Note 1. Summary of Significant Accounting Policies

The City of Wilson, North Carolina, ("the City") was incorporated in 1849 and operates under a Council-Manager form of government. The City provides the following services: public safety (police and fire), streets, environmental services, water and sewer, stormwater, planning, inspections and zoning, parks and recreation, electric, gas, broadband, and general administration services.

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

A - Reporting Entity

The City of Wilson is a municipal corporation that is governed by an elected mayor and a seven-member council. The City's basic financial statements include all funds over which the City has accountability. As required by generally accepted accounting principles, these financial statements present the financial position and results of the operations of the City and its component units, legally separate entities for which the City is financially accountable. Blended component units are in substance part of the City's operations and are combined with amounts of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Included within the reporting entity -

City of Wilson Financing Assistance Corporation

The City of Wilson Financing Assistance Corporation (COWFAC) assists the City in acquiring, constructing, financing, selling and/or leasing of real property, improvements, facilities, equipment and other tangible and intangible personal property. The sole purpose of the COWFAC is to provide a funding source for City assets and enter into lease or financing arrangements with the City to repay the debt. The COWFAC governing board is appointed by City Council. The City is required to make payments to the COWFAC in an amount sufficient to pay the scheduled debt service on COWFAC debt. As a blended component unit, with a June 30 year end, the assets and liabilities of the corporation are combined with the assets and liabilities of the primary government.

Downtown Development Corporation

Downtown Development Corporation is a not-for-profit corporation, established to promote economic development in a municipal service district created by the act of City Council. A municipal service district tax is levied under the taxing authority of the City and remitted to the Downtown Development Corporation for use in the downtown district. The Downtown Development Corporation's budget is subject to the approval of City Council. The Downtown Development Corporation, which has a June 30 year end, is a discretely presented component unit presented in a separate column in the City's financial statements in order to emphasize that it is legally separate from the city.

Wilson Cemetery Commission

Wilson Cemetery Commission is responsible for maintaining and operating the municipal cemeteries. A five-member board appointed by City Council manages it. The Wilson Cemetery Commission's operating budget is subject to the approval of the City Council. The City Council sets charges for cemetery services. The City is required to provide sufficient appropriation in the annual budget for the care and maintenance of municipal cemeteries. The Wilson Cemetery Commission, which has a June 30 year end, is a discretely presented component unit presented in a separate column in the City's financial statements in order to emphasize that it is legally separate from the city.

There are no significant disclosures related to the above entities, which are not already included herein; therefore, no separate financial statements have been issued for these entities.

B – Basis of Presentation

Government-wide Statements: The entity-wide financial statements (i.e., the statement of net position and the statement of activities) include the financial activities of the overall government (Primary Government and its Component Units). Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental and business-type activities of the City. Governmental activities, defined as activities supported through taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on customer demand-based fees and charges for support services. Inter-fund transactions are eliminated for the most part. Net position may serve over time as a useful indicator of a government's financial condition. The government-wide Statement of Net Position shows all assets and liabilities of the City and the net position, which is the difference between assets and liabilities.

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

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include certain services provided between funds at market or near market rates, which are treated as revenues and expenses, and net residual amounts due between governmental and business-like activities, which are presented as internal balances. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

The City does not currently employ an indirect cost allocation system. An administrative service fee is charged by the General Fund to the other operating funds to address General Fund services provided (e.g., general administration, financial administration, personnel, legal, etc.).

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

Proprietary funds distinguish *operating* revenues and expenses from the *non-operating* items. *Operating* revenues and expenses generally result from charges for providing service and producing and delivering goods in relation with a proprietary fund's principal operations. The principal operating revenues of the enterprise funds, charges for services, results 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 and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

Electric Fund. The Electric Fund accounts for the operation of the City's electric power distribution system.

Gas Fund. The Gas Fund accounts for the operation of the City's gas distribution system.

Water Resources Fund. The Water Resources Fund accounts for the operation of the City's water and sewer system.

Broadband Fund. The Broadband Fund accounts for the operation of the City's broadband services providing video, voice, and data services.

Mass Transit Fund. The Mass Transit Fund accounts for the operation of the City's mass transit system.

Industrial Air Center Fund. The Industrial Air Center Fund accounts for the operation of the City's municipal airport.

Stormwater Management Fund. The Stormwater Management Fund accounts for activities of the stormwater management system of the City.

Additionally, the government reports the following fund types:

Internal Service Funds. Internal Service Funds account for a risk management (insurance) program, limited risk self-insurance health program, and operation center facility operations and maintenance program.

Private Purpose Trust Fund accounts for monies held in trust for a private individual that provides financial assistance to private individuals for their education in fire fighting.

C – Measurement Focus and Basis of Accounting

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Economic resources measurement focus requires all assets and liabilities are included on the statement of net position or balance sheet. Accrual basis accounting requires revenues to be recognized when earned and expenses to be recognized when a liability is incurred, regardless of the timing of related cash flow. Non-exchange transactions, in which the City 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 as revenues in the fiscal year in which they are levied. Revenue from grants and donations is recognized in the fiscal year for which all eligibility requirements imposed by the provider 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 program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses separately from non-operating transactions. 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 City enterprise funds are charges to customers for sales and services related to electric, gas, water, sanitary sewer, storm water management services and broadband services. The City also recognizes restoration of services, service taps, bus fares, and airport rentals as operating revenues. Operating expenses for enterprise funds include cost of sales and services, production and distribution, administration, and depreciation on capital assets. All revenues and expenses not meeting these criteria (such as investment earnings) are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for un-matured 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 City recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Non-exchange transactions occur when one government provides (or receives) value to (or from) another party without receiving (or giving) equal value in return. The City regards all revenues as 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 other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by Wilson 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 City 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 City's policy to first apply cost reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The City reports deferred inflows of resources on its Governmental Funds Balance Sheet. Deferred inflows arise when potential revenue does not meet the "available" criteria for recognition in the current period. Deferred inflows also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred inflows is removed from the governmental funds balance sheet and revenue is recognized.

D - Budgetary Data

The City's budget is adopted as required by the North Carolina General Statutes. The annual budgetary process entails the preparation of budgetary documents within an established timetable. The timetable is designed to incorporate the amount of time necessary to produce a draft budget document prior to June 1st, when the City Manager submits a proposed operating budget of estimated revenues and expenditures to the City Council for the fiscal year commencing July 1. Public hearings are conducted to obtain taxpayer comments. Prior to July 1st, the budget is legally enacted through passage of an ordinance. Annual appropriated budgets are adopted for the General Fund, Community Development Fund, General Government Capital Project Fund, Economic Development Reserve Fund and Enterprise Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The budget includes all funds with the exception of Trust Funds and the Internal Service Funds.

All annual appropriations lapse at the fiscal year end. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Project ordinances are adopted for Special Revenue Grant Projects, Capital Projects and Enterprise Fund Capital Projects, which are consolidated with the operating funds for reporting purposes.

The City Manager is authorized to transfer budgeted amounts between objects of expenditures within any department without limitation. The City Manager is also authorized to transfer up to $50,000 in budgeted expenditures between departments within each fund. All amendments must be approved by resolution of the City Council. The financial statement budget columns reflect all budget amendments adopted by the City Council through June 30.

During the year, several supplementary appropriations were necessary; however, individual amendments were not material in relation to the original appropriations.

Also as required by State law, the City's internal service funds (Risk Management, Group Insurance Benefit, and Operation's Center) operate under financial plans that were adopted by the governing board at the time the City's budget ordinance was approved. The financial plans were also entered into the minutes of the governing board.

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

1. Deposits and Investments

The deposits of the City of Wilson and each of its component units are secured as required by North Carolina General Statute ("G.S") 159-31. Each of these units may establish official depositories with any bank or savings and loan association whose principal office is located in North Carolina. G.S. 159-30(c) authorizes each of these units to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed 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), an SEC registered external investment pool dedicated to serving North Carolina public units.

The City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices and in accordance with GASB Statement 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools. The securities of the NCCMT Government Portfolio, an SEC-registered (2a-7) external investment pool, are measured at amortized cost, which is the NCCMT's share price. For the majority of investments, the City has the ability to hold all securities to maturity. However, due to economic conditions and when it is beneficial to the City, the City may elect to sell investments prior to their maturity on the secondary market. In accordance with State law, the City has invested in securities which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

Each of these units may also establish time deposits in the form of NOW, Super NOW and money market accounts, and certificates of deposit. Depositories must collateralize public deposits in excess of federal depository insurance coverage by using one of two methods. Under the *dedicated method*, each depository in the name of each local unit establishes a separate escrow account, and the responsibility of monitoring collateralization rests with the local unit. Under the *pooling method*, which is a collateral pool, each depository establishes an escrow account in the name of the State Treasurer to secure all its public deposits. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in its name. 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 City or its component units or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City or its component units 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 depository. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance.

2. Cash and Cash Equivalents

The City of Wilson and its component units pool money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. It is the City's policy to use unrestricted resources first, and then restricted resources as needed.

3. Restricted Assets

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

City of Wilson Restricted Cash			
Governmental Activities			
General Fund			
	Deposits	$	644,490
Community Development Fund			
	Deposits		6,750
Total Governmental Activities		$	651,240
Business-type Activities			
Electric Fund			
	Customer Deposits	$	1,676,243
Gas Fund			
	Customer Deposits		196,937
Water Resources Fund			
	Customer Deposits		349,349
Mass Transit Fund			
	Customer Deposits		134
Broadband Fund			
	Customer Deposits		143,499
Total Business-type Activities		$	2,366,162
Total Restricted Cash		$	3,017,402

4. Ad Valorem Taxes Receivable

In accordance with North Carolina General Statutes (GS 105-347 and G.S. 159-13(a)), all ad valorem taxes are levied by the City of Wilson on property other than motor vehicles on July 1st, the beginning of the fiscal year. The Wilson County Tax Administrator acts as agent for the City in listing, assessing and collecting all taxes related to real and personal property located in the City. 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.

By the following June 30, taxes receivable are delinquent and are not considered a resource to finance current year operations. A lien attaches to real property as of the listing date (January 2) and to personal property when the levy or garnishment attachment is made.

5. Allowances for Doubtful Accounts

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

6. Internal Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

7. Inventory and Prepaid Items

The inventories of the City are recorded as an expenditure/expense when consumed rather than when purchased. Inventory is determined by physical count and valued at cost using the average cost method. These inventories are accounted for in the central warehouse, which is managed by the Purchasing Division in the Financial Services Department.

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

8. Long Term Receivables

Assessments that can be paid over a ten-year period which only require an annual payment amount that equals 10% of the original amount are considered long-term receivables. Notes receivable for Community Development loans that were incurred to improve substandard properties for rent to low-income people are financed for periods of 10 to 20 years. All of these receivables have a lien against real property for collateral.

9. Capital Assets

Capital assets, which include land, buildings, equipment, vehicles and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements. Fund financial statements of governmental funds do not include capital assets since they are on the current financial measurement focus and the modified accrual accounting basis. Capital assets include individual assets that have a life of longer than one year and a value of $5,000 or greater, except for infrastructure assets, which must have a value of at least $50,000.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair market value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Any interest incurred during the construction phase of proprietary capital assets is reflected in the capitalized value of the asset constructed. 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.

Depreciation has been provided over the estimated useful lives of the capital assets using the straight-line method. The estimated useful lives are as follows:

Capital asset	Useful Life
Equipment	5 - 30 years
Land improvements	25 - 30 years
Buildings	30 - 50 years
Distribution systems	30 - 50 years
Infrastructure	30 - 50 years

10. Long-Term Obligations

Long-term liabilities are reported as liabilities in the government-wide statements and the proprietary fund financial statements. 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 premium or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs on debt issuance are expensed over the life of the debt. Governmental fund types do not show long-term liabilities in the fund financial statements since their measurement focus is on current financial resources and the modified accrual basis of accounting.

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.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 that time. The City has a few items that meet this criterion: contributions made to pension plan in the 2017 fiscal year, benefit payments and administrative expenses for LEOSSA, and the difference between the reacquisition price and the net carrying amount of revenue bonds refunded. 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 City has a few items that meet this criterion: unearned revenue related to taxes receivable, assessments, and miscellaneous receivables, insurance premium prepayment, and pension deferrals. Fund statement receivables recorded in the governmental funds that have been assessed for improvements are recognized as a receivable on the assessment date and have been reduced by an allowance for doubtful accounts. The receivables are recognized as revenue when collected during the year. Government-wide and proprietary fund statements record revenue from receivables when the transaction occurs and have also been reduced by an allowance for doubtful accounts.

12. Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City, the current portion of the accumulated vacation pay is not considered to be material; therefore no expenditure or liability has been reported in the fund financial statements. The City also has a compensatory time policy that allows employees to accrue leave in lieu of payment for overtime worked. The City's liability for accumulated compensatory time, earned vacation and salary related payments as of June 30, 2017 are not recorded in the fund financial statements for governmental funds financial statements and are a reconciling item to government-wide financials. For the City's proprietary funds financial statements and government-wide financials, an expense and a liability for compensated absences, and the salary related payments, are accrued within those funds when incurred. Vacation leave accrued over the 30 day limit is converted to sick leave annually. The City's liability for compensated absences at June 30, 2017 is $3,694,737. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The sick leave policy of the City 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 City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

13. 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)].

Restricted for general government – portion of fund balance restricted by revenue source to be utilized by the public affairs division of the administrative services department for cable television channels maintained by the City for public, educational or governmental use; such as adding additional programming or upgrading equipment.

Restricted for public safety – Police distributed share of Federal DEA, IRS/Customs Border Protection and Judicial forfeitures; State Controlled Substance Tax Assessment and pledged grant matching funds portion of fund balance restricted by revenue sources to be used for law enforcement to purchase vehicles, equipment, and other approved items.

Restricted for planning and development – portion of fund balance that is restricted by the N. C. Housing Finance Agency for energy efficient homes grants, urgent repair grants, and comprehensive rehabilitation needs to be utilized by the planning and development services department.

Restricted for culture and recreation – portion of fund balance that is restricted for parks and recreation department by corporate donation for park trail additions and improvements.

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

Committed for public services – portion of fund balance committed by City Council for the public services department for public street maintenance (paving and resurfacing of streets) and for a rail station canopy replacement as matching funds for state grant.

Committed for planning and development – portion of fund balance committed by City Council for the planning and development services department for the purchase and/or construction of buildings for economic purposes; also, matching City funds for TIGER grant were set aside to fund engineering for substantial improvement along one of the City's main highway corridors.

Committed for culture and recreation – portion of fund balance committed by City Council for the construction of a whirligig park and adjourning infrastructure; along with site improvements to the City of Wilson's main park facility and trail and bridge improvements at one of the lake parks.

Assigned Fund Balance – the portion of fund balance that the City of Wilson intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The City Council approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations within funds up to $50,000.

Assigned for planning and development – portion of fund balance assigned by City Council for community development administration and loan program management; also includes matching portion for Wilson inventory landscape trees grant.

Unassigned Fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The City of Wilson follows the guidelines as set forth by the GASB Statement 54, that in the use of unrestricted fund balance amounts, committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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

It is the City's policy to maintain an amount of fund balance available for appropriation in the General Fund no less than twenty-five percent of annual expenditures.

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	$ 23,565,459
Less Inventories	400,300
Less Stabilization by State Statute	4,442,075
Available Fund Balance	$ 18,723,084

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Encumbrances	General Fund	Non-Major funds
	$ 762,166	$ 2,835,845

The Downtown Development Corporation has encumbrances in the amount of $ 10,000.

14. 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. The City's employer contributions are recognized when due and the City 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.

15. Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Transfers to other funds" in the General Fund and "Transfers from other funds" in the receiving fund in the fund financial statements.

16. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

17. Comparative Data/Reclassifications

Comparative data for the prior year has been presented on certain supplemental financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

Note 2. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2017, the carrying amount of the City's deposits, including restricted deposits, was $43,926,545. The carrying amounts of the Downtown Development Corporation and the Wilson Cemetery Commission deposits were $44,135 and $60,562 respectively. The City has balances totaling $1,448,410 invested in certificates of deposit, of which, $1,300 and $8,538 are presented in the Downtown Development Corporation and Wilson Cemetery Commission, respectively. The City has investments in Money Market accounts of $20,184,422, of which, $18,198 and $25,446 are presented in the Downtown Development Corporation and Wilson Cemetery Commission, respectively. The bank balances for the above deposits were $67,167,753, including all certificates of deposit and Money Market accounts, which consist of $67,056,335 for the City, $44,135 for the Downtown Development Corporation and $67,283 for the Wilson Cemetery Commission. At June 30, 2017, the City's petty cash fund totaled $8,400. The Downtown Development Commission and the Wilson Cemetery petty cash funds totaled $925 and $50, respectively. All deposits were maintained with financial institutions which collateralize deposits in excess of FDIC by the pooling method. Of the bank balance above, $250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Investments

Pooled cash and investments are maintained and used by all funds.

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

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

As of June 30, 2017, the City had the following investments and maturities:

	Valuation	Investment Maturity (in Years)		
	Measurement	Fair	Less	
Investment Type	Method	Value	Than 1	1-5
Government Agencies:				
Federal Home Loan Bank	Fair Value Level 1	$ 804,975		$ 804,975
Federal Home Loan Mortgage Corporation	Fair Value Level 1	10,265,082	1,425,530	8,839,552
Federal National Mortgage Association	Fair Value Level 1	19,899,246	2,665,164	17,234,082
NC Capital Management Trust - Government Portfolio	Amortized Cost	14,658,158	14,658,158	
		$ 45,627,461	$ 18,748,852	$ 26,878,609

As of June 30, 2017, the Wilson Cemetery Commission had the following investments and maturities:

	Valuation	Investment Maturity (in Years)		
Investment Type	Measurement Method	Fair Value	Less Than 1	1-5
Government Agencies:				
Federal Home Loan Bank	Fair Value Level 1	$ 994		$ 994
Federal Home Loan Mortgage Corporation	Fair Value Level 1	12,683	1,761	10,922
Federal National Mortgage Association	Fair Value Level 1	24,586	3,293	21,293
NC Capital Management Trust - Government Portfolio	Amortized Cost	18,518	18,518	
		$ 56,781	$ 23,572	$ 33,209

As of June 30, 2017, the Downtown Development had the following investments and maturities:

	Valuation	Investment Maturity (in Years)		
Investment Type	Measurement Method	Fair Value	Less Than 1	1-5
Government Agencies:				
Federal Home Loan Bank	Fair Value Level 1	$ 720		$ 720
Federal Home Loan Mortgage Corporation	Fair Value Level 1	9,175	1,274	7,901
Federal National Mortgage Association	Fair Value Level 1	17,786	2,382	15,404
NC Capital Management Trust - Government Portfolio	Amortized Cost	13,245	13,245	
		$ 40,926	$ 16,901	$ 24,025

Interest rate risk is not managed by a formal investment policy to limit exposure to fair value losses arising from rising interest rates.

The City has no policy on managing credit risk. General Statute 159-30(c) authorizes the City and its component units to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers′ acceptances; and the North Carolina Capital Management Trust, an SEC registered external investment pool. The City complies with these provisions.

The credit risk for the City and its component units are as follows:

Investment Type	**Credit Rating**
Federal Home Loan Bank	Aaa
Federal Home Loan Mortgage Corporation	Aaa
Federal National Mortgage Association	Aaa
NC Capital Management Trust – Government Portfolio	AAAm

Concentration of credit risk is not managed by a formal investment policy limiting the amount that may be invested in any one issuer.

The concentration of credit risk for the City and its component units are as follows:

Investment Type	**% of Total Investments**
Federal Home Loan Bank	2%
Federal Home Loan Mortgage Corporation	22%
Federal National Mortgage Association	44%
NC Capital Management Trust – Government Portfolio	32%

Investment income is allocated to the various funds based on their equity in a pooled account. Each fund′s equity in pooled cash and investments is set forth in the accompanying financial statements. As required for periods beginning after June 15, 1997 by Statement 31 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the City and its component units are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio's securities are measured at amortized cost, which is the NCCMT's share price.

During fiscal year ended June 30, 2017, the City, Downtown Development Corporation, and the Wilson Cemetery Commission have realized a net gain of $3,910, $0, and $9, respectively from the sale of investments. The calculation of realized loss is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses in investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of the investments reported in the prior year. The net increase/(decrease) in the fair value of the City's, Downtown Development Corporation's and the Wilson Cemetery Commission's investments during fiscal year ended June 30, 2017 were $(550,785), ($333), and ($895) respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year. The City's, Downtown Development Corporation's, and the Wilson Cemetery Commission's unrealized gain / (loss) on investments held at June 30, 2017 were $494,651, $446, and $694 respectively.

3. Receivables - Allowance for Uncollectibles

The receivables shown for Governmental and Business-type activities are presented net of the following allowances for doubtful accounts as of June 30, 2017:

Funds		
Governmental	$	3,639,530
Business-type		825,000
Total	$	4,464,530

Accounts receivable for the Downtown Development Corporation are presented net of a $747 allowance for doubtful accounts.

4. Due from Other Agencies and Governments

The following summarizes amounts due from other agencies and governments by source as of June 30, 2017.

Funds	Local	State	Federal	Total
Governmental	$ 462,148	$ 262,569	$ 351,305	$ 1,076,022
Business-type	1,481	107,761	369,611	478,853
Total	$ 463,629	$ 370,330	$ 720,916	$ 1,554,875

The Downtown Development Corporation has a local due from other governments in the amount of $4,421.

5. Capital Assets

The following summarizes the changes in capital assets for the governmental activities:

Primary Government

	Beginning Balances	Additions	Transfers In/out	Retirements	Ending Balances
Governmental Activities					
Captial Assets, not being depreciated					
Land	$ 19,942,909	$ 460,206	$	$ (11,000)	$ 20,392,115
	19,942,909	460,206		(11,000)	20,392,115
Capital assets, being depreciated:					
Land Improvements	9,545,395	596,378			10,141,773
Buildings	17,956,898	187,014			18,143,912
Rolling Stock	16,933,157	1,991,785	(66,969)	(827,466)	18,030,507
General Equipment	7,097,652	887,390	15,315	(32,536)	7,967,821
Furniture, Fixtures, and equipment	4,225,354	120,229		(95,971)	4,249,612
Infrastructure	37,481,555				37,481,555
Sidewalks	1,047,359	273,115			1,320,474
Total capital assets, being depreciated	94,287,370	4,055,911	(51,654)	(955,973)	97,335,654
Less accumulated depreciation for:					
Land Improvements	(4,243,410)	(308,490)			(4,551,900)
Buildings	(7,375,450)	(360,493)			(7,735,943)
Rolling Stock	(12,730,883)	(902,543)	55,187	744,004	(12,834,235)
General Equipment	(3,655,919)	(420,641)	(4,084)	30,712	(4,049,932)
Furniture, Fixtures, and equipment	(4,125,517)	(33,992)		84,637	(4,074,872)
Infrastructure	(23,936,913)	(1,027,615)			(24,964,528)
Sidewalks	(164,605)	(34,781)			(199,386)
Total Accumulated Depreciation	(56,232,697)	(3,088,555)	51,103	859,353	(58,410,796)
Total capital assets, being depreciated, net	38,054,673	967,356	(551)	(96,620)	38,924,858
Governmental activities capital assets, net	$ 57,997,582	$ 1,427,562	$ (551)	$ (107,620)	$ 59,316,973

CITY OF WILSON, NORTH CAROLINA

The following summarizes the changes in capital assets for the business-type activities:

	Beginning Balances	Additions	Transfers In (out)	Retirements	Ending Balances
Business-type activities					
Capital Assets, not being depreciated					
Land	$ 25,791,884	$ 2,984,827	$	$	$ 28,776,711
Construction in progress	21,345		(21,345)		
Total capital assets, not being depreciated	25,813,229	2,984,827	(21,345)		$ 28,776,711
Capital assets, being depreciated:					
Land Improvements	7,603,629				7,603,629
Buildings	20,722,723	519,025			21,241,748
Utility distribution System	333,454,150	9,770,467	21,345	(6,629)	343,239,333
Tanks Reservoirs dams Waterways	33,515,973				33,515,973
Rolling Stock and other vehicles	16,875,771	2,258,906	66,969	(524,459)	18,677,187
Furniture, fixtures, and equipment	37,161,372	3,382,261	(15,315)	(46,495)	40,481,823
Total capital assets, being depreciated	449,333,618	15,930,659	72,999	(577,583)	464,759,693
Less accumulated depreciation for:					
Land Improvements	(3,875,439)	(149,821)			(4,025,260)
Buildings	(8,915,764)	(398,036)			(9,313,800)
Utility distribution System	(144,367,007)	(7,954,994)		6,629	(152,315,372)
Tanks, reservoirs, dams, waterways	(11,835,331)	(654,432)			(12,489,763)
Rolling Stock and other vehicles	(13,768,308)	(946,060)	(55,187)	521,963	(14,247,592)
Furniture, fixtures, and equipment	(23,907,296)	(1,779,155)	4,084	46,496	(25,635,871)
Total Accumulated depreciation	(206,669,145)	(11,882,498)	(51,103)	575,088	(218,027,658)
Total capital assets, being depreciated, net	242,664,473	4,048,161	21,896	(2,495)	246,732,035
Business-type activities capital assets, net	$ 268,477,702	$ 7,032,988	$ 551	$ (2,495)	$ 275,508,746

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

Governmental activities:	
General government	$ 360,716
Public Safety	813,289
Highways and streets, including depreciation of general infrastructure assets	1,155,999
Environmental services	346,287
Culture and recreation	410,464
Planning and development	1,800
Total depreciation expense - governmental activities	$ 3,088,555
Business-type activities:	
Electric	$ 4,686,356
Gas	731,108
Water	4,084,522
Mass Transit	103,088
Industrial Air Center	9,514
Broadband	1,675,155
Stormwater	285,314
Operations Center	307,441
Total depreciation expense - business-type activities	$ 11,882,498

A summary of Wilson Cemetery Commission capital assets activity by type at June 30, 2017:

	Beginning Balance June 30, 2016	Additions	Transfers In (Out)	Retirements	Ending Balance June 30, 2017
Capital assets, not being depreciated:					
Land	$ 25,754	$	$	$	$ 25,754
Total capital assets, not being depreciated	25,754				25,754
Capital assets, being depreciated:					
Land Improvements	769,091	81,982			851,073
Buildings	76,609				76,609
Rolling Stock	184,584			(45,390)	139,194
Furniture, fixtures and equipment	124,800	9,372			134,172
Total capital assets, being depreciated	1,155,084	91,354		(45,390)	1,201,048
Less accumulated depreciation:					
Land improvements	(454,437)	(15,879)			(470,316)
Buildings	(69,831)	(778)			(70,609)
Rolling stock	(175,471)	(5,245)		45,390	(135,326)
Furniture, fixtures and equipment	(46,650)	(12,804)			(59,454)
Total accumulated depreciation	(746,389)	(34,706)		45,390	(735,705)
Total capital assets, being depreciated net	408,695	56,648			465,343
Total capital assets, net	$ 434,449	$ 56,648	$	$	$ 491,097

6. Operating Leases

The City has committed to various operating leases. Lease expenditures for the year ended June 30, 2017 amounted to $929,237.

Future minimum lease payments for these leases are as follows:

Year Ending	Amount
2018	$ 874,806
2019	479,206
2020	264,732
2021	92,643
2022	22,740
2023-2027	
	$ 1,734,127

7. Long-Term Debt

The City is subject to the Local Government Bond Act of North Carolina, which limits the amount of net bonded debt the City may have outstanding to eight percent (8%) of the appraised value of property subject to taxation. At June 30, 2017, the statutory legal debt margin for the City was $267,296,054.

Principal and interest requirements for Governmental Activities debt will be provided by appropriation in the General Fund in the year in which they become due. Principal and interest requirements for Business-type Activities debt will be provided through operating revenues in the respective Business-type Activities Funds and appropriated in the year in which they become due.

Revenue Bonds issued in fiscal year 2003 pledge the income derived from the Combined Utility System for payment of the debt. These Series 2002 Revenue Bonds were subsequently refunded in fiscal years 2012 and 2014. Currently the Combined Utility System is composed of the Water System, Wastewater System and Gas System. Certain financial covenants are contained in the revenue bond order, among the most restrictive of which provide that the City maintain a long-term revenue bonded debt service coverage ratio of not less than 120%. The overall Combined Utility System debt service coverage ratio must be maintained at a ratio of 100%. The coverage ratio as of June 30, 2017 for revenue bonded debt service is 935.51% and 205.90% for all debt. The City is in compliance with the covenants as to rates, fees, rentals and charges as presented in the Report of Independent Auditors on Revenue Bond Covenant Compliance letter that is included in the Other Financial Information tab later in this report.

A summary of changes in long-term liabilities is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within 1 year
Governmental Activities					
Notes payable	$ 1,625,548	$	$ (361,095)	$ 1,264,453	$ 313,063
Post employment benefits	8,790,129	3,085,538	(1,899,635)	9,976,032	
Net pension Liability (LGERS)	2,143,752	7,711,377		9,855,129	
Total pension Liability-LEOSSA		4,612,672		4,612,672	
Accrued compensated balances	2,379,219	1,754,418	(1,621,655)	2,511,982	1,729,660
	14,938,648	17,164,005	(3,882,385)	28,220,268	2,042,723

The Downtown Development Corporation had accrued compensated absences balance of $27,064 as of June 30, 2017.

For the governmental funds, accrued compensated absences and post-employment benefits are generally liquidated in the General Fund.

Business Type Activities	Beginning Balance	Additions	Retirements	Ending Balance	Due Within 1 year
Electric Fund					
Electric Notes Payable	$ 1,570,537	$	$ (261,756)	$ 1,308,781	$ 261,756
Electric COPS Payable	22,705,000		(1,080,000)	21,625,000	760,000
Electric Deferred COPS Premium	521,242		(33,095)	488,147	
Electric Deferred COPS Discount	(71,169)		4,146	(67,023)	
Post employment benefits	1,324,546	453,243	(279,042)	1,498,747	
Net pension liability (LGERS)	343,498	1,253,697		1,597,195	
Accrued Compensated Absences	397,152	307,870	(287,981)	417,041	303,494
Electric Fund long term liabilities	26,790,806	2,014,810	(1,937,728)	26,867,888	1,325,250
Gas Fund					
Gas Notes Payable	953,385		(190,656)	762,729	190,656
Gas Revenue Bonds	2,535,075		(165,150)	2,369,925	166,275
Gas Deferred Revenue Bonds Premium	2,284		(190)	2,094	
Post employment benefits	344,120	122,027	(75,127)	391,020	
Net pension liability (LGERS)	93,681	341,917		435,598	
Accrued Compensated Absences	102,561	79,672	(78,747)	103,486	83,070
Gas Fund long term liabilities	4,031,106	543,616	(509,870)	4,064,852	440,001

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Business Type Activities	Beginning Balance	Additions	Retirements	Ending Balance	Due Within 1 year
Water Resources Fund					
Water & Sewer Notes Payable	13,553,708		(1,673,575)	11,880,133	1,673,575
Water & Sewer GO Bonds	7,325,000		(1,205,000)	6,120,000	1,205,000
Water and Sewer GO Bond Premium	415,553		(59,365)	356,188	
Water & Sewer Revenue Bonds	8,731,925		(568,850)	8,163,075	572,725
Water & Sewer Deferred Revenue Bond Premium	7,674		(639)	7,035	
Post employment benefits	1,275,783	444,526	(273,676)	1,446,633	
Net pension liability (LGERS)	364,347	1,481,642		1,845,989	
Accrued Compensated Absences	414,549	246,334	(263,932)	396,951	289,430
Water Resources Fund long term liabilities	32,088,539	2,172,502	(4,045,037)	30,216,004	3,740,730
Broadband Fund					
Broadband COPS Payable	21,750,039		(2,217,031)	19,533,008	2,687,633
Broadband Deferred COPS Premium	272,882		(46,290)	226,592	
Net pension liability (LGERS)	62,454	227,945		290,399	
Accrued Compensated Absences	205,189	127,509	(132,986)	199,712	136,183
Broadband Fund long term liabilities	22,290,564	355,454	(2,396,307)	20,249,711	2,823,816
Mass Transit Fund					
Post employment benefits	147,480	52,297	(32,197)	167,580	
Net pension liability (LGERS)	31,227	113,972		145,199	
Accrued Compensated Absences	32,923	14,397	(13,291)	34,029	12,640
Mass Transit Fund long term liabilities	211,630	180,666	(45,488)	346,808	12,640
Stormwater Management Fund					
Net pension liability (LGERS)	62,454	227,945		290,399	
Accrued Compensated Absences	24,004	20,126	(12,594)	31,536	14,214
Stormwater Fund long term liabilities	86,458	248,071	(12,594)	321,935	14,214
Operation Center Fund					
Operation Center COPS Payable	1,949,961		(287,969)	1,661,992	302,367
Operation Center Deferred COPS Premium	10,886		(2,177)	8,709	
Operation Center Fund long term liabilities	1,960,847		(290,146)	1,670,701	302,367
Business activity long-term liabilities	$ 87,459,950	$ 5,515,119	$ (9,237,170)	$ 83,737,899	$ 8,659,018

At June 30, 2017 long-term debt, excluding accrued compensated absences, consists of the following:

Governmental Activities:	
General Fund	
Notes Payable (Installment Contract):	
Carter National Bank Land and Building purchase due in annual principal installment of $108,334 through June 2021, interest at 3.09%	$ 433,328
Carter Bank Building Renovation, note due in annual principal installments of $73,676 through June 2021, interest at 3.09%	294,610
Aerial Ladder Fire Truck; note due in annual installments at $139,369 including interest through May 2021, interest at 1.55%	536,515
Total Governmental Activities Long-Term Debt	$ 1,264,453
Business-Type Activities	
Electric Fund:	
Notes Payable (Installment Contract): Industrial Development- Land note due in annual principal installments of $261,756 through June 2022, interest rate at 3.09%	1,308,781
Certificate of Participation Payable: Electric system improvements Series 2007 A-1 certificates due in annual principal installments of $330,000 to $1,155,000 through May 2032, interest at 4.00% to 5.00%	9,485,000
Electric system improvements Series 2008 certificates due in annual principal installments of $475,000 to $1,330,000 through May 2033, interest at 3.25% to 5.00%	12,140,000
	21,625,000
Total Electric fund	22,933,781
Gas Fund:	
Notes Payable (Installment Contract): MGP Site Cleanup, note due in annual principal installments of $190,656 through June, 2021, interest at 3.09%	762,729
Revenue Bonds: 753,275 – 2013 Revenue Bonds due in annual principal installments of $142,875 to $150,525 through June 2019, including interest at 1.38%	298,800
2,155,500 – 2011 Revenue Bonds due in annual principal installments of $15,750 to $254,250 through June 2028, including interest at 2.99%	2,071,125
	2,369,925
Total Gas fund	3,132,654

Water Resources Fund:	
Notes Payable (Installment Contract):	
Wastewater Facility upgrades to 14MGD; note due in annual principal installments of $654,601 through May 1, 2021; interest at 2.91%	2,618,404
Happy Valley Water Reuse and Sewer Rehabilitation; note due in annual principal installments of $22,468 beginning after the completion of the capital project and continuing through May 2025, interest at 2.205%.	179,747
Wastewater Facility Phase III Upgrade; note due in annual principal installments of $968,147, beginning after completion of the project and continuing through May 2026, interest at 2.205%.	8,713,329
Contentnea Interceptor Line; note due in annual principal installments of $28,358 through May 2030; interest rate at 0.00%.	368,653
	11,880,133
General Obligation Bonds:	
$15,280,000 – 2009 Water serial bonds due in annual principal installments of $225,000 to $1,345,000 through June 1, 2023: interest at 2.00% to 5.00%.	6,120,000
Revenue Bonds:	
$1,441,431 – 2013 Sewer Revenue Bonds due in annual principal installments of $280,856 to $295,894 through June 2019; interest at 1.38%	587,364
$1,084,294 – 2013 Water Revenue Bonds due in annual principal installments of $211,269 to $222,581 through June 2019 interest rate at 1.38%	441,836
$4,237,162 – 2011 Sewer Revenue Bonds due in annual principal installments of $30,960 to $499,790 through June 2028; interest at 2.99%	4,071,302
$3,187,338 – 2011 Water Revenue Bonds due in annual principal installments of $23,290 to $375,959 through June 2028; interest rate at 2.99%	3,062,573
	8,163,075
Total Water Resources fund	26,163,208
Broadband Fund:	
Certificates of Participation Payable:	
Broadband system development Series 2007A-2 and Series 2007B certificates due in annual principal installments of $115,000 to $1,755,926 through April 2022, interest at 4.00% to 5.00%	9,698,008
Broadband system development Series 2008 certificates due in annual principal installments of $745,000 to $1,240,000 through May 2023, interest at 3.25% to 5.00%	9,835,000
Total Broadband fund	19,533,008
Operation Center Fund:	
Certificates of Participation Payable:	
Operations Center Building Series 2007 A-2 certificates due in annual principal installments of $102,846 to 364,075 through April 2022: interest at 4.00% to 5.00%	1,661,992
Total Business Activities Long-Term Debt	$ 73,424,643
Total Primary Government Long-Term Debt	$ 74,689,096

Notes payable are collateralized by capital assets with a carrying value of $5,802,366, a lien on property sold to a third party and pledges of water resources revenues.

The annual requirements to amortize all long-term debt (except accrued compensated absences) outstanding as of June 30, 2017, including interest payments, are as follows:

	Governmental Activities		Business-type Activities		Total	
Year Ending	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 313,063	$ 30,809	$ 7,819,987	$ 2,879,134	$ 8,133,050	$ 2,909,943
2019	315,095	23,154	7,999,987	2,580,112	8,315,082	2,603,266
2020	317,158	15,467	8,265,986	2,306,535	8,583,144	2,322,002
2021	319,137	7,759	8,471,092	1,991,916	8,790,229	1,999,675
2022			7,840,732	1,663,961	7,840,732	1,663,961
2023-2027			19,426,785	5,133,465	19,426,785	5,133,465
2028-2032			12,270,074	1,962,911	12,270,074	1,962,911
2033-2037			1,330,000	66,500	1,330,000	66,500
	$ 1,264,453	$ 77,189	$ 73,424,643	$ 18,584,534	$ 74,689,096	$ 18,661,723

The annual requirements to amortize general obligation bonded debt outstanding as of June 30, 2017 including interest payments are as follows:

	Governmental Activities		Business-type Activities		Total	
Year Ending	Principal	Interest	Principal	Interest	Principal	Interest
2018	$	$	$ 1,205,000	$ 233,269	$ 1,205,000	$ 233,269
2019			1,205,000	173,019	1,205,000	173,019
2020			1,180,000	133,856	1,180,000	133,856
2021			1,160,000	92,556	1,160,000	92,556
2022			1,145,000	50,506	1,145,000	50,506
2023-2027			225,000	9,000	225,000	9,000
	$	$	$ 6,120,000	$ 692,206	$ 6,120,000	$ 692,206

The annual requirements to amortize revenue obligation bonded debt outstanding as of June 30, 2017 including interest payments are as follows:

	Governmental Activities		Business-type Activities		Total	
Year Ending	Principal	Interest	Principal	Interest	Principal	Interest
2018	$	$	$ 739,000	$ 287,813	$ 739,000	$ 287,813
2019			754,000	276,183	754,000	276,183
2020			890,000	256,991	890,000	256,991
2021			915,000	230,005	915,000	230,005
2022			945,000	202,199	945,000	202,199
2023-2027			5,160,000	563,765	5,160,000	563,765
2028-2032			1,130,000	16,893	1,130,000	16,893
	$	$	$ 10,533,000	$ 1,833,849	$ 10,533,000	$ 1,833,849

The annual requirements to amortize certificates of participation obligation bonded debt outstanding as of June 30, 2017 including interest payments are as follows:

	Governmental Activities		Business-type Activities		Total	
Year Ending	Principal	Interest	Principal	Interest	Principal	Interest
2018	$	$	$ 3,750,000	$ 2,013,902	$ 3,750,000	$ 2,013,902
2019			3,915,000	1,843,202	3,915,000	1,843,202
2020			4,069,999	1,684,422	4,069,999	1,684,422
2021			4,270,000	1,494,534	4,270,000	1,494,534
2022			4,470,001	1,292,877	4,470,001	1,292,877
2023-2027			9,960,000	4,344,249	9,960,000	4,344,249
2028-2032			11,055,000	1,946,018	11,055,000	1,946,018
2033-2037			1,330,000	66,500	1,330,000	66,500
	$	$	$ 42,820,000	$ 14,685,704	$ 42,820,000	$ 14,685,704

The annual requirements to amortize notes payable for certain equipment, facilities and real property outstanding as of June 30, 2017, including interest payments are as follows:

	Governmental Activities		Business-type Activities		Total	
Year Ending	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 313,063	$ 30,809	$ 2,125,987	$ 344,150	$ 2,439,050	$ 374,959
2019	315,095	23,154	2,125,987	287,708	2,441,082	310,862
2020	317,158	15,467	2,125,987	231,266	2,443,145	246,733
2021	319,137	7,759	2,126,092	174,821	2,445,229	182,580
2022			1,280,731	118,379	1,280,731	118,379
2023-2027			4,081,785	216,451	4,081,785	216,451
2028-2032			85,074		85,074	
	$ 1,264,453	$ 77,189	$ 13,951,643	$ 1,372,775	$ 15,216,096	$ 1,449,964

8. Pension Plan Obligations

Local Governmental Employees′ Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Wilson employees and its component unit employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City and its component units' contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.31% 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 City were $2,917,355 for the year ended June 30, 2017. Of this amount, $2,898,885 represents the City's contribution and $18,470 represents the City's component unit, the Downtown Development Corporation because of its inclusion in the City's Agency account for LGERS.

Contributions to the pension plan from the City's component unit, the Wilson Cemetery Commission, which has a separate Agency account in LGERS, were $14,389 for the year ended June 30, 2017.

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

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

At June 30, 2017, the City reported a liability of $14,519,955 for its proportionate share of the net pension liability, which includes the City's share of $14,459,908, and the City's component unit, the Downtown Development Corporation, with a share of $60,047 because of its inclusion in the City's Agency account for LGERS. The City's other component unit, the Wilson Cemetery Commission, which has a separate Agency account in LGERS, reported liabilities of $80,012 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 City's proportion of the net pension liability was based on a projection of the City'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 City's proportion was 0.68415%, which was a decrease of 0.01165% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of $3,736,256 for the City's share and the City's component unit, the Downtown Development Corporation which is included in the City's Agency account for LGERS. The City's other component unit, the Wilson Cemetery Commission, which has a separate Agency account in LGERS, recognized pension expense of $23,153. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 272,805	$ 508,796
Changes of assumptions	994,487	
Net difference between projected and actual earnings on pension plan investments	8,027,707	
Changes in proportion and differences between City contributions and proportionate share of contributions		526,560
City contributions subsequent to the measurement date	2,917,355	
Total	$ 12,212,354	$ 1,035,356

$2,917,355 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Of this amount, $2,898,885 represents the City's contribution and $18,470 represents the City's component unit, the Downtown Development Corporation because of its inclusion in the City's Agency account for LGERS. The City's other component unit, the Wilson Cemetery Commission, which has a separate Agency account in LGERS, contributed $14,389. $1,035,356 is reported as deferred inflows of resources, and of this amount $1,026,091 is for the City and $9,265 is for the City's component unit, the Downtown Development Corporation. The City's other component unit, the Wilson Cemetery Commission, which has a separate Agency account in LGERS, had $5,793 reported as deferred inflows of resources. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 1,158,717
2019	1,160,282
2020	3,692,856
2021	2,247,788
2022	-
Thereafter	

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

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

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

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

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

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	$ 34,462,626	$ 14,519,955	$ (2,137,647)

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.

Law Enforcement Officers Special Separation Allowance ("Plan")

Plan Description. The City of Wilson administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Inactive Members Currently Receiving Benefits	16
Active plan members	115
Total	131

Basis of Accounting. The City 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 are recognized when due and payable in accordance with the terms of the plan.

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

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 used to measure the TPL is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

DEATHS AFTER RETIREMENT (HEALTHY): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

DEATHS BEFORE RETIREMENT: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

DEATHS AFTER RETIREMENT (BENEFICIARY): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

DEATHS AFTER RETIREMENT (DISABLED): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are paid in the General Fund. The City paid $237,640 as benefits came due for the reporting period.

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

At June 30, 2017, the City reported a total pension liability of $4,612,672. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of $339,233.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$
Changes of assumptions and other inputs		96,862
Benefit payments and administrative expenses subsequent to the measurement date	107,463	
Total	$ 107,463	$ 96,862

$107,463 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ (19,180)
2019	(19,180)
2020	(19,180)
2021	(19,180)
2022	(19,180)
Thereafter	(962)

$107,463 paid as benefits came due and $0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.86 percent, as well as what the City'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:

	1% Decrease (2.86%)	Current Discount Rate (3.86%)	1% Increase (4.86%)
Total Pension Liability	$ 5,026,507	$ 4,612,672	$ 4,236,386

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

	2017
Beginning balance	$ 4,608,320
Service Cost	197,759
Interest on the total pension liability	160,275
Changes of benefit terms	
Differences between expected and actual experience in the measurement of the total pension liability	
Changes of assumptions or other inputs	(116,042)
Benefit payments	(237,640)
Other changes	
Ending Balance of the total pension liability	$ 4,612,672

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.

Retirement Income Plan

Plan Description. The City and the Downtown Development Corporation provide retirement benefits for all of its law enforcement officers and other full-time employees through a defined contribution plan administered by the North Carolina Department of the State Treasurer and a Board of Trustees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Participation begins at the date of employment. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Wilson Cemetery Commission does not provide these benefits. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires that the City contribute an amount equal to 5% of each law enforcement officer's salary each month. The City also makes a contribution of 5% for all other full-time and certain part-time employees. All covered employees may make voluntary contributions to the Plan. All contributed amounts plus investment earnings allocated to the employee accounts are fully vested immediately. Total contributions for the year ended June 30, 2017 were $2,752,699 which consisted of $1,963,955 from the City and $788,744 from employees.

9. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

10. Other Post-Employment Benefits (OPEB)

Plan Description. Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan ("HCB Plan"). The City pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the City's group rates. The City pays the full cost of coverage for employees' (excluding a maximum $15 contribution by the retiree) hired prior to July 1, 1991. The City will pay a graduated amount of the cost of coverage for employees hired between July 1, 1991 and June 30, 1993 ranging from $0 for employees with 10 years or less of service with the City to a maximum of the full premium less a $15 contribution by the retiree for employees with 21 or more years of service with the City. No post-employment health benefits will be provided to employees hired after July 1, 1993. The plan provides lifetime healthcare benefits for eligible retirees until they become ineligible for coverage or eligible for Medicare at their cost. Benefit provisions are established by the City and funded through the annual budget process adopted by City Council. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. The City Council may amend the benefit provisions.

Retired Employees' Years	Date Hired	
Of Creditable Service	Pre-July 1, 1993	On or after July 1, 1993
Less than 10 years	Not eligible for coverage	Not eligible for coverage
10-20 years	Graduated amount paid by City	Not eligible for coverage
20+ years	Full coverage paid by City	Not eligible for coverage

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

	General Employees	Law Enforcement Officers
Retirees receiving benefits	272	18
Active plan members	72	8
Total	344	26

Funding Policy. The City pays part of the coverage cost for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by City Council. The City's members pay $15 per month for individual coverage, $73 per month for parent/child coverage, $168 per month for employee/spouse coverage and $257 per month for family coverage to age 65. Medicare coverage contribution amount for the retiree is $6.36 per month after age 65. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 94.56% of annual covered payroll. For the current year, the City contributed $2,559,677 or 53.82% of covered payroll. The City obtains healthcare coverage through private insurers.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the Group Insurance Benefits Fund, which is maintained on the modified accrual basis of accounting during the year. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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

Annual Pension Cost and Net Pension Obligation Calculation

Annual required contribution	$4,496,730
Interest on net OPEB obligation	475,282
Adjustment to annual required contribution	(814,381)
Annual OPEB cost (expense)	4,157,631
Contributions made	(2,559,677)
Increase (decrease) in OPEB obligation	1,597,954
Net OPEB obligation - beginning of year (as restated)	11,882,058
Net OPEB obligation - end of year	$13,480,012

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

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	3,050,581	69.0%	11,692,452
2016	3,082,109	93.8%	11,882,058
2017	4,157,631	61.6%	13,480,012

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was $56,953,283. The covered payroll (annual payroll of active employees covered by the plan) was $4,755,125, and the ratio of the UAAL to the covered payroll was 1197.7 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 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 7.75 to 5.00 percent annually. The investment rate included a 3.00 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 5 year period. The UAAL is being amortized as a level dollar amount of projected payroll on a closed basis. The remaining amortization period at December 31, 2015, was 21 years.

11. Other Benefits

The City 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. Lump-sum death benefits are provided to the beneficiaries of those employees 1) who die in active service after one year of contributing membership in the System, or 2) 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. This payment is equal to the employee′s 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not be less than $25,000 and no more than $50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible employees. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percent of monthly payroll based on rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions immaterial.

12. Deferred Outflows and Inflows of Resources

The City has several deferred outflows of resources at June 30, 2017. Deferred outflows of resources are comprised of the following:

Source	Amount
Deferred outflow of resources on refunding	$ 61,184
Pension deferrals - LGERS	9,263,396
Contributions to pension plan in current fiscal year - LGERS	2,898,885
Benefit payments made and admin expenses - LEOSSA	107,463
	$ 12,330,928

The City's component unit, the Downtown Development Corporation, had pension deferrals of $31,603 and contributions to pension plan in the current fiscal year of $18,470, which are not in the table above, but are included in the table under Note 8 for Deferred Outflows of Resources because of the inclusion in the City's Agency account for LGERS.

The City has several deferred inflows of resources at June 30, 2017. Deferred inflows of resources at year-end are comprised of the following:

Source	Amount
Retiree insurance premium prepayments	$ 3,189
Uncollected property taxes, assessments, and miscellaneous receivables (General Fund)	2,115,321
Pension deferrals - LGERS	1,026,091
Pension deferrals - LEOSSA	96,862
	$ 3,241,463

The City's component unit, the Downtown Development Corporation, has pension deferrals of $9,265 not reflected in the table above, but are included in the table under Note 8 for Deferred Inflows of Resources because of its inclusion in the City's Agency account for LGERS.

13. Other Resources

During the year, the General, Electric, and Gas Funds provided substantial support to various other funds in the form of transfers. Transfers are used to move unrestricted revenues to fund various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs. The computation of the transfers is consistent with the method allowed by the General Assembly and within the City's established policy, and includes a portion to cover payment in lieu of taxes. Transfers from the Electric, Gas, and General Fund to the Mass Transit and Industrial Air Center Funds are to support operations within the specific fund. Transfers from the General Fund to Community Development are to support operations. Transfers to other Special Revenue Fund(s) are to support operations pertaining to those specific purposes. Transfers to Capital Projects are to fund capital needs.

Specific to fiscal year 2017 transfers, the General Fund made transfers of $2,500 to the Economic Development Building Reuse ("217 Brew Works") Grant Project and $5,000 to the 2016 Urgent Repair Grant Project to provide matching funds for the grants; and a transfer of $112,000 to the Community Development Fund to help cover operating costs. Also, transfers from the General Fund were made to the following capital projects: Fleming Stadium Improvements capital project ($20,825), J. Burt Gillette Athletic Complex Grass Soccer Fields capital project ($79,835), J. Burt Gillette Athletic Complex Site Improvements capital project ($2,016,070), Lake Wilson Walking Trail & Bridge capital project ($200,000), Public Street Maintenance & Construction capital project ($725,000), and the General Government Capital Project Fund ($200,000). The Electric Fund made transfers for Economic Community Investment for the following projects: TIGER grant match ($762,800), Downtown Building Revitalization project ($250,000), and to the Economic Development Reserve Fund ($325,000). The Electric Fund also made transfers to the General Fund ($2,174,730) and to the Mass Transit Fund ($166,500).

A summary of the City's transfers is listed below:

	Transfers In						
Transfers Out	General	Mass Transit	Industrial Air Center	Special Revenue	Water Resources	Capital Projects	Total
General	$	$ 12,000	$ 118,000	$ 119,500	$	$ 3,241,730	$ 3,491,230
Electric	2,174,730	166,500				1,337,800	3,679,030
Gas	1,232,020	111,000					1,343,020
Water Resources						80,000	80,000
Stormwater Mgmt.					20,200		20,200
Capital Projects	60,626			895		1,200,000	1,261,521
Total Transfers In	$ 3,467,376	$ 289,500	$ 118,000	$ 120,395	$ 20,200	$ 5,859,530	$ 9,875,001

14. Inter-fund Receivables/Payables

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

Due to General Fund for temporary coverage of grant eligible expenditures yet to be reimbursed by the grant agency.

Non-major Governmental	$ 139,235
Total	$ 139,235

Advance Loans between funds:
In fiscal years 2008 and 2009, funds were loaned in the amount of $1,980,000 and $1,250,000, respectively, to the Broadband Fund from the Gas Fund to help fund expenditures in the initial startup years of this enterprise. The term over which the loan is scheduled to be re-paid is 15 years, commencing FY 2014 and ending FY 2029.

15. Commitments and Contingencies

The City is involved in litigation for several general liability claims. The City intends to defend the cases vigorously. The City also believes the ultimate resolution of the proceedings is not likely to have a material adverse impact on its financial position.

North Carolina Eastern Municipal Power Agency

On July 13, 1981 the City entered into a fifty-year contract with the North Carolina Eastern Municipal Power Agency (the Power Agency) to purchase electric power. The Power Agency is organized as a public body under the laws of the State of North Carolina. The Power Agency is authorized to study, plan, finance, construct, reconstruct, acquire, improve, enlarge, extend, better, own, operate, and maintain systems or facilities or any interest therein for the generation, transmission and/or transformation, of electric power and energy and is authorized to sell for resale electric power and energy.

The City has agreed to purchase its share (15.5%) of the Power Agency output and to charge rates for electric power and energy sold sufficient to provide revenues adequate to meet its obligation to the Power Agency.

The obligation of the City to purchase electric power is an operating expense of the Electric Fund and is payable solely from the revenues of the Electric Fund.

Construction Projects

At June 30, 2017, the City is obligated for $2,116,180 in commitments for construction project contracts. The commitments are fully budgeted.

Federal and State Assisted Programs

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

16. Risk Management

The City 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. Losses from asserted claims and from unasserted claims identified under the City’s incident reporting system are accrued based on estimates that incorporate the City’s past experience, as well as other considerations including the nature of each claim and relevant trend factors.

The City has established the following funds to account for and finance its uninsured risks of loss.

Group Insurance Benefits Fund

The City has established a limited risk management program (an internal service fund) for employees' health, dental, vision, and life insurance benefits. Premiums are paid into the Group Insurance Benefits Internal Service Fund by all other funds and are available to pay claims and administrative costs of the program. During fiscal year 2017, a total of $10,104,017 (cash basis) was incurred for medical benefits and administrative costs.

An excess coverage health insurance policy covers individual medical claims in excess of $160,000 per employee. Incurred but not reported claims of $1,278,642 and reported claims of $171,633 have been accrued as liabilities at June 30, 2017. Inter-fund premiums are based primarily upon the insured fund′s claims experience and are reported as inter-fund services provided and used.

During the year there was no significant decrease in insurance coverage, nor have there been any settlements in excess of insurance coverage for the past three years.

Risk Management Fund

The City has established a Risk Management Fund (an internal service fund) to account for and finance its uninsured risk of loss. In fiscal year 2016-2017 the Risk Management Fund provided coverage for up to a maximum of $500,000 for each worker′s compensation claim, a maximum of $500,000 for automobile and general liability claims, a $500,000 maximum for property and casualty claims and police officer and public official liability claims, a $25,000 maximum for property loss coverage, and a $5,000 maximum for flood insurance claims. City employees are covered under a blanket dishonesty bond through our employee dishonesty coverage. The deductible for this $500,000 coverage is $5,000. Additionally, the Chief Financial Officer is bonded for $250,000. The $5,000 deductible for flood insurance applies to those properties insured through the National Flood Insurance Plan (NFIP). Because the City has been designated to be in an "A" area (close to a river, lake or stream) by the Federal Emergency Management Agency, the City is eligible to purchase coverage up to $500,000 per structure through the NFIP. Comprehensive and collision losses for most vehicles are self-insured. The City purchases commercial insurance for claims in excess of coverage provided by the Risk Management Fund. Settled claims have not exceeded insurance coverage in the last three years.

All funds participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to maintain an adequate reserve for catastrophic losses. Accrued liabilities as of June 30, 2017 included $539,182 for incurred but not reported claims and $115,975 for reported claims. The reserve as of June 30, 2017 was $5,730,957 as reported as total net position of the Risk Management Fund.

The claims liability reported at June 30, 2017 for each fund, if any, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in Risk Management Claims Liability amounts for the years ended June 30, 2016 and 2017 were as follows:

Fiscal Year	Group Insurance Benefits Fund	Risk Management Fund
June 30, 2017		
Insurance claims payable,		
Beginning of year	$ 1,596,598	$ 655,241
Claims and changes in estimates	9,498,373	733,109
Claim payments	(9,644,696)	(733,193)
Insurance claims payable, end of year	$ 1,450,275	$ 655,157
June 30, 2016		
Insurance claims payable,		
Beginning of year	$ 1,531,996	$ 638,305
Claims and changes in estimates	9,936,789	745,645
Claim payments	(9,872,187)	(728,709)
Insurance claims payable, end of year	$ 1,596,598	$ 655,241

17. Related Organizations

Wilson Housing Authority

The City Council appoints the five-member board of the Wilson Housing Authority. The City′s accountability does not extend beyond making these appointments. The Wilson Housing Authority makes payments in lieu of property taxes to the City. The City recorded revenue of $6,986 for the year ended June 30, 2017. Complete financial statements for the Housing Authority can be obtained from the Authority's office at 301 East Nash Street, Wilson, North Carolina 27893.

18. Joint Ventures

Wilson Economic Development Council

The City is a participant with the County of Wilson (County) in a joint venture, the Wilson Economic Development Council (the Council), to promote industrial and commercial development of the City and the County of Wilson. A nine-member board composed of four appointees from the City, four appointees from the County, and a chairman from either the City or County, based on election by the board, manages the Council. The by-laws of the Council state that the City and County are to provide funding for the financial requirements and operations of the Council. In accordance with the joint venture agreement, the City contributed $294,045 to the Council for the year ended June 30, 2017. The participating governments do not have any equity interest in the joint venture. Accordingly, no equity interest has been reflected in the financial statements at June 30, 2017. Complete financial statements for the Council can be obtained from the Council′s administrative office at 126 West Nash Street, Wilson, North Carolina 27893.

Rocky Mount - Wilson Airport Authority

The City is a participant with the County of Wilson, City of Rocky Mount, County of Edgecombe and County of Nash in a joint venture to operate the Rocky Mount - Wilson Airport Authority (the Authority) for the joint benefit of all co-sponsors. Upon dissolution of the Authority, the assets would be shared in proportion to each sponsor′s original contribution. The city′s initial contribution totaled $200,000, which represents two-sevenths of the total contribution. A seven-member board governs the Authority, two from each City and one from each County. All co-sponsors are obligated by contract to contribute funds on an annual basis, as needed, to enable the Authority to operate the airport. The City contributed $95,720 to the Authority during the year ended June 30, 2017. The participating governments have an equity interest in the joint venture. The City has a share of 29% in the joint venture, and accordingly, an equity interest has been reflected in the City's financial statements in the Statement of Net Position as a non-current asset in the amount of $2,042,981 at June 30,

2017. This amount represents 29% of the net position of the Authority shown in their audited June 30, 2016 financial statements. Complete financial statements for the Authority can be obtained from the Authority′s administrative office at 250 Airport Drive, Elm City, North Carolina 27822.

19. Jointly Governed Organizations

North Carolina Eastern Municipal Power Agency

The City, in conjunction with 32 other local governments, is a member of the North Carolina Eastern Municipal Power Agency (the Agency). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency′s governing board. The 32 members, who receive power from the Agency, have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement or residual interest. The City′s purchases of power for the year ended June 30, 2017 were $86,192,736.

On July 31, 2015 the NCEMPA completed the sale of most of its electricity generating assets to Duke Energy. These proceeds were used to defease the NCEMPA's outstanding revenue bonds. The NCEMPA entered into contractual arrangements with its member cities and Duke Energy. Under these arrangements, the NCEMPA will supply wholesale power to its members and will purchase this power from Duke Energy. In addition to payments made for electric power, NCEMPA members will make payments for their share of the debt service on the NCEMPA's new revenue bonds.

The Wilson City Council voted in FY 2016 to lower rates nearly 18 percent for residential customers, the largest rate cut in history. The rate decrease was made possible by the sale of power plants owned by North Carolina Eastern Municipal Power Agency (NCEMPA), the city of Wilson's wholesale power provider. Wilson approved the largest decrease in rates among all the NCEMPA cities, and savings began in September 2015. In April 2016, the collective savings reached $10 million and continues to grow every day. Average monthly utility bills have decreased by $62 since the rate decrease was enacted. "For years, the City Council searched for a solution to our electric utility costs," said City Councilman Donald Evans, who also serves as the secretary of the NCEMPA Board of Commissioners. "Until recently, we didn't have any feasible options to reduce the wholesale cost of power. We were incredibly pleased to be a part of the historic $1.2 billion NCEMPA transaction that resulted in passing along this savings to Wilson Energy customers."

Upper Coastal Plain Council of Governments

The City, in conjunction with five counties and 35 other municipalities established the Upper Coastal Plain Council of Governments (the Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council′s governing board. The City received $14,999 in grants from the Council and expenditures to the Council for dues and professional services totaled $22,314 during the fiscal year ended June 30, 2017.

Electricities of North Carolina, Inc.

Electricities of North Carolina, Inc. is a nonprofit organization which provides support to 64 municipally owned electric utilities, and represents member interest in legislative and regulatory matters. The City paid dues and training costs of $10,338 to Electricities of North Carolina, Inc. during the fiscal year ended June 30, 2017.

20. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased by $5,057,571.