

TOWN OF WILKESBORO, NORTH CAROLINA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

Prepared by:
Finance Department

Submitted by:
Town Manager

TOWN OF WILKESBORO, NORTH CAROLINA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	Page Number
FINANCIAL SECTION	
Independent Auditor's Report.....	1 - 3
Management's Discussion and Analysis	4 - 10
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities.....	12
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	13
Reconciliation of the Governmental Funds Balance Sheet to the	
Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund	
Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances –	
Budget and Actual – Budgetary Basis – General Fund.....	17
Statement of Net Position – Proprietary Fund	18
Statement of Revenues, Expenses, and Changes in Net Position –	
Proprietary Fund	19
Statement of Cash Flows – Proprietary Fund	20 and 21
Notes to Financial Statements	22 - 55
Required Supplementary Information:	
Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special	
Separation Allowance	56
Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement	
Officers' Special Separation Allowance.....	57
Schedule of Changes in Total OPEB Liability and Related Ratios	58
Schedule of Town's Proportionate Share of Net Pension Liability (Asset) –	
Local Governmental Employees' Retirement System.....	59
Schedule of Town of Wilkesboro's Contributions.....	60

TOWN OF WILKESBORO, NORTH CAROLINA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	Page Number
FINANCIAL SECTION (CONTINUED)	
Individual Fund Statements and Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis) – General Fund	61 - 63
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund – Grant Project Fund.....	64
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) – Water and Sewer Fund	65 and 66
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP) – Water and Sewer Capital Projects Fund.....	67 and 68
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP) – Water and Sewer Capital Reserve Fund.....	69
Balance Sheet – Component Unit – Wilkesboro Tourism Development, Convention And Visitors Bureau.....	70
Statement of Revenues, Expenditures and Changes in Fund Balances – Component Unit – Wilkesboro Tourism Development, Convention and Visitors Bureau.....	71
Schedule of Ad Valorem Taxes Receivable.....	72
Analysis of Current Tax Levy.....	73
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 <i>Government Auditing Standards</i>	74 and 75
Schedule of Findings and Responses	76 - 79

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 aggregate 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, 2020, 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 80% of the assets, 68% of the net position and 96% 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely present component units, each major fund, and the aggregate remaining fund information of the Town of Wilkesboro, North Carolina as of June 30, 2020, 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 and 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, 56, 57, 58, 59 and 60, 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 individual fund statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements and schedules, as listed in the table of contents, (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 August 23, 2022, 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
August 23, 2022

TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2020

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, 2020. 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

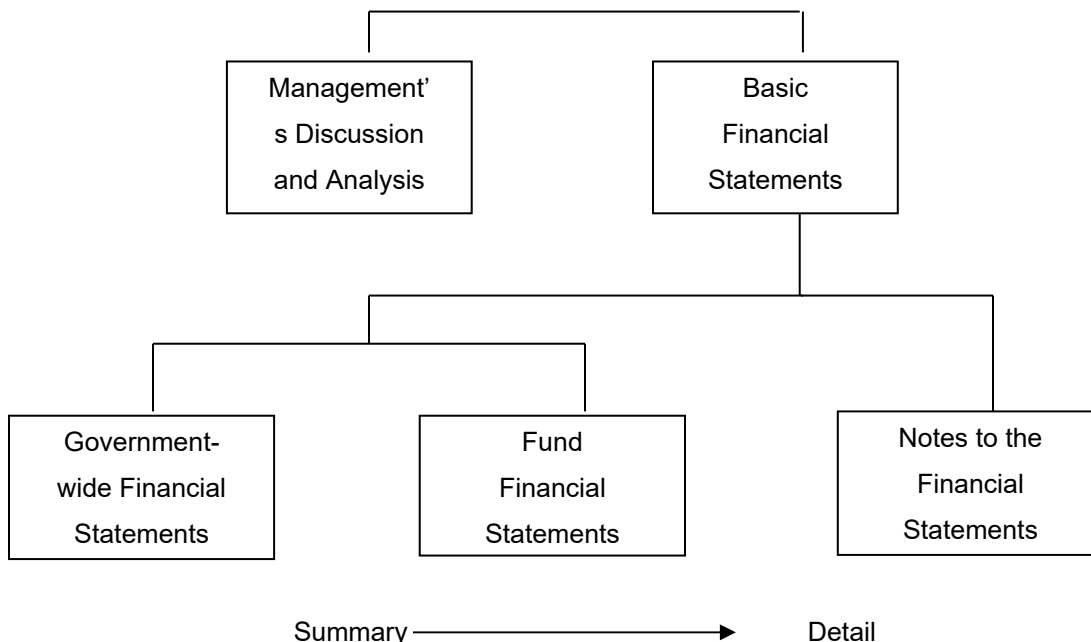
- The assets of the Town of Wilkesboro exceeded its liabilities at the close of the fiscal year by \$38,618,219 (*net position*).
- The government's total net position increased by \$716,679 primarily as a result of business-type activities, the Town's Water and Sewer Fund.
- As of the close of the current fiscal year, the Town of Wilkesboro's governmental funds reported combined ending fund balances of \$2,266,774, an increase of \$497,414. Approximately 47% of this total amount or \$1,072,030 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,072,030 or 16.5% of total general fund expenditures for the 2020 fiscal year.
- The Town of Wilkesboro's total long-term liabilities decreased by \$1,185,267 (6%) during the current fiscal year. This substantial decrease is due to a decrease in Total OPEB liability as well as current year debt retirements.

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, 2020

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, 2020

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 55 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 56 of this report.

Government-wide Financial Analysis

Town of Wilkesboro
Statement of Net Position

	June 30, 2020		June 30, 2019		Total	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	June 30, 2020	June 30, 2019
Assets:						
Current assets	\$ 2,595,795	\$ 2,330,491	\$ 2,133,967	\$ 2,639,758	\$ 4,926,286	\$ 4,773,725
Capital assets, net	5,676,258	42,977,260	5,954,654	42,185,693	48,653,518	48,140,347
Total assets	<u>8,272,053</u>	<u>45,307,751</u>	<u>8,088,621</u>	<u>44,825,451</u>	<u>53,579,804</u>	<u>52,914,072</u>
Deferred outflows of resources	<u>4,034,924</u>	<u>2,565,088</u>	<u>3,385,867</u>	<u>2,501,882</u>	<u>6,600,012</u>	<u>5,887,749</u>
Liabilities:						
Current liabilities	754,990	1,294,393	629,359	1,438,990	2,049,383	2,068,349
Long-term liabilities	7,028,088	10,237,406	6,908,174	11,542,587	17,265,494	18,450,761
Total liabilities	<u>7,783,078</u>	<u>11,531,799</u>	<u>7,537,533</u>	<u>12,981,577</u>	<u>19,314,877</u>	<u>20,519,110</u>
Deferred inflows of resources	<u>1,460,136</u>	<u>786,584</u>	<u>362,048</u>	<u>19,123</u>	<u>2,246,720</u>	<u>381,171</u>
Net position:						
Net investment in capital assets	4,561,560	35,617,628	6,893,193	33,993,099	40,179,188	40,886,292
Restricted	1,045,744	-	721,258	-	1,045,744	721,258
Unrestricted	(2,543,541)	(63,172)	(4,039,544)	333,534	(2,606,713)	(3,706,010)
Total net position	<u>\$ 3,063,763</u>	<u>\$ 35,554,456</u>	<u>\$ 3,574,907</u>	<u>\$ 34,326,633</u>	<u>\$ 38,618,219</u>	<u>\$ 37,901,540</u>

TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2020

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 \$38,618,219 as of June 30, 2020. The Town's net position increased by \$716,679, or 1.89%, for the fiscal year ended June 30, 2020. However, the largest portion of net position, \$40,179,188, 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 \$1,045,744 represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position represents a deficit of (\$2,606,713).

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 98.7%, up 1.7% over prior.
- Other taxes decreased slightly from that of the prior year by \$67,041 or 3.14%.

Town of Wilkesboro Changes in Net Position							
	Governmental Activities		Business-type Activities		Total		
	2020	2019	2020	2019	2020	2019	
Revenues:							
Program revenues:							
Charges for services	\$ 284,070	\$ 200,304	\$ 8,220,318	\$ 7,051,694	\$ 8,504,388	\$ 7,251,998	
Operating grants/contributions	532,370	323,016	-	-	532,370	323,016	
Capital grants/contributions	-	-	225,287	1,974,525	225,287	1,974,525	
General revenues:							
Property taxes	3,321,092	3,357,123	-	-	3,321,092	3,357,123	
Other taxes	2,067,282	2,134,323	-	-	2,067,282	2,134,323	
Unrestricted interest	16,029	24,668	-	-	16,029	24,668	
Miscellaneous	753,981	522,860	151,541	118,138	905,522	640,998	
Total revenues	<u>6,974,824</u>	<u>6,562,294</u>	<u>8,597,146</u>	<u>9,144,357</u>	<u>15,571,970</u>	<u>15,706,651</u>	
Expenses:							
General government	3,102,099	3,093,951	-	-	3,102,099	3,093,951	
Public safety	3,240,287	2,955,150	-	-	3,240,287	2,955,150	
Transportation	480,601	713,377	-	-	480,601	713,377	
Environmental protection	277,750	316,754	-	-	277,750	316,754	
Culture and recreation	353,845	319,178	-	-	353,845	319,178	
Interest on long term debt	31,386	38,335	-	-	31,386	38,335	
Water/Sewer	-	-	7,369,323	7,710,087	7,369,323	7,710,087	
Total expenses	<u>7,485,968</u>	<u>7,436,745</u>	<u>7,369,323</u>	<u>7,710,087</u>	<u>14,855,291</u>	<u>15,146,832</u>	
Increase in net position before transfers	(511,144)	(874,451)	1,227,823	1,434,270	716,679	559,819	
Transfers	-	(567,752)	-	567,752	-	-	
Change in net position	(511,144)	(1,442,203)	1,227,823	2,002,022	716,679	559,819	
Net position, beginning	3,574,907	6,395,079	34,326,633	32,149,558	37,901,540	38,544,637	
Restatement	-	(1,377,969)	-	175,053	-	(1,202,916)	
Net position, beginning, restated	3,574,907	5,017,110	34,326,633	32,324,611	37,901,540	37,341,721	
Net position, ending	<u>\$ 3,063,763</u>	<u>\$ 3,574,907</u>	<u>\$ 35,554,456</u>	<u>\$ 34,326,633</u>	<u>\$ 38,618,219</u>	<u>\$ 37,901,540</u>	

Governmental activities: Governmental activities decreased the Town's net position by (\$511,144). The key element of this decrease in net position resulted from a deficiency of revenues of \$6,974,824 under expenditures of \$7,485,968.

Business-type activities: Business-type activities increased the Town of Wilkesboro's net position by \$1,227,823. The key elements of this increase in net position charges for services of \$8,220,318, up from \$7,051,694 in the prior year coupled with a decrease of expenditures.

TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2020

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 increased by \$104,525 to \$1,072,030, while total fund balance increased \$497,414 to a total of \$2,260,177. The increase is a result of increased revenues along with decreased expenditures as the Town had several key projects that were completed in the 2019 fiscal year that were primarily being funded with governmental revenues.

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 16.5% of total General Fund expenditures, while total fund balance represents 34.7% of that same amount compared to 12.8% and 23.4% in the prior year, respectively.

General Fund Budgetary Highlights. During the 2020 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 a deficit (\$63,172). The total change in net position was an increase of \$1,227,823. 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, 2020, totals \$48,653,518 (net of accumulated depreciation). These assets include buildings, water and sewer lines, land, machinery and equipment, park facilities, vehicles, and infrastructure. The overall investment made to the Town's infrastructure or capital asset position has continued to grow at a rapid pace, increasing \$513,171 over the last 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 \$1,771,481
- Governmental capital asset additions of \$120,179.

TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2020

Town of Wilkesboro's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,803,348	\$ 1,803,348	\$ 609,932	\$ 609,932	\$ 2,413,280	\$ 2,413,280
Buildings and improvements	1,791,459	1,874,265	-	-	1,791,459	1,874,265
Plant and distribution system	-	-	30,592,387	29,357,301	30,592,387	29,357,301
Machinery and equipment	1,539,087	1,705,799	1,134,228	1,181,004	2,673,315	2,886,803
Infrastructure	542,364	571,242	-	-	542,364	571,242
Construction in progress	-	-	10,640,713	11,037,456	10,640,713	11,037,456
Total	<u>\$ 5,676,258</u>	<u>\$ 5,954,654</u>	<u>\$ 42,977,260</u>	<u>\$ 42,185,693</u>	<u>\$ 48,653,518</u>	<u>\$ 48,140,347</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 decreased by \$1,179,579 during the current fiscal year primarily as a result of new debt issued along with current debt retirements.

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 \$55,839,817.

Additional information regarding the Town of Wilkesboro's long-term debt can be found in note 6.

Economic Factors

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

- The unemployment rate for Wilkes County at June 30, 2020, stands at 8.9%, which has increased due to the COVID-19 pandemic. This rate is indicative of the national economic environment and is on par with the state-wide average of 9.6%.
- 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 completed Phase 1 of the downtown revitalization efforts which created the Community Commons which continues to bring visitors to the downtown area.

Budget Highlights

Governmental Activities: The tax rate will remain at 48 cents for FY 2021.

Budgeted expenditures have decreased from last year by 0.88% to \$6,857,500. 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 is a more conservative prediction due to the uncertainty and impact of the pandemic.

Business-type Activities: Budgeted expenditures in the Water and Sewer Fund are expected to increase by 14.84.% to \$9,107,000. The increase is a result of the Fund's implementing the first of four annual rate increases of 7.5% across the board. These revenues will allow for current and future capital needs to be met.

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.

TOWN OF WILKESBORO, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2020

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, 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, 2020

	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	\$ 548,068	\$ 896,269	\$ 1,444,337	\$ 96,081	\$ 81,720
Investments	938,530	-	938,530	100,576	-
Taxes receivable	140,040	-	140,040	-	-
Accounts receivable, net	5,964	802,473	808,437	-	-
Due from other governments	760,826	106,181	867,007	-	-
Due from primary government	-	-	-	23,361	-
Inventories	-	434,811	434,811	-	345,235
Prepaid items	-	-	-	-	2,750
Restricted cash and cash equivalents	202,367	90,757	293,124	-	-
Total current assets	2,595,795	2,330,491	4,926,286	220,018	429,705
Noncurrent assets:					
Capital assets:					
Land, non-depreciable improvements, and construction in progress	1,803,348	11,250,645	13,053,993	-	378,876
Other capital assets, net of depreciation	3,872,910	31,726,615	35,599,525	-	80,547
Total noncurrent assets	5,676,258	42,977,260	48,653,518	-	459,423
Total assets	8,272,053	45,307,751	53,579,804	220,018	889,128
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals - LGERS	576,460	384,306	960,766	-	141,102
Pension deferrals - LEO	187,291	-	187,291	-	-
OPEB deferrals	3,271,173	2,180,782	5,451,955	-	-
Total deferred outflows of resources	4,034,924	2,565,088	6,600,012	-	141,102
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	199,875	328,300	528,175	-	509,894
Claims payable	248,781	-	248,781	-	-
Due to component unit	23,361	-	23,361	-	-
Current portion of long-term liabilities	282,973	875,336	1,158,309	-	-
Customer deposits	-	90,757	90,757	-	-
Total current liabilities	754,990	1,294,393	2,049,383	-	509,894
Long-term liabilities:					
Net pension liability - LGERS	1,002,139	668,093	1,670,232	-	54,072
Total pension liability - LEO	574,573	-	574,573	-	-
Total OPEB liability	4,580,915	3,053,944	7,634,859	-	-
Due in more than one year	870,461	6,515,369	7,385,830	-	-
Total noncurrent liabilities	7,028,088	10,237,406	17,265,494	-	54,072
Total liabilities	7,783,078	11,531,799	19,314,877	-	563,966
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes	4,913	-	4,913	-	-
Pension deferrals - LGERS	16,001	10,668	26,669	-	-
Pension deferrals - LEO	275,349	-	275,349	-	-
OPEB deferrals	1,163,873	775,916	1,939,789	-	-
Total deferred inflows of resources	1,460,136	786,584	2,246,720	-	-
NET POSITION					
Net investment in capital assets	4,561,560	35,617,628	40,179,188	-	179,962
Restricted for:					
Stabilization by State Statute	836,780	-	836,780	23,361	-
Streets - Powell Bbill	195,325	-	195,325	-	-
Public safety	7,042	-	7,042	-	-
Grant programs	6,597	-	6,597	-	-
Working capital	-	-	-	-	95,149
Unrestricted	(2,543,541)	(63,172)	(2,606,713)	196,657	191,152
Total net position	\$ 3,063,763	\$ 35,554,456	\$ 38,618,219	\$ 220,018	\$ 466,263

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, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			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	\$ 3,102,099	\$ 131,937	\$ -	\$ -	\$ (2,970,162)	\$ -	\$ (2,970,162)	\$ -	\$ -
Public safety	3,240,287	3,746	419,153	-	(2,817,388)	-	(2,817,388)	-	-
Transportation	480,601	-	113,217	-	(367,384)	-	(367,384)	-	-
Environmental protection	277,750	144,509	-	-	(133,241)	-	(133,241)	-	-
Culture and recreation	353,845	3,878	-	-	(349,967)	-	(349,967)	-	-
Interest and fees	31,386	-	-	-	(31,386)	-	(31,386)	-	-
Total governmental activities	7,485,968	284,070	532,370	-	(6,669,528)	-	(6,669,528)	-	-
Business-type activities:									
Water and sewer	7,369,323	8,220,318	-	225,287	-	1,076,282	1,076,282	-	-
Total business-type activities	7,369,323	8,220,318	-	225,287	-	1,076,282	1,076,282	-	-
Total primary government	\$ 14,855,291	\$ 8,504,388	\$ 532,370	\$ 225,287	(6,669,528)	1,076,282	(5,593,246)	-	-
Component units:									
Wilkesboro Tourism Development, Convention, and Visitors Bureau	125,924	-	-	-	-	-	-	(125,924)	-
Wilkesboro ABC Board	2,932,282	2,962,837	-	-	-	-	-	-	30,555
Total component units	\$ 3,058,206	\$ 2,962,837	\$ -	\$ -	-	-	-	(125,924)	30,555
General revenues:									
Taxes:									
Property taxes					3,321,092	-	3,321,092	-	-
Other taxes					1,859,282	-	1,859,282	-	-
Occupancy tax					208,000	-	208,000	137,441	-
Unrestricted investment earnings					16,029	-	16,029	576	-
Miscellaneous					753,981	151,541	905,522	-	70
Total general revenues					6,158,384	151,541	6,309,925	138,017	70
Change in net position					(511,144)	1,227,823	716,679	12,093	30,625
Net position, beginning					3,574,907	34,326,633	37,901,540	207,925	435,638
Net position, end of year					\$ 3,063,763	\$ 35,554,456	\$ 38,618,219	\$ 220,018	\$ 466,263

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

TOWN OF WILKESBORO, NORTH CAROLINA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2020

	General Fund	Nonmajor Grants Project Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 541,471	\$ 6,597	\$ 548,068
Restricted cash and cash equivalents	202,367	-	202,367
Investments	938,530	-	938,530
Taxes receivable, net of allowances	140,040	-	140,040
Other receivables	5,964	-	5,964
Due from other governments	760,826	-	760,826
Total assets	<u>\$ 2,589,198</u>	<u>\$ 6,597</u>	<u>\$ 2,595,795</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 194,599	\$ -	\$ 194,599
Due to component unit	23,361	-	23,361
Total liabilities	<u>217,960</u>	<u>-</u>	<u>217,960</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	4,913	-	4,913
Unavailable revenue - property taxes	106,148	-	106,148
Total deferred inflows of resources	<u>111,061</u>	<u>-</u>	<u>111,061</u>
FUND BALANCES			
Restricted:			
Stabilization by State Statute	836,780	-	836,780
Streets - Powell Bill	195,325	-	195,325
Drug crime prevention	7,042	-	7,042
Grant programs	-	6,597	6,597
Assigned:			
Appropriated in fiscal year 2021 budget	149,000	-	149,000
Unassigned	1,072,030	-	1,072,030
Total fund balances	<u>2,260,177</u>	<u>6,597</u>	<u>2,266,774</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,589,198</u>	<u>\$ 6,597</u>	<u>\$ 2,595,795</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, 2020

Total governmental fund balances:	\$	2,266,774
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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	\$	11,926,407	
Accumulated depreciation		<u>(6,250,149)</u>	
			5,676,258

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			106,148
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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	\$	576,460	
Pension - LEO		187,291	
OPEB		<u>3,271,173</u>	
			4,034,924

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	\$	(16,001)	
Pension - LEO		(275,349)	
OPEB		<u>(1,163,873)</u>	
			(1,455,223)

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			(248,781)
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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	\$	(32,620)	
Notes payable		(1,082,078)	
Net pension liability - LGERS		(1,002,139)	
Total pension liability - LEO		(574,573)	
Total OPEB liability		(4,580,915)	
Compensated absences payable		(38,736)	
Accrued interest payable		<u>(5,276)</u>	
			<u>(7,316,337)</u>
Net position of governmental activities			<u>\$ 3,063,763</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, 2020

	General Fund	Nonmajor Grants Project Fund	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 3,340,880	\$ -	\$ 3,340,880
Unrestricted intergovernmental	1,855,617	-	1,855,617
Restricted intergovernmental	744,035	-	744,035
Permits and fees	1,347	-	1,347
Sales and services	282,723	-	282,723
Investment earnings	16,029	-	16,029
Miscellaneous	753,981	-	753,981
Total revenues	<u>6,994,612</u>	<u>-</u>	<u>6,994,612</u>
EXPENDITURES			
Current:			
General government	2,257,295	-	2,257,295
Public safety	2,976,323	-	2,976,323
Transportation	426,109	-	426,109
Environmental protection	231,737	-	231,737
Culture and recreation	333,079	-	333,079
Debt service:			
Principal	240,151	-	240,151
Interest and other charges	32,504	-	32,504
Total expenditures	<u>6,497,198</u>	<u>-</u>	<u>6,497,198</u>
Net change in fund balances	497,414	-	497,414
Fund balances, beginning of year	<u>1,762,763</u>	<u>6,597</u>	<u>1,769,360</u>
Fund balances, end of year	<u>\$ 2,260,177</u>	<u>\$ 6,597</u>	<u>\$ 2,266,774</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 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds	\$	497,414
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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	\$	120,179	
Depreciation expense		(398,575)	(278,396)

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	\$	(19,788)	
Claims payable		(131,065)	(150,853)

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:

Repayment of notes payable	\$	208,155	
Repayment of installment purchases		31,996	240,151

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	\$	(223,007)	
Pension expense - LEO		(33,422)	
OPEB expense		(574,283)	
Compensated absences		10,134	
Accrued interest		1,118	(819,460)

Change in net position of governmental activities	\$	(511,144)
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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, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Ad valorem taxes	\$ 3,480,000	\$ 3,480,000	\$ 3,340,880	\$ (139,120)
Unrestricted intergovernmental	1,886,000	1,886,000	1,855,617	(30,383)
Restricted intergovernmental	497,000	542,000	744,035	202,035
Permits and fees	1,300	1,300	1,347	47
Sales and services	249,000	249,000	282,723	33,723
Investment earnings	12,000	12,000	16,029	4,029
Miscellaneous	630,200	755,200	753,981	(1,219)
Total revenues	<u>6,755,500</u>	<u>6,925,500</u>	<u>6,994,612</u>	<u>69,112</u>
Expenditures				
Current:				
General government	2,617,650	2,767,650	2,257,295	510,355
Public safety	2,713,100	2,758,100	2,976,323	(218,223)
Transportation	511,500	536,500	426,109	110,391
Environmental protection	328,500	353,500	231,737	121,763
Culture and recreation	451,750	451,750	333,079	118,671
Debt service:				
Principal retirements	250,000	250,000	240,151	9,849
Interest and other charges	46,000	46,000	32,504	13,496
Total expenditures	<u>6,918,500</u>	<u>7,163,500</u>	<u>6,497,198</u>	<u>666,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(163,000)</u>	<u>(238,000)</u>	<u>497,414</u>	<u>735,414</u>
Other financing sources:				
Issuance of debt	89,000	89,000	-	(89,000)
Appropriation of fund balance	74,000	149,000	-	(149,000)
Total other financing sources	<u>163,000</u>	<u>238,000</u>	<u>-</u>	<u>(238,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>497,414</u>	<u>\$ 497,414</u>
Fund balances, beginning of year			<u>1,762,763</u>	
Fund balances, end of year			<u>\$ 2,260,177</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, 2020

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 896,269
Restricted cash and cash equivalents	90,757
Accounts receivable, net of allowances	802,473
Due from other governments	106,181
Inventories	434,811
Total current assets	<u>2,330,491</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	11,250,645
Depreciable, net of accumulated depreciation	31,726,615
Total noncurrent assets	<u>42,977,260</u>
Total assets	<u>45,307,751</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension - LGERS	384,306
Other post employment benefits	2,180,782
Total deferred outflows of resources	<u>2,565,088</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	328,300
Customer deposits	90,757
Compensated absences, current	31,073
Notes payable, current	844,263
Total current liabilities	<u>1,294,393</u>
Noncurrent liabilities:	
Net pension liability	668,093
Total other post employment benefits liability	3,053,944
Notes payable, less current portion	6,515,369
Total noncurrent liabilities	<u>10,237,406</u>
Total liabilities	<u>11,531,799</u>
DEFERRED INFLOWS OF RESOURCES	
Pension - LGERS	10,668
Other post employment benefits	775,916
Total deferred inflows of resources	<u>786,584</u>
NET POSITION	
Net investment in capital assets	35,617,628
Unrestricted	(63,172)
Total net position	<u>\$ 35,554,456</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, 2020

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 8,181,132
Water and sewer taps	24,625
Other operating income	14,561
Total operating revenues	<u>8,220,318</u>
OPERATING EXPENSES	
Administration	1,414,471
Water treatment and distribution	1,393,765
Waste collection and treatment	1,671,675
Maintenance	1,713,608
Depreciation	979,914
Total operating expenses	<u>7,173,433</u>
Operating income	<u>1,046,885</u>
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental	225,287
Interest and other charges	(195,890)
Miscellaneous income	151,541
Total non-operating revenue (expenses)	<u>180,938</u>
Change in net position	1,227,823
Net position, beginning of year	<u>34,326,633</u>
Net position, end of year	<u><u>\$ 35,554,456</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, 2020

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 8,110,411
Cash paid for goods and services	(4,122,136)
Cash paid to or on behalf of employees	(2,035,826)
Net cash provided by operating activities	<u>1,952,449</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,771,481)
Principal paid on long-term debt	(832,962)
Interest paid on long-term debt	(195,890)
Cash received from other governments for capital grants	344,661
Other receipts	151,541
Net cash used in capital and related financing activities	<u>(2,304,131)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	<u>28,396</u>
Net cash provided by investing activities	<u>28,396</u>
Net decrease in cash and cash equivalents	(323,286)
Cash and cash equivalents, beginning of year	<u>1,310,312</u>
Cash and cash equivalents, end of year	<u><u>\$ 987,026</u></u>
CLASSIFIED AS:	
Unrestricted cash and cash equivalents	\$ 896,269
Restricted cash and cash equivalents	<u>90,757</u>
	<u><u>\$ 987,026</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, 2020

	<u>Water and Sewer Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 1,046,885
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	979,914
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Increase in accounts receivable	(136,098)
Increase in inventory	(24,111)
Decrease in deferred outflows of resources - LGERS pension	48,118
Increase in deferred outflows of resources - OPEB	(111,324)
Decrease in accounts payable and accrued liabilities	(182,524)
Decrease in due to other funds	(1,580)
Increase in compensated absences	434
Increase in customer deposits	26,191
Increase in net pension liability - LGERS	108,595
Decrease in total OPEB liability	(569,512)
Increase in deferred inflows of resources - OPEB	775,916
Decrease in deferred inflows of resources - LGERS pension	(8,455)
Net cash provided by operating activities	<u>\$ 1,952,449</u>

TOWN OF WILKESBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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 a governmental fund-type component unit. 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 Nonexchange 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 fund:

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

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.

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.

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. 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.

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, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

F. Restricted Assets

The restricted cash in the Water and Sewer Fund includes customer deposits held by the Town before any services are supplied that 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	\$ 195,325
Drug crime prevention	7,042
Total Governmental Funds:	<u>\$ 202,367</u>
Enterprise Funds:	
Water & Sewer Fund	
Customer deposits	<u>90,757</u>
Total Enterprise Funds:	<u>90,757</u>
Total Restricted Cash	<u>\$ 293,124</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019.

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 reports 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 other postemployment benefits (OPEB) deferrals, that meet this criterion.

In addition to liabilities, the statement of net position reports 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 for which have been collected in advance of the year for which they are levied or imposed, and unavailable revenues which arises when assets are recognized before revenue recognition criteria have been satisfied.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

The Town reports unavailable revenue for property taxes for which have not been collected within 60 days of year end and thus not met the revenue recognition criteria. Additionally, the Town reports two items, pension and OPEB deferrals, which are reported both in the governmental and business-type activities.

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.

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 76% 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.

Restricted for Grant Programs – portion of fund balance that is restricted by revenue source for various grants.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

During the fiscal year ended June 30, 2020, 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 the following departments:

	Excess
General Fund:	
General government - public buildings	\$ 16,109
Public safety - police	168,595
Public safety - fire	29,523
Public safety - inspections	20,105
Water and Sewer Fund:	
Water treatment and distribution	13,384
Maintenance	51,475
Capital outlay	1,078,194

Management will amend procedures to ensure compliance with budget requirements.

B. Late Filing of Annual Financial Report

The Local Government Commission of the North Carolina Department of State Treasurer requires the completion and submission of audited financial statements within four (4) months of year-end. The Town is not in compliance with this requirement as the June 30, 2020, audit was due by October 31, 2020.

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2020, are summarized as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 1,444,337
Restricted cash and cash equivalents	293,124
Investments	938,530
	<u>\$ 2,675,991</u>
Cash and cash equivalents held by financial institutions	\$ 1,737,461
Cash deposited with NCCMT	938,530
	<u>\$ 2,675,991</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2020.

As of June 30, 2020, the Town's investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value June 30, 2020</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	<u>\$ 938,530</u> <u>\$ 938,530</u>	N/A	AAAm

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.

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, 2020, the Town's deposits are insured or collateralized as required by state law.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. RECEIVABLES

Receivables at June 30, 2020, 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	\$ 145,040	\$ -	\$ 145,040
Accounts	5,964	806,255	812,219
Due from other governments	760,826	106,181	867,007
Gross receivables	911,830	912,436	1,824,266
Less allowance for uncollectible accounts	(5,000)	(3,782)	(8,782)
Total allowance	(5,000)	(3,782)	(8,782)
Net receivables	<u>\$ 906,830</u>	<u>\$ 908,654</u>	<u>\$ 1,815,484</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the Town's governmental activities for the year ended June 30, 2020, 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
Total	<u>1,803,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,803,348</u>
Capital Assets, Being Depreciated:					
Buildings	3,087,498	-	-	-	3,087,498
Other improvements	501,338	-	-	-	501,338
Equipment and furniture	894,638	21,505	-	-	916,143
Vehicles	4,705,966	98,674	-	-	4,804,640
Computer software	39,213	-	-	-	39,213
Computer equipment	52,307	-	-	-	52,307
Infrastructure	721,920	-	-	-	721,920
Total	<u>10,002,880</u>	<u>120,179</u>	<u>-</u>	<u>-</u>	<u>10,123,059</u>
Less Accumulated Depreciation for:					
Buildings	(1,315,957)	(66,610)	-	-	(1,382,567)
Other improvements	(398,614)	(16,196)	-	-	(414,810)
Equipment and furniture	(470,159)	(57,006)	-	-	(527,165)
Vehicles	(3,438,839)	(225,673)	-	-	(3,664,512)
Computer software	(31,098)	(1,173)	-	-	(32,271)
Computer equipment	(46,229)	(3,039)	-	-	(49,268)
Infrastructure	(150,678)	(28,878)	-	-	(179,556)
Total	<u>(5,851,574)</u>	<u>(398,575)</u>	<u>-</u>	<u>-</u>	<u>(6,250,149)</u>
Total capital assets, being depreciated, net	<u>4,151,306</u>	<u>(278,396)</u>	<u>-</u>	<u>-</u>	<u>3,872,910</u>
Governmental activities capital assets, net	<u>\$ 5,954,654</u>	<u>\$ (278,396)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,676,258</u>

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	\$ 49,543
Public safety	217,909
Transportation	43,582
Environmental protection	52,425
Culture and recreation	35,116
Total depreciation expense - governmental activities	<u>\$ 398,575</u>

Capital asset activity for the Town's Water and Sewer Fund for the year ended June 30, 2020, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Water and Sewer Fund					
Capital Assets, Not Being Depreciated:					
Land	\$ 609,932	\$ -	\$ -	\$ -	\$ 609,932
Construction in progress	11,037,456	1,632,136	-	(2,028,879)	10,640,713
Total	<u>11,647,388</u>	<u>1,632,136</u>	<u>-</u>	<u>(2,028,879)</u>	<u>11,250,645</u>
Capital Assets, Being Depreciated:					
Plant and distribution system	42,647,969	-	-	2,028,879	44,676,848
Equipment	3,867,608	139,345	-	-	4,006,953
Total	<u>46,515,577</u>	<u>139,345</u>	<u>-</u>	<u>2,028,879</u>	<u>48,683,801</u>
Less Accumulated Depreciation for:					
Plant and distribution system	(13,290,668)	(793,793)	-	-	(14,084,461)
Equipment	(2,686,604)	(186,121)	-	-	(2,872,725)
Total	<u>(15,977,272)</u>	<u>(979,914)</u>	<u>-</u>	<u>-</u>	<u>(16,957,186)</u>
Total capital assets, being depreciated, net	<u>30,538,305</u>	<u>(840,569)</u>	<u>-</u>	<u>2,028,879</u>	<u>31,726,615</u>
Business-type activities capital assets, net	<u>\$ 42,185,693</u>	<u>\$ 791,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,977,260</u>

The Town has active construction projects as of June 30, 2020, for which contracts have been executed with third-party vendors/contractors. At year-end, the Town's commitment under these contracts was \$1,094,131, 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, 2020, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Installment purchases	\$ 64,616	\$ -	\$ (31,996)	\$ 32,620	\$ 32,620
Notes from direct borrowings	1,290,233	-	(208,155)	1,082,078	211,617
Compensated absences	48,870	57,024	(67,158)	38,736	38,736
Net pension liability (LEO)	527,944	88,192	(41,563)	574,573	-
Net pension liability (LGERS)	836,863	494,823	(329,547)	1,002,139	-
Total OPEB liability	4,428,669	1,019,645	(867,399)	4,580,915	-
Total long-term liabilities	<u>\$ 7,197,195</u>	<u>\$ 1,659,684</u>	<u>\$ (1,545,818)</u>	<u>\$ 7,311,061</u>	<u>\$ 282,973</u>
Business-type Activities					
Notes from direct borrowings	\$ 8,192,594	\$ -	\$ (832,962)	\$ 7,359,632	\$ 844,263
Compensated absences	30,639	59,859	(59,425)	31,073	31,073
Net pension liability (LGERS)	559,498	329,882	(221,287)	668,093	-
Total OPEB liability	3,623,456	679,764	(1,249,276)	3,053,944	-
Total long-term liabilities	<u>\$ 12,406,187</u>	<u>\$ 1,069,505</u>	<u>\$ (2,362,950)</u>	<u>\$ 11,112,742</u>	<u>\$ 875,336</u>

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

Direct Borrowings – Notes Payable

Description	Outstanding
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 \$103,740 to \$89,530, including interest, and matures in fiscal year 2027.	\$ 612,500
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.	305,109
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.	45,843
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.	118,626
Total notes payable (direct borrowings), governmental activities	<u>\$ 1,082,078</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Borrowings – Notes Payable (Continued)

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>
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	145,442	7,763	153,205
2026 - 2027	204,526	6,372	210,898
Total	<u>\$ 1,082,078</u>	<u>\$ 87,302</u>	<u>\$ 1,169,380</u>

The outstanding balances for the business-type activities notes payable as of June 30, 2020, 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.	\$ 3,256,613
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 \$470,514 to \$370,983, including interest, and matures in fiscal year 2031.	3,981,276
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.	24,685
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.	97,058
Total notes payable (direct borrowings), business-type activities	<u>\$ 7,359,632</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Borrowings – Notes Payable (Continued)

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>
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	837,458	97,209	934,667
2026 - 2030	2,794,070	215,355	3,009,425
2031	361,934	9,048	370,982
Total	<u>\$ 7,359,632</u>	<u>\$ 1,640,134</u>	<u>\$ 8,999,766</u>

Direct Borrowings – Installment Purchases

The outstanding balances for the governmental activities installment purchases as of June 30, 2020, 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>\$ 32,620</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>
2021	\$ 32,620	\$ 636	\$ 33,256
Total	<u>\$ 32,620</u>	<u>\$ 636</u>	<u>\$ 33,256</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. 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 7. 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, 2020, was 9.70% of compensation for law enforcement officers and 8.95% 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 \$359,504 for the year ended June 30, 2020.

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, 2020, the Town reported a liability of \$1,670,232 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019, 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, 2019, the Town's proportion was 0.06116%, which was an increase of 0.00230% from its proportion measured as of June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. 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, 2020, the Town recognized pension expense of \$730,768. At June 30, 2020, 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	\$ 285,986	\$ -
Changes in plan assumptions	272,220	-
Net difference between projected and actual earnings on pension plan investments	40,739	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,317	26,669
Town contributions subsequent to the measurement date	359,504	-
Total	<u>\$ 960,766</u>	<u>\$ 26,669</u>

Town contributions made subsequent to the measurement date of \$359,504 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2021	\$ 285,667
2022	81,052
2023	161,017
2024	46,857
	<u>\$ 574,593</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Actuarial Assumptions. The total pension liability as of June 30, 2019, was determined by the December 31, 2018 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
Discount rate	7.00 percent, net of pension plan investment 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, 2018, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019, 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 2018 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 7. 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)	\$ 3,820,126	\$ 1,670,232	\$ (116,765)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued 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"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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 7. 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	2.45 percent

The discount rate used to measure the total pension liability is 2.45%, a decrease from 3.13% used in the prior period. As the plan is funded on a pay as you go basis and thus no assets are set aside to pay benefits, the discount rate is equal to the yield on a 20-year Municipal Bond Aa index as of June 30, 2020.

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, 2020, the Town reported a total pension liability of \$574,573. The total pension liability was measured as of June 30, 2020, based on a June 30, 2019, actuarial valuation. For the year ended June 30, 2020, the Town recognized pension expense of \$64,325.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience differences	\$ 141,900	\$ 268,360
Change in assumptions	45,391	6,989
Total	<u>\$ 187,291</u>	<u>\$ 275,349</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. 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:

2021	\$ 17,207
2022	17,207
2023	18,233
2024	(20,379)
2025	(120,326)
	<u>\$ (88,058)</u>

Changes in the Total Pension Liability. The changes in the total pension liability of the Town for the fiscal year ended June 30, 2020, were as follows:

	Total Pension Liability
Balance at June 30, 2019	\$ 527,944
Service cost	30,131
Interest	16,987
Assumption changes	30,414
Benefit payments	(30,903)
Balance at June 30, 2020	<u>\$ 574,573</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 2.45 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 (1.45 percent) or 1-percentage-point higher (3.45 percent) than the current rate:

	1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
Town's proportionate share of the net pension liability (asset)	\$ 620,569	\$ 574,573	\$ 532,562

NOTES TO FINANCIAL STATEMENTS

NOTE 7. 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.

C. 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 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, 2020, were \$114,998 which consisted of \$74,280 from the Town and \$40,718 from the law enforcement officers. As of June 30, 2020, there were twenty-six (26) participants in the Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLANS (CONTINUED)

D. 401(k) Retirement Plan

For the year ended June 30, 2020, 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, 2020, was \$179,225.

NOTE 8. 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, 2020, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	8
Active plan members	89
Total	<u>97</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, 2020, the Town contributed \$69,120 for the pay as you go benefits for the Retiree Health Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The Town's total OPEB liability of \$7,634,859 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2020, 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	6.00/6.00 percent (pre-65/post 65) with an ultimate trend rate of 4.25/4.00 percent
Discount rate	2.45 percent

The discount rate used to measure the total OPEB liability was 2.45%. 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, 2020.

Changes in the Total OPEB Liability. The changes in the total OPEB liability for the Town for the fiscal year ended June 30, 2020, were as follows:

	Total OPEB Liability
Balance at June 30, 2019	\$ 8,052,125
Service Cost	272,128
Interest	259,476
Experience differences	(2,047,555)
Assumption changes	1,167,805
Benefit payments	(69,120)
Balance at June 30, 2020	<u>\$ 7,634,859</u>

Change in assumption and other inputs reflect a change in the discount rate from 3.13% to 2.45%. The current mortality rates were updated to use the Society of Actuaries Public Mortality (Pub 2010G and Pub 2010S) headcount-weighted tables, with generational mortality improvement using scale SSA18. The actuarial assumptions used in the June 30, 2020, 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, 2018) valuation for LGERS.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. 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 (1.45 percent) or 1-percentage-point higher (3.45) than the current discount rate:

	1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
Total OPEB Liability	\$ 9,505,237	\$ 7,634,859	\$ 6,192,976

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 3.00%)	Current (6.00% to 4.00%)	1% Increase (8.00% to 5.00%)
Total OPEB Liability	\$ 5,958,765	\$ 7,634,859	\$ 9,942,548

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, 2020, 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, 2020, the Town recognized OPEB expense in the amount of \$738,483.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

At June 30, 2020, 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	\$ 3,132,248	\$ 1,939,789
Changes in plan assumptions	2,319,707	-
Total	<u>\$ 5,451,955</u>	<u>\$ 1,939,789</u>

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

Year ending June 30:

2021	\$ 206,879
2022	206,879
2023	206,879
2024	206,879
2025	206,879
Thereafter	2,477,771
	<u>\$ 3,512,166</u>

NOTE 9. 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 9. 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 \$60,000. The Town purchases reinsurance for individual losses over \$55,000, as well as reinsurance for total plan losses in excess of \$1,660,072.

A summary of the Town's self-insurance claims payable as of June 30, 2020, is as follows:

	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Governmental Activities		
Claims payable, beginning of year	\$ 168,738	\$ 117,716
Incurred claims and changes in estimates	1,264,090	1,447,710
Claim payments	(1,315,112)	(1,316,645)
Claims payable, end of year	<u>\$ 117,716</u>	<u>\$ 248,781</u>

NOTE 10. 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.

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

	2020	2019	2018	2017
Total pension liability, beginning balance	\$ 527,944	\$ 849,316	\$ 530,663	\$ 534,869
Service cost	30,131	21,342	20,297	20,713
Interest on the total pension liability	16,987	27,028	19,887	18,522
Difference between expected and actual experience	-	(335,450)	274,515	-
Changes of assumptions or other inputs	30,414	(3,389)	34,857	(11,350)
Benefit payments	(30,903)	(30,903)	(30,903)	(32,091)
Total pension liability, ending balance	\$ 574,573	\$ 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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability	\$ 574,573	\$ 527,944	\$ 849,316	\$ 530,663	\$ 534,869
Town's covered payroll	\$ 1,035,285	\$ 963,433	\$ 788,396	\$ 783,142	\$ 785,769
Total pension liability as a percentage of covered payroll	55.50%	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.

TOWN OF WILKESBORO, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION OPEB HEALTHCARE BENEFIT PLAN SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

FOR THE FISCAL YEAR ENDED JUNE 30,

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 272,128	\$ 262,926	\$ 253,692
Interest on total OPEB liability	259,476	253,534	101,461
Difference between expected and actual experience	(2,047,555)	-	3,684,998
Changes of assumptions and other inputs	1,167,805	830,283	548,364
Benefit payments	(69,120)	(70,188)	(191,551)
Net change in total OPEB liability	(417,266)	1,276,555	4,396,964
Total OPEB liability - beginning	8,052,125	6,775,570	2,378,606
Total OPEB liability - ending	\$ 7,634,859	\$ 8,052,125	\$ 6,775,570
Covered-employee payroll	\$ 4,053,302	\$ 4,041,719	\$ 3,655,936
Total OPEB liability as a percentage of covered-employee payroll	188.4%	199.2%	185.3%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

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

	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.06116%	0.05886%	0.05780%	0.06250%	0.05850%	0.05690%	0.05600%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,670,232	\$ 1,396,361	\$ 882,718	\$ 1,325,399	\$ 15,172	\$ (335,330)	\$ 675,015
Town's covered payroll	\$ 3,823,242	\$ 3,548,885	\$ 3,422,499	\$ 3,247,723	\$ 3,091,122	\$ 2,415,634	\$ 2,415,634
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	43.69%	39.35%	25.79%	40.81%	0.49%	(13.88%)	27.94%
Plan fiduciary net position as a percentage of the total pension liability	90.86%	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

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 359,504	\$ 301,574	\$ 274,336	\$ 256,292	\$ 227,101	\$ 221,161	\$ 204,963
Contributions in relation to the contractually required contribution	359,504	301,574	274,336	256,292	227,101	221,161	204,963
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 3,757,314	\$ 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	9.57%	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. Actuarial assumptions for determining the required contributions can be found in Note 7.

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, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Ad valorem taxes:				
Taxes	\$ 3,470,000	\$ 3,470,000	\$ 3,321,876	\$ (148,124)
Penalties and interest	10,000	10,000	19,004	9,004
Total ad valorem taxes	3,480,000	3,480,000	3,340,880	(139,120)
Unrestricted intergovernmental:				
Local option sales tax	1,250,000	1,250,000	1,213,142	(36,858)
Payments in lieu of taxes (external sources)	1,000	1,000	-	(1,000)
Telecommunications sales tax	25,000	25,000	21,758	(3,242)
Utility franchise tax	550,000	550,000	525,331	(24,669)
Piped natural gas tax	7,000	7,000	7,484	484
Video franchise fee	38,000	38,000	34,395	(3,605)
Beer and wine tax	15,000	15,000	14,492	(508)
ABC profit distribution	-	-	39,015	39,015
Total unrestricted intergovernmental	1,886,000	1,886,000	1,855,617	(30,383)
Restricted intergovernmental:				
Powell Bill allocation	115,000	115,000	113,217	(1,783)
Other federal and state grants	110,000	155,000	419,153	264,153
Controlled substance tax	5,000	5,000	906	(4,094)
Solid waste disposal tax	2,000	2,000	2,759	759
Occupancy tax	265,000	265,000	208,000	(57,000)
Total restricted intergovernmental	497,000	542,000	744,035	202,035
Permits and fees:				
Business registration fees	500	500	697	197
Street assessment	500	500	100	(400)
Permits	300	300	550	250
Total permits and fees	1,300	1,300	1,347	47
Sales and service:				
Rents	90,000	90,000	130,590	40,590
Court costs, fees and charges	5,000	5,000	3,746	(1,254)
Sanitation fees	150,000	150,000	144,509	(5,491)
Park lights	4,000	4,000	3,878	(122)
Total sales and service	249,000	249,000	282,723	33,723
Investment earnings	12,000	12,000	16,029	4,029
Miscellaneous				
Other	626,200	751,200	750,382	(818)
Cemetery donation	4,000	4,000	3,599	(401)
Total miscellaneous	630,200	755,200	753,981	(1,219)
Total revenues	6,755,500	6,925,500	6,994,612	69,112

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, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
General government:				
Governing body:				
Salaries and employee benefits	\$ 28,200	\$ 28,200	\$ 23,817	\$ 4,383
Operating expenditures	99,350	99,350	88,439	10,911
Economic development	230,000	230,000	234,963	(4,963)
Total	357,550	357,550	347,219	10,331
Administration:				
Salaries and employee benefits	580,700	655,700	327,940	327,760
Other operating expenditures	196,800	196,800	270,015	(73,215)
Insurance	1,106,000	1,181,000	919,412	261,588
Total	1,883,500	2,033,500	1,517,367	516,133
Public buildings:				
Salaries and employee benefits	176,500	176,500	233,781	(57,281)
Other operating expenditures	180,100	180,100	157,633	22,467
Capital outlay	20,000	20,000	1,295	18,705
Total	376,600	376,600	392,709	(16,109)
Total general government	2,617,650	2,767,650	2,257,295	510,355
Public safety:				
Police:				
Salaries and employee benefits	1,191,000	1,191,000	1,312,821	(121,821)
Other operating expenditures	219,000	264,000	304,236	(40,236)
Capital outlay	64,000	64,000	70,538	(6,538)
Total	1,474,000	1,519,000	1,687,595	(168,595)
Fire:				
Salaries and employee benefits	292,500	292,500	558,681	(266,181)
Retirement benefits paid	55,000	55,000	49,135	5,865
Other operating expenditures	478,500	478,500	247,619	230,881
Capital outlay	15,000	15,000	15,088	(88)
Total	841,000	841,000	870,523	(29,523)
Inspections:				
Salaries and employee benefits	172,300	172,300	177,605	(5,305)
Other operating expenditures	225,800	225,800	240,600	(14,800)
Total	398,100	398,100	418,205	(20,105)
Total public safety	2,713,100	2,758,100	2,976,323	(218,223)

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, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Transportation:				
Streets:				
Salaries and employee benefits	\$ 210,500	\$ 235,500	\$ 188,085	\$ 47,415
Other operating expenditures	301,000	301,000	238,024	62,976
Total	511,500	536,500	426,109	110,391
Total transportation	511,500	536,500	426,109	110,391
Environmental protection:				
Sanitation:				
Salaries and employee benefits	167,000	192,000	141,023	50,977
Other operating expenditures	96,500	96,500	33,664	62,836
Landfill tipping fees	65,000	65,000	50,638	14,362
Capital outlay	-	-	6,412	(6,412)
Total	328,500	353,500	231,737	121,763
Total environmental protection	328,500	353,500	231,737	121,763
Cultural and recreation:				
Parks and recreation:				
Salaries and employee benefits	178,000	178,000	163,827	14,173
Other operating expenditures	248,750	248,750	142,406	106,344
Capital outlay	25,000	25,000	26,846	(1,846)
Total	451,750	451,750	333,079	118,671
Total culture and recreation	451,750	451,750	333,079	118,671
Debt service:				
Principal retirement	250,000	250,000	240,151	9,849
Interest and other charges	46,000	46,000	32,504	13,496
Total	296,000	296,000	272,655	23,345
Total debt service	296,000	296,000	272,655	23,345
Total expenditures	6,918,500	7,163,500	6,497,198	666,302
Excess (deficiency) of revenues over expenditures	(163,000)	(238,000)	497,414	735,414
Other financing sources				
Issuance of debt	89,000	89,000	-	(89,000)
Fund balance appropriated	74,000	149,000	-	(149,000)
Total other financing sources	163,000	238,000	-	(238,000)
Net change in fund balances	-	-	497,414	497,414
Fund balance, beginning of year	1,762,763	1,762,763	1,762,763	-
Fund balance, end of year	\$ 1,762,763	\$ 1,762,763	\$ 2,260,177	\$ 497,414

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, 2020

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Restricted intergovernmental				
Government grant	\$ 59,200	\$ 59,200	\$ -	\$ 59,200
Total revenues	59,200	59,200	-	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			6,597	-
FUND BALANCE, end of year			\$ 6,597	\$ 6,597

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, 2020

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Operating revenues				
Charges for service	\$ 7,550,000	\$ 7,660,000	\$ 8,181,132	\$ 521,132
Water and sewer taps	25,000	25,000	24,625	(375)
Other operating revenues	25,000	25,000	14,561	(10,439)
Total operating revenues	7,600,000	7,710,000	8,220,318	510,318
Nonoperating revenues				
Interest earnings	10,000	10,000	-	(10,000)
Miscellaneous	320,000	420,000	141,541	(278,459)
Total nonoperating revenues	330,000	430,000	141,541	(288,459)
Total revenues	7,930,000	8,140,000	8,361,859	221,859
EXPENDITURES				
Water and sewer administration				
Salaries and employee benefits	291,500	291,500	163,259	128,241
Other operating expenditures	336,500	336,500	274,823	61,677
Insurance	731,000	806,000	873,221	(67,221)
Total water and sewer administration	1,359,000	1,434,000	1,311,303	122,697
Water treatment and distribution				
Salaries and employee benefits	524,000	524,000	525,911	(1,911)
Utilities	279,000	279,000	324,841	(45,841)
Maintenance	99,000	99,000	114,801	(15,801)
Other operating expenditures	415,000	415,000	364,831	50,169
Total water treatment and distribution	1,317,000	1,317,000	1,330,384	(13,384)
Waste collection and treatment				
Salaries and employee benefits	519,000	519,000	545,000	(26,000)
Utilities	379,000	379,000	318,404	60,596
Maintenance	154,000	154,000	203,982	(49,982)
Other operating expenditures	608,000	608,000	550,659	57,341
Total waste collection and treatment	1,660,000	1,660,000	1,618,045	41,955
Maintenance				
Salaries and employee benefits	788,000	788,000	802,057	(14,057)
Utilities	10,000	10,000	24,860	(14,860)
Maintenance	47,000	47,000	36,384	10,616
Other operating expenditures	624,500	724,500	757,674	(33,174)
Total maintenance	1,469,500	1,569,500	1,620,975	(51,475)

(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, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
Debt service				
Principal retirement	\$ 900,000	\$ 900,000	\$ 832,962	\$ 67,038
Interest and other charges	245,000	245,000	195,890	49,110
Total debt service	<u>1,145,000</u>	<u>1,145,000</u>	<u>1,028,852</u>	<u>116,148</u>
Capital outlay				
Equipment	433,000	468,000	1,546,194	(1,078,194)
Total capital outlay	<u>433,000</u>	<u>468,000</u>	<u>1,546,194</u>	<u>(1,078,194)</u>
Total expenditures	<u>7,383,500</u>	<u>7,593,500</u>	<u>8,455,753</u>	<u>(862,253)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>546,500</u>	<u>546,500</u>	<u>(93,894)</u>	<u>(640,394)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(546,500)	(546,500)	-	546,500
Total other financing (uses)	<u>(546,500)</u>	<u>(546,500)</u>	<u>-</u>	<u>546,500</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>(93,894)</u>	<u>\$ (93,894)</u>
Adjustments to full accrual:				
Principal retirement			832,962	
Capital outlay			1,546,194	
Increase in compensated absences			(434)	
OPEB related items			(95,080)	
Pension related items			(148,258)	
Depreciation			(979,914)	
Revenues - Water and Sewer Capital Reserve Fund			10,000	
Revenues and non capital expenses, net - Water and Sewer Capital Projects Fund			<u>156,247</u>	
Change in net position			<u>\$ 1,227,823</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, 2020

		Actual		
	Project Budget	Prior Years	Current Year	Total
REVENUES				
Downtown Revitalization Project				
Federal Grant	\$ 500,000	\$ 129,303	\$ -	\$ 129,303
Other	50,000	-	-	-
Partnerships	850,000	-	-	-
Total	1,400,000	129,303	-	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	505,220	99,164	604,384
West Wilkes Water Assn Contribution	5,000	-	-	-
Total	2,015,000	1,815,220	99,164	1,914,384
Clarifier Project-Wastewater Treatment Grant	1,900,000	1,813,017	85,983	1,899,000
Total	1,900,000	1,813,017	85,983	1,899,000
Asset Inventory and Assessment Grant	135,000	109,860	40,140	150,000
Total	135,000	109,860	40,140	150,000
Total revenues	5,450,000	3,867,400	225,287	4,092,687
EXPENDITURES				
Downtown Revitalization Project				
Repairs and Renovations	2,650,000	1,955,364	-	1,955,364
Contingency	200,000	-	-	-
Total	2,850,000	1,955,364	-	1,955,364
Brown's Ford Loop & Tank				
Construction	6,073,241	5,591,917	99,164	5,691,081
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	6,423,685	99,164	6,522,849
Clarifier Project-Wastewater Treatment				
Engineering	85,000	77,387	-	77,387
Administration	40,000	-	69,040	69,040
Construction	1,908,420	1,787,356	85,983	1,873,339
Contingency	101,580	-	-	-
Total	2,135,000	1,864,743	155,023	2,019,766
Asset Inventory and Assessment				
Infrastructure Planning	150,000	163,444	-	163,444
Total	150,000	163,444	-	163,444
Total expenditures	12,404,403	10,407,236	254,187	10,661,423
Deficiency of revenues under expenditures	(6,954,403)	(6,539,836)	(28,900)	(6,568,736)

(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, 2020**

	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>7,594,460</u>	<u>-</u>	<u>7,594,460</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>\$ 1,054,624</u>	 <u>\$ (28,900)</u>	 <u>\$ 1,025,724</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, 2020**

	Project Budget	Actual		
		Prior Years	Current Year	Total
REVENUES				
Rent income - Vulcan Materials	\$ -	\$ 130,000	\$ 10,000	\$ 140,000
Investment earnings	137,459	250,600	-	250,600
Total revenues	137,459	380,600	10,000	390,600
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	\$ -	\$ 153,942	\$ 10,000	\$ 163,942

TOWN OF WILKESBORO, NORTH CAROLINA

BALANCE SHEET COMPONENT UNIT - WILKESBORO TOURISM DEVELOPMENT, CONVENTION, AND VISITORS BUREAU JUNE 30, 2020

	Wilkesboro Tourism Development, Convention, and Visitors Bureau
ASSETS	
Cash and cash equivalents	\$ 96,081
Investments	100,576
Due from primary government	23,361
Total assets	<u>\$ 220,018</u>
LIABILITIES	
Total liabilities	<u>\$ -</u>
FUND BALANCES	
Restricted for:	
Stabilization by State Statute	23,361
Unassigned	196,657
Total fund balances	<u>220,018</u>
Total liabilities and fund balances	<u>\$ 220,018</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, 2020

	Wilkesboro Tourism Development, Convention, and Visitors Bureau
REVENUES	
Occupancy tax	\$ 137,441
Investment earnings	576
Total revenues	<u>138,017</u>
EXPENDITURES	
Current:	
Economic development	<u>125,924</u>
Total expenditures	<u>125,924</u>
Net change in fund balances	12,093
Fund balances, beginning of year	<u>207,925</u>
Fund balances, end of year	<u><u>\$ 220,018</u></u>

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections And Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 3,457,812	\$ 3,415,885	\$ 41,927
2018-2019	92,557	-	54,923	37,634
2017-2018	22,227	-	6,677	15,550
2016-2017	9,778	-	1,520	8,258
2015-2016	3,601	-	643	2,958
2014-2015	2,673	-	612	2,061
2013-2014	2,596	-	1,528	1,068
2012-2013	2,521	-	1,758	763
2011-2012	1,604	-	1,144	460
2010-2011	2,196	-	1,727	469
2009-2010	2,095	-	2,095	-
	<u>\$ 141,848</u>	<u>\$ 3,457,812</u>	<u>\$ 3,488,512</u>	<u>111,148</u>
Plus: June vehicle taxes collected in July from the NC Division of Motor Vehicles				33,892
Less: Allowance for uncollectable accounts				<u>(5,000)</u>
Ad valorem taxes receivable, net				<u>\$ 140,040</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 3,340,880
Reconciling items:				
Interest collected				19,003
Taxes written off				(2,096)
Refunds and other adjustments				130,725
Total collections and credits				<u>\$ 3,488,512</u>

TOWN OF WILKESBORO, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY TOWN-WIDE LEVY JUNE 30, 2020

	Property Valuation	Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 697,997,708	0.48	\$3,350,389	\$ 3,115,322	\$ 235,067
Property taxed at prior year's rate	-	0.48	1,378	1,378	-
Total	<u>697,997,708</u>		<u>3,351,767</u>	<u>3,116,700</u>	<u>235,067</u>
Discoveries:					
Current year taxes	19,509,742	0.48	93,647	93,647	-
Prior year taxes	99,405	0.48	477	477	-
Total	<u>19,609,147</u>		<u>94,124</u>	<u>94,124</u>	<u>-</u>
Abatements and releases	2,483,572		11,921	11,921	-
Total property valuation	<u><u>\$ 720,090,427</u></u>				
Net levy			3,457,812	3,222,745	235,067
Current year levy uncollected taxes at June 30, 2020			<u>(41,927)</u>	<u>(41,927)</u>	<u>-</u>
Current year's taxes collected			<u><u>\$3,415,885</u></u>	<u><u>\$ 3,180,818</u></u>	<u><u>\$ 235,067</u></u>
Current levy collection percentage			<u><u>98.79%</u></u>	<u><u>98.70%</u></u>	<u><u>100.00%</u></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 aggregate 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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated August 23, 2022. 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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. We did identify a certain deficiency, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a material weakness.

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 Finding

The Town of Wilkesboro, North Carolina's responses to the finding identified in our audit are described in the accompanying schedule of findings and responses. 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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina
August 23, 2022

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

There was not an audit of major federal award programs as of June 30, 2020, due to the total amount expended being less than \$750,000.

State Awards

There was not an audit of major state award programs as of June 30, 2020, due to the total amount expended being less than \$500,000.

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2020-001. 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.

Specifically, we noted bank statements were being reconciled by employees with no consistent review of the reconciled statements being performed. 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 audit procedures to gain an understanding of the Town's internal controls over financial reporting.

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.

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION IV SCHEDULE OF PRIOR YEAR FINDINGS

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.

Status: Resolved in current year.

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.

Status: Unresolved. See finding 2020-001

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 during the fiscal year 2019 audit.

Status: Resolved in current year.

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION IV (CONTINUED) SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

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.

Status: Resolved in current year.

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.

Status: Resolved in current year.

2019-006. Preparation of Schedule of Expenditures of Federal and State Awards and Late Report Submission to the Federal Audit Clearinghouse

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. For fiscal year June 30, 2019, 2 CFR 200.512(a)(1) states that the audit must be submitted by the December 31, 2020, extended deadline for entities with a June 30 fiscal year end.

Condition: Internal controls were not in place to support or reconcile the expenditures reported on the SEFSA to the Town's underlying accounting records or to ensure the audit is submitted by the required deadline.

Status: Resolved in current year.