u>(37,281)</u>
Ending balance of the total pension liability	<u>\$ 678,839</u>

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

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

(c) Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Plan 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 Plan. The report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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

The Town made contributions of \$50,707 for the reporting year. No amounts were forfeited.

(d) Section 401(k) Plan for General Employees

Plan Description - The Town contributed to a 401(k) Plan, a defined contribution plan administered by the Prudential Insurance Company of America. The Plan provides retirement benefits to the general employees, other than law enforcement, employed by the Town.

Funding Policy - The Town annually determines the amount of contributions. For the year ended June 30, 2017, the Town contributed two and one half percent (2.5%) on each general employee salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$47,293 for the reporting year. No amounts were forfeited.

Town of Siler City, North Carolina
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(e) Other Post-employment Benefits

Healthcare Benefits

Plan Description - Under the terms of a Town resolution, the Town provided postretirement healthcare benefits to retirees of the Town. The plan provides postemployment healthcare benefits to retirees of the Town until the age of 65, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the Town. The Town pays the full cost of coverage for these benefits through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

<u>Years of Service with the Town at Retirement</u>	<u>Town Contribution to Retiree Health Insurance Premium</u>
0 to 9 years	Not eligible
10 to 19 years	25%
20 to 29 years	50%
30 or more years	100%

Membership of the postretirement healthcare benefits plan consisted of the following at December 31, 2016, the date of the latest actuarial valuation:

Law Enforcement Officers	18
General Employees	43
Retired Members	8

Funding Policy - By Town resolution, the Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees who have thirty (30) years of service and reduced costs for those between five (5) through twenty nine (29) years of service. No coverage is provided for any employee who is sixty five (65) or over. The Town has chosen to fund the healthcare benefits on a pay as you go basis. The enterprise Funds record the estimated liability for its portion on a yearly basis. In fiscal year ended June 30, 2017, the Town's total contributions were \$19,696.

Summary of Significant Accounting Policies - Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting, and the Enterprise Fund, which is maintained on the full accrual basis of accounting. No funds are set aside to pay benefits and administrative costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation - The Town's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of the Governmental Accounting Standards Board (GASB) Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Town of Siler City, North Carolina
Notes to Financial Statements

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

Annual required contribution	\$ 88,095
Interest on net OPEB obligation	12,440
Adjustment to annual required contribution	<u>(11,884)</u>
Annual OPEB cost (expense)	88,651
Contributions made	<u>(19,696)</u>
Increase in net OPEB obligation	68,954
Net OPEB obligation, beginning of year	<u>310,993</u>
Net OPEB obligation, end of year	<u>\$ 379,947</u>

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

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 68,954	22.2%	\$ 379,947
2016	86,018	56.6%	310,993
2015	133,425	63.0%	273,647

Funded Status and Funding Progress - As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$1,065,254. The covered payroll (annual payroll of active employees covered by the plan) was \$2,447,632, and the ratio of the UAAL to the covered payroll was 43.5%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

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

Town of Siler City, North Carolina
Notes to Financial Statements

In the December 31, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 12.00 to 6.00 percent annually. The investment rate included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2016 was 30 years.

(f) Other Employment Benefits

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

(3) Deferred Outflows and Inflows of Resources

Deferred outflows of resources consists of \$885,897 of pension plan deferrals in fiscal year 2017.

Deferred inflows of resources related to pension deferrals totaled \$54,252 at June 30, 2017. Remaining deferred inflows of resources at year-end is comprised of the following:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Prepaid other (General Fund)	\$ -	\$ 1,156
Prepaid taxes (General Fund)	-	240
Taxes receivable (General Fund)	<u>43,859</u>	<u>-</u>
	<u>\$ 43,859</u>	<u>\$ 1,396</u>

(4) Long-Term Obligations

(a) Capital Leases

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The agreement for computer equipment was executed on July 15, 2014 and requires thirty-six monthly payments of \$384 starting August 2014.

The agreement for various vehicles was executed on November 20, 2015 and requires four annual payments of \$65,804 starting January 2016.

The agreement for the scanner (computer equipment) was executed on October 1, 2015 and requires four semi-annual payments of \$939 starting April 2016.

Town of Siler City, North Carolina
Notes to Financial Statements

The agreement for one Ford F-250 was executed on July 30, 2015 and requires three annual payments of \$8,826 starting July 2015.

The agreement for various vehicles was executed on September 19, 2016 and requires four annual payments of \$100,959 starting September 2016.

The following is an analysis of the assets recorded under the capital leases at June 30, 2017:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 18,901	\$ 13,318	\$ 5,583
Vehicles and motorized equipment	<u>660,759</u>	<u>106,643</u>	<u>554,116</u>
Total	<u>\$ 679,660</u>	<u>\$ 119,961</u>	<u>\$ 559,699</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2018	\$ 131,669	\$ 46,170
2019	126,700	37,357
2020	65,860	31,624
2021	-	-
2022 and thereafter	<u>-</u>	<u>-</u>
Total minimum lease payments	324,230	115,151
Less: amount representing interest	<u>15,441</u>	<u>5,673</u>
Present value of minimum lease payments	<u>\$ 308,789</u>	<u>\$ 109,478</u>

(b) Installment Purchases

In December 2001, the Town entered into an installment purchase contract to finance the construction of a new police department. The financing contract requires annual principal payments of \$66,667 beginning December 2002 with an interest rate of 4.65%. In December 2003, the Town refinanced this installment purchase which reduced the interest rate to 4.16%. The principal payments remain the same. The outstanding balance was repaid during the year.

In April 2011, the Town entered into an installment purchase contract to finance the purchase of a fire tanker truck. The financing contract requires ten annual principal payments beginning in April 2012 with an interest rate of 3.17%. The outstanding balance at June 30, 2017 is \$152,912.

In July 2012, the Town entered into an installment purchase contract to finance the purchase of computer equipment and software. The financing contract requires five equal payments of \$15,953 beginning in July 2013 with an interest rate of 2.09%. The outstanding balance at June 30, 2017 is \$15,628.

The future minimum payments of the installment purchases as of June 30, 2017, including \$15,029 of interest, are as follows:

Town of Siler City, North Carolina
Notes to Financial Statements

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 51,827	\$ 5,140	\$ 56,967
2019	37,348	3,666	41,014
2020	38,532	2,482	41,014
2021	40,834	3,741	44,575
2022 and thereafter	-	-	-
Totals	<u>\$ 168,541</u>	<u>\$ 15,029</u>	<u>\$ 183,570</u>

(c) General Obligation Indebtedness

General obligation bonds, which were issued to finance the construction of facilities utilized in the operations of the water and sewer system and loans from the North Carolina Water Pollution Control Revolving Fund and North Carolina Clean Water Bond Program used to finance the construction of a sewer wastewater treatment facility and water lines, are reported as long-term debt in the Water and Sewer Fund since the resources of the fund are being used to retire the bonds and notes. 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.

Serviced by the Water and Sewer Fund:

Long-term debt at June 30, 2017 is comprised of the following:

Note payable to Carolina Bank (issued June 19, 2007 in the amount of \$8,000,000 and refinanced December 1, 2015) with principal and interest due in semi-annual installments starting in July 2016 with a balloon payment due July 2027; interest at 2.67%; secured by a deed of trust (proceeds used for reservoir construction).	\$ 5,456,877
Note payable to Carolina Bank (issued January 29, 2008 in the amount of \$8,000,000 and refinanced January 1, 2016) with principal and interest due in semi-annual installments starting in July 2016; interest at 2.67%; secured by a deed of trust (proceeds used for reservoir construction).	<u>5,168,778</u>
	<u>\$ 10,625,655</u>

(d) Maturities of Long-Term Debt

Annual debt service requirements to maturity for general obligation indebtedness are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 842,000	\$ 277,987	\$ 1,119,987
2019	865,000	255,358	1,120,358
2020	888,000	232,104	1,120,104
2021	912,000	208,233	1,120,233
2022	937,000	183,709	1,120,709
Thereafter	<u>6,181,655</u>	<u>545,241</u>	<u>6,726,896</u>
Totals	<u>\$ 10,625,655</u>	<u>\$ 1,702,632</u>	<u>\$ 12,328,287</u>

Town of Siler City, North Carolina
Notes to Financial Statements

(e) Changes in Long-Term Liabilities

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

At June 30, 2017, the Town had a legal debt margin of approximately \$31,978,311.

The following is a summary of changes in the Town's long-term debt for the year ended June 30, 2017:

	<u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>	<u>Due within One Year</u>
Governmental activities:					
Capitalized leases	\$ 173,363	\$ 268,216	\$ 132,790	\$ 308,789	\$ 123,192
Installment purchases	284,521	-	115,980	168,541	51,827
Compensated absences	163,380	77,694	85,407	155,667	81,915
Separation allowance	683,310	-	4,471	678,839	-
Other postemployment benefits	216,966	46,309	-	263,275	-
Net pension liability (LGERS)	<u>135,910</u>	<u>531,176</u>	<u>-</u>	<u>667,086</u>	<u>-</u>
	<u>\$ 1,657,449</u>	<u>\$ 923,395</u>	<u>\$ 338,649</u>	<u>\$ 2,242,197</u>	<u>\$ 254,934</u>
Business-type activities:					
Notes	\$ 11,426,000	\$ -	\$ 800,345	\$ 10,625,655	\$ 842,000
Capitalized leases	34,772	120,584	45,878	109,478	46,170
Compensated absences	87,510	4,432	28,101	63,841	18,067
Other postemployment benefits	94,027	22,645	-	116,672	-
Net pension liability (LGERS)	<u>61,919</u>	<u>255,497</u>	<u>-</u>	<u>317,416</u>	<u>-</u>
	<u>\$ 11,704,228</u>	<u>\$ 403,158</u>	<u>\$ 874,324</u>	<u>\$ 11,233,062</u>	<u>\$ 906,237</u>

(f) Discretely Presented Component Unit

Long-term debt at June 30, 2017 consists of the following:

Note payable to BB&T in monthly installments of \$1,098 through May 2020 including interest at 3.75%; secured by deed of trust. \$ 35,643

Maturities of the above debt are as follows:

Year ending June 30:	
2018	\$ 12,023
2019	12,176
2020	11,444
2021	<u>-</u>
	<u>\$ 35,643</u>

Town of Siler City, North Carolina
Notes to Financial Statements

C. Interfund Balances and Activity

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

Due to the General Fund from the License Plate Agency Fund	\$	300
Due to the Water and Sewer Fund from the Capital Reserve Fund		834
Due to the Capital Reserve Fund from the General Fund		9,995
Due to the General Fund from the Capital Project Fund (NCDOT Safe Routes to School)		33,298
Due to the General Fund from the Capital Project Fund (Obstruction Removal)		5,700
Due to the General Fund from the Capital Project Fund (Greenway Construction)		6,098
Due to the General Fund from the Capital Project Fund (Parks Master Plan)		10,500
Due to the General Fund from the Capital Project Fund (Library Remodel)		24,900
Due to the General Fund from the Capital Project Fund (Airport Runway)		9,426
Due to the General Fund from the Capital Project Fund (Airport Precision API)		25,366

The interfund balances resulted from the lag time between 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/from other funds at June 30, 2017 consist of the following:

From the General Fund to the Capital Project Fund (Obstruction removal) - capital project expenditures	\$	6,859
From the General Fund to the Capital Project Fund (Parks Master Plan) - clear beginning fund balance deficit		68,000
From the General Fund to the Capital Project Fund (Aquatic Facility) - future capital project expenditures		480,035
From the General Fund to the Capital Project Fund (LDP Update) - capital project expenditures		11,000
From the General Fund to the Capital Project Fund (Airfield Lighting) - capital project expenditures		11,317
From the Permanent Fund to the General Fund (Bavier Trust) - transfer fund balance		100,000
From the Capital Project Fund to the General Fund (Greenways and Step Implementation) - transfer fund balance		<u>3,810</u>
Total transfers	\$	<u>577,211</u>

Town of Siler City, North Carolina
Notes to Financial Statements

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

D. Net Investment in Capital Assets

The following table represents the calculation of the Town’s net investment in capital assets at June 30, 2017:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 10,293,449	\$ 25,495,889
Less: Long-term debt	<u>477,330</u>	<u>10,735,133</u>
Net investment in capital assets	<u>\$ 9,816,119</u>	<u>\$ 14,760,756</u>

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	\$ 4,148,580
Less:	
Inventories	4,429
Stabilization by State Statute	1,043,705
Streets - Powell Bill	<u>472,126</u>
Remaining fund balance	<u>\$ 2,628,580</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1,000,000 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. 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 in the prior year, and settled claims have not exceeded coverage in any of the last three fiscal years.

The Town does not carry flood insurance because they are not located within a flood plain.

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 and tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000 per employee.

5. Summary Disclosure of Significant Contingencies

The Town is contingently liable in respect to other claims in the normal course of its operations. Should the Town become liable in these matters, such liability would be satisfied by budgetary appropriation in excess of insurance coverage in a subsequent year.

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

6. Commitments

The Town had a contract that expired June 30, 2017 with Waste Management, Inc. to provide garbage collection for the residents and businesses located within the Town. The Town agreed to compensate the contractor a base fee for this service which will be adjusted on July 1 of each year based upon the change in the Consumer Price Index for the preceding year; however, the annual increase may not exceed 10% of the base fee.

The Town has agreed to pay a proportionate share of a Chatham County water and sewer project associated with the Chatham Business Park through the fiscal year ending 2036. The following represent the Town's future obligations related to this commitment:

Year ending June 30:		
2018	\$	10,264
2019		9,805
2020		9,347
2021		8,816
2022		8,300
Thereafter		<u>58,301</u>
	\$	<u>104,833</u>

7. Change in Accounting Principles

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities increased \$40,520.

8. Subsequent Events

Effective October 2017 the Town has financed equipment through the issuance of debt in the amount of \$313,163. The debt is payable over 4 years and payments began on October 5, 2017.

Town of Siler City, North Carolina
Law Enforcement Officers' Special Separation Allowance -
Required Supplementary Information
For the Year Ended June 30, 2017*

Schedule of Changes in Total Pension Liability

	<u>2017</u>
Beginning balance	\$ 683,310
Service cost	22,758
Interest on the total pension liability	23,729
Changes in benefit terms	-
Differences between expensed and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(13,677)
Benefit payments	(37,281)
Other changes	-
	<u> </u>
Ending balance of the total pension liability**	<u><u>\$ 678,839</u></u>

Schedule of Total Pension Liability as a Percentage of Covered Payroll

	<u>2017</u>
Total pension liability**	\$ 678,839
Covered payroll	942,395
Total pension liability as a percentage of covered payroll	72.03%

** This schedule is intended to provide information for ten fiscal years. Additional fiscal years' information will be displayed as it becomes available.*

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

**Town of Siler City, North Carolina
Local Government Employees' Retirement System -
Required Supplementary Information
Last Four Fiscal Years
For the Year Ended June 30, 2017**

Proportionate Share of Net Pension Liability (Asset)*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) %	0.0464%	0.0441%	0.0465%	0.0476%
Town's proportion of the net pension liability (asset) (\$)	\$ 984,502	\$ 197,829	\$ (274,055)	\$ 573,763
Town's covered-employee payroll	\$ 2,755,217	\$ 2,673,100	\$ 2,645,637	\$ 2,681,174
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.73%	7.40%	-10.36%	21.40%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

Schedule of Contributions*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 226,777	\$ 190,252	\$ 192,614	\$ 189,207
Contributions in relation to the contractually required contribution	226,777	190,252	192,614	189,207
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 2,447,632	\$ 2,755,217	\$ 2,673,100	\$ 2,645,637
Contributions as a percentage of covered-employee payroll	9.27%	6.91%	7.21%	7.15%

** This schedule is intended to provide information for ten fiscal years. Additional fiscal years' information will be displayed as it becomes available.*

Town of Siler City, North Carolina
General Fund
Comparative Balance Sheets
June 30, 2017 and June 30, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 2,813,963	\$ 2,334,674
Restricted cash	472,126	400,954
Taxes receivable, net	43,859	58,495
Accounts receivable, net	63,389	54,053
Due from other governments	850,702	717,671
Due from component unit	13,193	11,633
Due from other funds	116,421	424,568
Inventories	4,429	6,820
	<u>4,429</u>	<u>6,820</u>
Total assets	<u>\$ 4,378,082</u>	<u>\$ 4,008,868</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 174,252	\$ 226,419
Due to other funds	9,995	9,995
	<u>9,995</u>	<u>9,995</u>
Total liabilities	<u>184,247</u>	<u>236,414</u>
DEFERRED INFLOWS OF RESOURCES		
Taxes receivable	43,859	58,495
Prepaid taxes	240	240
Prepaid other	1,156	18,921
	<u>1,156</u>	<u>18,921</u>
Total deferred inflows of resources	<u>45,255</u>	<u>77,656</u>
FUND BALANCES		
Nonspendable		
Inventories	4,429	6,820
Restricted		
Stabilization by State Statute	1,043,705	1,207,925
Streets - Powell Bill	472,126	400,954
Unassigned	2,628,320	2,079,099
	<u>2,628,320</u>	<u>2,079,099</u>
Total fund balances	<u>4,148,580</u>	<u>3,694,798</u>
	<u>\$ 4,378,082</u>	<u>\$ 4,008,868</u>

Town of Siler City, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2017
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

(5 pages)

	2017		Variance Favorable (Unfavorable)	2016
	Budget	Actual		Actual
Revenues				
Ad valorem taxes:				
Current year		\$ 2,100,705		\$ 2,048,467
Prior years		21,577		17,219
Penalties and interest		15,110		13,432
	<u>\$ 2,047,400</u>	<u>2,137,392</u>	<u>\$ 89,992</u>	<u>2,079,118</u>
Other taxes and licenses:				
Motor vehicle licenses		534		27,145
Rental vehicle tax		660		668
Privilege licenses		17,765		5
	<u>2,525</u>	<u>18,959</u>	<u>16,434</u>	<u>27,818</u>
Unrestricted intergovernmental revenues:				
Local option sales tax		2,188,027		1,958,514
Franchise tax		338,745		351,191
Beer and wine tax		38,708		36,419
Piped natural gas tax		18,499		16,039
Telecommunications sales tax		46,549		46,048
Solid waste disposal tax		5,745		5,366
Video franchise fee		33,421		32,378
Gas tax refund		3,720		3,060
ABC profit distribution		35,095		44,839
	<u>2,459,980</u>	<u>2,708,509</u>	<u>248,529</u>	<u>2,493,854</u>
Restricted intergovernmental revenues:				
State street aid - Powell Bill		225,976		223,912
State - fire protection		2,509		2,514
Fire district tax		305,289		297,538
Controlled substance tax		36		1,369
FEMA Assistance		71,697		-
Chatham County - Domestic Violence Police Grant		-		32,517
Governor's Crime Commission Domestic Violence grant		41,653		49,057
National Recreation and Parks grant		-		5,300
ABC revenue - law enforcement		1,842		1,509
	<u>671,325</u>	<u>649,002</u>	<u>(22,323)</u>	<u>613,716</u>

Town of Siler City, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2017
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

(5 pages)

	2017		Variance Favorable (Unfavorable)	2016
	Budget	Actual		Actual
Permits and fees:				
Building permits		\$ 78,091		\$ 138,693
Fire inspections		11,685		16,455
Other permits		375		460
Zoning fees		44,376		50,365
	<u>\$ 93,300</u>	<u>134,527</u>	<u>\$ 41,227</u>	<u>205,973</u>
Sales and services:				
Pavement cuts		300		1,100
Recreation:				
Concessions		3,277		-
Entry fees		12,760		12,354
Rent		9,684		8,518
Sponsorship		4,150		1,115
Chatham county allotment		41,395		
Facilities rent		47,761		42,955
Officers' fees		1,287		1,778
Court facilities fees		1,565		2,387
Other		46,884		2,660
Airport fees		142		110
Landfill tipping fees		543,734		538,268
	<u>610,620</u>	<u>712,939</u>	<u>102,319</u>	<u>611,245</u>
Investment earnings:				
Investment earnings	<u>5,550</u>	<u>26,828</u>	<u>21,278</u>	<u>9,970</u>
Miscellaneous:				
Miscellaneous		40,458		2,205
Sales of cemetery plots		2,250		5,500
	<u>4,100</u>	<u>42,708</u>	<u>38,608</u>	<u>7,705</u>
Total revenues	<u>5,894,800</u>	<u>6,430,864</u>	<u>536,064</u>	<u>6,049,399</u>

Town of Siler City, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2017
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

(5 pages)

	2017		Variance Favorable (Unfavorable)	2016
	Budget	Actual		Actual
Expenditures				
General government:				
Governing board:				
Salaries and employee benefits		\$ 53,619		\$ 43,663
Other operating expenditures		94,009		95,418
	\$ 150,315	147,628	\$ 2,687	139,081
Town manager:				
Salaries and employee benefits		121,478		119,889
Other operating expenditures		11,031		21,302
	138,366	132,509	5,857	141,191
Human resources:				
Salaries and employee benefits		47,253		-
Other operating expenditures		3,693		-
	51,799	50,946	853	-
Finance:				
Salaries and employee benefits		115,742		108,204
Other operating expenditures		66,548		66,761
	187,510	182,290	5,220	174,965
Buildings and grounds:				
Other operating expenditures		68,002		66,389
Capital outlay		-		5,130
	78,177	68,002	10,175	71,519
Court facilities:				
Other operating expenditures	5,650	5,420	230	5,366
Risk management:				
Insurance	164,000	149,940	14,060	126,358
Total general government	775,817	736,735	39,082	658,480
Public safety:				
Police:				
Salaries and employee benefits		1,530,715		1,457,090
Other operating expenditures		303,351		242,958
Capital outlay		146,211		129,185
	2,047,067	1,980,277	66,790	1,829,233
Fire:				
Salaries and employee benefits		159,556		137,886
Other operating expenditures		178,700		157,972
Capital outlay		35,393		54,904
	400,384	373,649	26,735	350,762

Town of Siler City, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2017
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

(5 pages)

	2017		Variance favorable (unfavorable)	2016
	Budget	Actual		Actual
Inspections:				
Salaries and employee benefits		\$ 142,222		\$ 131,802
Other operating expenditures		26,636		14,793
	<u>\$ 175,337</u>	<u>168,858</u>	<u>\$ 6,479</u>	<u>146,595</u>
Total public safety	<u>2,622,788</u>	<u>2,522,784</u>	<u>100,004</u>	<u>2,326,590</u>
Transportation:				
Garage:				
Salaries and employee benefits		58,565		56,959
Other operating expenditures		27,015		26,097
Capital outlay		-		51,104
	<u>94,384</u>	<u>85,580</u>	<u>8,804</u>	<u>134,160</u>
Public works:				
Salaries and employee benefits		398,535		411,229
Other operating expenditures		324,273		404,604
Capital outlay		144,190		87,755
	<u>1,066,270</u>	<u>866,998</u>	<u>199,272</u>	<u>903,588</u>
Airport:				
Other operating expenditures	<u>82,300</u>	<u>73,038</u>	<u>9,262</u>	<u>68,048</u>
Total transportation	<u>1,242,954</u>	<u>1,025,616</u>	<u>217,338</u>	<u>1,105,796</u>
Environmental protection:				
Sanitation:				
Other operating expenditures	<u>649,728</u>	<u>629,845</u>	<u>19,883</u>	<u>557,931</u>
Total environmental protection	<u>649,728</u>	<u>629,845</u>	<u>19,883</u>	<u>557,931</u>
Economic and physical development:				
Community development:				
Salaries and employee benefits		124,728		132,037
Other operating expenditures		50,313		22,398
Capital outlay		-		4,119
Total economic and physical development	<u>177,285</u>	<u>175,041</u>	<u>2,244</u>	<u>158,554</u>

Town of Siler City, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2017
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

(5 pages)

	2017		Variance Favorable (Unfavorable)	2016
	Budget	Actual		Actual
Cultural and recreational:				
Parks and recreation:				
Salaries and employee benefits		\$ 185,038		\$ 162,157
Other operating expenditures		208,174		217,198
Capital outlay		29,659		16,078
	<u>\$ 463,841</u>	<u>422,871</u>	<u>\$ 40,970</u>	<u>395,433</u>
Library:				
Other operating expenditures	15,720	11,180	4,540	14,740
Total cultural and recreational	<u>479,561</u>	<u>434,051</u>	<u>45,510</u>	<u>410,173</u>
Debt service:				
Principal		248,770		246,409
Interest		11,145		11,400
Total debt service	<u>254,451</u>	<u>259,915</u>	<u>(5,464)</u>	<u>257,809</u>
Total expenditures	<u>6,202,584</u>	<u>5,783,987</u>	<u>418,597</u>	<u>5,475,333</u>
Revenues over (under) expenditures	<u>(307,784)</u>	<u>646,877</u>	<u>954,661</u>	<u>574,066</u>
Other financing sources (uses)				
Transfers from other funds	500	100,000	99,500	-
Transfers to other funds	(531,802)	(573,401)	(41,599)	(129,390)
Capital lease obligations issued	268,216	268,216	-	229,681
Insurance recovery	2,000	12,090	10,090	21,187
Total other financing sources (uses)	<u>(261,086)</u>	<u>(193,095)</u>	<u>67,991</u>	<u>121,478</u>
Fund balance appropriated	<u>630,170</u>	-	<u>(630,170)</u>	-
Net change in fund balance	<u>\$ 61,300</u>	<u>453,782</u>	<u>\$ 392,482</u>	<u>695,544</u>
Fund balance, beginning		<u>3,694,798</u>		<u>2,999,254</u>
Fund balance, ending		<u>\$ 4,148,580</u>		<u>\$ 3,694,798</u>

Town of Siler City, North Carolina
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2017

(2 pages)

	Capital Project Funds						
	Capital Reserve	Greenways and Step Implementation	NCDOT Safe Routes to School	ALP Update	Obstruction Removal	Greenway Construction	Parks Master Plan
ASSETS							
Cash and investments	\$ 99,483	\$ -	\$ -	\$ 6,804	\$ -	\$ -	\$ -
Due from other funds	9,995	-	-	-	-	-	-
Total assets	<u>\$ 109,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES (DEFICITS)							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	833	-	33,298	-	5,700	6,098	10,500
Total liabilities	<u>833</u>	<u>-</u>	<u>33,298</u>	<u>-</u>	<u>5,700</u>	<u>6,098</u>	<u>10,500</u>
Fund balances (deficits):							
Restricted:							
Stabilization by State Statute	9,995	-	-	-	-	-	-
Committed:							
Capital projects	98,650	-	-	-	-	-	-
Assigned:							
Economic and physical development	-	-	(33,298)	-	-	(6,098)	-
Transportation	-	-	-	6,804	(5,700)	-	-
Cultural and recreational	-	-	-	-	-	-	(10,500)
Total fund balances (deficits)	<u>108,645</u>	<u>-</u>	<u>(33,298)</u>	<u>6,804</u>	<u>(5,700)</u>	<u>(6,098)</u>	<u>(10,500)</u>
Total liabilities and fund balances (deficits)	<u>\$ 109,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Siler City, North Carolina
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2017

(2 pages)

	Capital Project Funds						Total Non-Major Governmental Funds
	Library Remodel	Aquatic Facility	LDP Update	Airport Runway	Airport Precision API	Airfield Lighting	
ASSETS							
Cash and investments	\$ -	\$ 480,035	\$ 10,672	\$ -	\$ -	\$ 4,944	\$ 601,938
Due from other funds	-	-	-	-	-	-	9,995
Total assets	<u>\$ -</u>	<u>\$ 480,035</u>	<u>\$ 10,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,944</u>	<u>\$ 611,933</u>
LIABILITIES AND FUND BALANCES (DEFICITS)							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,906	\$ 6,906
Due to other funds	24,900	-	-	9,426	25,366	-	116,121
Total liabilities	<u>24,900</u>	<u>-</u>	<u>-</u>	<u>9,426</u>	<u>25,366</u>	<u>6,906</u>	<u>123,027</u>
Fund balances (deficits):							
Restricted:							
Stabilization by State Statute	-	-	-	-	-	-	9,995
Committed:							
Capital projects	-	-	-	-	-	-	98,650
Assigned:							
Economic and physical development	-	-	-	-	-	-	(39,396)
Transportation	-	-	-	(9,426)	(25,366)	(1,962)	(35,650)
Cultural and recreational	(24,900)	480,035	10,672	-	-	-	455,307
Total fund balances (deficits)	<u>(24,900)</u>	<u>480,035</u>	<u>10,672</u>	<u>(9,426)</u>	<u>(25,366)</u>	<u>(1,962)</u>	<u>488,906</u>
Total liabilities and fund balances (deficits)	<u>\$ -</u>	<u>\$ 480,035</u>	<u>\$ 10,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,944</u>	<u>\$ 611,933</u>

**Town of Siler City, North Carolina
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
For the Year Ended June 30, 2017**

(2 pages)

	Capital Project Funds						
	Capital Reserve	Greenways and Step Implementation	NCDOT Safe Routes to School	ALP Update	Obstruction Removal	Greenway Construction	Parks Master Plan
Revenues							
Restricted intergovernmental - grant proceeds	\$ -	\$ -	\$ 4,297	\$ -	\$ 51,795	\$ 50,836	\$ -
Investment earnings	91	-	-	-	-	-	-
	<u>91</u>	<u>-</u>	<u>4,297</u>	<u>-</u>	<u>51,795</u>	<u>50,836</u>	<u>-</u>
Expenditures							
Transportation	-	-	-	-	57,550	-	-
Economic and physical development	-	-	4,297	-	-	-	-
Cultural and recreational	-	-	-	-	-	51,136	10,500
	<u>-</u>	<u>-</u>	<u>4,297</u>	<u>-</u>	<u>57,550</u>	<u>51,136</u>	<u>10,500</u>
Revenues over (under) expenditures	<u>91</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,755)</u>	<u>(300)</u>	<u>(10,500)</u>
Other financing sources (uses)							
Transfers from (to) other funds	-	(3,810)	-	-	6,859	-	68,000
Revenues and other sources over (under) expenditures and other uses	<u>91</u>	<u>(3,810)</u>	<u>-</u>	<u>-</u>	<u>1,104</u>	<u>(300)</u>	<u>57,500</u>
Fund balances (deficits), beginning of year, July 1	<u>108,554</u>	<u>3,810</u>	<u>(33,298)</u>	<u>6,804</u>	<u>(6,804)</u>	<u>(5,798)</u>	<u>(68,000)</u>
Fund balances (deficits), end of year, June 30	<u>\$ 108,645</u>	<u>\$ -</u>	<u>\$ (33,298)</u>	<u>\$ 6,804</u>	<u>\$ (5,700)</u>	<u>\$ (6,098)</u>	<u>\$ (10,500)</u>

Town of Siler City, North Carolina
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
For the Year Ended June 30, 2017

(2 pages)

	Capital Project Funds						Permanent Fund	Total Non-Major Governmental Funds
	Library Remodel	Aquatic Facility	LDP Update	Airport Runway	Airport Precision API	Airfield Lighting	Bavier Trust	
Revenues								
Restricted intergovernmental - grant proceeds	\$ -	\$ -	\$ -	\$ 83,766	\$ 169,842	\$ 57,357	\$ -	\$ 417,893
Investment earnings	-	-	-	-	-	-	-	91
	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,766</u>	<u>169,842</u>	<u>57,357</u>	<u>-</u>	<u>417,984</u>
Expenditures								
Transportation	-	-	-	93,074	195,208	70,636	-	416,468
Economic and physical development	-	-	-	-	-	-	-	4,297
Cultural and recreational	23,495	-	328	-	-	-	-	85,459
	<u>23,495</u>	<u>-</u>	<u>328</u>	<u>93,074</u>	<u>195,208</u>	<u>70,636</u>	<u>-</u>	<u>506,224</u>
Revenues over (under) expenditures	<u>(23,495)</u>	<u>-</u>	<u>(328)</u>	<u>(9,308)</u>	<u>(25,366)</u>	<u>(13,279)</u>	<u>-</u>	<u>(88,240)</u>
Other financing sources (uses)								
Transfers from (to) other funds	-	480,035	11,000	-	-	11,317	(100,000)	473,401
Revenues and other sources over (under) expenditures and other uses	<u>(23,495)</u>	<u>480,035</u>	<u>10,672</u>	<u>(9,308)</u>	<u>(25,366)</u>	<u>(1,962)</u>	<u>(100,000)</u>	<u>385,161</u>
Fund balances (deficits), beginning of year, July 1	<u>(1,405)</u>	<u>-</u>	<u>-</u>	<u>(118)</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>103,745</u>
Fund balances (deficits), end of year, June 30	<u>\$ (24,900)</u>	<u>\$ 480,035</u>	<u>\$ 10,672</u>	<u>\$ (9,426)</u>	<u>\$ (25,366)</u>	<u>\$ (1,962)</u>	<u>\$ -</u>	<u>\$ 488,906</u>

Town of Siler City, North Carolina
Capital Reserve Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2017

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Investment earnings	\$ 317,000	\$ 458,118	\$ 91	\$ 458,209	\$ 141,209
Other financing sources (uses)					
Transfers from:					
General fund	1,206,175	926,093	-	926,093	(280,082)
Water and sewer fund	59,000	-	-	-	(59,000)
Transfer to:					
General fund	(1,384,850)	(966,648)	-	(966,648)	418,202
Capital projects fund	(197,325)	(309,431)	-	(309,431)	(112,106)
Total other financing sources (uses)	(317,000)	(349,986)	-	(349,986)	(32,986)
Revenues and other sources over expenditures and other uses	\$ -	\$ 108,132	91	\$ 108,223	\$ 108,223
Fund balance, beginning of year, July 1			108,554		
Fund balance, end of year, June 30			\$ 108,645		

Town of Siler City, North Carolina
Capital Projects Fund (Greenways and Step Implementation)
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
From Inception and for the Year Ended June 30, 2017

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental:					
Federal grant proceeds - Greenway	\$ 369,000	\$ 209,334	\$ -	\$ 209,334	\$ (159,666)
State grant proceeds - Step implementation	80,000	80,000	-	80,000	-
Total revenues	449,000	289,334	-	289,334	(159,666)
Expenditures					
Cultural and recreational:					
Engineering and design	262,200	216,503	-	216,503	45,697
Equipment and repairs	216,500	93,568	-	93,568	122,932
	478,700	310,071	-	310,071	168,629
Revenues under expenditures	(29,700)	(20,737)	-	(20,737)	8,963
Other financing sources					
Transfers from:					
General fund	29,700	24,547	(3,810)	20,737	(8,963)
Revenues and other financing sources over (under) expenditures	\$ -	\$ 3,810	(3,810)	\$ -	\$ -
Fund balance, beginning of year, July 1			3,810		
Fund balance, end of year, June 30			\$ -		

Town of Siler City, North Carolina
Capital Projects Fund (NCDOT Safe Routes to School)
Schedule of Revenues, Expenditures and Changes in Fund Deficit -
Budget and Actual
From Inception and for the Year Ended June 30, 2017

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted intergovernmental:					
Local grant proceeds - Public Health	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ -
Local grant proceeds - County Schools	10,000	10,000	-	10,000	-
Federal grant proceeds	<u>1,000,000</u>	<u>449,082</u>	<u>4,297</u>	<u>453,379</u>	<u>(546,621)</u>
Total revenues	<u>1,020,000</u>	<u>469,082</u>	<u>4,297</u>	<u>473,379</u>	<u>(546,621)</u>
Expenditures					
Economic and physical development:					
Engineering and design	49,600	159,231	-	159,231	(109,631)
Construction	<u>1,000,000</u>	<u>343,149</u>	<u>4,297</u>	<u>347,446</u>	<u>652,554</u>
	<u>1,049,600</u>	<u>502,380</u>	<u>4,297</u>	<u>506,677</u>	<u>542,923</u>
Revenues under expenditures	(29,600)	(33,298)	-	(33,298)	(3,698)
Other financing sources					
Transfers from:					
General fund	<u>29,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,600)</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (33,298)</u>	<u>-</u>	<u>\$ (33,298)</u>	<u>\$ (33,298)</u>
Fund deficit, beginning of year, July 1			<u>(33,298)</u>		
Fund deficit, end of year, June 30			<u>\$ (33,298)</u>		

Town of Siler City, North Carolina
Capital Projects Fund (ALP Update)
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
From Inception and for the Year Ended June 30, 2017

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted					
intergovernmental:					
Federal grant proceeds	\$ 176,976	\$ 176,976	\$ -	\$ 176,976	\$ -
Expenditures					
Transportation:					
Engineering and design	185,708	185,708	-	185,708	-
Other services	10,932	10,932	-	10,932	-
	<u>196,640</u>	<u>196,640</u>	<u>-</u>	<u>196,640</u>	<u>-</u>
Revenues under expenditures	(19,664)	(19,664)	-	(19,664)	-
Other financing sources					
Transfers from:					
General fund	19,664	26,468	-	26,468	6,804
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 6,804</u>	<u>-</u>	<u>\$ 6,804</u>	<u>\$ 6,804</u>
Fund balance, beginning of year, July 1			<u>6,804</u>		
Fund balance, end of year, June 30			<u>\$ 6,804</u>		

Town of Siler City, North Carolina
Capital Projects Fund (Obstruction Removal)
Schedule of Revenues, Expenditures and Changes in Fund Deficit -
Budget and Actual
From Inception and for the Year Ended June 30, 2017

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted					
intergovernmental:					
Federal grant proceeds	\$ 128,278	\$ 61,239	\$ 51,795	\$ 113,034	\$ (15,244)
Expenditures					
Transportation:					
Engineering and design	<u>142,531</u>	<u>68,043</u>	<u>57,550</u>	<u>125,593</u>	<u>16,938</u>
Revenues under expenditures	(14,253)	(6,804)	(5,755)	(12,559)	1,694
Other financing sources					
Transfers from:					
General fund	<u>14,253</u>	<u>-</u>	<u>6,859</u>	<u>6,859</u>	<u>(7,394)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (6,804)</u>	1,104	<u>\$ (5,700)</u>	<u>\$ (5,700)</u>
Fund deficit, beginning of year, July 1			<u>(6,804)</u>		
Fund deficit, end of year, June 30			<u>\$ (5,700)</u>		

Town of Siler City, North Carolina
Capital Projects Fund (Greenway Construction)
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
Budget and Actual
From Inception and for the Year Ended June 30, 2017

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted					
intergovernmental:					
Federal grant proceeds	\$ 950,000	\$ 871,618	\$ 50,836	\$ 922,454	\$ (27,546)
Expenditures					
Cultural and recreational:					
Construction	<u>950,000</u>	<u>877,416</u>	<u>51,136</u>	<u>928,552</u>	<u>21,448</u>
Revenues under					
expenditures	<u>\$ -</u>	<u>\$ (5,798)</u>	<u>(300)</u>	<u>\$ (6,098)</u>	<u>\$ (6,098)</u>
Fund deficit, beginning					
of year, July 1			<u>(5,798)</u>		
Fund deficit, end of					
year, June 30			<u>\$ (6,098)</u>		

Town of Siler City, North Carolina
Capital Projects Fund (Parks Master Plan)
Schedule of Revenues, Expenditures and Changes in Fund Deficit -
Budget and Actual
From Inception and for the Year Ended June 30, 2017

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted					
intergovernmental:					
Local grant proceeds	\$ 17,546	\$ -	\$ -	\$ -	\$ (17,546)
Expenditures					
Cultural and recreational:					
Engineering and design	80,000	68,000	10,500	78,500	1,500
Revenues under expenditures	(62,454)	(68,000)	(10,500)	(78,500)	(16,046)
Other financing sources					
Transfers from:					
General fund	62,454	-	68,000	68,000	5,546
Revenues and other sources over (under) expenditures	\$ -	\$ (68,000)	57,500	\$ (10,500)	\$ (10,500)
Fund deficit, beginning of year, July 1			(68,000)		
Fund deficit, end of year, June 30			\$ (10,500)		

Town of Siler City, North Carolina
Capital Projects Fund (Library Remodel)
Schedule of Revenues, Expenditures and Changes in Fund Deficit -
Budget and Actual
From Inception and for the Year Ended June 30, 2017

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Expenditures					
Cultural and recreational:					
Construction	\$ 137,700	\$ 113,922	\$ 23,495	\$ 137,417	\$ 283
Other financing sources					
Transfers from:					
Capital reserve fund	<u>137,700</u>	<u>112,517</u>	<u>-</u>	<u>112,517</u>	<u>(25,183)</u>
Other financing sources under expenditures	<u>\$ -</u>	<u>\$ (1,405)</u>	<u>(23,495)</u>	<u>\$ (24,900)</u>	<u>\$ (24,900)</u>
Fund deficit, beginning of year, July 1			<u>(1,405)</u>		
Fund deficit, end of year, June 30			<u>\$ (24,900)</u>		

Town of Siler City, North Carolina
Capital Projects Fund (Aquatic Facility)
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
From Inception and for the Year Ended June 30, 2017

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Expenditures					
Cultural and recreational Construction	\$ -	\$ -	\$ -	\$ -	\$ -
Other financing sources					
Transfers from:					
General fund	<u>480,035</u>	<u>-</u>	<u>480,035</u>	<u>480,035</u>	<u>-</u>
Other financing sources over expenditures	<u>\$ 480,035</u>	<u>\$ -</u>	<u>480,035</u>	<u>\$ 480,035</u>	<u>\$ -</u>
Fund balance, beginning of year, July 1			<u>-</u>		
Fund balance, end of year, June 30			<u>\$ 480,035</u>		

Town of Siler City, North Carolina
Capital Projects Fund (LDP Update)
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
From Inception and for the Year Ended June 30, 2017

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Expenditures					
Cultural and recreational					
Engineering and design	\$ 11,000	\$ -	\$ 328	\$ 328	\$ 10,672
Other financing sources					
Transfers from:					
General fund	<u>11,000</u>	<u>-</u>	<u>11,000</u>	<u>11,000</u>	<u>-</u>
Other financing sources over (under) expenditures	<u>\$ (11,000)</u>	<u>\$ -</u>	<u>10,672</u>	<u>\$ 10,672</u>	<u>\$ 21,672</u>
Fund balance, beginning of year, July 1			<u>-</u>		
Fund balance, end of year, June 30			<u>\$ 10,672</u>		

Town of Siler City, North Carolina
Capital Projects Fund (Airport Runway)
Schedule of Revenues, Expenditures and Changes in Fund Deficit -
Budget and Actual
From Inception and for the Year Ended June 30, 2017

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Restricted					
intergovernmental:					
State grant proceeds	\$ 2,453,191	\$ 2,369,298	\$ 83,766	\$ 2,453,064	\$ (127)
Local grant proceeds	160,346	160,346	-	160,346	-
Total revenues	2,613,537	2,529,644	83,766	2,613,410	(127)
Expenditures					
Transportation:					
Construction	2,725,768	2,632,684	93,074	2,725,758	10
Revenues under expenditures	(112,231)	(103,040)	(9,308)	(112,348)	(117)
Other financing sources					
Transfers from:					
General fund	112,231	102,922	-	102,922	(9,309)
Revenues and other financing sources under expenditures	\$ -	\$ (118)	(9,308)	\$ (9,426)	\$ (9,426)
Fund deficit beginning of year, July 1			(118)		
Fund deficit, end of year, June 30			\$ (9,426)		

Town of Siler City, North Carolina
Capital Projects Fund (Airport Precision API)
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
Budget and Actual
From Inception and for the Year Ended June 30, 2017

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Restricted					
intergovernmental:					
Federal grant proceeds	\$ 186,129	\$ -	\$ 169,842	\$ 169,842	\$ (16,287)
Expenditures					
Transportation:					
Engineering and design	219,019	-	195,208	195,208	23,811
Revenues under expenditures	(32,890)	-	(25,366)	(25,366)	7,524
Other financing sources					
Transfers from:					
General fund	32,890	-	-	-	(32,890)
Revenues and other financing sources under expenditures	\$ -	\$ -	(25,366)	\$ (25,366)	\$ (25,366)
Fund balance, beginning of year, July 1			-		
Fund deficit, end of year, June 30			\$ (25,366)		

Town of Siler City, North Carolina
Capital Projects Fund (Airfield Lighting)
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
Budget and Actual
From Inception and for the Year Ended June 30, 2017

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted intergovernmental:					
State grant proceeds	\$ 101,849	\$ -	\$ 57,357	\$ 57,357	\$ (44,492)
Expenditures					
Transportation:					
Engineering and design	113,166	-	70,636	70,636	42,530
Revenues under expenditures	(11,317)	-	(13,279)	(13,279)	(87,022)
Other financing sources					
Transfers from:					
General fund	11,317	-	11,317	11,317	-
Revenues and other financing sources under expenditures	\$ -	\$ -	(1,962)	\$ (1,962)	\$ (87,022)
Fund balance, beginning of year, July 1			-		
Fund deficit, end of year, June 30			\$ (1,962)		

Town of Siler City, North Carolina
Permanent Fund (Bavier Trust)
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2017

Investment earnings	\$	-
Transfer to General Fund		<u>(100,000)</u>
Revenues under expenditures		(100,000)
Fund balance, beginning of year, July 1		<u>100,000</u>
Fund balance, end of year, June 30	\$	<u><u>-</u></u>

Town of Siler City, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2017
With Comparative Amounts for the Fiscal Year Ended June 30, 2016

(3 pages)

	2017		Variance Favorable (Unfavorable)	2016
	Budget	Actual		Actual
Revenues				
Operating revenues:				
Water sales	\$ 3,410,000	\$ 3,285,246	\$ (124,754)	\$ 2,986,263
Sewer sales	1,876,000	1,804,246	(71,754)	1,510,527
Water and sewer taps	4,000	3,909	(91)	2,550
Reconnection fees	76,000	97,140	21,140	87,342
Water meter installation	1,000	5,200	4,200	2,842
Other operating revenue	10,000	7,828	(2,172)	13,435
Total operating revenues	5,377,000	5,203,569	(173,431)	4,602,959
Nonoperating revenues:				
Interest earned on investments	3,000	6,669	3,669	3,672
Total revenues	5,380,000	5,210,238	(169,762)	4,606,631
Expenditures				
Administration:				
Salaries and employee benefits		252,619		219,119
Other operating expenditures		78,050		54,658
	345,442	330,669	14,773	273,777
Water operations:				
Salaries and employee benefits		279,004		267,531
Other operating expenditures		793,141		718,610
Capital outlay		76,425		42,848
	1,194,067	1,148,570	45,497	1,028,989
Sewer operations:				
Salaries and employee benefits		415,322		380,746
Other operating expenditures		866,443		758,910
Capital outlay		137,746		130,647
	1,437,748	1,419,511	18,237	1,270,303
Water and sewer maintenance:				
Salaries and employee benefits		269,506		253,615
Other operating expenditures		148,463		117,171
Capital outlay		152,414		117,710
	662,101	570,383	91,718	488,496
Risk management:				
Other operating expenditures	116,400	104,561	11,839	101,345

Town of Siler City, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2017
With Comparative Amounts for the Fiscal Year Ended June 30, 2016

(3 pages)

	2017		Variance Favorable (Unfavorable)	2016
	Budget	Actual		Actual
Debt service:				
Interest and fees		\$ 320,477		\$ 861,337
Debt principal		800,345		267,115
Lease obligation payments		45,878		16,492
	<u>\$ 1,176,901</u>	<u>1,166,700</u>	<u>\$ 10,201</u>	<u>1,144,944</u>
Total expenditures	<u>4,932,659</u>	<u>4,740,394</u>	<u>192,265</u>	<u>4,307,854</u>
Revenues over expenditures	<u>447,341</u>	<u>469,844</u>	<u>22,503</u>	<u>298,777</u>
Other financing sources (uses)				
Transfers to other fund	(282,925)	-	282,925	-
Proceeds from issuance of capital lease obligations	120,584	120,584	-	47,905
Gain on sale of capital assets	-	6,288	6,288	19,845
	<u>(162,341)</u>	<u>126,872</u>	<u>289,213</u>	<u>67,750</u>
Revenues and other sources over expenditures and other uses	<u>285,000</u>	<u>596,716</u>	<u>311,716</u>	<u>366,527</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 285,000</u>	<u>596,716</u>	<u>\$ 311,716</u>	<u>\$ 366,527</u>

Town of Siler City, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2017
With Comparative Amounts for the Fiscal Year Ended June 30, 2016

(3 pages)

**Reconciliation of modified accrual
basis to full accrual basis:**

Net change in fund balance	\$ 596,716
Net payments of long-term debt principal	800,345
Payment of capital lease obligation	45,878
Issuance of capital lease obligation	(120,584)
Gain on sale of capital assets	6,288
Proceeds from sale of capital assets	(6,288)
Capital outlay	366,585
Depreciation	(1,013,473)
Decrease in accrued vacation pay	23,818
Increase in deferred outflows of resources - pensions	203,054
Increase in net pension liability	(236,015)
Decrease in deferred inflows of resources - pensions	20,240
Increase in other postemployment benefits	<u>(22,645)</u>
Change in net position	<u><u>\$ 663,919</u></u>

Town of Siler City, North Carolina
Water and Sewer Capital Reserve Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2017

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues					
Investment earnings	\$ 204,000	\$ 197,572	\$ -	\$ 197,572	\$ (6,428)
Other financing sources (uses)					
Transfers from:					
Water & Sewer Fund	1,560,000	1,443,799	-	1,443,799	(116,201)
Transfers to:					
Water & Sewer Capital Projects Fund	(1,164,000)	(1,163,427)	-	(1,163,427)	573
Water & Sewer Fund Debt Service	(600,000)	(477,111)	-	(477,111)	122,889
Total other financing sources (uses)	(204,000)	(196,739)	-	(196,739)	7,261
Revenues and other financing sources over other uses	\$ -	\$ 833	\$ -	\$ 833	\$ 833

Town of Siler City, North Carolina
License Plate Agency
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2017
With Comparative Amounts for the Fiscal Year Ended June 30, 2017

	<u>2017</u>		<u>2016</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues				
Operating revenues:				
License plate agency fees	\$ 95,000	\$ 108,277	\$ 13,277	\$ 88,717
Notary fees	30,000	35,773	5,773	32,361
Other operating revenues	1,000	4,284	3,284	1,944
	<u>126,000</u>	<u>148,334</u>	<u>22,334</u>	<u>123,022</u>
Expenditures				
Operating expenditures:				
Salaries and employee benefits		157,206		105,746
Other operating expenditures		3,593		4,927
	<u>114,374</u>	<u>160,799</u>	<u>(46,425)</u>	<u>110,673</u>
Revenues over (under) expenditures	<u>\$ 11,626</u>	<u>(12,465)</u>	<u>\$ (24,091)</u>	<u>\$ 12,349</u>
Reconciliation of modified accrual basis to full accrual basis:				
Increase in accrued vacation pay		(149)		
Depreciation		(1,199)		
Increase in deferred outflows of resources - pensions		16,739		
Increase in net pension liability		19,482		
Decrease in deferred inflows of resources - pensions		1,817		
Change in net position		<u>\$ 24,225</u>		

Town of Siler City, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2017

	Uncollected Balance July 1, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 2,076,412	\$ 2,038,207	\$ 38,205
2015-2016	36,046	-	22,537	13,509
2014-2015	21,237	-	12,442	8,795
2013-2014	12,530	-	2,878	9,652
2012-2013	11,040	-	2,201	8,839
2011-2012	14,961	-	4,869	10,092
2010-2011	7,828	-	459	7,369
2009-2010	6,286	-	852	5,434
2008-2009	8,007	-	498	7,509
2007-2008	81,042	-	587	80,455
2006-2007	5,518	-	5,518	-
Collections and credits related to years prior to 2006			5,897	
	<u>\$ 204,495</u>	<u>\$ 2,076,412</u>	<u>\$ 2,096,945</u>	189,859
Less allowance for uncollected taxes receivable				
General fund				<u>(146,000)</u>
Ad valorem taxes receivable, net				<u>\$ 43,859</u>
Reconciliation with revenue:				
Taxes				\$ 2,137,392
Penalties and interest				(15,110)
Taxes written off				(65)
Other adjustments				<u>(25,272)</u>
Total collections and credits				<u>\$ 2,096,945</u>

Town of Siler City, North Carolina
Analysis of Current Tax Levy
For the Year Ended June 30, 2017

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 403,621,765	\$ 0.51	\$ 2,058,471	\$ 1,848,653	\$ 209,818
Motor vehicles taxed at prior year's rate	<u>151,373</u>	0.51	<u>772</u>	<u>-</u>	<u>772</u>
	403,773,137		2,059,243	1,848,653	210,590
Discoveries:					
Adjustments at current year's rate	<u>7,451,373</u>	0.51	<u>38,002</u>	<u>38,002</u>	<u>-</u>
	<u>411,224,510</u>		2,097,245	1,886,655	210,590
Abatements:					
Current year's rate	(2,018,627)	0.51	(10,295)	(10,295)	-
Prior year's tax rate	<u>(2,195,417)</u>	0.48	<u>(10,538)</u>	<u>(5,459)</u>	<u>(5,079)</u>
Total property valuation	<u>\$ (4,214,044)</u>				
Net levy			2,076,412	1,870,901	205,511
Uncollected taxes at June 30, 2017			<u>38,205</u>	<u>37,985</u>	<u>220</u>
Current year's taxes collected			<u>\$ 2,038,207</u>	<u>\$ 1,832,916</u>	<u>\$ 205,291</u>
Percent of current year taxes collected			<u>98.16%</u>	<u>97.97%</u>	<u>99.89%</u>



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

Independent Auditors' Report

Honorable Mayor and
Town Commissioners
Siler City, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Siler City, North Carolina ("Town"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated December 15, 2017. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Town of Siler City ABC Board, as described in our report on the Town's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Siler City ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.



A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002 to be material weaknesses. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompany schedule of findings and responses as item 2017-002.

Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it

Purpose of this Report

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

Dixon Hughes Goodman LLP

**High Point, North Carolina
December 15, 2017**

Schedule of Findings and Responses

Material Weakness

2017-001 - Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Cause: There is a limited number of personnel for certain functions

Effect: Transactions could be mishandled.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2016-001.

Recommendation: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective action: The Town agrees with this finding. The governing board and other town management will help monitor these controls.

Material Weakness

2017-002 - Deficit in Fund Balance of Individual Funds

Criteria: Adequate resources must be available for fund operations.

Cause: This deficit is the result of the Town not transferring over funds from the General Fund to the various capital project funds to cover the Town's obligation under these projects.

Effect: The capital project funds did not have sufficient assets to pay its liabilities at June 30, 2017.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2016-002.

Recommendation: We recommend that management transfer funds from the General Fund to the capital project funds to cover the deficits.

Views of responsible officials and planned corrective action: The Board agrees with this finding and will transfer funds from the General Fund to the capital project funds to cover the deficit.



Town of Siler City

**Town of Siler City, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2017**

Corrective Action Plan

Finding: 2017-001

Name of contact person: Bryan Thompson, Town Manager

Corrective action: The Town will review the State Treasurer's Memo 2015-15, "Internal Controls for a Small Unit of Government," to determine how segregation of duties can be improved.

Proposed completion date: June 30, 2018

Finding: 2017-002

Name of contact person: Bryan Thompson, Town Manager

Corrective action: The Town will transfer monies from the General Fund to the capital project funds to cover the fund deficits.

Proposed completion date: June 30, 2018



Town of Siler City

**Town of Siler City, North Carolina
Summary Schedule of Prior Year's Audit Findings
For the Fiscal Year Ended June 30, 2017**

Summary Schedule of Prior Year's Audit Findings

Finding 2016-001

Status: Not corrected

Finding 2016-002

Status: Not corrected

Finding 2016-003

Status: Corrected

Finding 2016-004

Status: Corrected