

TOWN OF WILKESBORO, NORTH CAROLINA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

Prepared by:
Finance Department

Submitted by:
Town Manager

TOWN OF WILKESBORO, NORTH CAROLINA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members
of Town Council
Town of Wilkesboro, North Carolina**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the **Town of Wilkesboro, North Carolina** (the "Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Wilkesboro ABC Board, which represents 72% of the assets, 68% of the net position and 94% of the revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wilkesboro ABC Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Wilkesboro ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely present component units, each major fund, and the aggregate remaining fund information of the Town of Wilkesboro, North Carolina as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion & Analysis, the Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance, the Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance, the Schedule of Changes in Total OPEB Liability, the Town of Wilkesboro's Proportionate Share of Net Pension Liability (Asset), and the Schedule of the Town of Wilkesboro's Contributions on pages 4 - 10, 59, 60, 61, 62 and 63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund statements and schedules, and the schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund statements and schedules and the schedule of expenditures of federal and state awards (the “supplementary information”) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021, on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town’s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Columbia, South Carolina
October 27, 2021

TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2019

As management of the Town of Wilkesboro, we offer readers of the Town of Wilkesboro's financial statements this narrative overview and analysis of the financial activities of the Town of Wilkesboro for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

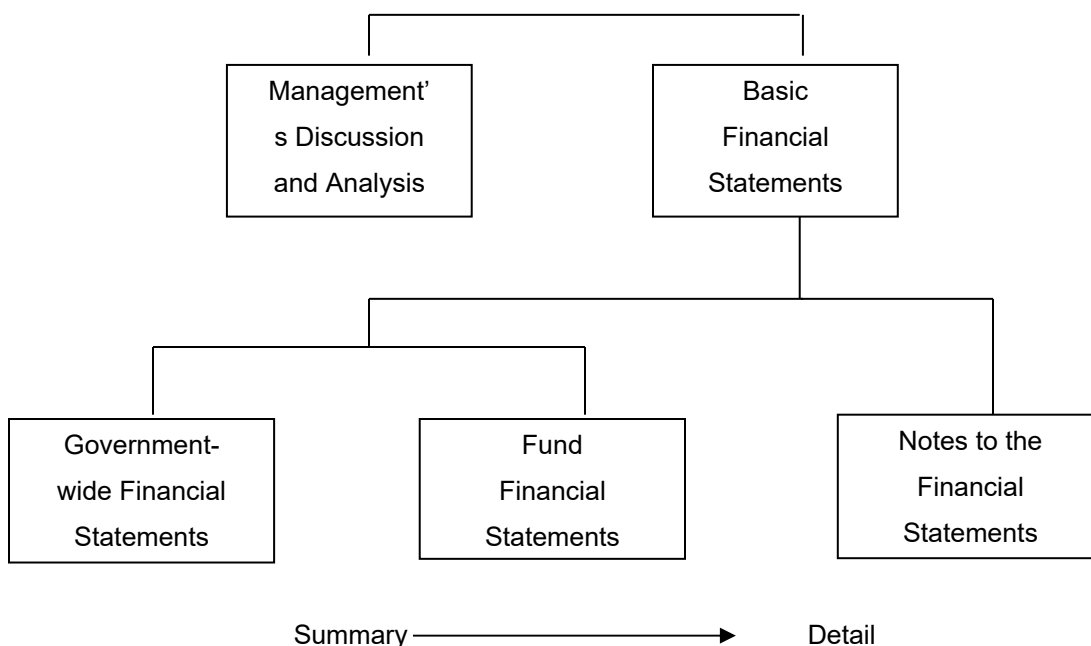
- The assets of the Town of Wilkesboro exceeded its liabilities at the close of the fiscal year by \$37,895,278 (*net position*).
- The government's total net position decreased by (\$1,092,041) or 2.8%. The general fund added major capital assets in the form of equipment and construction in progress, while the business-type activities were able to add to their facilities through the various capital projects. Both funds added significant decreases due to the change in reporting OPEB deferrals.
- As of the close of the current fiscal year, the Town of Wilkesboro's governmental funds reported combined ending fund balances of \$1,762,763, a decrease of (\$1,159,321). Approximately 55.7% of this total amount or \$983,555 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$983,555 or 14.2% of total general fund expenditures for the 2020 fiscal year.
- The Town of Wilkesboro's total long-term liabilities increased by \$1,827,774 (32.6%) during the current fiscal year. This substantial increase is due to actuarial valuations which resulted in increases to OPEB liability \$1,917,156.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2019

Basic Financial Statements

The first two statements (pages 11 & 12) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (pages 14 through 21) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

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

The government-wide financial statements are on (pages 11 & 12) of this report.

Fund Financial Statements

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

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

TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2019

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

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 22 through 58 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Wilkesboro's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 59 of this report.

Government-Wide Financial Analysis

Town of Wilkesboro
Statement of Net Position

	June 30, 2019		June 30, 2018		Total	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	June 30, 2019	June 30, 2018
Assets:						
Current assets	\$ 2,133,967	\$ 2,639,758	\$ 2,780,889	\$ 2,947,332	\$ 4,773,725	\$ 5,728,221
Capital assets, net	5,954,654	42,185,693	6,409,957	39,138,850	48,140,347	45,548,807
Total assets	<u>8,088,621</u>	<u>44,825,451</u>	<u>9,190,846</u>	<u>42,086,182</u>	<u>52,914,072</u>	<u>51,277,028</u>
Deferred outflows of resources	<u>3,385,867</u>	<u>2,501,882</u>	<u>2,871,181</u>	<u>2,091,097</u>	<u>5,887,749</u>	<u>4,962,278</u>
Liabilities:						
Current liabilities	629,359	1,438,990	558,584	1,516,251	2,068,349	2,074,835
Long-term liabilities	6,908,174	11,542,587	5,033,459	10,480,669	18,450,761	15,514,128
Total liabilities	<u>7,537,533</u>	<u>12,981,577</u>	<u>5,592,043</u>	<u>11,996,920</u>	<u>20,519,110</u>	<u>17,588,963</u>
Deferred inflows of resources	<u>362,048</u>	<u>19,123</u>	<u>74,905</u>	<u>30,801</u>	<u>381,171</u>	<u>105,706</u>
Net position:						
Net investment in capital assets	6,893,193	33,993,099	5,122,520	29,990,871	40,886,292	35,113,391
Restricted	721,258	-	1,219,764	-	721,258	1,219,764
Unrestricted	(4,039,544)	333,534	52,795	2,158,687	(3,706,010)	2,211,482
Total net position	<u>\$ 3,574,907</u>	<u>\$ 34,326,633</u>	<u>\$ 6,395,079</u>	<u>\$ 32,149,558</u>	<u>\$ 37,901,540</u>	<u>\$ 38,544,637</u>

TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2019

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Wilkesboro exceeded liabilities by \$37,901,540 as of June 30, 2019. The Town's net position increased by \$559,819, or 1.5%, for the fiscal year ended June 30, 2019. There was also a restatement to net position for various items in the amount of \$1,202,916. See note 12 for further details. However, the largest portion of net position, \$37,901,540, reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Wilkesboro uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Wilkesboro's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Wilkesboro's net position \$721,258 (1.9%) represents resources that are subject to external restrictions on how they may be used.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.03%, up 0.77% over prior. The statewide average for municipalities of our size in fiscal year 2019 was 98.67%. This represents an increase of 0.12% when compared to prior year.
- Other taxes also increased \$152,468 or 7.69% over that of the prior year.

Town of Wilkesboro Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 200,304	\$ 192,126	\$ 7,051,694	\$ 7,149,106	\$ 7,251,998	\$ 7,341,232
Operating grants/contributions	323,016	139,641	-	-	323,016	139,641
Capital grants/contributions	-	-	1,974,525	631,672	1,974,525	631,672
General revenues:						
Property taxes	3,357,123	3,215,517	-	-	3,357,123	3,215,517
Other taxes	2,134,323	1,981,855	-	-	2,134,323	1,981,855
Unrestricted interest	24,668	4,232	-	6,242	24,668	10,474
Miscellaneous	522,860	1,007,619	118,138	214,767	640,998	1,222,386
Total revenues	<u>6,562,294</u>	<u>6,540,990</u>	<u>9,144,357</u>	<u>8,001,787</u>	<u>15,706,651</u>	<u>14,542,777</u>
Expenses:						
General government	3,093,951	456,682	-	-	3,093,951	456,682
Public safety	2,955,150	2,691,727	-	-	2,955,150	2,691,727
Transportation	713,377	818,913	-	-	713,377	818,913
Environmental protection	316,754	281,999	-	-	316,754	281,999
Culture and recreation	319,178	290,283	-	-	319,178	290,283
Interest on long term debt	38,335	37,190	-	-	38,335	37,190
Water/Sewer	-	-	7,710,087	5,603,706	7,710,087	5,603,706
Total expenses	<u>7,436,745</u>	<u>4,576,794</u>	<u>7,710,087</u>	<u>5,603,706</u>	<u>15,146,832</u>	<u>10,180,500</u>
Increase in net position before transfers	(874,451)	1,964,196	1,434,270	2,398,081	559,819	4,362,277
Transfers	(567,752)	-	567,752	-	-	-
Change in net position	<u>(1,442,203)</u>	<u>1,964,196</u>	<u>2,002,022</u>	<u>2,398,081</u>	<u>559,819</u>	<u>4,362,277</u>
Net position, beginning	6,395,079	5,475,955	32,149,558	30,508,687	38,544,637	35,984,642
Restatement	(1,377,969)	(1,045,072)	175,053	(757,210)	(1,202,916)	(1,802,282)
Net position, beginning, restated	5,017,110	4,430,883	32,324,611	29,751,477	37,341,721	34,182,360
Net position, ending	<u>\$ 3,574,907</u>	<u>\$ 6,395,079</u>	<u>\$ 34,326,633</u>	<u>\$ 32,149,558</u>	<u>\$ 37,901,540</u>	<u>\$ 38,544,637</u>

Governmental activities: Governmental activities decreased the Town's net position by (\$1,442,203). The key element of this decrease in net position has been the increase of long-term liabilities. The bulk of this decrease resulted from expenditures exceeding revenues by \$874,451 as well as net transfers to the business-type activities of \$567,752.

Business-type activities: Business-type activities increased the Town of Wilkesboro's net position by \$2,002,022. The key elements of this increase in net position charges for services of \$7,051,694 in addition to \$1,974,525 in capital grants and contributions which were used to maintain our utility system as we strive to meet the needs of the Town.

TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2019

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Wilkesboro. At the end of the current fiscal year, unassigned fund balance of the General Fund decreased by \$344,815 to \$967,505, while total fund balance decreased \$1,159,321, 39.7%, to a total of \$1,762,763. This circumstance is a result of planned expenditures on behalf of the Town. Over the past couple of years, the Town has been able to increase its fund balance by putting off certain expenditures during a time of economic settling. Now that the economy has normalized, these funds are being allocated to specific projects including downtown revitalization and various equipment purchases. While these expenditures are capital in nature, the Town has also considered the normal growth of operational expenses over time.

In 2019, the General Fund allocated \$567,752 towards a capital project to the Water & Sewer Fund. This project is a joint project between both the General and Water & Sewer Fund. The General Fund portion involves expenditures used to revitalize downtown Wilkesboro with the addition of a multipurpose stage and park facility in a former parking lot. This work took place in conjunction with the Proprietary Fund portion of the project which involved a long overdue upfit to utility throughout the downtown area. This project has been a great benefit to the community.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 12.85% of total General Fund expenditures, while total fund balance represents 23.41% of that same amount compared to 19.9% and 44.9% in the prior year, respectively.

General Fund Budgetary Highlights. During the 2019 fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. These amendments are typical occurrences as Council adjusts to opportunities and circumstances that arise throughout the year.

Proprietary Funds. The Town of Wilkesboro's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$333,534. The total change in net position was a decrease of \$2,002,022. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Wilkesboro's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Wilkesboro's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$48,140,347 (net of accumulated depreciation). These assets include buildings, water and sewer lines, land, machinery and equipment, park facilities, vehicles, and infrastructure. While both the General and Proprietary Funds have reduced their unrestricted funds, the overall investment made to the Town's infrastructure or capital asset position has continued to grow at a rapid pace, increasing \$8,704,181 over the last two fiscal year.

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

- Water and sewer capital asset additions of \$3,210,972.
- Governmental capital asset additions of \$684,794.

TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
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Town of Wilkesboro's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,803,348	\$ 1,803,348	\$ 609,932	\$ 609,932	\$ 2,413,280	\$ 2,413,280
Buildings and improvements	1,874,265	1,889,274	-	-	1,874,265	1,889,274
Plant and distribution system	-	-	29,357,301	29,988,996	29,357,301	29,988,996
Machinery and equipment	1,705,799	1,337,120	1,181,004	920,845	2,886,803	2,257,965
Infrastructure	571,242	600,119	-	-	571,242	600,119
Construction in progress	-	780,096	11,037,456	7,619,077	11,037,456	8,399,173
Total	<u>\$ 5,954,654</u>	<u>\$ 6,409,957</u>	<u>\$ 42,185,693</u>	<u>\$ 39,138,850</u>	<u>\$ 48,140,347</u>	<u>\$ 45,548,807</u>

Additional information on the Town's capital assets can be found in note 5 of the basic financial statements.

Long-term Debt

The Town of Wilkesboro's total long-term liabilities increased by \$2,936,633 (3.12%) during the current fiscal year related to new debt of \$488,000 for both General and Water Sewer for various pieces of equipment and the increase of OPEB, the LGERS and LEO pension liabilities

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Wilkesboro is \$55,875,653.

Additional information regarding the Town of Wilkesboro's long-term debt can be found in note 6 beginning on page 39 of this report.

Economic Factors

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

- The unemployment rate for Wilkes County at June 30, 2019 stands at 4.3%, which is has been holding steady as the local economy continues to show signs of growth. This rate is indicative of the national economic environment and is on par with the state-wide average of 3.8%. It is also consistently better than our surrounding area by comparison. The Town and County as a whole have had several exciting announcements with regards to employment opportunities in the area.
- The Town has secured grant funds for Water and Sewer line work that will directly enhance our system's efficiency of service to our US 421 business corridor. It regards the service line loop encompassing our large retail customer base in this area including future expansion. Known as the Brown' Ford Loop Project. The project has had issues due to a bore which has been unable to be completed by the contractor, but will serve as a tremendous infrastructure asset once completed.
- The retail development along the US 421 business corridor continues to develop. Numerous projects are currently in different phases of planning, construction, and completion with more in discussion.
- The Town is actively engaging in the planning phases of downtown revitalization with efforts to activate an old municipal parking lot. Plans include a performance stage, greenspace, and a splash pad. The concept has been 20+years in the making and is exciting for the community.

TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2019

Budget Highlights

Governmental Activities: The tax rate will remain at 48 cents for FY 2020.

Budgeted expenditures have decreased from last year by 5.1% to \$6,981,500. While this is a decrease, it does allow for planned expenditures including debt service of planned capital purchases and other increases to operations and personnel. This fiscal plan allows for the Board to maintain typical levels of services while allowing for the continued construction of the downtown revitalization.

Business-type Activities: Budgeted expenditures in the Water and Sewer Fund are expected to decrease by 5.3% to \$7,930,000. The decrease is a result of the Fund's reduction of capital expenditures based on projects and equipment that have been completed in previous years.

While the potential Joint Intake Project with North Wilkesboro has not come to fruition, the Town has pivoted to researching the capital needs of the system moving forward. The Town is reviewing options for both a Water Plant upfit and expansion as part of its future capital planning. Additionally, we are working towards fortifying our Wastewater facility for years to come as well. We expect the need for these projects to become high priorities in the near future.

Tyson Foods continues to be the Town's major utility customer by a wide margin. While Tyson's water usage does have some seasonality, the overall usage increase has been very positive for the Town. Usage is showing signs of leveling out with an upward trend. This user is a tremendous asset to the Town as well as a close business partner. Due to the proposed expansion of the processing plant, we anticipate the need to add an additional capacity at both Water and Wastewater plants. The Town has obtained a grant for a clarifier expansion at Wastewater and expects to complete the project in fiscal year 2021.

Requests for Information

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

TOWN OF WILKESBORO, NORTH CAROLINA

STATEMENT OF NET POSITION JUNE 30, 2019

	Primary Government			Wilkesboro Tourism Development, Convention, and Visitors Bureau	Wilkesboro ABC Board
	Governmental Activities	Business-type Activities	Total		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 661,770	\$ 1,245,746	\$ 1,907,516	\$ 159,425	\$ 77,319
Investments	625,003	28,396	653,399	-	-
Taxes receivable	179,760	-	179,760	-	-
Accounts receivable, net	-	666,375	666,375	-	-
Internal balances	1,580	(1,580)	-	-	-
Due from other governments	528,150	225,555	753,705	-	-
Due from primary government	-	-	-	48,500	-
Inventories	-	410,700	410,700	-	329,558
Prepaid items	-	-	-	-	2,750
Restricted cash and cash equivalents	137,704	64,566	202,270	-	-
Total current assets	2,133,967	2,639,758	4,773,725	207,925	409,627
Noncurrent assets:					
Capital assets:					
Land, non-depreciable improvements, and construction in progress	1,803,348	11,647,388	13,450,736	-	26,513
Other capital assets, net of depreciation	4,151,306	30,538,305	34,689,611	-	90,767
Total noncurrent assets	5,954,654	42,185,693	48,140,347	-	117,280
Total assets	8,088,621	44,825,451	52,914,072	207,925	526,907
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals - LGERS	646,794	432,424	1,079,218	-	144,447
Pension deferrals - LEO	209,736	-	209,736	-	-
OPEB deferrals	2,529,337	2,069,458	4,598,795	-	-
Total deferred outflows of resources	3,385,867	2,501,882	5,887,749	-	144,447
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	174,122	510,824	684,946	-	183,016
Claims payable	117,716	-	117,716	-	-
Due to component unit	48,500	-	48,500	-	-
Current portion of long-term liabilities	289,021	863,600	1,152,621	-	-
Customer deposits	-	64,566	64,566	-	-
Total current liabilities	629,359	1,438,990	2,068,349	-	183,016
Long-term liabilities:					
Net pension liability - LGERS	836,863	559,498	1,396,361	-	52,429
Net pension liability - LEO	527,944	-	527,944	-	-
Net OPEB liability	4,428,669	3,623,456	8,052,125	-	-
Due in more than one year	1,114,698	7,359,633	8,474,331	-	-
Total noncurrent liabilities	6,908,174	11,542,587	18,450,761	-	52,429
Total liabilities	7,537,533	12,981,577	20,519,110	-	235,445
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes	22,443	-	22,443	-	-
Pension deferrals - LGERS	28,604	19,123	47,727	-	271
Pension deferrals - LEO	311,001	-	311,001	-	-
Total deferred inflows of resources	362,048	19,123	381,171	-	271
NET POSITION					
Net investment in capital assets	6,893,193	33,993,099	40,886,292	-	117,280
Restricted for:					
Stabilization by State Statute	583,554	-	583,554	48,500	-
Transportation	133,260	-	133,260	-	-
Public safety	4,444	-	4,444	-	-
Working capital	-	-	-	-	83,172
Unrestricted	(4,039,544)	333,534	(3,706,010)	159,425	235,186
Total net position	\$ 3,574,907	\$ 34,326,633	\$ 37,901,540	\$ 207,925	\$ 435,638

The accompanying notes are an integral part of these financial statements.

TOWN OF WILKESBORO, NORTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			Wilkesboro Tourism Development, Convention, and Visitors Bureau	Wilkesboro ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total		
Primary government:									
Governmental activities:									
General government	\$ 3,093,951	\$ 45,967	\$ -	\$ -	\$ (3,047,984)	\$ -	\$ (3,047,984)	\$ -	\$ -
Public safety	2,955,150	5,171	206,783	-	(2,743,196)	-	(2,743,196)	-	-
Transportation	713,377	-	116,233	-	(597,144)	-	(597,144)	-	-
Environmental protection	316,754	143,889	-	-	(172,865)	-	(172,865)	-	-
Culture and recreation	319,178	5,277	-	-	(313,901)	-	(313,901)	-	-
Interest and fees	38,335	-	-	-	(38,335)	-	(38,335)	-	-
Total governmental activities	7,436,745	200,304	323,016	-	(6,913,425)	-	(6,913,425)	-	-
Business-type activities:									
Water and sewer	7,710,087	7,051,694	-	1,974,525	-	1,316,132	1,316,132	-	-
Total business-type activities	7,710,087	7,051,694	-	1,974,525	-	1,316,132	1,316,132	-	-
Total primary government	15,146,832	7,251,998	323,016	\$ 1,974,525	(6,913,425)	1,316,132	(5,597,293)	-	-
Component units:									
Wilkesboro Tourism Development, Convention, and Visitors Bureau	168,979	-	-	-	-	-	-	(168,979)	-
Wilkesboro ABC Board	2,564,194	2,591,851	-	-	-	-	-	-	27,657
Total component units	\$ 2,733,173	\$ 2,591,851	\$ -	\$ -	-	-	-	(168,979)	27,657
General revenues:									
Taxes:									
Property taxes					3,357,123	-	3,357,123	-	-
Other taxes					1,849,454	-	1,849,454	-	-
Occupancy tax					284,869	-	284,869	174,098	-
Unrestricted investment earnings					24,668	-	24,668	210	-
Miscellaneous					522,860	118,138	640,998	-	4,135
Transfers					(567,752)	567,752	-	-	-
Total general revenues and transfers					5,471,222	685,890	6,157,112	174,308	4,135
Change in net position					(1,442,203)	2,002,022	559,819	5,329	31,792
Net position, beginning, previously stated					6,395,079	32,149,558	38,544,637	202,596	403,846
Restatements (Note 12)					(1,377,969)	175,053	(1,202,916)	-	-
Net position, beginning, restated					5,017,110	32,324,611	37,341,721	202,596	403,846
Net position, end of year					\$ 3,574,907	\$ 34,326,633	\$ 37,901,540	\$ 207,925	\$ 435,638

The accompanying notes are an integral part of these financial statements.

TOWN OF WILKESBORO, NORTH CAROLINA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2019

	General Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 655,173	\$ 6,597	\$ 661,770
Restricted cash and cash equivalents	137,704	-	137,704
Investments	625,003	-	625,003
Taxes receivable	179,760	-	179,760
Due from other governments	528,150	-	528,150
Due from other funds	1,580	-	1,580
Total assets	<u>\$ 2,127,370</u>	<u>\$ 6,597</u>	<u>\$ 2,133,967</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 167,728	\$ -	\$ 167,728
Due to component unit	48,500	-	48,500
Total liabilities	<u>216,228</u>	<u>-</u>	<u>216,228</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	22,443	-	22,443
Unavailable revenue - property taxes	125,936	-	125,936
Total deferred inflows of resources	<u>148,379</u>	<u>-</u>	<u>148,379</u>
FUND BALANCES			
Restricted:			
Stabilization by State Statute	583,554	-	583,554
Streets - Powell bill	133,260	-	133,260
Drug crime prevention	4,444	-	4,444
Capital projects	-	6,597	6,597
Assigned:			
Appropriated in fiscal year 2020 budget	74,000	-	74,000
Unassigned	967,505	-	967,505
Total fund balances	<u>1,762,763</u>	<u>6,597</u>	<u>1,769,360</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,127,370</u>	<u>\$ 6,597</u>	<u>\$ 2,133,967</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF WILKESBORO, NORTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2019

Total governmental fund balances:	\$	1,769,360
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Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the government funds:

Cost of assets	\$	11,806,228	
Accumulated depreciation		<u>(5,851,574)</u>	
			5,954,654

Other long term assets are not available to pay for current period expenditures and, therefore, are not reported or are deferred in the funds:

Property taxes	125,936
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Deferred outflows of resources related to the recording of the net pension liabilities and OPEB liability are recognized as expense over time and, therefore, are not reported in the funds.

Pension - LGERS	\$	646,794	
Pension - LEO		209,736	
OPEB		<u>2,529,337</u>	
			3,385,867

Deferred inflows of resources related to the recording of the net pension liabilities and OPEB liability are recognized as expense over time and, therefore, are not reported in the funds.

Pension - LGERS	\$	(28,604)	
OPEB		<u>(311,001)</u>	
			(339,605)

As the Town is self-insured for health insurance, the liability for incurred but not reported claims does not consume current financial resources and therefore is not reported in the funds.

Claims payable	(117,716)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Installment purchases	\$	(64,616)	
Notes payable		(1,290,233)	
Net pension liability - LGERS		(836,863)	
Net pension liability - LEO		(527,944)	
OPEB liability		(4,428,669)	
Compensated absences payable		(48,870)	
Accrued interest payable		<u>(6,394)</u>	
			<u>(7,203,589)</u>
Net position of governmental activities			<u>\$ 3,574,907</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF WILKESBORO, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 3,456,048	\$ -	\$ 3,456,048
Unrestricted intergovernmental	1,842,698	-	1,842,698
Restricted intergovernmental	608,044	6,597	614,641
Permits and fees	1,440	-	1,440
Sales and services	198,864	-	198,864
Investment earnings	24,668	-	24,668
Miscellaneous	522,860	-	522,860
Total revenues	<u>6,654,622</u>	<u>6,597</u>	<u>6,661,219</u>
EXPENDITURES			
Current:			
General government	2,765,142	-	2,765,142
Public safety	3,083,081	-	3,083,081
Transportation	668,964	-	668,964
Environmental protection	453,032	-	453,032
Culture and recreation	309,443	-	309,443
Debt service:			
Principal	219,488	-	219,488
Interest and other charges	31,941	-	31,941
Total expenditures	<u>7,531,091</u>	<u>-</u>	<u>7,531,091</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(876,469)</u>	<u>6,597</u>	<u>(869,872)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	284,900	-	284,900
Transfers out	(567,752)	-	(567,752)
Transfers in	-	780,096	780,096
Total other financing sources (uses)	<u>(282,852)</u>	<u>780,096</u>	<u>497,244</u>
Net change in fund balances	(1,159,321)	786,693	(372,628)
Fund balances, beginning of year	<u>2,922,084</u>	<u>(780,096)</u>	<u>2,141,988</u>
Fund balances, end of year	<u><u>\$ 1,762,763</u></u>	<u><u>\$ 6,597</u></u>	<u><u>\$ 1,769,360</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF WILKESBORO, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds	\$	(372,628)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.

Capital outlay	\$	684,794	
Depreciation expense		(360,001)	
			324,793

The transfer of capital assets from governmental activities to business-type activities is not recorded in the governmental funds and therefore is a decrease of net position in the Statement of Activities.

Certain revenues and expenditures in the Statement of Activities that do not provide or consume current financial resources are not reported as revenues or expenditures in the funds.

Property taxes	\$	(98,925)	
Claims payable		51,022	
			(47,903)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized for governmental activities. The net effect of these differences in the treatment of long-term debt and related items are as follows:

Issuance of notes payable	\$	(284,900)	
Repayment of notes payable		188,104	
Repayment of installment purchases		31,384	
			(65,412)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense - LGERS	\$	(49,214)	
Pension expense - LEO		(47,084)	
OPEB expense		(387,065)	
Compensated absences		(11,200)	
Accrued interest		(6,394)	
			(500,957)

Change in net position of governmental activities	\$	(1,442,203)
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TOWN OF WILKESBORO, NORTH CAROLINA

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Ad valorem taxes	\$ 3,320,000	\$ 3,510,000	\$ 3,456,048	\$ (53,952)
Unrestricted intergovernmental	1,817,000	1,817,000	1,842,698	25,698
Restricted intergovernmental	531,000	531,000	608,044	77,044
Permits and fees	1,300	1,300	1,440	140
Sales and services	208,000	208,000	198,864	(9,136)
Investment earnings	10,000	10,000	24,668	14,668
Miscellaneous	425,200	622,700	522,860	(99,840)
Total revenues	6,312,500	6,700,000	6,654,622	(45,378)
Expenditures				
Current:				
General government	2,705,450	2,990,450	2,765,142	225,308
Public safety	2,903,600	3,093,600	3,083,081	10,519
Transportation	596,000	696,000	668,964	27,036
Environmental protection	494,600	494,600	453,032	41,568
Culture and recreation	330,850	330,850	309,443	21,407
Debt service:				
Principal retirements	229,000	229,000	219,488	9,512
Interest and other charges	35,000	35,000	31,941	3,059
Total expenditures	7,294,500	7,869,500	7,531,091	338,409
Excess (deficiency) of revenues over (under) expenditures	(982,000)	(1,169,500)	(876,469)	293,031
Other financing sources (uses):				
Proceeds from issuance of debt	592,000	592,000	284,900	307,100
Transfers out	-	-	(567,752)	(567,752)
Appropriation of fund balance	390,000	577,500	-	(577,500)
Total other financing sources (uses)	982,000	1,169,500	(282,852)	(838,152)
Net change in fund balances	\$ -	\$ -	(1,159,321)	\$ (545,121)
Fund balances, beginning of year			2,922,084	
Fund balances, end of year			<u>\$ 1,762,763</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF WILKESBORO, NORTH CAROLINA

STATEMENT OF NET POSITION PROPRIETARY FUND JUNE 30, 2019

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,245,746
Investments	28,396
Restricted cash and cash equivalents	64,566
Accounts receivable, net of allowances	666,375
Due from other governments	225,555
Inventories	410,700
Total current assets	<u>2,641,338</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	11,647,388
Depreciable, net of accumulated depreciation	30,538,305
Total noncurrent assets	<u>42,185,693</u>
Total assets	<u>44,827,031</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension - LGERS	432,424
Other post employment benefits	2,069,458
Total deferred outflows of resources	<u>2,501,882</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	510,824
Customer deposits	64,566
Due to other funds	1,580
Compensated absences, current	30,639
Notes payable, current	832,961
Total current liabilities	<u>1,440,570</u>
Noncurrent liabilities:	
Net pension liability	559,498
Total other post employment benefits liability	3,623,456
Notes payable, less current portion	7,359,633
Total noncurrent liabilities	<u>11,542,587</u>
Total liabilities	<u>12,983,157</u>
DEFERRED INFLOWS OF RESOURCES	
Pension - LGERS	19,123
Total deferred inflows of resources	<u>19,123</u>
NET POSITION	
Net investment in capital assets	33,993,099
Unrestricted	333,534
Total net position	<u><u>\$ 34,326,633</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF WILKESBORO, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2019

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 6,953,475
Water and sewer taps	28,901
Other operating income	69,318
Total operating revenues	7,051,694
OPERATING EXPENSES	
Administration	1,687,225
Water treatment and distribution	1,365,760
Waste collection and treatment	1,699,949
Maintenance	1,780,072
Depreciation	944,225
Total operating expenses	7,477,231
Operating loss	(425,537)
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental	1,974,525
Interest and other charges	(232,856)
Miscellaneous income	118,138
Total non-operating revenue (expenses)	1,859,807
Income before capital contributions and transfers	1,434,270
CAPITAL CONTRIBUTIONS AND TRANSFERS	
Capital contributions	780,096
Transfers in	567,752
Transfers out	(780,096)
Total capital contributions and transfers	567,752
Change in net position	2,002,022
Total net position, previously reported	32,149,558
Restatement (Note 12)	175,053
Net position, beginning of year, restated	32,324,611
Net position, end of year	<u><u>\$ 34,326,633</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF WILKESBORO, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2019

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 7,051,342
Cash paid for goods and services	(4,277,889)
Cash paid to or on behalf of employees	(1,744,358)
Customer deposits received	8,529
Net cash provided by operating activities	<u>1,037,624</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	567,752
Transfers to other funds	(780,096)
Net cash used in noncapital financing activities	<u>(212,344)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(3,210,972)
Proceeds from the issuance of debt	203,100
Principal paid on long-term debt	(1,158,485)
Interest paid on long-term debt	(232,856)
Cash received from other governments for capital grants	3,154,505
Other receipts	118,138
Net cash used in capital and related financing activities	<u>(1,126,570)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	<u>250,001</u>
Net cash provided by investing activities	<u>250,001</u>
Net decrease in cash and cash equivalents	(51,289)
Cash and cash equivalents, beginning of year	<u>1,361,601</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,310,312</u></u>
CLASSIFIED AS:	
Cash - unrestricted	1,245,746
Restricted cash	64,566
	<u><u>\$ 1,310,312</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF WILKESBORO, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Water and Sewer Fund</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (425,537)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	944,225
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Increase in accounts receivable	(352)
Increase in inventory	(5,481)
Increase in deferred outflows of resources - LGERS pension	(154,545)
Increase in deferred outflows of resources - OPEB	(256,240)
Increase in accounts payable and accrued liabilities	174,762
Increase in compensated absences	4,348
Increase in customer deposits	8,529
Increase in net pension liability - LGERS	190,963
Increase in total OPEB liability	568,630
Decrease in deferred inflows of resources - LGERS pension	(11,678)
Net cash provided by operating activities	<u>\$ 1,037,624</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Contributed capital assets	<u>\$ 780,096</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF WILKESBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Wilkesboro, North Carolina (the "Town") and its discretely presented component units have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Town's significant accounting policies are described below.

A. Reporting Entity

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

Wilkesboro Tourism Development, Convention, and Visitors Bureau

The members of the Wilkesboro Tourism Development, Convention, and Visitors Bureau's (the "Tourism Bureau") governing board are appointed by the Town. The Tourism Bureau is to spend the net proceeds of the Town's 3% occupancy tax to promote tourism, conventions, and visitation to the Town. The Tourism Bureau, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation). The Tourism Bureau does not issue separate stand-alone financial statements.

Town of Wilkesboro ABC Board

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers most revenues to be available if they are collected within 90 days of the end of the current fiscal period, except for property taxes which use a 60 day period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other long-term liabilities, such as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, individual major funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental fund:

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Town reports the following non-major governmental funds:

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

The **General Capital Project Fund** is used to account for grant funds that are restricted for the Downtown Revitalization Project.

The Town reports the following major enterprise fund:

The **Water and Sewer Fund** accounts for the operation, maintenance and development of the Town's water and sewer system and services. Water and Sewer Projects Funds have been consolidated in the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Funds have been included in the supplemental information.

Government-wide and Proprietary Fund Financial Statements. In accounting and reporting for its proprietary operations, the government applies all GASB pronouncements. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989, which did not conflict with or contradict GASB pronouncements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any interfund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

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

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets

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

E. Deposits

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town. The Town pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Any deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Restricted Assets

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

Governmental Funds:	
General Fund	
Streets - Powell Bill	\$ 133,260
Drug crime prevention	4,444
Total Governmental Funds:	<u>\$ 137,704</u>
Enterprise Funds:	
Water & Sewer Fund	
Customer deposits	<u>64,566</u>
Total Enterprise Funds:	<u>64,566</u>
Total Restricted Cash	<u>\$ 202,270</u>

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

H. Allowances

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported 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.”

J. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. The inventory of the General Fund consists of expendable supplies and is recorded as an expenditure when consumed. The inventory of the Town's enterprise fund consists of materials and supplies held for subsequent use. The cost of this inventory is expensed when consumed rather than when purchased.

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

K. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to July 1, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015, are recorded at estimated acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. In accordance with GASB 34, infrastructure assets acquired prior to July 1, 2003, have been capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

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

Asset	Years
Infrastructure	25
Buildings and improvements	32-60
Water and sewer plants	50-67
Water and sewer lines	33-100
Vehicles	5-10
Furniture and equipment	5-20
Computer equipment	5-7

L. 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 outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town currently has two items, pension and OPEB deferrals, that meet this criterion.

In addition to liabilities, the statement of net 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items under the modified accrual basis of accounting which meet the criterion for this category - prepaid taxes and unavailable revenues. Additionally, the Town reports two items, pension and OPEB deferrals, which are reported only in the governmental activities.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences

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

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

N. Long-term Obligations

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

Bond premiums and discounts are accrued and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are expensed in the year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Economic Dependency

The Water and Sewer fund has one major customer from whom the Town derives a significant portion of its operating revenues. For the current year, approximately 74% of the revenue reported as water and sewer charges were related to billed consumption for its major customer.

P. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash), or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. One component of the restricted fund balance of the General Fund relates to the Stabilization by State Statute (G.S. 159-8(a)) which requires total fund balance less the fund balance available for appropriation equals the total amount that must be restricted.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Equity (Continued)

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

Assigned – Fund balances are reported as assigned when amounts are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town Council, through Town ordinance, has expressly delegated to the Town Manager or his/her designee, the authority to assign funds for particular purposes.

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

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

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

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the Town has spent) for the acquisition, construction or improvement of those assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Equity (Continued)

Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Q. 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, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

During the fiscal year ended June 30, 2019, the Town reported expenditures within the Water and Sewer Fund that violated State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance for Water and Sewer Administration by \$314,218, Water and Sewer Maintenance by \$60,010, and General Fund transfers by \$567,752. Management will amend procedures to ensure compliance with budget requirements.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2019 are summarized as follows:

Statement of Net Position:

Cash and cash equivalents	\$ 1,907,516
Restricted cash and cash equivalents	202,270
Investments	653,399
	<u>\$ 2,763,185</u>
Cash and investments held by financial institutions	\$ 2,734,789
Cash deposited with NCCMT	28,396
	<u>\$ 2,763,185</u>

Credit risk. State statutes and the Town's policies authorize the Town to invest in obligations of the state of North Carolina or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers' acceptances; the NCCMT; and obligations of other political subdivisions of the state of North Carolina. The Town does not have a credit rating policy which provides restrictions or limitations on credit ratings for the Town's investments. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2019.

As of June 30, 2019 the Town's investment balances were as follows:

Investment by Type	Valuation Measurement Method	Fair Value June 30, 2019	Maturity	Rating
Federal Home Loan Bank	Fair Value Level 1	\$ 199,908	7/12/2019	AA+
Federal National Mortgage Association	Fair Value Level 1	149,583	11/25/2019	AA+
Federal National Mortgage Association	Fair Value Level 1	275,512	9/9/2019	AA+
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	28,396	N/A	AAAm
		<u>\$ 653,399</u>		

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

Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk: The Town has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk – deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes (G.S. 159-31) require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities. As of June 30, 2019, the Town's deposits are insured or collateralized as required by state law.

NOTE 4. RECEIVABLES

Receivables at June 30, 2019, for the Town's individual major funds, including any applicable allowances for uncollectible accounts are as follows:

	General Fund	Water and Sewer Fund	Total
Receivables:			
Taxes	\$ 179,760	\$ -	\$ 179,760
Accounts	-	670,457	670,457
Due from other governments	528,150	225,555	753,705
Gross receivables	707,910	896,012	1,603,922
Less allowance for uncollectible accounts	-	(4,082)	(4,082)
Total allowance	-	(4,082)	(4,082)
Net receivables	\$ 707,910	\$ 891,930	\$ 1,599,840

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the Town's governmental activities for the year ended June 30, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,803,348	\$ -	\$ -	\$ -	\$ 1,803,348
Construction in progress	780,096	-	-	(780,096)	-
Total	<u>2,583,444</u>	<u>-</u>	<u>-</u>	<u>(780,096)</u>	<u>1,803,348</u>
Capital Assets, Being Depreciated:					
Buildings	3,070,298	17,200	-	-	3,087,498
Other improvements	453,406	47,932	-	-	501,338
Equipment and furniture	598,607	296,031	-	-	894,638
Vehicles	4,390,548	315,418	-	-	4,705,966
Computer software	31,000	8,213	-	-	39,213
Computer equipment	52,307	-	-	-	52,307
Infrastructure	721,920	-	-	-	721,920
Total	<u>9,318,086</u>	<u>684,794</u>	<u>-</u>	<u>-</u>	<u>10,002,880</u>
Less Accumulated Depreciation for:					
Buildings	(1,249,968)	(65,989)	-	-	(1,315,957)
Other improvements	(384,462)	(14,152)	-	-	(398,614)
Equipment and furniture	(438,139)	(32,020)	-	-	(470,159)
Vehicles	(3,223,013)	(215,826)	-	-	(3,438,839)
Computer software	(31,000)	(98)	-	-	(31,098)
Computer equipment	(43,190)	(3,039)	-	-	(46,229)
Infrastructure	(121,801)	(28,877)	-	-	(150,678)
Total	<u>(5,491,573)</u>	<u>(360,001)</u>	<u>-</u>	<u>-</u>	<u>(5,851,574)</u>
Total capital assets, being depreciated, net	<u>3,826,513</u>	<u>324,793</u>	<u>-</u>	<u>-</u>	<u>4,151,306</u>
Governmental activities capital assets, net	<u>\$ 6,409,957</u>	<u>\$ 324,793</u>	<u>\$ -</u>	<u>\$ (780,096)</u>	<u>\$ 5,954,654</u>

During the fiscal year June 30, 2019, the Town transferred \$780,096 from governmental activities construction in progress to the business-type activities.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

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

Governmental Activities	
General government	\$ 43,153
Public safety	195,649
Transportation	44,582
Environmental protection	43,320
Culture and recreation	33,297
Total depreciation expense - governmental activities	<u>\$ 360,001</u>

Capital asset activity for the Town's Water and Sewer Fund for the year ended June 30, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Water and Sewer Fund					
Capital Assets, Not Being Depreciated:					
Land	\$ 609,932	\$ -	\$ -	\$ -	\$ 609,932
Construction in progress	7,619,077	2,788,157	-	630,222	11,037,456
Total	<u>8,229,009</u>	<u>2,788,157</u>	<u>-</u>	<u>630,222</u>	<u>11,647,388</u>
Capital Assets, Being Depreciated:					
Plant and distribution system	42,498,095	-	-	149,874	42,647,969
Equipment	3,444,793	422,815	-	-	3,867,608
Total	<u>45,942,888</u>	<u>422,815</u>	<u>-</u>	<u>149,874</u>	<u>46,515,577</u>
Less Accumulated Depreciation for:					
Plant and distribution system	(12,509,104)	(781,564)	-	-	(13,290,668)
Equipment	(2,523,943)	(162,661)	-	-	(2,686,604)
Total	<u>(15,033,047)</u>	<u>(944,225)</u>	<u>-</u>	<u>-</u>	<u>(15,977,272)</u>
Total capital assets, being depreciated, net	<u>30,909,841</u>	<u>(521,410)</u>	<u>-</u>	<u>149,874</u>	<u>30,538,305</u>
Business-type activities capital assets, net	<u>\$ 39,138,850</u>	<u>\$ 2,266,747</u>	<u>\$ -</u>	<u>\$ 780,096</u>	<u>\$ 42,185,693</u>

The Town has active construction projects as of June 30, 2019, for which contracts have been executed with third-party vendors/contractors. At year-end, the Town's commitment under these contracts was \$3,674,553, which represents the balance to finish not reflected as a liability in these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2019, is as follows:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Installment purchases	\$ 96,000	\$ -	\$ (31,384)	\$ 64,616	\$ 31,996
Notes from direct borrowings	1,193,437	284,900	(188,104)	1,290,233	208,155
Compensated absences	37,670	89,327	(78,127)	48,870	48,870
Net pension liability (LEO)	849,316	62,536	(383,908)	527,944	-
Net pension liability (LGERS)	514,183	493,781	(171,101)	836,863	-
Total OPEB liability	3,720,744	740,708	(32,783)	4,428,669	-
Total long-term liabilities	<u>\$ 6,411,350</u>	<u>\$ 1,671,252</u>	<u>\$ (885,407)</u>	<u>\$ 7,197,195</u>	<u>\$ 289,021</u>
Business-type Activities					
Installment purchases	\$ 347,828	\$ -	\$ (347,828)	\$ -	\$ -
Notes from direct borrowings	8,800,151	203,100	(810,657)	8,192,594	832,961
Compensated absences	26,291	81,201	(76,853)	30,639	30,639
Net pension liability (LGERS)	368,535	329,187	(138,224)	559,498	-
Total OPEB liability	3,054,826	606,035	(37,405)	3,623,456	-
Total long-term liabilities	<u>\$ 12,597,631</u>	<u>\$ 1,219,523</u>	<u>\$ (1,410,967)</u>	<u>\$ 12,406,187</u>	<u>\$ 863,600</u>

The beginning balance of the Town's total OPEB liability has been restated from the prior year. See Note 12 for additional information.

The compensated absences, net pension, and total OPEB liabilities reported in governmental activities are liquidated by the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Borrowings – Notes Payable

<u>Description</u>	<u>Outstanding</u>
In 2017, the Town entered into a financing agreement bearing interest at 2.32%, secured by equipment and property. The agreement requires annual payments in the amount of \$105,770 to \$89,530, including interest, and matures in fiscal year 2027.	\$ 700,000
In 2015, the Town entered into a financing agreement bearing interest at 2.54%, secured by equipment. The agreement requires quarterly payments of \$14,904, including interest, and matures in fiscal year 2026.	356,161
In 2019, the Town entered into a financing agreement bearing interest at 2.96%, secured by equipment. The agreement requires quarterly payments of \$5,047, including interest, and matures in fiscal year 2022.	81,320
In 2019, the Town entered into a financing agreement bearing interest at 3.16%, secured by equipment. The agreement requires quarterly payments of \$7,885, including interest, and matures in fiscal year 2024.	152,752
Total notes payable (direct borrowings), governmental activities	<u>\$ 1,290,233</u>

The debt service to maturity on the Town's governmental activities' notes payable is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 208,155	\$ 31,244	\$ 239,399
2021	211,617	25,752	237,369
2022	186,851	20,368	207,219
2023	180,086	15,730	195,816
2024	153,556	11,317	164,873
2025 - 2027	349,968	14,134	364,102
Total	<u>\$ 1,290,233</u>	<u>\$ 118,545</u>	<u>\$ 1,408,778</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Borrowings – Notes Payable (Continued)

The outstanding balances for the business-type activities notes payable as of June 30, 2019, are as follows:

<u>Description</u>	<u>Outstanding</u>
In 2017, the Town entered into a financing agreement bearing interest at 2.32%, secured by equipment and property. The agreement requires annual payments in the amount of \$509,394, including interest, and matures in fiscal year 2027.	\$ 3,680,616
In 2012, the Town entered into a financing agreement bearing interest at 2.50%, secured by water and sewer revenues. The agreement requires annual payments from \$479,563 to \$370,983, including interest, and matures in fiscal year 2031.	4,343,211
In 2019, the Town entered into a financing agreement bearing interest at 2.96%, secured by equipment. The agreement requires quarterly payments of \$9,373, including interest, and matures in fiscal year 2022.	43,788
In 2019, the Town entered into a financing agreement bearing interest at 3.16%, secured by equipment. The agreement requires quarterly payments of \$9,638, including interest, and matures in fiscal year 2024.	124,979
Total notes payable (direct borrowings), business-type activities	<u>\$ 8,192,594</u>

The debt service to maturity on the Town's business-type activities' notes payable is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 832,961	\$ 198,677	\$ 1,031,638
2021	844,263	412,849	1,257,112
2022	840,584	358,509	1,199,093
2023	846,824	302,625	1,149,449
2024	834,499	244,539	1,079,038
2025 - 2029	3,269,594	294,467	3,564,061
2030 - 2031	723,869	27,145	751,014
Total	<u>\$ 8,192,594</u>	<u>\$ 1,838,811</u>	<u>\$ 10,031,405</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Borrowings – Installment Purchases

The outstanding balances for the governmental activities installment purchases as of June 30, 2019, are as follows:

<u>Description</u>	<u>Outstanding</u>
In 2018, the Town entered into an installment purchase financing agreement bearing interest at 1.96%, secured by equipment. The agreement requires annual payments in the amount of \$33,256, including interest, and matures in fiscal year 2021.	<u>\$ 64,616</u>

The debt service to maturity on the Town's governmental activities' installment purchases is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 31,996	\$ 1,260	\$ 33,256
2021	32,620	636	33,256
Total	<u>\$ 64,616</u>	<u>\$ 1,896</u>	<u>\$ 66,512</u>

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2019, is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	\$ 1,580	\$ -
Water and Sewer Fund	-	1,580
	<u>\$ 1,580</u>	<u>\$ 1,580</u>

Interfund transfers for the year ended June 30, 2019, are as follows:

	<u>Transfer Out</u>	<u>Transfer In</u>
General Fund	\$ 567,752	\$ -
Water and Sewer Fund	780,096	567,752
Nonmajor Governmental Funds	-	780,096
	<u>\$ 1,347,848</u>	<u>\$ 1,347,848</u>

During the fiscal year June 30, 2019, the Town's General Fund transferred funds of \$567,752 to the Water & Sewer Fund for various capital related expenditures. The Water and Sewer Fund transferred \$780,096 to the Nonmajor Governmental Funds to erase the fund balance deficit caused by capital related expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS

A. Local Governmental Employees' Retirement System

Plan Description. The Town of Wilkesboro is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The state's ACFR 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 postretirement 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Benefits Provided (Continued)

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$301,574 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$1,396,361 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.05886%, which was an increase of 0.00108% from its proportion measured as of June 30, 2017.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

For the year ended June 30, 2019, the Town recognized pension expense of \$375,528. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 215,425	\$ 7,229
Changes in plan assumptions	370,540	-
Net difference between projected and actual earnings on pension plan investments	191,679	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	40,498
Town contributions subsequent to the measurement date	301,574	-
Total	<u>\$ 1,079,218</u>	<u>\$ 47,727</u>

Town contributions made subsequent to the measurement date of \$301,574 are reported as deferred outflows of resources and will be recognized as a decrease of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2020	\$ 358,315
2021	229,327
2022	32,464
2023	109,811
	<u>\$ 729,917</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Actuarial Assumptions. The total pension liability as of June 30, 2018, was determined by the December 31, 2017 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2017 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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 7.00%. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 3,354,179	\$ 1,396,361	\$ (239,623)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) for the state of North Carolina.

B. Law Enforcement Officers Special Separation Allowance

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

All full time law enforcement officers of the Town are covered by the Separation Allowance. At June 30, 2019, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Active plan members	23
Total	<u>25</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Actuarial Assumptions. The entry age actuarial cost method was used in the June 30, 2019 valuation. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.13 percent

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$30,903 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, 2019, the Town reported a total pension liability of \$527,944. The total pension liability was measured as of June 30, 2019, based on a June 30, 2019 actuarial valuation. For the year ended June 30, 2019, the Town recognized pension expense of \$62,536.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience differences	\$ 186,105	\$ 301,905
Change in assumptions	23,631	9,096
Total	<u>\$ 209,736</u>	<u>\$ 311,001</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

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

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2020	\$ 14,166
2021	14,166
2022	14,166
2023	15,192
2024	(23,420)
Thereafter	(135,535)
	<u>\$ (101,265)</u>

Changes in the Total Pension Liability. The changes in the total pension liability of the Town for the fiscal year ended June 30, 2019, were as follows:

	Total Pension Liability
Balance at June 30, 2018	\$ 849,316
Service Cost	21,342
Interest	27,028
Experience differences	(335,450)
Assumption changes	(3,389)
Benefit payments	(30,903)
Balance at June 30, 2019	<u>\$ 527,944</u>

The required schedule of changes in the Town's total pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information.

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate. The following presents the Town's total pension liability calculated using the discount rate of 3.13 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current rate:

	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Town's proportionate share of the net pension liability (asset)	\$ 570,207	\$ 527,944	\$ 489,250

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

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

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 June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

B. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute, each month, an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2019, were \$59,499 which consisted of \$51,139 from the Town and \$8,360 from the law enforcement officers. As of June 30, 2019, there were twenty-six (26) participants in the plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

C. 401(k) Retirement Plan

For the year ended June 30, 2019, the Town contributed to an approved 401(k) Retirement Plan covering eligible employees not engaged in law enforcement. The Town elected to make matching contributions of up to five percent (5%) of eligible salaries. The Town's contribution to the plan for the year ended June 30, 2019, was \$176,516.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

Plan Description and Benefits Provided. Under the terms of a Town resolution, the Town administers a single-employer defined benefit healthcare plan (the "Retiree Health Plan"). This plan provides health care benefits for all retired personnel who have thirty years of full-time service with the Town and all elected officials who have fourteen years of service as of April 6, 1998 with the Town. The spouse and eligible dependents are also covered. A retired employee's spouse and eligible dependents may continue to receive coverage upon death of the employee. However, if a retiree's spouse remarries after the death of the retiree, the spouse will no longer be eligible for insurance coverage. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The Town Council established and may amend the benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and a separate report was not issued for the Retiree Health Plan.

Membership of the Retiree Health Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Active participants	84
Retirees and beneficiaries currently receiving benefits	<u>7</u>
Total	<u><u>91</u></u>

Contributions. The Town Council has elected to fund the Retiree Health Plan on a "pay as you go" basis. Per the Town resolution, retirees are able to continue to receive health insurance at active employee rates, subsidized by Town contributions. For the fiscal year ended June 30, 2019, the Town contributed \$70,188 for the pay as you go benefits for the Retiree Health Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The Town's total OPEB liability of \$8,052,125 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.50 percent
Healthcare cost trend rates	6.00 percent with an ultimate trend rate of 4.50 percent
Discount rate	3.13 percent

The discount rate used to measure the total OPEB liability was 3.13%. As the Town is not funding the OPEB plan, their rate is equal to the yield on the Fidelity GO Municipal Bond Index as of June 30, 2019.

Changes in the Total OPEB Liability. The changes in the total OPEB liability for the Town for the fiscal year ended June 30, 2019, were as follows:

	Total OPEB Liability
Balance at June 30, 2018	\$ 6,775,570
Service Cost	262,926
Interest	253,534
Assumption changes	830,283
Benefit payments	(70,188)
Balance at June 30, 2019	<u>\$ 8,052,125</u>

Change in assumption and other inputs reflect a change in the discount rate from 3.18% to 3.13%. The current mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014. All other assumptions are the same as those used in the most recent (December 31, 2016) valuation for LGERS.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13 percent) or 1-percentage-point higher (4.13) than the current discount rate:

	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB Liability	\$ 10,054,597	\$ 8,052,125	\$ 6,524,818

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (5.00% to 3.50%)	Current (6.00% to 4.50%)	1% Increase (8.00% to 5.50%)
Total OPEB Liability	\$ 10,054,597	\$ 8,052,125	\$ 6,524,818

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2019, and the current sharing pattern of costs between employer and inactive employees.

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Town recognized OPEB expense in the amount of \$796,642.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (Continued)

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,316,498	\$ -
Changes in plan assumptions	1,282,297	-
Total	<u>\$ 4,598,795</u>	<u>\$ -</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:

2020	\$ 253,182
2021	253,182
2022	253,182
2023	253,182
2024	253,182
Thereafter	3,332,885
	<u>\$ 4,598,795</u>

NOTE 10. RISK MANAGEMENT

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RISK MANAGEMENT (CONTINUED)

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town carries flood insurance on the garbage/warehouse building and contents. Flood insurance is not carried on any other Town structure.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$500,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

For health and dental insurance coverage, the Town is self-insured for individual losses up to \$55,000. The Town purchases reinsurance for individual losses over \$55,000, as well as reinsurance for total plan losses in excess of \$1,404,975.

A summary of the Town's self-insurance claims payable as of June 30, 2019 is as follows:

	Beginning Balance (Restated)	Claims Incurred	Claims Paid	Ending Balance	Due Within One Year
Governmental Activities					
Claims payable	\$ 168,738	\$ 1,264,090	\$ (1,315,112)	\$ 117,716	\$ 117,716
Total claims payable	<u>\$ 168,738</u>	<u>\$ 1,264,090</u>	<u>\$ (1,315,112)</u>	<u>\$ 117,716</u>	<u>\$ 117,716</u>

The beginning balance of the Town's claims payable liability has been restated from the prior year. See Note 12 for additional information.

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation:

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

Grant Contingencies:

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the Town believes such disallowances, if any, will not be significant.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. RESTATEMENT OF BEGINNING BALANCES

The Town determined that restatements to the June 30, 2018 ending net positions were necessary for the following:

- Net position at the entity-wide level:
 - Governmental Activities
 - Business-type Activities
- Net position of the:
 - Water and Sewer Fund

	Governmental Activities	Water & Sewer Fund/ Business-type Activities
Net position as of June 30, 2018, as previously reported	\$ 6,395,079	\$ 32,149,558
Restatement No. 1 - Proper recording of other postemployment benefits liability	(1,209,231)	(992,810)
Restatement No. 2 - Recording of intergovernmental accounts receivable and revenues	-	1,167,863
Restatement No. 3 - Proper recording of claims payable liability	(168,738)	-
Total restatements	(1,377,969)	175,053
Net position as of June 30, 2018, as restated	\$ 5,017,110	\$ 32,324,611

To further explain the above restatements, the following thoughts are provided.

Restatement No. 1 – Proper recording of other postemployment benefits. The Town has determined that a restatement to decrease beginning net position for its governmental activities in the amount of \$1,209,231 and its business-type activities and the Water & Sewer Fund in the amount of \$992,810 was required to properly account for its OPEB plan in accordance with GASB Statement No. 75 as the Town previously incorrectly excluded eligible members from the plan's total other postemployment benefits liability, as calculated by the plan's actuary.

Restatement No. 2 – Recording of intergovernmental grant accounts receivable. The Town has determined that a restatement to beginning net position for its business-type activities and the Water & Sewer Fund was required to record various accounts receivable related to intergovernmental grants. In the previous years, the Town had not recorded accounts receivables for its intergovernmental grants as required by Generally Accepted Accounting Principles. Adjustments to increase beginning net position for its business-type activities and the Water & Sewer Fund in the amount of \$1,167,863 was required as of July 1, 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. RESTATEMENT OF BEGINNING BALANCES (CONTINUED)

Restatement No. 3 – Proper recording of self-insured claims payable. The Town has determined that a restatement to beginning net position for its governmental activities was required to record a claims payable liability as of the beginning of the fiscal year. In the previous years, the Town had not recorded any liability for incurred but not reported health insurance claims as required by Generally Accepted Accounting Principles. Adjustments to decrease beginning net position for its governmental activities in the amount of \$168,738 was required as of July 1, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WILKESBORO, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY FOR THE FISCAL YEAR ENDED JUNE 30,

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2019	2018	2017
Total pension liability, beginning balance	\$ 849,316	\$ 530,663	\$ 534,869
Service cost	21,342	20,297	20,713
Interest on the total pension liability	27,028	19,887	18,522
Difference between expected and actual experience	(335,450)	274,515	-
Changes of assumptions or other inputs	(3,389)	34,857	(11,350)
Benefit payments	(30,903)	(30,903)	(32,091)
Total pension liability, ending balance	\$ 527,944	\$ 849,316	\$ 530,663

The amounts presented for each fiscal year were determined as of the prior year ending December 31.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

TOWN OF WILKESBORO, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL FOR THE FISCAL YEAR ENDED JUNE 30,

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability	\$ 527,944	\$ 849,316	\$ 530,663	\$ 534,869
Town's covered payroll	\$ 963,433	\$ 788,396	\$ 783,142	\$ 785,769
Total pension liability as a percentage of covered payroll	54.80%	107.73%	67.76%	68.07%

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

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

FOR THE FISCAL YEAR ENDED JUNE 30,

The Town is not accumulating assets in a trust fund that meets the criteria in paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.

TOWN OF WILKESBORO, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) FOR THE FISCAL YEAR ENDED JUNE 30,

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.05886%	0.05780%	0.06250%	0.05850%	0.05690%	0.05600%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,396,361	\$ 882,718	\$ 1,325,399	\$ 15,172	\$ (335,330)	\$ 675,015
Town's covered payroll	\$ 3,548,885	\$ 3,548,885	\$ 3,422,499	\$ 3,247,723	\$ 3,091,122	\$ 2,415,634
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	39.35%	24.87%	38.73%	0.47%	(10.85%)	27.94%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

TOWN OF WILKESBORO, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF TOWN OF WILKESBORO'S CONTRIBUTIONS FOR THE FISCAL YEAR ENDED JUNE 30,

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 301,574	\$ 274,336	\$ 256,292	\$ 227,101	\$ 221,161	\$ 204,963
Contributions in relation to the contractually required contribution	301,574	274,336	256,292	227,101	221,161	204,963
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 3,823,242	\$ 3,548,885	\$ 3,422,499	\$ 3,247,723	\$ 3,091,122	\$ 2,415,634
Contributions as a percentage of covered payroll	7.89%	7.73%	7.49%	6.99%	7.15%	8.48%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

TOWN OF WILKESBORO, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Ad valorem taxes:				
Taxes	\$ 3,285,000	\$ 3,415,000	\$ 3,362,678	\$ (52,322)
Penalties and interest	35,000	95,000	93,370	(1,630)
Total ad valorem taxes	3,320,000	3,510,000	3,456,048	(53,952)
Unrestricted intergovernmental:				
Local option sales tax	1,100,000	1,100,000	1,158,384	58,384
Payments in lieu of taxes (external sources)	1,000	1,000	1,479	479
Telecommunications sales tax	25,000	25,000	24,091	(909)
Utility franchise tax	555,000	555,000	547,898	(7,102)
Piped natural gas tax	6,000	6,000	8,858	2,858
Video franchise fee	40,000	40,000	36,403	(3,597)
Beer and wine tax	15,000	15,000	15,978	978
ABC profit distribution	75,000	75,000	49,607	(25,393)
Total unrestricted intergovernmental	1,817,000	1,817,000	1,842,698	25,698
Restricted intergovernmental:				
Powell bill allocation	115,000	115,000	116,233	1,233
Other federal and state grants	155,000	155,000	200,186	45,186
Controlled substance tax	5,000	5,000	4,008	(992)
Solid waste disposal tax	1,000	1,000	2,748	1,748
Occupancy tax	255,000	255,000	284,869	29,869
Total restricted intergovernmental	531,000	531,000	608,044	77,044
Permits and fees:				
Business registration fees	500	500	660	160
Street assessment	500	500	330	(170)
Permits	300	300	450	150
Total permits and fees	1,300	1,300	1,440	140
Sales and service:				
Rents	50,000	50,000	44,527	(5,473)
Court costs, fees and charges	5,000	5,000	5,171	171
Sanitation fees	145,000	145,000	143,889	(1,111)
Open air market fees	4,000	4,000	534	(3,466)
Park lights	4,000	4,000	4,743	743
Total sales and service	208,000	208,000	198,864	(9,136)
Investment earnings	10,000	10,000	24,668	14,668
Miscellaneous				
Other	421,200	618,700	518,245	(100,455)
Cemetery donation	4,000	4,000	4,615	615
Total miscellaneous	425,200	622,700	522,860	(99,840)
Total revenues	6,312,500	6,700,000	6,654,622	(45,378)

continued

TOWN OF WILKESBORO, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
Expenditures				
General government:				
Governing body:				
Salaries and employee benefits	\$ 28,200	\$ 28,200	\$ 24,618	\$ 3,582
Operating expenditures	84,300	134,300	146,568	(12,268)
Economic development	185,000	255,000	267,655	(12,655)
Total	297,500	417,500	438,841	(21,341)
Administration:				
Salaries and employee benefits	507,700	507,700	470,591	37,109
Other operating expenditures	211,300	211,300	197,502	13,798
Insurance	1,001,000	1,076,000	1,060,699	15,301
Total	1,720,000	1,795,000	1,728,792	66,208
Public buildings:				
Salaries and employee benefits	164,500	179,500	199,419	(19,919)
Other operating expenditures	523,450	598,450	398,090	200,360
Total	687,950	777,950	597,509	180,441
Total general government	2,705,450	2,990,450	2,765,142	225,308
Public safety:				
Police:				
Salaries and employee benefits	1,259,000	1,259,000	1,249,095	9,905
Other operating expenditures	219,000	219,000	318,008	(99,008)
Capital outlay	210,000	350,000	300,993	49,007
Total	1,688,000	1,828,000	1,868,096	(40,096)
Fire:				
Salaries and employee benefits	331,000	331,000	519,382	(188,382)
Retirement benefits paid	52,000	52,000	45,645	6,355
Other operating expenditures	479,000	479,000	243,571	235,429
Capital outlay	-	50,000	50,000	-
Total	862,000	912,000	858,598	53,402
Inspections:				
Salaries and employee benefits	155,300	155,300	157,780	(2,480)
Other operating expenditures	198,300	198,300	198,607	(307)
Total	353,600	353,600	356,387	(2,787)
Total public safety	2,903,600	3,093,600	3,083,081	10,519

continued

TOWN OF WILKESBORO, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
Expenditures (Continued)				
Transportation:				
Streets:				
Salaries and employee benefits	\$ 191,000	\$ 191,000	\$ 191,480	\$ (480)
Other operating expenditures	405,000	505,000	477,484	27,516
Total	596,000	696,000	668,964	27,036
Total transportation	596,000	696,000	668,964	27,036
Environmental protection:				
Sanitation:				
Salaries and employee benefits	162,000	162,000	170,906	(8,906)
Other operating expenditures	109,600	109,600	53,307	56,293
Landfill tipping fees	55,000	55,000	49,221	5,779
Capital outlay	168,000	168,000	179,598	(11,598)
Total	494,600	494,600	453,032	41,568
Total environmental protection	494,600	494,600	453,032	41,568
Cultural and recreation:				
Parks and recreation:				
Salaries and employee benefits	160,000	160,000	170,316	(10,316)
Other operating expenditures	155,824	155,824	125,610	30,214
Capital outlay	15,026	15,026	13,517	1,509
Total	330,850	330,850	309,443	21,407
Total culture and recreation	330,850	330,850	309,443	21,407
Debt service:				
Principal retirement	229,000	229,000	219,488	9,512
Interest and other charges	35,000	35,000	31,941	3,059
Total	264,000	264,000	251,429	12,571
Total debt service	264,000	264,000	251,429	12,571
Total expenditures	7,294,500	7,869,500	7,531,091	338,409
Excess (deficiency) of revenues over expenditures	(982,000)	(1,169,500)	(876,469)	293,031
Other financing sources (uses)				
Issuance of debt	592,000	592,000	284,900	307,100
Transfer out	-	-	(567,752)	(567,752)
Fund balance appropriated	390,000	577,500	-	(577,500)
Total other financing sources (uses)	982,000	1,169,500	(282,852)	(838,152)
Net change in fund balances	-	-	(1,159,321)	(545,121)
Fund balance, beginning of year	2,922,084	2,922,084	2,922,084	
Fund balance, end of year	\$ 2,922,084	\$ 2,922,084	\$ 1,762,763	\$ (545,121)

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Fund

Grant Project Fund – To account for the financial resources to be used for improvements which are funded primarily through federal grants.

Capital Projects Fund

Downtown Project Fund – To account for the financial resources to be used for improvements which are funded primarily through federal grants but are restricted for the Downtown Revitalization Project.

TOWN OF WILKESBORO, NORTH CAROLINA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2019

	Special Revenue Fund Grant Project Fund	Capital Projects Fund Downtown Project	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,597	\$ -	\$ 6,597
Total assets	<u>\$ 6,597</u>	<u>\$ -</u>	<u>\$ 6,597</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted for capital projects	<u>6,597</u>	<u>-</u>	<u>6,597</u>
Total fund balances	<u>6,597</u>	<u>-</u>	<u>6,597</u>
Total liabilities and fund balances	<u>\$ 6,597</u>	<u>\$ -</u>	<u>\$ 6,597</u>

TOWN OF WILKESBORO, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue Fund Grant Project Fund	Capital Projects Fund Downtown Project	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 6,597	\$ -	\$ 6,597
Total revenues	6,597	-	6,597
EXPENDITURES			
Capital projects	-	-	-
Total expenditures	-	-	-
Excess of revenues over expenditures	6,597	-	6,597
OTHER FINANCING SOURCES			
Transfers in	-	780,096	780,096
Total other financing uses	-	780,096	780,096
Net change in fund balances	-	780,096	780,096
FUND BALANCES (DEFICIT), beginning of year	-	(780,096)	(780,096)
FUND BALANCES, end of year	\$ 6,597	\$ -	\$ 6,597

TOWN OF WILKESBORO, NORTH CAROLINA

SPECIAL REVENUE FUND - GRANT PROJECT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL PROJECT LIFE AS OF JUNE 30, 2019

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Restricted intergovernmental				
Government grant	\$ 59,200	\$ 52,603	\$ 6,597	\$ 59,200
Total revenues	59,200	52,603	6,597	59,200
EXPENDITURES				
Cultural and recreational	61,000	52,603	-	52,603
Total expenditures	61,000	52,603	-	52,603
Excess (deficiency) of revenues over (under) expenditures	(1,800)	-	6,597	6,597
OTHER FINANCING SOURCES				
Transfers from general fund	1,800	-	-	-
Net change in fund balance	\$ -	\$ -	6,597	6,597
FUND BALANCE, beginning of year			-	-
FUND BALANCE, end of year			\$ 6,597	\$ 6,597

TOWN OF WILKESBORO, NORTH CAROLINA

GENERAL CAPITAL PROJECTS FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL PROJECT LIFE AS OF JUNE 30, 2019

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Restricted intergovernmental				
CDBG grant	\$ 750,000	\$ -	\$ -	\$ -
Total revenues	<u>750,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Capital outlay				
Building repair and renovation	750,000	780,096	-	780,096
Total expenditures	<u>750,000</u>	<u>780,096</u>	<u>-</u>	<u>780,096</u>
Excess (deficiency) of revenues over expenditures	-	(780,096)	-	(780,096)
OTHER FINANCING SOURCES				
Transfers from water & sewer fund	-	-	780,096	780,096
Net change in fund balance	<u>\$ -</u>	<u>\$ (780,096)</u>	780,096	-
FUND BALANCE, beginning of year			(780,096)	-
FUND BALANCE, end of year			<u>\$ -</u>	<u>\$ -</u>

TOWN OF WILKESBORO, NORTH CAROLINA

WATER AND SEWER FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Operating revenues				
Charges for service	\$ 7,700,000	\$ 7,700,000	\$ 6,953,475	\$ (746,525)
Water and sewer taps	25,000	25,000	28,901	3,901
Other operating revenues	70,000	70,000	69,318	(682)
Total operating revenues	7,795,000	7,795,000	7,051,694	(743,306)
Nonoperating revenues				
Interest earnings	10,000	10,000	-	(10,000)
Miscellaneous	340,000	485,000	108,138	(376,862)
Total nonoperating revenues	350,000	495,000	108,138	(386,862)
Total revenues	8,145,000	8,290,000	7,159,832	(1,130,168)
EXPENDITURES				
Water and sewer administration				
Salaries and employee benefits	283,500	283,500	246,613	36,887
Other operating expenditures	295,700	295,700	306,357	(10,657)
Insurance	671,000	746,000	1,086,448	(340,448)
Total water administration	1,250,200	1,325,200	1,639,418	(314,218)
Water treatment and distribution				
Salaries and employee benefits	532,000	532,000	467,130	64,870
Utilities	283,000	283,000	236,676	46,324
Maintenance	97,000	97,000	68,859	28,141
Other operating expenditures	376,000	376,000	504,311	(128,311)
Total water operations	1,288,000	1,288,000	1,276,976	11,024
Waste collection and treatment				
Salaries and employee benefits	471,500	471,500	435,233	36,267
Utilities	379,000	379,000	371,901	7,099
Maintenance	153,000	153,000	121,013	31,987
Other operating expenditures	590,000	660,000	696,677	(36,677)
Total waste collection and treatment	1,593,500	1,663,500	1,624,824	38,676
Maintenance				
Salaries and employee benefits	745,000	830,000	674,038	155,962
Utilities	8,000	8,000	26,571	(18,571)
Maintenance	42,000	42,000	45,239	(3,239)
Other operating expenditures	650,300	710,300	904,462	(194,162)
Total maintenance	1,445,300	1,590,300	1,650,310	(60,010)

(continued)

TOWN OF WILKESBORO, NORTH CAROLINA

WATER AND SEWER FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
Debt service				
Principal retirement	\$ 1,200,000	\$ 1,200,000	\$ 1,158,485	\$ 41,515
Interest and other charges	309,000	309,000	232,856	76,144
Total debt service	<u>1,509,000</u>	<u>1,509,000</u>	<u>1,391,341</u>	<u>117,659</u>
Capital outlay				
Equipment	539,000	569,000	422,813	146,187
Total capital outlay	<u>539,000</u>	<u>569,000</u>	<u>422,813</u>	<u>146,187</u>
Total expenditures	<u>7,625,000</u>	<u>7,945,000</u>	<u>8,005,682</u>	<u>(60,682)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>520,000</u>	<u>345,000</u>	<u>(845,850)</u>	<u>(1,190,850)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	230,000	230,000	203,100	(26,900)
Transfers in	-	175,000	-	(175,000)
Transfers out	(750,000)	(750,000)	(780,096)	(30,096)
Total other financing (uses)	<u>(520,000)</u>	<u>(345,000)</u>	<u>(576,996)</u>	<u>(231,996)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>(1,422,846)</u>	<u>\$ (1,422,846)</u>
Adjustments to full accrual:				
Principal retirement			1,158,485	
Issuance of debt			(203,100)	
Capital outlay			422,813	
Contributed capital assets			780,096	
Increase in compensated absences			(4,348)	
OPEB related items			(312,390)	
Pension related items			(24,740)	
Depreciation			(944,225)	
Revenues - Water and Sewer Capital Reserve Fund			10,000	
Revenues and transfers in - Water and Sewer Capital Projects Fund			<u>2,542,277</u>	
Change in net position			<u>\$ 2,002,022</u>	

TOWN OF WILKESBORO, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP) PROJECT LIFE AS OF JUNE 30, 2019

		Actual		
	Project Budget	Prior Years (Restated)	Current Year	Total
REVENUES				
Downtown Revitalization Project				
Federal Grant	\$ 500,000	\$ 94,340	\$ 34,963	\$ 129,303
Other	50,000	-	-	-
Partnerships	850,000	-	-	-
Total	1,400,000	94,340	34,963	129,303
Brown's Ford Water Loop & Tank				
IDF Grant	1,110,000	1,110,000	-	1,110,000
Golden LEAF Grant	200,000	200,000	-	200,000
Department of Commerce Grant	700,000	431,672	73,548	505,220
West Wilkes Water Assn Contribution	5,000	-	-	-
Total	2,015,000	1,741,672	73,548	1,815,220
Clarifier Project-Wastewater Treatment Grant	1,900,000	56,863	1,756,154	1,813,017
Total	1,900,000	56,863	1,756,154	1,813,017
Asset Inventory and Assessment Grant	135,000	-	109,860	109,860
Total	135,000	-	109,860	109,860
Total revenues	5,450,000	1,892,875	1,974,525	3,867,400
EXPENDITURES				
Downtown Revitalization Project				
Repairs and Renovations	2,650,000	1,883,040	72,324	1,955,364
Contingency	200,000	-	-	-
Total	2,850,000	1,883,040	72,324	1,955,364
Brown's Ford Loop & Tank				
Construction	6,073,241	4,699,247	892,670	5,591,917
Construction Observation and Admin	125,000	570	-	570
Engineering	475,000	827,678	-	827,678
Land	250,000	-	-	-
Contingency	346,162	3,520	-	3,520
Total	7,269,403	5,531,015	892,670	6,423,685
Clarifier Project-Wastewater Treatment				
Engineering	85,000	65,363	12,024	77,387
Administration	40,000	-	-	-
Construction	1,908,420	702	1,786,654	1,787,356
Contingency	101,580	-	-	-
Total	2,135,000	66,065	1,798,678	1,864,743
Asset Inventory and Assessment				
Infrastructure Planning	150,000	138,957	24,487	163,444
Total	150,000	138,957	24,487	163,444
Total expenditures	12,404,403	7,619,077	2,788,159	10,407,236
Deficiency of revenues under expenditures	(6,954,403)	(5,726,202)	(813,634)	(6,539,836)

(continued)

TOWN OF WILKESBORO, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP) PROJECT LIFE AS OF JUNE 30, 2019

	Project Budget	Prior Years	Actual Current Year	Total
OTHER FINANCING SOURCES				
Proceeds from Issuance of Debt	\$ 4,500,000	\$ 4,500,000	\$ -	\$ 4,500,000
Proceeds from Issuance of Debt	250,000	-	-	-
Transfer from Water and Sewer Fund	754,403	738,008	-	738,008
Transfer from Water and Sewer Fund	235,000	-	-	-
Transfer from Water and Sewer Fund	15,000	-	-	-
Transfer from General Fund	550,000	-	567,752	567,752
Transfer from Water and Sewer Fund	650,000	1,788,700	-	1,788,700
Total other financing sources	<u>6,954,403</u>	<u>7,026,708</u>	<u>567,752</u>	<u>7,594,460</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,300,506</u>	<u>\$ (245,882)</u>	<u>\$ 1,054,624</u>

TOWN OF WILKESBORO, NORTH CAROLINA

WATER AND SEWER CAPITAL RESERVE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP) PROJECT LIFE AS OF JUNE 30, 2019

	Project Budget	Actual		
		Prior Years	Current Year	Total
REVENUES				
Rent income - Vulcan Materials	\$ -	\$ 120,000	\$ 10,000	\$ 130,000
Investment earnings	137,459	250,600	-	250,600
Total revenues	137,459	370,600	10,000	380,600
Excess of revenues over expenditures	137,459	370,600	10,000	380,600
OTHER FINANCING SOURCES (USES)				
Transfer from water and sewer capital projects fund	304,017	214,818	-	214,818
Transfer to water and sewer capital projects fund	(441,476)	(441,476)	-	(441,476)
Total other financing uses, net	(137,459)	(226,658)	-	(226,658)
Net change in fund balance	\$ -	\$ 143,942	\$ 10,000	\$ 153,942

TOWN OF WILKESBORO, NORTH CAROLINA

BALANCE SHEET COMPONENT UNIT - WILKESBORO TOURISM DEVELOPMENT, CONVENTION, AND VISITORS BUREAU JUNE 30, 2019

	Wilkesboro Tourism Development, Convention, and Visitors Bureau
ASSETS	
Cash and cash equivalents	\$ 159,425
Due from primary government	48,500
Total assets	<u>\$ 207,925</u>
LIABILITIES	
Total liabilities	<u>\$ -</u>
FUND BALANCES	
Restricted for:	
Stabilization by State Statute	48,500
Unassigned	159,425
Total fund balances	<u>207,925</u>
Total liabilities and fund balances	<u>\$ 207,925</u>

TOWN OF WILKESBORO, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES COMPONENT UNIT - WILKESBORO TOURISM DEVELOPMENT, CONVENTION, AND VISITORS BUREAU FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Wilkesboro Tourism Development, Convention, and Visitors Bureau
REVENUES	
Occupancy tax	\$ 174,098
Investment earnings	210
Total revenues	<u>174,308</u>
EXPENDITURES	
Current:	
Economic development	<u>168,979</u>
Total expenditures	<u>168,979</u>
Net change in fund balances	5,329
Fund balances, beginning of year	<u>202,596</u>
Fund balances, end of year	<u><u>\$ 207,925</u></u>

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 3,352,195	\$ 3,259,638	\$ 92,557
2017-2018	111,927	-	89,700	22,227
2016-2017	70,398	-	60,620	9,778
2015-2016	9,422	-	5,821	3,601
2014-2015	5,287	-	2,614	2,673
2013-2014	4,222	-	1,626	2,596
2012-2013	4,188	-	1,667	2,521
2011-2012	43,343	-	41,739	1,604
2010-2011	23,642	-	21,446	2,196
2009-2010	2,346	-	251	2,095
2008-2009	2,286	-	2,286	-
	<u>\$ 277,061</u>	<u>\$ 3,352,195</u>	<u>\$ 3,487,408</u>	<u>141,848</u>
Plus: June vehicle taxes collected in July from the NC Division of Motor Vehicles				<u>37,912</u>
Ad valorem taxes receivable				<u>\$ 179,760</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 3,456,048
Reconciling items:				
Interest collected				38,886
Taxes written off				(2,286)
Prior years' releases				(5,240)
Total collections and credits				<u>\$ 3,487,408</u>

TOWN OF WILKESBORO, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY TOWN-WIDE LEVY JUNE 30, 2019

				Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 676,160,229	0.48	\$3,245,569	\$ 3,022,454	\$ 223,115
Property taxed at prior year's rate	-	0.44	-	-	-
Total	<u>676,160,229</u>		<u>3,245,569</u>	<u>3,022,454</u>	<u>223,115</u>
Discoveries:					
Current year taxes	22,518,381	0.48	108,088	108,088	-
Prior year taxes	858,650	0.44	3,778	3,778	-
Total	<u>23,377,031</u>		<u>111,866</u>	<u>111,866</u>	<u>-</u>
Abatements and releases	(1,091,602)		(5,240)	(5,240)	-
Total property valuation	<u>\$ 698,445,658</u>				
Net levy			3,352,195	3,129,080	223,115
Current year levy uncollected taxes at June 30, 2019			(92,557)	(92,557)	-
Current year's taxes collected			<u>\$3,259,638</u>	<u>\$ 3,036,523</u>	<u>\$ 223,115</u>
Current levy collection percentage			<u>97.24%</u>	<u>97.04%</u>	<u>100.00%</u>

COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**To the Honorable Mayor and Members
of the Town Council
Wilkesboro, North Carolina**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the **Town of Wilkesboro, North Carolina** (the "Town"), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 27, 2021. Our report includes a reference to other auditors who audited the financial statements of the Wilkesboro ABC Board, as described in our report on the Town's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported separately by those auditors.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies,

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, 2019-003, 2019-004 and 2019-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-006 to be a significant deficiency.

Compliance and Other Matters

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

Town of Wilkesboro, North Carolina's Responses to the Findings

The Town of Wilkesboro, North Carolina's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Columbia, South Carolina
October 27, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

**To the Honorable Mayor and Members
of the Town Council
Wilkesboro, North Carolina**

Report on Compliance for Each Major Federal Program

We have audited the **Town of Wilkesboro, North Carolina's** (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2019. The Town's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Columbia, South Carolina
October 27, 2021

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS JUNE 30, 2019

<u>Awarding Agency</u>	<u>CFDA Number</u>	<u>Pass-through Number</u>	<u>Federal</u>	<u>State</u>
FEDERAL AWARDS				
<u>Appalachian Regional Commission</u> Area Development Grant Program	23.001	N/A	\$ 34,963	\$ -
<u>US Department of Commerce</u> Economic Development Assistance Program	11.300	N/A	73,548	-
<u>Dept. of Housing and Urban Development</u> Passed through N.C. Department of Commerce, Planning and Community Development Community Development Block Grant	14.228	15-E-2777	1,756,154	-
<u>U.S. Department of Homeland Security</u> Assistance to Firefighters Grant	97.044	EMW-2016-FF-00405	200,186	-
TOTAL FEDERAL AWARDS			<u>2,064,851</u>	<u>-</u>
STATE AWARDS				
<u>N.C. Department of Environmental Quality</u> Town of Wilkesboro Water Asset Inventory Grant		N/A	-	109,860
<u>N.C. Department of Transportation</u> Powell Bill		DOT-4	-	127,197
TOTAL STATE AWARDS			<u>-</u>	<u>237,057</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 2,064,851</u>	<u>\$ 237,057</u>

TOWN OF WILKESBORO, NORTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Wilkesboro, North Carolina (the "Town") and is prepared on the accrual basis of accounting.

Program Type Determination

Type A programs are defined as federal programs with federal expenditures exceeding \$750,000. The threshold of \$750,000 was used in distinguishing between Type A and Type B programs.

Method of Major Program Selection

The risk-based approach was used in the selection of federal programs to be tested as major programs. The Town qualified as a high-risk auditee for the fiscal year ended June 30, 2019.

NOTE 2. FEDERAL NON-CASH ASSISTANCE

The Town did not receive or expend federal awards in the form of non-cash assistance and had no federal loan guarantees at June 30, 2019.

NOTE 3. DE MINIMIS INDIRECT COST RATE

The Town chose not to use the ten percent de Minimis cost rate for the year ended June 30, 2019.

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited
were in accordance with Generally Accepted Accounting Principles:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

☒ Yes ☐ No

Significant deficiencies identified?

☒ Yes ☐ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weaknesses identified?

☐ Yes ☒ No

Significant deficiencies identified?

☐ Yes ☒ No

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516 (a)?

☐ Yes ☒ No

Identification of major program:

CFDA Number

14.228

Name of Federal Program or Cluster

U.S. Department of Housing and Urban Development

Passed through the N.C. Department of Commerce

Planning and Community Development

Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2019-001. Financial Closeout and Reporting

Criteria: Financial closeout is a process designed to provide reasonable assurance to ensure the Town can perform timely and accurate procedures in order for the Town to produce its annual financial statements.

Condition: Certain accounting, reporting and reconciling procedures were not properly performed and reviewed during the fiscal year which required a significant effort to close the Town's 2019 fiscal year. Significant audit adjustments were determined and required to be recorded to correct year end balances of the Town due to errors incurred during the financial closeout procedures. The nature of the adjustments required are as follows:

- When attempting to reconcile beginning Net Position for the Water & Sewer Fund, it was determined that an adjustment in the amount of \$1,440,508 was needed to properly state beginning Net Position.
- When attempting to reconcile cash at the Town, it was determined that the Town had not properly reconciled and recorded certain transactions resulting in an adjusting journal entry to decrease cash in the amount of \$1,805,331 and \$1,465,692 in the General Fund and Water & Sewer Fund, respectively.
- During our testing of accounts payable and accrued liabilities at the Town, it was discovered that the Town had not properly accrued multiple expenditures/expenses resulting in significant adjusting journal entries. Entries in the amount of \$36,311 and \$148,088 were required to properly state accounts payable for the General Fund and the Water & Sewer Fund, respectively. Additionally, an adjusting journal entry in the amount of \$54,335 and \$555,813 was required to properly state accrued salaries and related benefits in the General Fund and Water & Sewer Fund, respectively. Additionally, an entity wide adjusting journal entry to in the amount of \$117,716 was required to properly state claims payable for the Town's governmental activities.
- During our testing of capital assets for the Town's Water & Sewer Fund, we noted management had failed to record current year additions, disposals and depreciation expense resulting in an audit adjustment in the amount of \$3,046,842.
- During our testing of the Town's revenues and receivables, we noted management had failed to record certain accounts receivable and revenues resulting in significant adjusting journal entries. An adjusting journal entry in the net amount of \$241,327 was required to properly state property taxes accounts receivables and revenues in the General Fund. An adjusting journal entry in the amount of \$57,355 and 124,281 was required to properly state intergovernmental accounts receivable and revenues in the General Fund and Water & Sewer Fund, respectively. An adjusting journal entry in the amount of \$6,382,987 was required to properly state Water & Sewer Fund utility accounts receivable and revenues.

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (CONTINUED)

2019-001. Financial Closeout and Reporting (Continued)

- During our testing of long-term debt at the Town, it was discovered that the Town had failed to properly reconcile certain debt related activity resulting in significant adjusting journal entries in the amount of \$203,100 and \$955,385 for the General Fund and Water & Sewer Fund, respectively.

Context: We addressed these matters with Town management, who worked diligently to determine the propriety of all respective details and reconciliations as of and for the year ended June 30, 2019.

Effect: The ultimate effect of the above condition is the potential for errors and irregularities to occur and not be detected and corrected in a timely manner, resulting in significant audit adjustments and delays in producing the Town's audited financial statements.

Cause: Sufficient internal controls were not in place relating to the financial closeout and reporting. The Town did not properly account for activity, or prepare and review all reconciliations and closeout procedures typically required in a strong accounting system.

Recommendation: We recommend the Town consider a variety of options to address the above condition. In no particular order, the Town needs to look at the respective staffing of the accounting function and determine if an adequate number of qualified people are currently available to address the condition. The Town also needs to consider and evaluate its strengths and weaknesses relative to the accounting function, and take measures to address the concerns noted above with a goal of providing timely recording, reconciling and reporting of Town operations and financial and non-financial activities.

Views of Management and Planned Corrective Action: We concur with the finding. We will continue to review and improve policies and procedures in an effort to eliminate errors and identify deficiencies from both operational and financial perspectives.

2019-002. Segregation of Duties

Criteria: Internal controls should be in place which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: There is not appropriate segregation of duties among recording, distribution, and reconciliation of cash accounts and other operational functions in the various funds possessed by the Town.

Further, we noted a general lack of segregation of duties. We noted bank statements were being reconciled by employees with no consistent review of the reconciled statements being performed. In general, we noted that individuals with the authority to prepare and sign checks also reconcile bank statements; and individuals have the authority to open mail, post receipts, balance cash, prepare deposits, and print disbursement reports.

Context: Several instances of overlapping duties were noted during interviews regarding internal control procedures.

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (CONTINUED)

2019-002. Segregation of Duties (Continued)

Effect: Failure to properly segregate duties among recording, distribution, and reconciliation of accounts can lead to misappropriation of funds that is not detected during the normal course of business.

Cause: The lack of segregation of duties is due to the lack of a properly developed integrated work plan with appropriate controls and an improper allocation of available resources. In addition, in certain circumstances there are a limited number of trained individuals in each office available to perform all of the duties.

Recommendation: We recommend the duties of recording, distributing, and reconciling of accounts be segregated among employees. Also, we recommend greater segregation of duties relative to: making deposits, opening mail, posting receipts, and signing of checks.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. The Town is in the process of reviewing their respective systems and processes to evaluate and determine the most efficient and effective solution to properly segregate duties among all Town functions to provide reasonable assurance that an individual cannot misappropriate funds without being detected during the normal course of business.

2019-003. Recording of Intergovernmental Grant Receivables

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Condition: During fiscal year 2018, the Town did not properly record revenues and receivables as of and for the year ended June 30, 2018. Consequently, the respective revenues and receivables of the Water & Sewer Fund were not properly stated and reflected as of and for the year ended June 30, 2018, and prior period adjustments were required to correct such amounts and balances.

Context: We addressed the matter with the Town to determine the appropriate amounts to record as of and for the year ended June 30, 2018.

Effect: A prior period adjustment was required to increase intergovernmental accounts receivable and increase net position in the Water & Sewer Fund and Business-type activities in the amount of \$1,167,823 as of June 30, 2018.

Cause: There was a lack of appropriate controls implemented at the Town during the fiscal year to ensure that accounts receivables and revenue balances were properly reconciled and recorded.

Recommendation: We recommend the Town review all grant funded projects throughout the fiscal year, and ensure all respective revenues and receivables are properly identified and stated at the end of each accounting period.

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (CONTINUED)

2019-003. Recording of Intergovernmental Grant Receivables (Continued)

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will implement the necessary controls and procedures to ensure that revenues and receivables are properly identified, recorded, and reconciled in a timely manner and ensure that all transactions are being properly recognized during the correct period.

2019-004. Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes accounting and financial reporting for OPEB that is provided to the employees of state and local governments. The Statement addresses plans that prefund OPEB as well as those that fund plans on a pay-as-you-go basis like the Town.

Condition: In previous years, the Town's actuary was preparing two (2) different valuation reports for the Town: one that calculated a total OPEB liability to be recorded in the Town's financial statements as required by GASB Statement No. 75 and one that was prepared on the basis that active employees hired after November 4, 2002, were not eligible for participation in the Town's OPEB plan. In this second report, the Town's actuary noted "Our understanding of the Plan under GASB guidelines is that these employees are currently eligible under this plan, according to current practices and the Plan as communicated to employees until a formal resolution is adopted excluding these employees." The Town was using this second report (prepared under the assumption that Town employees hired after November 4, 2002, were not eligible) to record the Town's total OPEB liability and related amounts in the Town's financial statements.

Context/Cause: We obtained a copy of both reports prepared by the Town's actuary. The report prepared under the assumption that employees hired after November 4, 2002, were not eligible for the Plan should not have been used to calculate the total OPEB liability and related amounts that were reported by the Town. GASB Statement No. 75 does not provide for consideration of annual appropriation for OPEB benefits, instead focusing on historical practices and other information until such time that a government takes formal action to close an OPEB plan to future entrants.

Effect: As a result of the above, the Town's total OPEB liability was understated in the Town's June 30, 2018 financial statements. A prior period adjustment was required to increase the total OPEB liability and related amounts and decrease net position in the Town's governmental activities in the amount of \$1,209,231 and the Water & Sewer Fund (and business-type activities) in the amount of \$992,810 as of June 30, 2018.

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (CONTINUED)

2019-04. Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Recommendation: We recommend the Town review all applicable GASB pronouncements related to OPEB to ensure all related liabilities and deferred inflows and outflows of resources are being properly recorded.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will implement the necessary controls and procedures to ensure that all related liabilities and deferred inflows and out flows of resources are being properly recorded.

2019-005. Administration of the Town's Self-Insurance Claims Payable Liability

Criteria: With regard to claims payable, generally accepted accounting principles require reporting of a liability for incurred but not reported claims when it relates to claims that have arisen before the statement of net position date.

Condition: Claims payable, relating to the Town's self-insurance health claims, was improperly excluded in governmental activities as of June 30, 2018 and 2019.

Context: We addressed this matter with the Town to determine the appropriate amounts to record as of and for the year ended June 30, 2018 and 2019.

Effect: A prior period adjustment was required to decrease net position for governmental activities in the amount of \$116,738 as of June 30, 2018. An audit adjustment was also required to record claims payable for governmental activities in the amount of \$117,716 as of June 30, 2019.

Cause: There was an overall lack of appropriate controls implemented at the Town during the fiscal year. The Town did not properly prepare and review reconciliations related to its self-insurance.

Recommendation: The Town should implement the necessary controls to ensure proper recognition of claims payable liabilities during their financial reporting process.

View of Responsible Officials and Planned Corrective Action: We concur with the finding. We will establish internal controls and procedures to ensure proper recognition of claims payable and other payables accrued liabilities during their financial reporting process.

2019-006. Preparation of Schedule of Expenditures of Federal and State Awards

Criteria: 2 CFR 200.302(b)(1) states that all nonfederal entities must identify in its accounts all federal awards received and expended. The schedule of expenditures of federal and state awards (SEFSA), as required by 2 CFR 200.510(b), should be derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements for the Town.

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (CONTINUED)

2019-006. Preparation of Schedule of Expenditures of Federal and State Awards (Continued)

Condition: Internal controls were not in place to support or reconcile the expenditures reported on the SEFSA to the Town's underlying accounting records.

Context: During the preparation of the SEFSA, it was noted the Town was not preparing the SEFSA during its normal close out procedures.

Effect: Ultimately the Town was able to internally provide the necessary underlying records to support the expenditures reported on the SEFSA resulting in a single audit being required for the fiscal year ended June 30, 2019.

Cause: The Town did not have procedures in place to permit for the reconciliation of the SEFSA to be reconciled and prepared in a timely basis.

Recommendation: We recommend the Town establish procedures to ensure all federal grant expenditures are included in the SEFSA (on an accrual basis) and that CFDA numbers are reported correctly. The Town should utilize the Town's general ledger system to separately track the expenditures which are program eligible in project codes to aide Finance in the reconciliation of the accounting system to the SEFSA.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will take necessary steps in the future to properly track the expenditures of all federal and state funded programs. We will utilize the general ledger system of the Town to aide in both the tracking but also the monthly reporting, in an attempt to reconcile the SEFSA in a timely manner.

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV SCHEDULE OF PRIOR YEAR FINDINGS

None reported.



TOWN OF WILKESBORO

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MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2019-001 Financial Closeout and Reporting

Name of Contact Person Responsible for the Corrective Action Plan: Bob Urness, Assistant Town Manager / Finance Director

Corrective Action Plan: The Town understands the finding and has taken appropriate action to address the situation moving forward. We have hired additional staff internally as well externally to assist with period closing activities identified in the finding. These actions will allow for period closing reconciliations and posting to occur in a timelier manner, while maintaining separation of duties, moving forward.

Anticipated Completion Date: Fiscal year 2022.

2019-002 Segregation of Duties

Name of Contact Person Responsible for the Corrective Action Plan: Bob Urness, Assistant Town Manager / Finance Director

Corrective Action Plan: The Town recognizes the issues involved in this finding and has taken steps to mitigate these issues moving forward. Additional staff has been hired internally. With the addition of staff comes the opportunity to further segregate duties amongst staff in a manner that is more secure for all involved. Additionally, we have engaged an external resource to assist in facilitating us with a formulation of work flow throughout the office in order to mitigate this issue.

Anticipated Completion Date: Fiscal year 2022.

2019-003 Recording of Intergovernmental Grant Receivables

Name of Contact Person Responsible for the Corrective Action Plan: Bob Urness, Assistant Town Manager / Finance Director

Corrective Action Plan: The Town has taken the necessary steps to correct this issue through its furthered understanding of the processing of these receivables. As situations of this nature arrive in the future, we believe that the knowledge base exists to appropriately account for these items in a timely manner.

Anticipated Completion Date: Fiscal year 2022.

**MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (CONTINUED)**

2019-004 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)

Name of Contact Person Responsible for the Corrective Action Plan: Bob Urness, Assistant Town Manager / Finance Director

Corrective Action Plan: The Town has an existing policy in relation to OPEB for its employees. The previous representation of the liability was set forth in the 2018 audit based on lengthy conversations with our prior auditor. Based on lengthy conversations with our current auditor, the measurement criteria was adjusted resulting in a prior period adjustment. Subsequent calculations will be consistent with this criteria and we do not anticipate it being an issue moving forward.

Anticipated Completion Date: Fiscal year 2022.

2019-005 Administration of the Town's Self Insurance Claims Payable Liability

Name of Contact Person Responsible for the Corrective Action Plan: Bob Urness, Assistant Town Manager / Finance Director

Corrective Action Plan: The Town understands the finding and has taken appropriate action to address the situation moving forward. We have updated our understanding and have implemented policies and procedures to mitigate issues going forward.

Anticipated Completion Date: Fiscal year 2022.

2019-006 Preparation of the Schedule of Expenditures of Federal and State Awards

Name of Contact Person Responsible for the Corrective Action Plan: Bob Urness, Assistant Town Manager / Finance Director

Corrective Action Plan: The Town has updated its policies and procedures to address this issue. The addition to not only our staff, but our understanding of processing these Intergovernmental Grants will allow for us to prepare the needed tracking, posting and reporting associated.

Anticipated Completion Date: Fiscal year 2022.