

TOWN OF WILKESBORO, NORTH CAROLINA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023

Prepared by:
Finance Department

Submitted by:
Town Manager

TOWN OF WILKESBORO, NORTH CAROLINA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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 year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditor, the accompanying financial statements referred to above present fairly, in all material respects, the financial position 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 as of June 30, 2023, 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.

We did not audit the financial statements of the Wilkesboro ABC Board, which represents 93% of the assets, 56% of the net position and 95% of the revenues of the aggregate 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 ABC Board is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the ABC Board were not audited in accordance with *Government Auditing Standards*. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion Analysis, the Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance, the Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance, the Schedule of Changes in Total OPEB Liability and Related Ratios, the Schedule of Town's Proportionate Share of Net Pension Liability (Asset) – Local Governmental Employees' Retirement System, and the Schedule of Town's Contributions – Local Governmental Employees' Retirement System on pages 5 - 11, 61, 62, 63, 64 and 65, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedules, as listed in the table of contents, and the schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and State of North Carolina Single Audit Implementation Act (collectively, "the supplementary information") is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 statement themselves, and other additional procedures in accordance with GAAS. 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 March 26, 2024, 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

Raleigh, North Carolina
March 26, 2024

**TOWN OF WILKESBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

As management of the Town of Wilkesboro (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023. 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

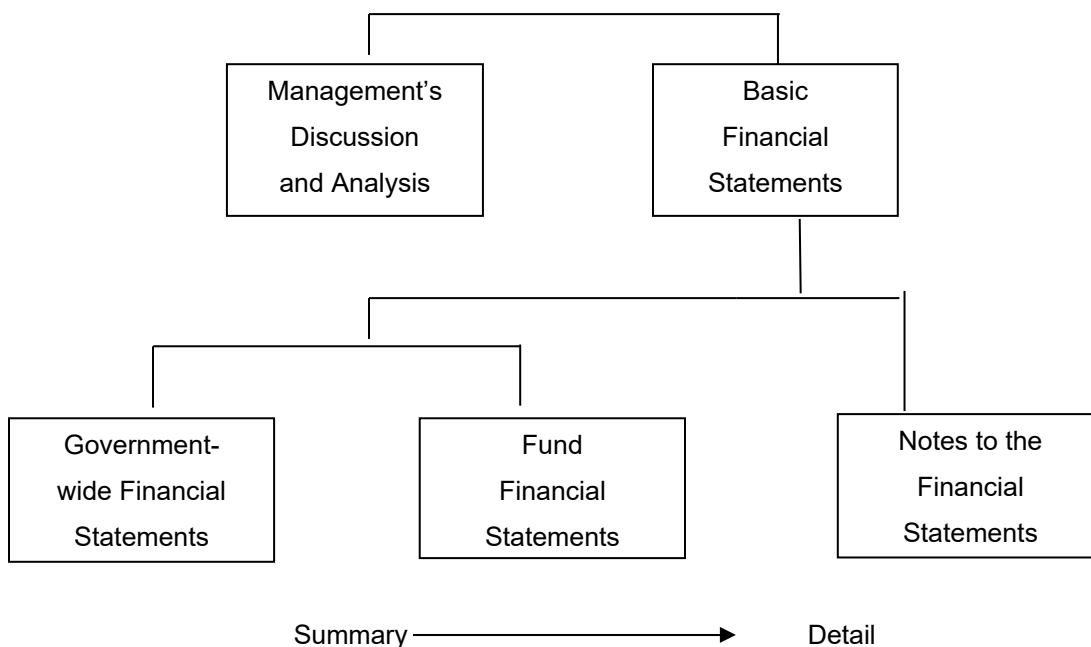
- The assets of the Town of Wilkesboro exceeded its liabilities at the close of the fiscal year by \$46,219,217 (*net position*).
- The government's total net position increased by \$3,770,749.
- As of the close of the current fiscal year, the Town of Wilkesboro's governmental funds reported combined ending fund balances of \$2,851,443 which is a decrease of \$530,923.
- At the end of the current fiscal year, the General Fund's available fund balance was (\$617,641). This is in part due to a timing difference of a reimbursement with the Woodfield Way Bridge.
- The Town of Wilkesboro's total long-term liabilities for governmental activities increased by \$1,515,910 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of 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, 2023**

Basic Financial Statements

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

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

The next section of the basic financial statements are the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the 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 Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of 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

**TOWN OF WILKESBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between 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 23 - 60 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 61 of this report.

Government-Wide Financial Analysis

Town of Wilkesboro's Net Position

Figure 2

	June 30, 2023		June 30, 2022		Total	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	June 30, 2023	June 30, 2022
Assets:						
Current assets	\$ 4,690,150	\$ 3,224,424	\$ 6,667,395	\$ 1,731,305	\$ 7,914,574	\$ 8,398,700
Capital assets, net	9,253,068	45,862,274	7,344,854	44,096,425	55,115,342	51,441,279
Total assets	<u>13,943,218</u>	<u>49,086,698</u>	<u>14,012,249</u>	<u>45,827,730</u>	<u>63,029,916</u>	<u>59,839,979</u>
Deferred outflows of resources	<u>4,732,127</u>	<u>3,059,131</u>	<u>4,394,974</u>	<u>2,822,314</u>	<u>7,791,258</u>	<u>7,217,288</u>
Liabilities:						
Current liabilities	994,441	2,671,820	2,504,283	1,477,862	3,666,261	3,982,145
Long-term liabilities	<u>7,169,094</u>	<u>8,103,553</u>	<u>5,653,184</u>	<u>7,854,671</u>	<u>15,272,647</u>	<u>13,507,855</u>
Total liabilities	<u>8,163,535</u>	<u>10,775,373</u>	<u>8,157,467</u>	<u>9,332,533</u>	<u>18,938,908</u>	<u>17,490,000</u>
Deferred inflows of resources	<u>3,927,503</u>	<u>1,735,546</u>	<u>4,842,842</u>	<u>2,275,957</u>	<u>5,663,049</u>	<u>7,118,799</u>
Net position:						
Net investment in capital assets	8,706,405	39,793,608	5,446,554	38,367,642	48,500,013	43,814,196
Restricted	3,092,601	-	2,676,150	-	3,092,601	2,676,150
Unrestricted	<u>(5,214,699)</u>	<u>(158,698)</u>	<u>(2,715,790)</u>	<u>(1,326,088)</u>	<u>(5,373,397)</u>	<u>(4,041,878)</u>
Total net position	<u>\$ 6,584,307</u>	<u>\$ 39,634,910</u>	<u>\$ 5,406,914</u>	<u>\$ 37,041,554</u>	<u>\$ 46,219,217</u>	<u>\$ 42,448,468</u>

**TOWN OF WILKESBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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 \$46,219,217 as of June 30, 2023. The Town's net position increased by \$3,770,749, for the fiscal year ended June 30, 2023. However, the largest portion, \$49,729,970, 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 \$3,092,602 represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position represents a deficit of (\$6,603,355).

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 99.29%
- Other taxes increased from that of the prior year by \$281,463.
- The Town received capital grants of \$4,715,821 which increased construction in progress.
- Restricted net position increased \$416,452 due to an increase in "Restricted by State Statute". Additional details will be discussed in a later section.

Town of Wilkesboro Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 272,577	\$ 282,043	\$ 9,117,557	\$ 8,853,968	\$ 9,390,134	\$ 9,136,011
Operating grants/contributions	1,591,596	296,330	-	-	1,591,596	296,330
Capital grants/contributions	679,172	2,160,230	1,859,919	992,594	2,539,091	3,152,824
General revenues:						
Property taxes	3,522,907	3,488,838	-	-	3,522,907	3,488,838
Other taxes	2,901,409	2,613,622	-	-	2,901,409	2,613,622
Unrestricted interest	30,470	26,480	268	567	30,738	27,047
Gain on sale of capital assets	67,238	-	23,610	-	90,848	-
Miscellaneous	869,506	1,288,616	232,009	161,764	1,101,515	1,450,380
Total revenues	<u>9,934,875</u>	<u>10,156,159</u>	<u>11,233,363</u>	<u>10,008,893</u>	<u>21,168,238</u>	<u>20,165,052</u>
Expenses:						
General government	4,153,864	3,244,047	-	-	4,153,864	3,244,047
Public safety	3,724,403	3,166,291	-	-	3,724,403	3,166,291
Transportation	62,105	58,119	-	-	62,105	58,119
Environmental protection	286,468	289,429	-	-	286,468	289,429
Culture and recreation	249,111	348,828	-	-	249,111	348,828
Interest on long term debt	16,531	19,560	-	-	16,531	19,560
Water/Sewer	-	-	8,905,007	9,072,877	8,905,007	9,072,877
Total expenses	<u>8,492,482</u>	<u>7,126,274</u>	<u>8,905,007</u>	<u>9,072,877</u>	<u>17,397,489</u>	<u>16,199,151</u>
Change in net position	1,177,393	3,029,885	2,593,356	936,016	3,770,749	3,965,901
Net position, beginning	5,406,914	2,377,029	37,041,554	36,105,538	42,448,468	38,482,567
Net position, ending	<u>\$ 6,584,307</u>	<u>\$ 5,406,914</u>	<u>\$ 39,634,910</u>	<u>\$ 37,041,554</u>	<u>\$ 46,219,217</u>	<u>\$ 42,448,468</u>

**TOWN OF WILKESBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Governmental activities: Governmental activities increased the Town's net position by \$1,177,393. The key element of the increase in net position resulted from \$1,591,596 in operating grants.

Business-type activities: Business-type activities increased the Town of Wilkesboro's net position by \$2,593,356. The key element of this increase in net position resulted from \$1,859,919 in capital grants.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Wilkesboro. At the end of the current fiscal year, unassigned fund balance of the General Fund decreased by \$682,180 to \$(824,106), while total fund balance decreased \$47,719, to a total of \$2,692,072. The Town planned to use fund balance of \$1,527,900 but actual expenditures were less than budgeted.

As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance (Assigned and Unassigned) represents 9.13% of total General Fund expenditures, while total fund balance represents 30.5% of that same amount compared to 36.3% and 28.9% in the prior year, respectively. The General Fund's available fund balance decreased by \$1,305,715 due to an increase in "Restricted by State Statute" (RSS). RSS increased \$583,334 primarily due to an increase in interfund due to/from in the amount of \$1,565,689. This increase is the result of the Water and Sewer Fund fronting cash for capital expenditures that will be reimbursed by the State. The Town expects the interfund balances to be repaid by June 30, 2024.

General Fund Budgetary Highlights. During the 2023 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 (\$158,698). The total change in net position was a decrease of \$1,167,390. 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, 2023, totals \$55,115,342, (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 assets has continued to grow at a rapid pace, increasing \$3,674,063 over the last fiscal year.

**TOWN OF WILKESBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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

- Increase in construction in progress of \$1,208,949 for governmental activities related to the Woodfield Way Bridge project.
- Increase in construction in progress of \$2,533,329 for business type activities related to the Cub Creek Sewer project, the Wastewater Treatment Expansion project and other water and sewer projects.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 2,222,516	\$ 1,971,516	\$ 609,932	\$ 609,932	\$ 2,832,448	\$ 2,581,448
Buildings and improvements	1,675,542	1,712,239	-	-	1,675,542	1,712,239
Plant and distribution system	-	-	39,797,642	38,845,177	39,797,642	38,845,177
Machinery and equipment	1,425,198	1,221,006	1,269,497	1,221,743	2,694,695	2,442,749
Infrastructure	692,394	731,486	-	-	692,394	731,486
Construction in progress	3,198,157	1,649,796	4,175,429	3,404,911	7,373,586	5,054,707
Right-to-use lease asset (equipment)	39,261	58,811	9,774	14,662	49,035	73,473
Total	<u>\$ 9,253,068</u>	<u>\$ 7,344,854</u>	<u>\$ 45,862,274</u>	<u>\$ 44,096,425</u>	<u>\$ 55,115,342</u>	<u>\$ 51,441,279</u>

Additional information on the Town's capital assets can be found in note 5 of the Basic Financial Statements.

Long-term Debt

The Town of Wilkesboro's total long-term liabilities increased by \$1,764,792 during the current fiscal year related primarily to the increases in OPEB, the LGERS and LEO pension liabilities.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue up 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 approximately \$58,393,062.

Additional information regarding the Town of Wilkesboro's long-term debt can be found in note 6 beginning on page 43 of this report.

Economic Factors

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

- Wilkes County has a labor force of 26,819 with a 3.9% unemployment rate at June 30, 2023, which has increased from fiscal year end 2022 when it was at 3.4%. This rate is indicative of the national economic environment and is on par with the state-wide average of 3.6%.
- Sales tax revenues grew by 3.1% from FY 2022. This growth is significantly lower than the 22% growth from FY 2021 to FY 2022.
- Manufacturing remains one the largest industries in the area, which increases the demand for viable utilities. There are on-going capital projects within the Town to increase capacity to meet these demands.

**TOWN OF WILKESBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Budget Highlights

Governmental Activities: The tax rate will remain at 48 cents for FY 2024.

Budgeted expenditures are nearly the same from FY 2023 slightly increasing \$23,100 to \$8,425,000. This budget is a level document that does not include any potential financing of capital items as revenues. The budget is of a conservative nature that does not include many large capital items.

Business-type Activities: Budgeted expenditures in the Water and Sewer Fund increased by 1.51% to \$10,069,500. This is a generally level budget similar to FY 2023. The budget also includes an additional planned rate increase of 10% for all utility customers. 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.

Requests for Information

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

TOWN OF WILKESBORO, NORTH CAROLINA

STATEMENT OF NET POSITION JUNE 30, 2023

	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	\$ 176,804	\$ 23,951	\$ 200,755	\$ 102,720	\$ 32,400
Investments	257,582	-	257,582	104,539	-
Taxes receivable	108,341	-	108,341	-	-
Lease receivables	1,059,453	-	1,059,453	-	-
Assets held for resale	376,482	-	376,482	-	-
Accounts receivable	-	847,009	847,009	-	-
Internal balances	1,376,754	(1,376,754)	-	-	-
Due from other governments	937,482	3,011,643	3,949,125	-	-
Due from primary government	-	-	-	68,814	-
Inventories	-	634,346	634,346	-	678,586
Prepaid items	-	-	-	-	2,439
Restricted cash and cash equivalents	397,252	84,229	481,481	-	56,229
Total current assets	4,690,150	3,224,424	7,914,574	276,073	769,654
Noncurrent assets:					
Capital assets:					
Land, non-depreciable improvements, and construction in progress	5,420,673	4,785,361	10,206,034	-	-
Other capital assets, net of depreciation/amortization	3,832,395	41,076,913	44,909,308	-	2,828,426
Total noncurrent assets	9,253,068	45,862,274	55,115,342	-	2,828,426
Total assets	13,943,218	49,086,698	63,029,916	276,073	3,598,080
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals - LGERS	1,404,805	936,536	2,341,341	-	131,214
Pension deferrals - LEO	143,429	-	143,429	-	-
OPEB deferrals	3,183,893	2,122,595	5,306,488	-	79,114
Total deferred outflows of resources	4,732,127	3,059,131	7,791,258	-	210,328
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	446,097	1,723,676	2,169,773	-	396,020
Claims payable	265,235	-	265,235	-	-
Due to component unit	68,814	-	68,814	-	-
Current portion of long-term liabilities	214,295	863,915	1,078,210	-	144,270
Customer deposits	-	84,229	84,229	-	-
Total current liabilities	994,441	2,671,820	3,666,261	-	540,290
Long-term liabilities:					
Due in more than one year	369,222	3,999,411	4,368,633	-	2,425,690
Total pension liability - LEO	643,660	-	643,660	-	-
Net pension liability - LGERS	2,095,903	1,397,269	3,493,172	-	130,881
Total OPEB liability	4,060,309	2,706,873	6,767,182	-	353,649
Total noncurrent liabilities	7,169,094	8,103,553	15,272,647	-	2,910,220
Total liabilities	8,163,535	10,775,373	18,938,908	-	3,450,510
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes	13,102	-	13,102	-	-
Lease receipts	1,050,466	-	1,050,466	-	-
Pension deferrals - LGERS	17,672	11,781	29,453	-	553
Pension deferrals - LEO	260,618	-	260,618	-	-
OPEB deferrals	2,585,645	1,723,765	4,309,410	-	-
Total deferred inflows of resources	3,927,503	1,735,546	5,663,049	-	553
NET POSITION					
Net investment in capital assets	8,706,405	39,793,608	48,500,013	-	279,273
Restricted for:					
Stabilization by State Statute	2,357,728	-	2,357,728	68,814	-
Streets - Powell Bill	384,109	-	384,109	-	-
Public safety	2,458	-	2,458	-	-
Grant programs	6,597	-	6,597	-	-
Capital projects	341,709	-	341,709	-	-
Working capital	-	-	-	-	125,575
Unrestricted	(5,214,699)	(158,698)	(5,373,397)	207,259	(47,503)
Total net position	\$ 6,584,307	\$ 39,634,910	\$ 46,219,217	\$ 276,073	\$ 357,345

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, 2023

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	\$ 4,153,864	\$ 110,796	\$ -	\$ -	\$ (4,043,068)	\$ -	\$ (4,043,068)	\$ -	\$ -
Public safety	3,724,403	3,105	1,465,569	-	(2,255,729)	-	(2,255,729)	-	-
Transportation	62,105	-	126,027	679,172	743,094	-	743,094	-	-
Environmental protection	286,468	154,420	-	-	(132,048)	-	(132,048)	-	-
Culture and recreation	249,111	4,256	-	-	(244,855)	-	(244,855)	-	-
Interest and fees	16,531	-	-	-	(16,531)	-	(16,531)	-	-
Total governmental activities	8,492,482	272,577	1,591,596	679,172	(5,949,137)	-	(5,949,137)	-	-
Business-type activities:									
Water and sewer	8,905,007	9,117,557	-	1,859,919	-	2,072,469	2,072,469	-	-
Total business-type activities	8,905,007	9,117,557	-	1,859,919	-	2,072,469	2,072,469	-	-
Total primary government	\$ 17,397,489	\$ 9,390,134	\$ 1,591,596	\$ 2,539,091	(5,949,137)	2,072,469	(3,876,668)	-	-
Component units:									
Wilkesboro Tourism Development, Convention, and Visitors Bureau	231,491	-	-	-	-	-	-	(231,491)	-
Wilkesboro ABC Board	4,254,734	4,236,731	-	-	-	-	-	-	(18,003)
Total component units	\$ 4,486,225	\$ 4,236,731	\$ -	\$ -	-	-	-	(231,491)	(18,003)
General revenues:									
Taxes:									
Property taxes					3,522,907	-	3,522,907	-	-
Other taxes					2,583,367	-	2,583,367	-	-
Occupancy tax					318,042	-	318,042	229,169	-
Unrestricted investment earnings					30,470	268	30,738	3,782	-
Miscellaneous					869,506	232,009	1,101,515	3,576	493
Gain on Sale of Capital Assets					67,238	23,610	90,848	-	-
Transfers					(265,000)	265,000	-	-	-
Total general revenues					7,126,530	520,887	7,647,417	236,527	493
Change in net position					1,177,393	2,593,356	3,770,749	5,036	(17,510)
Net position, beginning					5,406,914	37,041,554	42,448,468	271,037	374,855
Net position, end of year					\$ 6,584,307	\$ 39,634,910	\$ 46,219,217	\$ 276,073	\$ 357,345

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

TOWN OF WILKESBORO, NORTH CAROLINA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	ARPA Fund	Woodfield Way Bridge Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 176,804	\$ -	\$ -	\$ -	\$ 176,804
Restricted cash and cash equivalents	386,567	-	4,088	6,597	397,252
Investments	257,582	-	-	-	257,582
Due from other funds	1,565,689	-	-	350,000	1,915,689
Taxes receivable, net of allowances	108,341	-	-	-	108,341
Due from other governments	937,482	-	-	-	937,482
Lease receivable	1,059,453	-	-	-	1,059,453
Assets held for resale	376,482	-	-	-	376,482
Total assets	<u>\$ 4,868,400</u>	<u>\$ -</u>	<u>\$ 4,088</u>	<u>\$ 356,597</u>	<u>\$ 5,229,085</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 431,175	\$ -	\$ 4,088	\$ 8,291	\$ 443,554
Due to other funds	350,000	-	188,935	-	538,935
Due to component unit	68,814	-	-	-	68,814
Total liabilities	<u>849,989</u>	<u>-</u>	<u>193,023</u>	<u>8,291</u>	<u>1,051,303</u>
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes	13,102	-	-	-	13,102
Unavailable revenue - property taxes	56,670	-	-	-	56,670
Unavailable revenue - grants	206,101	-	-	-	206,101
Lease receipts	1,050,466	-	-	-	1,050,466
Total deferred inflows of resources	<u>1,326,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,326,339</u>
FUND BALANCES					
Nonspendable:					
Assets held for resale	376,482	-	-	-	376,482
Restricted:					
Stabilization by State Statute	2,357,728	-	-	-	2,357,728
Streets - Powell Bill	384,109	-	-	-	384,109
Drug crime prevention	2,458	-	-	-	2,458
Grant programs	-	-	-	6,597	6,597
Capital projects	-	-	-	341,709	341,709
Assigned:					
Appropriated in fiscal year 2024 budget	395,400	-	-	-	395,400
Unassigned	(824,105)	-	(188,935)	-	(1,013,040)
Total fund balances	<u>2,692,072</u>	<u>-</u>	<u>(188,935)</u>	<u>348,306</u>	<u>2,851,443</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,868,400</u>	<u>\$ -</u>	<u>\$ 4,088</u>	<u>\$ 356,597</u>	<u>\$ 5,229,085</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, 2023

Total governmental fund balances:	\$	2,851,443
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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	\$	16,460,508	
Accumulated depreciation and amortization		<u>(7,207,440)</u>	
			9,253,068

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	\$	56,670	
Grants		<u>206,101</u>	
			262,771

Deferred outflows of resources related to the recording of the Town's pension liabilities and total OPEB liability are recognized as expense over time and, therefore, are not reported in the funds.

Pension - LGERS	\$	1,404,805	
Pension - LEO		143,429	
OPEB		<u>3,183,893</u>	
			4,732,127

Deferred inflows of resources related to the recording of the Town's pension liabilities and total OPEB liability are amortized against expense over time and, therefore, are not reported in the funds.

Pension - LGERS	\$	(17,672)	
Pension - LEO		(260,618)	
OPEB		<u>(2,585,645)</u>	
			(2,863,935)

As the Town is self-insured for health insurance, the liability for incurred but not reported claims is not considered due and payable and, therefore, is not reported in the funds.

Claims payable	(265,235)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Leases payable	\$	(39,051)	
Notes payable		(503,524)	
Net pension liability - LGERS		(2,095,903)	
Total pension liability - LEO		(643,660)	
Total OPEB liability		(4,060,309)	
Compensated absences payable		(40,942)	
Accrued interest payable		<u>(2,543)</u>	
			<u>(7,385,932)</u>
Net position of governmental activities	\$		<u><u>6,584,307</u></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, 2023**

	General Fund	ARPA Fund	Woodfield Way Bridge Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Ad valorem taxes	\$ 3,528,437	\$ -	\$ -	\$ -	\$ 3,528,437
Unrestricted intergovernmental	2,579,504	-	-	-	2,579,504
Restricted intergovernmental	606,938	1,100,462	679,172	-	2,386,572
Permits and fees	4,699	-	-	-	4,699
Sales and services	267,878	-	-	-	267,878
Investment earnings	30,470	-	-	-	30,470
Miscellaneous	869,506	-	-	-	869,506
Total revenues	<u>7,887,432</u>	<u>1,100,462</u>	<u>679,172</u>	<u>-</u>	<u>9,667,066</u>
EXPENDITURES					
Current:					
General government	3,976,803	-	-	8,291	3,985,094
Public safety	3,725,711	-	-	-	3,725,711
Transportation	-	-	1,154,085	-	1,154,085
Environmental protection	246,235	-	-	-	246,235
Culture and recreation	672,494	-	-	-	672,494
Debt service:					
Principal	199,284	-	-	-	199,284
Interest and other charges	17,324	-	-	-	17,324
Total expenditures	<u>8,837,851</u>	<u>-</u>	<u>1,154,085</u>	<u>8,291</u>	<u>10,000,227</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(950,419)</u>	<u>1,100,462</u>	<u>(474,913)</u>	<u>(8,291)</u>	<u>(333,161)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	67,238	-	-	-	67,238
Transfers out	-	(1,100,462)	-	-	(1,100,462)
Transfers in	835,462	-	-	-	835,462
Total other financing sources (uses)	<u>902,700</u>	<u>(1,100,462)</u>	<u>-</u>	<u>-</u>	<u>(197,762)</u>
Net change in fund balances	(47,719)	-	(474,913)	(8,291)	(530,923)
Fund balances, beginning of year	<u>2,739,791</u>	<u>-</u>	<u>285,978</u>	<u>356,597</u>	<u>3,382,366</u>
Fund balances (deficits), end of year	<u>\$ 2,692,072</u>	<u>\$ -</u>	<u>\$ (188,935)</u>	<u>\$ 348,306</u>	<u>\$ 2,851,443</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, 2023

Net change in fund balances - total governmental funds	\$	(530,923)
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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 capital outlay exceeded depreciation expense in the current period.

Capital outlay	\$	2,323,946	
Depreciation and amortization expense		(415,732)	1,908,214

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

Property taxes	\$	(5,530)	
Grants		206,101	200,571

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 leases payable	\$	19,198	
Repayment of notes payable		180,086	199,284

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	\$	(209,723)	
Pension expense - LEO		(34,565)	
OPEB expense		(257,535)	
Claims payable		(91,368)	
Compensated absences		(7,355)	
Accrued interest		793	(599,753)

Change in net position of governmental activities	\$	1,177,393
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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, 2023

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Ad valorem taxes	\$ 3,655,000	\$ 3,655,000	\$ 3,528,437	\$ (126,563)
Unrestricted intergovernmental	2,204,000	2,204,000	2,579,504	375,504
Restricted intergovernmental	922,000	1,038,000	606,938	(431,062)
Permits and fees	1,300	1,300	4,699	3,399
Sales and services	314,500	314,500	267,878	(46,622)
Investment earnings	2,000	2,000	30,470	28,470
Miscellaneous	627,700	653,200	869,506	216,306
Total revenues	<u>7,726,500</u>	<u>7,868,000</u>	<u>7,887,432</u>	<u>19,432</u>
Expenditures				
Current:				
General government	3,528,600	4,628,600	3,976,803	651,797
Public safety	3,495,400	3,694,400	3,725,711	(31,311)
Transportation	125,000	-	-	-
Environmental protection	266,500	266,500	246,235	20,265
Culture and recreation	527,400	672,400	672,494	(94)
Debt service:				
Principal retirements	289,000	289,000	199,284	89,716
Interest and other charges	20,000	20,000	17,324	2,676
Total expenditures	<u>8,251,900</u>	<u>9,570,900</u>	<u>8,837,851</u>	<u>733,049</u>
Deficiency of revenues under expenditures	<u>(525,400)</u>	<u>(1,702,900)</u>	<u>(950,419)</u>	<u>752,481</u>
Other financing sources (uses):				
Issuance of debt	280,000	325,000	-	(325,000)
Sale of capital asset	-	-	67,238	67,238
Transfers in	-	-	835,462	835,462
Transfers out	(150,000)	(150,000)	-	150,000
Appropriation of fund balance	395,400	1,527,900	-	(1,527,900)
Total other financing sources	<u>525,400</u>	<u>1,702,900</u>	<u>902,700</u>	<u>(800,200)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(47,719)</u>	<u>\$ (47,719)</u>
Fund balances, beginning of year			<u>2,739,791</u>	
Fund balances, end of year			<u>\$ 2,692,072</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, 2023

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 23,951
Restricted cash and cash equivalents	84,229
Accounts receivable	847,009
Due from other governments	3,011,643
Inventories	634,346
Total current assets	<u>4,601,178</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	4,785,361
Depreciable, net of accumulated depreciation/amortization	41,076,913
Total noncurrent assets	<u>45,862,274</u>
Total assets	<u>50,463,452</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension - LGERS	936,536
Other post employment benefits	2,122,595
Total deferred outflows of resources	<u>3,059,131</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	1,723,676
Customer deposits	84,229
Due to other funds	1,376,754
Compensated absences, current	24,617
Notes payable, current	834,499
Leases payable, current	4,799
Total current liabilities	<u>4,048,574</u>
Noncurrent liabilities:	
Notes payable, less current portion	3,993,462
Lease payable, less current portion	5,949
Net pension liability	1,397,269
Total other post employment benefits liability	2,706,873
Total noncurrent liabilities	<u>8,103,553</u>
Total liabilities	<u>12,152,127</u>
DEFERRED INFLOWS OF RESOURCES	
Pension - LGERS	11,781
Other post employment benefits	1,723,765
Total deferred inflows of resources	<u>1,735,546</u>
NET POSITION	
Net investment in capital assets	39,793,608
Unrestricted	(158,698)
Total net position	<u>\$ 39,634,910</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, 2023

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 9,034,314
Water and sewer taps	57,596
Other operating income	25,647
Total operating revenues	<u>9,117,557</u>
OPERATING EXPENSES	
Administration	1,050,814
Water treatment and distribution	1,700,067
Waste collection and treatment	2,376,480
Maintenance	2,126,045
Garage	239,677
Depreciation and amortization expense	1,279,043
Total operating expenses	<u>8,772,126</u>
Operating income	<u>345,431</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and other charges	(132,881)
Gain on sale of capital assets	23,610
Investment Income	268
Miscellaneous income	232,009
Total non-operating revenue, net	<u>123,006</u>
Income before capital contributions and transfers	<u>468,437</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS	
Capital contributions	1,859,919
Transfers in	265,000
Total capital contributions and transfers	<u>2,124,919</u>
Change in net position	2,593,356
Net position, beginning of year	<u>37,041,554</u>
Net position, end of year	<u><u>\$ 39,634,910</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, 2023

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 9,324,923
Cash paid for goods and services	(2,174,675)
Cash paid to or on behalf of employees	(2,370,670)
Net cash provided by operating activities	<u>4,779,578</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>265,000</u>
Net cash provided by noncapital financing activities	<u>265,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(4,274,849)
Principal paid on long-term debt	(851,225)
Proceeds from sale of capital assets	23,610
Interest paid on long-term debt	(132,881)
Net cash used in capital and related financing activities	<u>(5,235,345)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>268</u>
Net cash provided by investing activities	<u>268</u>
Net decrease in cash and cash equivalents	(190,499)
Cash and cash equivalents, beginning of year	<u>298,679</u>
Cash and cash equivalents, end of year	<u><u>\$ 108,180</u></u>
CLASSIFIED AS:	
Unrestricted cash and cash equivalents	\$ 23,951
Restricted cash and cash equivalents	<u>84,229</u>
	<u><u>\$ 108,180</u></u>

TOWN OF WILKESBORO, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Water and Sewer Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 345,431
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	1,279,043
Miscellaneous income	232,009
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Increase in accounts receivable	(34,090)
Increase in sales tax receivable	(24,210)
Increase in inventory	(71,747)
Increase in deferred outflows of resources - LGERS pension	(382,637)
Decrease in deferred outflows of resources - OPEB	145,820
Increase in accounts payable and accrued liabilities	2,430,854
Decrease in due to other funds	306,348
Increase in compensated absences	(5,012)
Increase in customer deposits	9,447
Increase in net pension liability - LGERS	1,037,304
Increase in total OPEB liability	51,429
Decrease in deferred inflows of resources - OPEB	(25,559)
Decrease in deferred inflows of resources - LGERS pension	(514,852)
Net cash provided by operating activities	<u>\$ 4,779,578</u>

TOWN OF WILKESBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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. If any government grants are not received in the 90-day period, the Town considers it a deferred inflow of resources. 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.

The **ARPA Fund** is a special revenue fund that accounts for the federal funds received from the American Rescue Plan Act to help state and local governments build and recover from the devastating economic effects caused by the COVID-19 pandemic.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The **Woodfield Way Bridge Fund** is a capital project fund that is used to account for the design and construction of the Woodfield Way Bridge.

The Town reports the following non-major governmental funds:

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

The **SCIF Restroom Project Fund** is a capital project fund that is used to account for the construction of bathrooms in the downtown area of the Town.

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 information for the Water and Sewer Fund, including the project funds, have been included in supplementary information.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, leases, 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 of right-to-use assets via leases are reported as other financing sources.

As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Water and Sewer Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Grant Project Special Revenue Fund, 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 functional 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 functional appropriations by more than \$500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Deposits

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Restricted Assets

The restricted cash in the Water and Sewer Fund includes customer deposits 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	\$ 384,109
Drug crime prevention	2,458
Nonmajor Governmental Fund	
Capital projects	4,088
Grant programs	6,597
Total Governmental Funds:	<u>\$ 397,252</u>
Enterprise Funds:	
Water & Sewer Fund	
Customer deposits	84,229
Total Enterprise Funds:	<u>84,229</u>
Total Restricted Cash	<u>\$ 481,481</u>

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2023.

H. Allowances

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Interfund Receivables and Payables

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

J. Leases

Lessee

The Town is a lessee for a noncancellable lease of equipment. The Town recognizes a lease liability and an intangible right-to-use leased asset in the government-wide, and proprietary fund financial statements. The Town recognizes lease liabilities and leased right to use assets in accordance with its capitalization policy (Note 1-L).

At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term.

Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- The Town uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the Town is reasonably certain to exercise.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Leases (Continued)

Lessee (Continued)

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

In the statement of net position, lease assets are reported with other capital assets and lease liabilities are reported with other long-term liabilities as amounts due within one year and amounts due in more than one year.

Lessor

The Town is the lessor for a noncancellable lease of real property to the ABC Board, a discretely presented component unit. The Town recognizes a lease receivable and a deferred inflow of resources for deferred lease receipts in accordance with these transactions.

At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments made at or before the lease commencement date, less certain other amounts to be paid by the Town (if any). Subsequently, the deferred inflow of resources is amortized into lease revenue on a straight-line basis over the lease term.

Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- The lease agreements entered into by the Town as lessor do not include stated interest rates. Therefore, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease receivable are composed of fixed payments that the Town will receive over the term of the lease agreement.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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 expended as the items are used.

L. 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. 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 and amortized 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
Right-to-use lease assets	3 - 5

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town reports deferred outflows of resources related to its pension and other postemployment benefit (OPEB) plans. These deferred outflows include (1) contributions to the Local Governmental Employees' Retirement System (LGERS) subsequent to the applicable measurement date; (2) differences between expected and actual experience of the pension plan and/or OPEB plan, (3) net differences between projected and actual investment earnings on the pension plan assets, (4) changes in proportion and the difference between the Town's actual contributions towards the pension plan and the Town's proportionate share of contributions, and (5) changes in the plan assumptions. Contributions subsequent to the measurement date will be recognized as a reduction of the pension liability in the subsequent fiscal period. The net difference between projected and actual investment earnings on the pension plan assets are amortized over five (5) years, while the remaining deferred outflows of resources will be amortized into pension and/or OPEB expense over the remaining service period of plan members.

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 assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports unavailable revenue from property taxes and intergovernmental revenues (grants) which arises only under a modified accrual basis of accounting. Accordingly, these unavailable revenues are reported only in the governmental funds balance sheet and will be recognized as revenue in the period in which the amounts become available. The government-wide statement of net position and governmental funds balance sheet report deferred lease receipts. This amount will be amortized into revenue over the term of the applicable lease agreement. Finally, the Town reports deferred inflows of resources related to its pension and/or OPEB plans which are discussed in the paragraph above.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. 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.

O. 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.

P. 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 75% of the revenue reported as water and sewer charges were related to billed consumption for its major customer.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. 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.

Restricted for Capital Projects – portion of fund balance that is restricted by revenue source for various capital projects.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. 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 the Town's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. 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)

Q. 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.

R. 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.

S. Management Estimates

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriation

During the fiscal year ended June 30, 2023, the Town reported expenditures within the General Fund that violated State law [G.S. 159] because they exceeded the amounts appropriated in the budget ordinance for the following departments:

	<u>Excess</u>
General Fund:	
Public Safety	\$ 31,311

NOTES TO FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

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, 2023, the audit was due by October 31, 2023.

C. Unallowed Investment

The Local Government Commission of the North Carolina Department of State Treasurer notified the Town in July 2023 that they had a Level 1 investment with Truist bank that went against the Local Government Commission's investment policy. As a result, the Town liquidated the investment in August 2023 and placed those funds in the North Carolina Capital Management Trust.

D. Deficit Fund Balance

As of June 30, 2023, the Woodfield Way Bridge Fund has a deficit fund balance in the amount of \$188,935. This deficit will be alleviated in future periods through the collection of grant and other revenues for the project.

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2023, are summarized as follows:

	Primary Government	Discretely Presented Component Units
Statement of Net Position:		
Cash and cash equivalents	\$ 200,755	\$ 135,120
Restricted cash and cash equivalents	481,481	56,229
Investments	257,582	104,539
	<u>\$ 939,818</u>	<u>\$ 295,888</u>
Cash and cash equivalents held by financial institutions	\$ 682,236	\$ 191,349
Federated Treasury Obligation Money Market	156,192	-
Cash deposited with NCCMT	101,390	104,539
	<u>\$ 939,818</u>	<u>\$ 295,888</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 NCCMT - Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2023.

As of June 30, 2023, the Town's investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value June 30, 2023</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust -				
Government Portfolio	Fair Value Level 1	\$ 101,390	N/A	AAAm
Federated Treasury Obligation Money Market	Fair Value Level 1	156,192	N/A	AAAm
		<u>\$ 257,582</u>		

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

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

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, 2023, the Town's deposits are insured or collateralized as required by state law.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. RECEIVABLES

Receivables at June 30, 2023, 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	\$ 112,941	\$ -	\$ 112,941
Accounts	-	847,009	847,009
Due from other governments	937,482	3,011,643	3,949,125
Gross receivables	<u>1,050,423</u>	<u>3,858,652</u>	<u>4,909,075</u>
Less allowance			
for uncollectible accounts	(4,600)	-	(4,600)
Total allowance	<u>(4,600)</u>	<u>-</u>	<u>(4,600)</u>
Net receivables	<u>\$ 1,045,823</u>	<u>\$ 3,858,652</u>	<u>\$ 4,904,475</u>

The Town entered into a lease agreement as the lessor beginning in fiscal year 2022. This lease is between the Town of Wilkesboro and the Wilkesboro Alcoholic Beverage Control Board which is a discretely presented component unit of the Town. The Town received yearly payments of \$75,000 which includes the principal and interest components of the payment. The interest rate for the lease is 2.14%. For the current year, the Town recognized \$51,231 in lease revenue and \$23,768 in interest revenue related to the lease. As of June 30, 2023, the Town's receivable for lease payments was \$1,059,453, which was recorded in the Town's General Fund. The Town reports a corresponding deferred inflow of resources associated with this lease that will be recognized over the lease term that ends on June 30, 2040. This deferred inflow of resources has a balance of \$1,050,466 as of June 30, 2023.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the Town's governmental activities for the year ended June 30, 2023, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated/amortized:					
Land	\$ 1,971,516	\$ 251,000	\$ -	\$ -	\$ 2,222,516
Construction in progress	1,649,796	1,574,660	-	(26,299)	3,198,157
Total	<u>3,621,312</u>	<u>1,825,660</u>	<u>-</u>	<u>(26,299)</u>	<u>5,420,673</u>
Capital assets, being depreciated/amortized:					
Buildings	3,087,498	11,956	-	-	3,099,454
Other improvements	590,065	11,870	-	26,299	628,234
Equipment and furniture	955,959	124,055	-	-	1,080,014
Vehicles	4,985,453	350,405	(219,721)	-	5,116,137
Computer software	39,213	-	-	-	39,213
Computer equipment	52,307	-	(31,034)	-	21,273
Infrastructure	977,309	-	-	-	977,309
Right-to-use lease asset (equipment)	78,201	-	-	-	78,201
Total	<u>10,766,005</u>	<u>498,286</u>	<u>(250,755)</u>	<u>26,299</u>	<u>11,039,835</u>
Less accumulated Depreciation/amortization for:					
Buildings	(1,507,869)	(62,105)	-	-	(1,569,974)
Other improvements	(457,455)	(24,717)	-	-	(482,172)
Equipment and furniture	(645,124)	(67,619)	-	-	(712,743)
Vehicles	(4,079,878)	(201,476)	219,721	-	(4,061,633)
Computer software	(34,617)	(1,173)	-	-	(35,790)
Computer equipment	(52,307)	-	31,034	-	(21,273)
Infrastructure	(245,823)	(39,092)	-	-	(284,915)
Right-to-use lease asset (equipment)	(19,390)	(19,550)	-	-	(38,940)
Total	<u>(7,042,463)</u>	<u>(415,732)</u>	<u>250,755</u>	<u>-</u>	<u>(7,207,440)</u>
Total capital assets, being depreciated/amortized, net	<u>3,723,542</u>	<u>82,554</u>	<u>-</u>	<u>26,299</u>	<u>3,832,395</u>
Governmental activities capital assets, net	<u>\$ 7,344,854</u>	<u>\$ 1,908,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,253,068</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

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

Governmental Activities	
General government	\$ 69,617
Public safety	214,937
Transportation	51,740
Environmental protection	40,233
Culture and recreation	39,205
Total depreciation and amortization expense - governmental activities	<u>\$ 415,732</u>

Capital asset activity for the Town's Water and Sewer Fund for the year ended June 30, 2023, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Water and Sewer Fund					
Capital assets, not being depreciated/amortized:					
Land	\$ 609,932	\$ -	\$ -	\$ -	\$ 609,932
Construction in progress	3,404,911	2,580,373	-	(1,809,855)	4,175,429
Total	<u>4,014,843</u>	<u>2,580,373</u>	<u>-</u>	<u>(1,809,855)</u>	<u>4,785,361</u>
Capital assets, being depreciated/amortized:					
Plant and distribution system	54,795,995	178,299	(262)	1,809,855	56,783,887
Equipment	4,521,433	286,220	(53,758)	-	4,753,895
Right-to-use lease asset (equipment)	19,550	-	-	-	19,550
Total	<u>59,336,978</u>	<u>464,519</u>	<u>(54,020)</u>	<u>1,809,855</u>	<u>61,557,332</u>
Less accumulated					
Depreciation/amortization for:					
Plant and distribution system	(15,950,818)	(1,035,689)	262	-	(16,986,245)
Equipment	(3,299,690)	(238,466)	53,758	-	(3,484,398)
Right-to-use lease asset (equipment)	(4,888)	(4,888)	-	-	(9,776)
Total	<u>(19,255,396)</u>	<u>(1,279,043)</u>	<u>54,020</u>	<u>-</u>	<u>(20,480,419)</u>
Total capital assets, being depreciated/amortized, net	<u>40,081,582</u>	<u>(814,524)</u>	<u>-</u>	<u>1,809,855</u>	<u>41,076,913</u>
Business-type activities capital assets, net	<u>\$ 44,096,425</u>	<u>\$ 1,765,849</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,862,274</u>

The Town has active construction projects as of June 30, 2023, for which contracts have been executed with third-party vendors/contractors. At year-end, the Town's commitment under these contracts was approximately \$2,295,600, 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, 2023, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities					
Lease payable	\$ 58,249	\$ -	\$ (19,198)	\$ 39,051	\$ 19,797
Notes from direct borrowings	683,610	-	(180,086)	503,524	153,556
Compensated absences	33,587	98,920	(91,565)	40,942	40,942
Total pension liability (LEO)	587,495	125,986	(69,821)	643,660	-
Net pension liability (LGERS)	539,949	2,088,971	(533,017)	2,095,903	-
Total OPEB liability	3,983,165	269,308	(192,164)	4,060,309	-
Total long-term liabilities	<u>\$ 5,886,055</u>	<u>\$ 2,583,185</u>	<u>\$ (1,085,851)</u>	<u>\$ 7,383,389</u>	<u>\$ 214,295</u>
Business-type Activities					
Lease payable	\$ 15,149	\$ -	\$ (4,401)	\$ 10,748	\$ 4,799
Notes from direct borrowings	5,674,785	-	(846,824)	4,827,961	834,499
Compensated absences	29,629	108,016	(113,028)	24,617	24,617
Net pension liability (LGERS)	359,965	1,392,647	(355,343)	1,397,269	-
Total OPEB liability	2,655,444	179,539	(128,110)	2,706,873	-
Total long-term liabilities	<u>\$ 8,734,972</u>	<u>\$ 1,680,202</u>	<u>\$ (1,447,706)</u>	<u>\$ 8,967,468</u>	<u>\$ 863,915</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.	\$ 350,000
In 2015, the Town entered into a financing agreement bearing interest at 2.54%, secured by equipment. The agreement requires quarterly payments of \$14,904, including interest, and matures in fiscal year 2026.	143,962
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.	9,562
Total notes payable (direct borrowings), governmental activities	<u>\$ 503,524</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>
2024	\$ 153,556	\$ 11,317	\$ 164,873
2025	145,442	7,763	153,205
2026	117,026	4,342	121,368
2027	87,500	2,030	89,530
Total	<u>\$ 503,524</u>	<u>\$ 25,452</u>	<u>\$ 528,976</u>

The outstanding balances for the business-type activities notes payable as of June 30, 2023, 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.	\$ 1,924,662
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.	2,895,475
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.	<u>7,824</u>
Total notes payable (direct borrowings), business-type activities	<u>\$ 4,827,961</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>
2024	\$ 834,499	\$ 244,539	\$ 1,079,038
2025	837,457	97,209	934,666
2026	848,490	77,128	925,618
2027	859,778	56,792	916,570
2028	361,934	36,193	398,127
2029-2031	1,085,803	54,290	1,140,093
Total	<u>\$ 4,827,961</u>	<u>\$ 566,151</u>	<u>\$ 5,394,112</u>

Leases Payable

In July 2021, the Town entered into a 48-month lease as lessee for the right to use office equipment. An initial lease liability was recorded in the amount of \$97,751. As of year-end, the value of the lease liability is \$49,799. The Town is required to make monthly fixed payments of \$2,165. The lease has an interest rate of 3.16%. The value of the right-to-use asset (equipment) as of year-end is \$97,751 with accumulated amortization of \$48,716. This lease was split between the Town's governmental activities and the Water and Sewer Fund (business-type activities).

The debt service to maturity on the Town's outstanding lease liabilities are as follows:

Governmental Activities			
<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 19,797	\$ 1,233	\$ 21,030
2025	19,254	439	19,693
Total	<u>\$ 39,051</u>	<u>\$ 1,672</u>	<u>\$ 40,723</u>
Business-type Activities			
<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 4,799	\$ 247	\$ 5,046
2025	5,949	88	6,037
Total	<u>\$ 10,748</u>	<u>\$ 335</u>	<u>\$ 11,083</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND BALANCES AND INTERFUND TRANSFERS

The composition of interfund balances as of June 30, 2023, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 1,376,754
General Fund	Woodfield Way Bridge Fund	188,935
SCIF Restroom Project Fund	General Fund	350,000

The Water and Sewer Fund and the Woodfield Way Bridge Fund owes the General Fund for providing cash resources upfront to help manage a positive cash balance after both funds moved large cash amounts to manage the capital projects within the funds. Management has agreed that these funds will be paid back to the General Fund within the next fiscal year as funding from the state is received.

The General Fund borrowed cash from the SCIF Restroom Project Fund due to the General Fund needing the funds for the current fiscal year, and the SCIF project had not begun construction yet. These funds will be paid back in fiscal year 2024 when construction begins.

Interfund transfers:

	<u>Transfer Out</u>	<u>Transfer In</u>
ARPA Fund	\$ (1,100,462)	\$ -
Water and Sewer Fund	-	265,000
General Fund	-	835,462
	<u>\$ (1,100,462)</u>	<u>\$ 1,100,462</u>

Transfers were made from the ARPA Fund to the Water and Sewer Fund and the General Fund due to the Town using revenue replacement which reimburses the Town for salaries and health insurance premiums to employees.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS

A. Local Governmental Employees' Retirement System

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Benefits Provided (Continued)

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2023, was 13.10% of compensation for law enforcement officers and 12.10% 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 \$640,685 for the year ended June 30, 2023.

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, 2023, the Town reported a liability of \$3,493,172 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. 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, 2022, the Town's proportion was 0.06192%, which was an increase of 0.00324% from its proportion measured as of June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

For the year ended June 30, 2023, the Town recognized pension expense of \$990,223. At June 30, 2022, 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	\$ 150,518	\$ 14,757
Changes in plan assumptions	348,540	-
Net difference between projected and actual earnings on pension plan investments	1,154,530	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	47,068	14,696
Town contributions subsequent to the measurement date	640,685	-
Total	<u>\$ 2,341,341</u>	<u>\$ 29,453</u>

Town contributions made subsequent to the measurement date of \$640,685 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2024	\$ 519,209
2025	458,921
2026	143,033
2027	550,040
	<u>\$ 1,671,203</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Actuarial Assumptions. The total pension liability as of June 30, 2022 (measurement date), was determined by the December 31, 2021 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Discount rate	6.50 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, 2021, valuation were based on the results of an actuarial experience study for the period January 1, 2015, through December 31, 2019.

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 8. 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, 2022, 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	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 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 2.50%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 6,304,726	\$ 3,493,172	\$ 1,176,289

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, 2023, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Active plan members	21
Total	<u>24</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

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

Actuarial Assumptions. The entry age actuarial cost method was used in the June 30, 2023, valuation. The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	3.87 percent

The discount rate used to measure the total pension liability is 3.87%, an increase from 3.69% 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, 2023 (Fidelity G.O. Municipal Bond Index).

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 \$52,076 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, 2023, the Town reported a total pension liability of \$643,660. The total pension liability was measured as of June 30, 2023, based on a June 30, 2023, actuarial valuation. For the year ended June 30, 2023, the Town recognized pension expense of \$86,641.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience differences	\$ 55,489	\$ 190,532
Change in assumptions	87,940	70,086
Total	<u>\$ 143,429</u>	<u>\$ 260,618</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

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

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

Year ending June 30:

2024	\$ (16,622)
2025	(27,086)
2026	(27,086)
2027	(27,086)
2028	(27,085)
Thereafter	7,776
	<u>\$ (117,189)</u>

Changes in the Total Pension Liability. The changes in the total pension liability of the Town for the fiscal year ended June 30, 2023, were as follows:

	Total Pension Liability
Balance at June 30, 2022	\$ 587,495
Service cost	42,361
Interest	22,290
Experience differences	51,980
Assumption changes	(8,390)
Benefit payments	(52,076)
Balance at June 30, 2023	<u>\$ 643,660</u>

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

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate. The following presents the Town's total pension liability calculated using the discount rate of 3.87 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total pension liability	\$ 693,329	\$ 643,660	\$ 598,414

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

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

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

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period January 1, 2015, through December 31, 2019.

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, 2023, were \$94,531 which consisted of \$57,990 from the Town and \$36,541 from the law enforcement officers. As of June 30, 2023, there were twenty-two (22) active participants in the Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

D. 401(k) Retirement Plan

For the year ended June 30, 2023, 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, 2023, was \$212,595.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

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

Membership of the Retiree Health Plan consisted of the following at June 30, 2022, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	9
Active plan members	89
Total	<u>98</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, 2023, the Town contributed \$97,749 for the pay as you go benefits for the Retiree Health Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The Town's total OPEB liability of \$6,767,182 was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2022, 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	6.00/0.00 percent (pre-65/post 65) with an ultimate trend rate of 4.25/4.00 percent
Discount rate	3.87 percent

The discount rate used to measure the total OPEB liability was 3.87%. 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, 2023.

Changes in the Total OPEB Liability. The changes in the total OPEB liability for the Town for the fiscal year ended June 30, 2023, were as follows:

	Total OPEB Liability
Balance at June 30, 2022	\$ 6,638,609
Service cost	198,351
Interest	250,496
Assumption changes	(222,525)
Benefit payments	(97,749)
Balance at June 30, 2023	<u>\$ 6,767,182</u>

Change in assumption and other inputs reflect a change in the discount rate from 3.69% to 3.87%. 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, 2022, valuation were based on the results of an actuarial experience study for the period January 1, 2015, through December 31, 2019. All other assumptions are the same as those used in the most recent (December 31, 2021) valuation for LGERS.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87) than the current discount rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 8,252,841	\$ 6,767,182	\$ 5,613,957

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 (3.25% to 3.00%)	Current (4.25% to 4.00%)	1% Increase (5.25% to 5.00%)
Total OPEB Liability	\$ 5,477,417	\$ 6,767,182	\$ 8,495,008

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, 2023, 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, 2023, the Town recognized OPEB expense in the amount of \$526,974.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

At June 30, 2023, 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	\$ 2,579,498	\$ 2,371,406
Changes in plan assumptions	2,726,990	1,938,004
Total	<u>\$ 5,306,488</u>	<u>\$ 4,309,410</u>

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

Year ending June 30:

2024	\$ 78,127
2025	78,127
2026	78,127
2027	78,127
2028	78,127
Thereafter	606,443
	<u>\$ 997,078</u>

NOTE 10. RISK MANAGEMENT

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RISK MANAGEMENT (CONTINUED)

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

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

For health and dental insurance coverage, the Town is self-insured for individual losses up to \$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, 2023, is as follows:

	<u>June 30, 2022</u>	<u>June 30, 2023</u>
Governmental Activities		
Claims payable, beginning of year	\$ 211,413	\$ 173,867
Incurred claims and changes in estimates	1,250,496	1,291,728
Claim payments	(1,288,042)	(1,200,360)
Claims payable, end of year	<u>\$ 173,867</u>	<u>\$ 265,235</u>

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation:

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

Grant Contingencies:

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

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, 2023**

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability, beginning balance	\$ 587,495	\$ 657,801	\$ 574,573	\$ 527,944	\$ 849,316	\$ 530,663	\$ 534,869
Service cost	42,361	41,028	31,110	30,131	21,342	20,297	20,713
Interest on the total pension liability	22,290	12,978	14,463	16,987	27,028	19,887	18,522
Difference between expected and actual experience	51,980	-	(34,210)	-	(335,450)	274,515	-
Changes of assumptions or other inputs	(8,390)	(78,344)	102,768	30,414	(3,389)	34,857	(11,350)
Benefit payments	<u>(52,076)</u>	<u>(45,968)</u>	<u>(30,903)</u>	<u>(30,903)</u>	<u>(30,903)</u>	<u>(30,903)</u>	<u>(32,091)</u>
Total pension liability, ending balance	<u>\$ 643,660</u>	<u>\$ 587,495</u>	<u>\$ 657,801</u>	<u>\$ 574,573</u>	<u>\$ 527,944</u>	<u>\$ 849,316</u>	<u>\$ 530,663</u>

Notes:

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

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, 2023**

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability	\$ 643,660	\$ 587,495	\$ 657,801	\$ 574,573	\$ 527,944	\$ 849,316	\$ 530,663	\$ 534,869
Town's covered payroll	\$ 1,040,998	\$ 1,125,914	\$ 986,209	\$ 1,035,285	\$ 963,433	\$ 788,396	\$ 783,142	\$ 785,769
Total pension liability as a percentage of covered payroll	61.83%	52.18%	66.70%	55.50%	54.80%	107.73%	67.76%	68.07%

Notes:

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

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, 2023

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 198,351	\$ 333,995	\$ 322,700	\$ 272,128	\$ 262,926	\$ 253,692
Interest on total OPEB liability	250,496	178,933	194,112	259,476	253,534	101,461
Difference between expected and actual experience	-	(855,569)	-	(2,047,555)	-	3,684,998
Changes of assumptions and other inputs	(222,525)	(1,959,045)	948,180	1,167,805	830,283	548,364
Benefit payments	(97,749)	(89,832)	(69,724)	(69,120)	(70,188)	(191,551)
Net change in total OPEB liability	128,573	(2,391,518)	1,395,268	(417,266)	1,276,555	4,396,964
Total OPEB liability - beginning	6,638,609	9,030,127	7,634,859	8,052,125	6,775,570	2,378,606
Total OPEB liability - ending	\$ 6,767,182	\$ 6,638,609	\$ 9,030,127	\$ 7,634,859	\$ 8,052,125	\$ 6,775,570
Covered-employee payroll	\$ 5,032,405	\$ 4,615,310	\$ 3,857,137	\$ 4,053,302	\$ 4,041,719	\$ 3,655,936
Total OPEB liability as a percentage of covered-employee payroll	134.5%	143.8%	234.1%	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, 2023**

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.06192%	0.05868%	0.05807%	0.06116%	0.05886%	0.05780%	0.06250%	0.05850%	0.05690%	0.05600%
Town's proportion of the net pension liability (asset) (\$)	\$ 3,493,172	\$ 899,914	\$ 2,075,087	\$ 1,670,232	\$ 1,396,361	\$ 882,718	\$ 1,325,399	\$ 15,172	\$ (335,330)	\$ 675,015
Town's covered payroll	\$ 4,546,085	\$ 4,242,477	\$ 3,757,314	\$ 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	76.84%	21.21%	55.23%	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	95.51%	88.61%	90.86%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

TOWN OF WILKESBORO, NORTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN'S CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 640,685	\$ 520,991	\$ 435,472	\$ 359,504	\$ 301,574	\$ 274,336	\$ 256,292	\$ 227,101	\$ 221,161	\$ 204,963
Contributions in relation to the contractually required contribution	640,685	520,991	435,472	359,504	301,574	274,336	256,292	227,101	221,161	204,963
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 5,191,248	\$ 4,546,085	\$ 4,242,477	\$ 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	12.34%	11.46%	10.26%	9.57%	7.89%	7.73%	7.49%	6.99%	7.15%	8.48%

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, 2023

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Ad valorem taxes:				
Taxes	\$ 3,650,000	\$ 3,650,000	\$ 3,508,988	\$ (141,012)
Penalties and interest	5,000	5,000	19,449	14,449
Total ad valorem taxes	3,655,000	3,655,000	3,528,437	(126,563)
Unrestricted intergovernmental:				
Local option sales tax	1,550,000	1,550,000	1,732,350	182,350
Payments in lieu of taxes (external sources)	1,000	1,000	1,001	1
Telecommunications sales tax	16,000	16,000	14,685	(1,315)
Utility franchise tax	530,000	530,000	549,716	19,716
Piped natural gas tax	7,000	7,000	13,971	6,971
Video franchise fee	35,000	35,000	31,785	(3,215)
Beer and wine tax	15,000	15,000	16,629	1,629
ABC profit distribution	50,000	50,000	-	(50,000)
Other grant funding	-	-	40,105	40,105
Sales and use tax refund	-	-	179,262	179,262
Total unrestricted intergovernmental	2,204,000	2,204,000	2,579,504	375,504
Restricted intergovernmental:				
Powell Bill allocation	125,000	125,000	126,027	1,027
Other federal and state grants	490,000	606,000	159,006	(446,994)
Controlled substance tax	5,000	5,000	999	(4,001)
Solid waste disposal tax	2,000	2,000	2,864	864
Occupancy tax	300,000	300,000	318,042	18,042
Total restricted intergovernmental	922,000	1,038,000	606,938	(431,062)
Permits and fees:				
Business registration fees	500	500	770	270
Street assessment	500	500	-	(500)
Permits	300	300	3,929	3,629
Total permits and fees	1,300	1,300	4,699	3,399
Sales and service:				
Rents	150,000	150,000	106,097	(43,903)
Court costs, fees and charges	5,000	5,000	3,105	(1,895)
Sanitation fees	155,000	155,000	154,420	(580)
Park lights	4,500	4,500	4,256	(244)
Total sales and service	314,500	314,500	267,878	(46,622)
Investment earnings	2,000	2,000	30,470	28,470
Miscellaneous				
Other	623,700	649,200	864,488	215,288
Cemetery donation	4,000	4,000	5,018	1,018
Total miscellaneous	627,700	653,200	869,506	216,306
Total revenues	7,726,500	7,868,000	7,887,432	19,432

(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, 2023

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
General government:				
Governing body:				
Salaries and employee benefits	\$ 2,000	\$ 2,000	\$ 2,482	\$ (482)
Operating expenditures	127,500	727,500	414,562	312,938
Economic development	267,000	267,000	223,753	43,247
Total	396,500	996,500	640,797	355,703
Administration:				
Salaries and employee benefits	1,101,100	1,101,100	791,597	309,503
Other operating expenditures	212,000	212,000	228,930	(16,930)
Insurance	1,171,000	1,546,000	1,570,492	(24,492)
Total	2,484,100	2,859,100	2,591,019	268,081
Public buildings:				
Salaries and employee benefits	329,800	329,800	384,663	(54,863)
Other operating expenditures	248,200	373,200	62,276	310,924
Capital outlay	70,000	70,000	298,048	(228,048)
Total	648,000	773,000	744,987	28,013
Total general government	3,528,600	4,628,600	3,976,803	651,797
Public safety:				
Police:				
Salaries and employee benefits	1,474,000	1,514,000	1,586,124	(72,124)
Other operating expenditures	274,000	360,000	385,401	(25,401)
Capital outlay	240,000	240,000	254,934	(14,934)
Total	1,988,000	2,114,000	2,226,459	(112,459)
Fire:				
Salaries and employee benefits	477,500	477,500	668,711	(191,211)
Retirement benefits paid	55,000	55,000	12,538	42,462
Other operating expenditures	494,400	494,400	232,242	262,158
Capital outlay	65,000	113,000	109,478	3,522
Total	1,091,900	1,139,900	1,022,969	116,931
Inspections:				
Salaries and employee benefits	200,300	200,300	228,241	(27,941)
Other operating expenditures	215,200	240,200	248,042	(7,842)
Total	415,500	440,500	476,283	(35,783)
Total public safety	3,495,400	3,694,400	3,725,711	(31,311)

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, 2023

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Environmental protection:				
Sanitation:				
Salaries and employee benefits	\$ 144,000	\$ 144,000	\$ 144,783	\$ (783)
Other operating expenditures	57,500	57,500	39,436	18,064
Landfill tipping fees	65,000	65,000	62,016	2,984
Total	266,500	266,500	246,235	20,265
Total environmental protection	266,500	266,500	246,235	20,265
Cultural and recreation:				
Parks and recreation:				
Salaries and employee benefits	210,000	210,000	233,290	(23,290)
Other operating expenditures	152,400	252,400	388,515	(136,115)
Capital outlay	165,000	210,000	50,689	159,311
Total	527,400	672,400	672,494	(94)
Total culture and recreation	527,400	672,400	672,494	(94)
Debt service:				
Principal retirement	289,000	289,000	199,284	89,716
Interest and other charges	20,000	20,000	17,324	2,676
Total	309,000	309,000	216,608	92,392
Total debt service	309,000	309,000	216,608	92,392
Total expenditures	8,251,900	9,570,900	8,837,851	733,049
Deficiency of revenues under expenditures	(525,400)	(1,702,900)	(950,419)	752,481
Other financing sources				
Issuance of debt	280,000	325,000	-	(325,000)
Sale of capital asset	-	-	67,238	67,238
Transfer In	-	-	835,462	835,462
Transfer out	(150,000)	(150,000)	-	150,000
Appropriation of fund balance	395,400	1,527,900	-	(1,527,900)
Total other financing sources	525,400	1,702,900	902,700	(800,200)
Net change in fund balances	\$ -	\$ -	(47,719)	\$ (47,719)
Fund balance, beginning of year			2,739,791	
Fund balance, end of year			<u>\$ 2,692,072</u>	

TOWN OF WILKESBORO, NORTH CAROLINA

CAPITAL PROJECT FUND - WOODFIELD WAY BRIDGE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL PROJECT LIFE AS OF JUNE 30, 2023

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Restricted intergovernmental				
Government grant	\$ 2,500,000	\$ 1,810,230	\$ 679,172	\$ 2,489,402
Total revenues	<u>2,500,000</u>	<u>1,810,230</u>	<u>679,172</u>	<u>2,489,402</u>
EXPENDITURES				
Transportation	2,500,000	1,524,252	1,154,085	2,678,337
Total expenditures	<u>2,500,000</u>	<u>1,524,252</u>	<u>1,154,085</u>	<u>2,678,337</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 285,978</u>	(474,913)	<u>\$ (188,935)</u>
FUND BALANCE, beginning of year			285,978	
FUND BALANCE, end of year			<u>\$ (188,935)</u>	

TOWN OF WILKESBORO, NORTH CAROLINA

CAPITAL PROJECT FUND - SCIF RESTROOM PROJECT SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL PROJECT LIFE AS OF JUNE 30, 2023

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Restricted intergovernmental				
Government grant	\$ 600,000	\$ -	\$ -	\$ -
Donations	400,000			
Total revenues	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Pre-planning and Design	40,000	-	8,291	8,291
Construction	950,000	-	-	-
Contingency	10,000	-	-	-
Total expenditures	<u>1,000,000</u>	<u>-</u>	<u>8,291</u>	<u>8,291</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(8,291)	<u>\$ (8,291)</u>
FUND BALANCE, beginning of year			<u>350,000</u>	
FUND BALANCE, end of year			<u>\$ 341,709</u>	

TOWN OF WILKESBORO, NORTH CAROLINA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2023

	Special Revenue Funds Grant Project Fund	Capital Projects Fund SCIF Restroom Project Fund	Total Nonmajor Governmental Funds
ASSETS			
Restricted Cash	\$ 6,597	\$ -	\$ 6,597
Due from other funds	-	350,000	350,000
Total assets	<u>\$ 6,597</u>	<u>\$ 350,000</u>	<u>\$ 356,597</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ -	\$ 8,291	\$ 8,291
Total liabilities	-	8,291	8,291
FUND BALANCES			
Restricted for grant programs	6,597	-	6,597
Restricted for capital projects	-	341,709	341,709
Total fund balances	<u>6,597</u>	<u>341,709</u>	<u>348,306</u>
Total liabilities and fund balances	<u>\$ 6,597</u>	<u>\$ 350,000</u>	<u>\$ 356,597</u>

TOWN OF WILKESBORO, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Special Revenue Funds Grant Project Fund	Capital Projects Fund SCIF Restroom Project Fund	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Total revenues	-	-	-
EXPENDITURES			
General government	-	8,291	8,291
Total expenditures	-	8,291	8,291
Net change in fund balances	-	(8,291)	(8,291)
FUND BALANCES, beginning of year	6,597	350,000	356,597
FUND BALANCES, end of year	\$ 6,597	\$ 341,709	\$ 348,306

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, 2023

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Operating revenues				
Charges for service	\$ 9,242,500	\$ 9,242,500	\$ 9,034,314	\$ (208,186)
Water and sewer taps	35,000	35,000	57,596	22,596
Other operating revenues	25,000	25,000	25,647	647
Total operating revenues	9,302,500	9,302,500	9,117,557	(184,943)
Nonoperating revenues				
Interest earnings	2,000	2,000	268	(1,732)
Miscellaneous	190,000	190,000	222,009	32,009
Total nonoperating revenues	192,000	192,000	222,277	30,277
Total revenues	9,494,500	9,494,500	9,339,834	(154,666)
EXPENDITURES				
Water and sewer administration				
Salaries and employee benefits	677,000	677,000	112,015	564,985
Other operating expenditures	336,500	336,500	65,617	270,883
Insurance	996,000	996,000	857,857	138,143
Total water and sewer administration	2,009,500	2,009,500	1,035,489	974,011
Water treatment and distribution				
Salaries and employee benefits	655,000	655,000	689,058	(34,058)
Utilities	312,000	312,000	288,156	23,844
Maintenance	117,000	117,000	48,971	68,029
Other operating expenditures	421,500	496,500	594,194	(97,694)
Total water treatment and distribution	1,505,500	1,580,500	1,620,379	(39,879)
Waste collection and treatment				
Salaries and employee benefits	650,000	650,000	684,530	(34,530)
Utilities	358,000	358,000	373,281	(15,281)
Maintenance	200,000	200,000	112,436	87,564
Other operating expenditures	756,500	1,056,500	1,126,545	(70,045)
Total waste collection and treatment	1,964,500	2,264,500	2,296,792	(32,292)
Maintenance				
Salaries and employee benefits	837,000	837,000	833,928	3,072
Utilities	10,000	10,000	21,496	(11,496)
Maintenance	47,000	47,000	20,591	26,409
Other operating expenditures	769,500	1,269,500	1,136,628	132,872
Total maintenance	1,663,500	2,163,500	2,012,643	150,857

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, 2023

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
Garage				
Salaries and employee benefits	\$ 187,500	\$ 187,500	\$ 161,367	\$ 26,133
Utilities	5,000	5,000	5,652	(652)
Maintenance	29,000	29,000	20,989	8,011
Other operating expenditures	42,000	42,000	33,279	8,721
	<u>263,500</u>	<u>263,500</u>	<u>221,287</u>	<u>42,213</u>
Debt service				
Principal retirement	1,013,000	1,013,000	851,225	161,775
Interest and other charges	200,000	200,000	132,881	67,119
Total debt service	<u>1,213,000</u>	<u>1,213,000</u>	<u>984,106</u>	<u>228,894</u>
Capital outlay				
Equipment	1,300,000	1,300,000	2,437,889	(1,137,889)
Total capital outlay	<u>1,300,000</u>	<u>1,300,000</u>	<u>2,437,889</u>	<u>(1,137,889)</u>
Total expenditures	<u>9,919,500</u>	<u>10,794,500</u>	<u>10,608,585</u>	<u>185,915</u>
Deficiency of revenues under expenditures	<u>(425,000)</u>	<u>(1,300,000)</u>	<u>(1,268,751)</u>	<u>31,249</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	425,000	425,000	-	(425,000)
Sale of capital assets	-	-	23,610	23,610
Transfers in	-	-	265,000	265,000
Total other financing sources	<u>425,000</u>	<u>425,000</u>	<u>288,610</u>	<u>(136,390)</u>
Appropriated Fund Balance	-	875,000	-	(875,000)
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>(980,141)</u>	<u>\$ (980,141)</u>
Adjustments to full accrual:				
Principal retirement			851,225	
Capital outlay			2,437,889	
Decrease in compensated absences			5,012	
OPEB related items			(171,690)	
Pension related items			(139,815)	
Depreciation and amortization expense			(1,279,043)	
Revenues - Water and Sewer Capital Project Fund			1,859,919	
Revenues - Water and Sewer Capital Reserve Fund			10,000	
Change in net position			<u>\$ 2,593,356</u>	

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, 2023

	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	

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, 2023

		Actual		
	Project Budget	Prior Years	Current Year	Total
REVENUES				
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	604,384	-	604,384
West Wilkes Water Assn contribution	5,000	-	-	-
Total	2,015,000	1,914,384	-	1,914,384
Cub Creek Wastewater Plant Expansion Project				
SRF funds	3,425,000	992,594	1,859,919	2,852,513
Total	3,425,000	992,594	1,859,919	2,852,513
Total revenues	5,440,000	2,906,978	1,859,919	4,766,897
EXPENDITURES				
Brown's Ford Loop & Tank				
Construction	6,073,241	7,200,931	-	7,200,931
Construction observation and admin	125,000	4,235	-	4,235
Engineering	475,000	855,771	36,219	891,990
Land	250,000	-	-	-
Contingency	346,162	-	-	-
Total	7,269,403	8,060,937	36,219	8,097,156
Cub Creek Wastewater Plant Expansion Project				
Pre-planning	575,000	543,808	1,623,750	2,167,558
Engineering and permitting	2,830,000	448,785	159,766	608,551
Pre-construction services	525,000	-	-	-
Contingency	70,000	-	-	-
Total	4,000,000	992,593	1,783,516	2,776,109
Water Plant				
Engineering	1,260,000	1,233,000	17,225	1,250,225
Contingency	-	13,760	-	13,760
Total	1,260,000	1,246,760	17,225	1,263,985
Total expenditures	12,529,403	10,300,290	1,836,960	12,137,250
Excess (deficiency) of revenues over (under) expenditures	(7,089,403)	(7,393,312)	22,959	(7,370,353)
OTHER FINANCING SOURCES				
Proceeds from issuance of debt	\$ 4,500,000	\$ 4,500,000	\$ -	\$ 4,500,000
Transfer from general fund	125,000	117,752	-	117,752
Transfer from water and sewer fund	1,260,000	738,008	-	738,008
Transfer from water and sewer fund	1,204,403	3,066,990	-	3,066,990
Total other financing sources	7,089,403	8,422,750	-	8,422,750
Net change in fund balance	\$ -	\$ 1,029,438	\$ 22,959	\$ 1,052,397

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, 2023

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Rent income - Vulcan Materials	\$ -	\$ 160,000	\$ 10,000	\$ 170,000
Investment earnings	137,459	250,600	-	250,600
Total revenues	137,459	410,600	10,000	420,600
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	\$ -	\$ 183,942	\$ 10,000	\$ 193,942

TOWN OF WILKESBORO, NORTH CAROLINA

BALANCE SHEET COMPONENT UNIT - WILKESBORO TOURISM DEVELOPMENT, CONVENTION AND VISITORS BUREAU JUNE 30, 2023

ASSETS

Cash and cash equivalents	\$	102,720
Investments		104,539
Due from primary government		68,814
Total assets		<u>276,073</u>

FUND BALANCES

Restricted for:		
Stabilization by State Statute		68,814
Unassigned		<u>207,259</u>
Total fund balances		<u>276,073</u>
Total liabilities and fund balances	\$	<u><u>276,073</u></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, 2023

REVENUES

Occupancy tax	\$ 229,169
Investment earnings	3,782
Miscellaneous	3,576
Total revenues	<u>236,527</u>

EXPENDITURES

Current:

Economic development	<u>231,491</u>
Total expenditures	<u>231,491</u>
Net change in fund balances	5,036

Fund balances, beginning of year

271,037

Fund balances, end of year

\$ 276,073

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2023

Fiscal Year	Uncollected Balance June 30, 2022	Additions	Collections and Credits	Uncollected Balance June 30, 2023
2022-2023	\$ -	\$ 3,505,105	\$ 3,480,205	\$ 24,900
2021-2022	25,179	-	12,854	12,325
2020-2021	10,360	-	3,637	6,723
2019-2020	10,138	-	4,703	5,435
2018-2019	7,785	-	3,494	4,291
2017-2018	7,156	-	3,343	3,813
2016-2017	4,180	-	1,536	2,644
2015-2016	1,145	-	552	593
2014-2015	304	-	31	273
2013-2014	304	-	31	273
2012-2013	49	-	49	-
	<u>\$ 66,600</u>	<u>\$ 3,505,105</u>	<u>\$ 3,510,435</u>	<u>61,270</u>
Plus: May and June vehicle taxes collected in July and August from the NC Division of Motor Vehicles				51,671
Less: Allowance for uncollectible accounts				<u>(4,600)</u>
Ad valorem taxes receivable, net				<u>\$ 108,341</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 3,528,437
Reconciling items:				
Interest collected				(19,449)
Taxes written off				(49)
Refunds and other adjustments				1,496
Total collections and credits				<u>\$ 3,510,435</u>

TOWN OF WILKESBORO, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY TOWN-WIDE LEVY JUNE 30, 2023

	Property Valuation	Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 709,791,019	0.48	\$ 3,406,997	\$ 3,098,486	\$ 308,511
Utilities taxed at current year's rate	14,839,167	0.48	71,228	71,228	-
Total	<u>724,630,186</u>		<u>3,478,225</u>	<u>3,169,714</u>	<u>308,511</u>
Discoveries:					
Current year taxes	7,222,705	0.48	34,669	34,669	-
Total	<u>7,222,705</u>		<u>34,669</u>	<u>34,669</u>	<u>-</u>
Abatements and releases	(1,939,615)		(7,789)	(7,789)	-
Total property valuation	<u>\$ 729,913,276</u>				
Net levy			3,505,105	3,196,594	308,511
Current year levy uncollected taxes at June 30, 2023			(24,900)	(24,900)	-
Current year's taxes collected			<u>\$ 3,480,205</u>	<u>\$ 3,171,694</u>	<u>\$ 308,511</u>
Current levy collection percentage			<u>99.29%</u>	<u>99.22%</u>	<u>100.00%</u>

COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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 year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 26, 2024. 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 of Wilkesboro's financial statements. The financial statements of the Wilkesboro ABC Board were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the ABC Board or that are reported on separately by those auditors who audited the financial statements of the ABC Board.

Report on 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on 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 Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Raleigh, North Carolina
March 26, 2024

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the **Town of Wilkesboro, North Carolina's** (the "Town") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2023. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Mauldin & Jenkins, LLC

Raleigh, North Carolina
March 26, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE
MAJOR STATE PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH APPLICABLE SECTIONS
OF THE UNIFORM GUIDANCE AND THE STATE
SINGLE AUDIT IMPLEMENTATION ACT**

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

Opinion on Each Major State Program

We have audited the Town of Wilkesboro, North Carolina's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2023. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Wilkesboro complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our ethical and other responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Wilkesboro State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Mauldin & Jenkins, LLC

Raleigh, North Carolina
March 26, 2024

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS JUNE 30, 2023

Awarding Agency	AL Number	Pass-through Number	Federal	State
FEDERAL AWARDS				
<u>U.S. Department of Justice</u>				
Community Oriented Policing Services (COPS)				
FY2022 Law Enforcement Agency De-Escalation Grants	16.710	15JCOPS-22-GG-04814-PPSE	\$ 77,112	\$ -
Passed through N.C. Department of Public Safety:				
Governor's Crime Commission				
Bulletproof Vest Partnership Program	16.607		3,551	-
Total U.S. Department of Justice			80,663	-
<u>U.S. Department of Homeland Security</u>				
Federal Emergency Management Agency:				
COVID-19 FY 2020 Assistance to Firefighters	97.044	EMW-2020-FG-12564	48,311	
COVID-19 FY 2020 Assistance to Firefighters Supplemental	97.U01	EMW-2020-FG-04418	10,032	-
Total U.S. Department of Homeland Security			58,343	-
<u>U.S. Department of the Treasury</u>				
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027		1,100,462	-
Total U.S. Department of the Treasury			1,100,462	-
<u>U.S. Environmental Protection Agency</u>				
Passed through N.C. Department of Environmental Quality:				
Clean Water State Revolving Fund (CWSRF) Cluster:				
Cub Creek WWTP Expansion	66.458	CS370829-02	7,407	-
Total U.S. Environmental Protection Agency			7,407	-
TOTAL FEDERAL AWARDS			1,246,875	-
STATE AWARDS				
<u>N.C. Department of Public Safety:</u>				
Emergency Management Division:				
Long-Term Recovery Grant Program:				
Woodfield Way Bridge Project	N/A	NCEM-TIRG1005	-	868,107
Total N.C. Department of Public Safety			-	868,107
<u>N.C. Department of Environmental Quality:</u>				
Division of Water Infrastructure:				
NC Revolving Loan and Grant Program				
Cub Creek WWTP Expansion	N/A	CS370829-02	-	1,852,513
Division of Air Quality				
Level 2 Program:				
ZEV Infrastructure in Wilkesboro NC	N/A	20000047613	-	1,348
Total N.C. Department of Environmental Quality			-	1,853,861
<u>N.C. Department of Natural and Cultural Resources</u>				
Division of Parks and Recreation:				
Parks and Recreation Trust Fund (PART F):				
Cub Creek Park Expansion	N/A	2022-995	-	165,249
Accessible Recreation Facilities (Cub Creek Park)	N/A	2019-901	-	153,920
Total N.C. Department of Natural and Cultural Resources			-	319,169
<u>N.C. Office of State Budget and Management:</u>				
State Capital and Infrastructure Fund:				
Woodfield Way Bridge Project	N/A	11771	-	340,842
Restrooms	N/A	11772	-	8,291
Total N.C. Office of State Budget and Management			-	349,133
TOTAL STATE AWARDS			-	3,390,270
TOTAL FEDERAL AND STATE AWARDS			\$ 1,246,875	\$ 3,390,270

TOWN OF WILKESBORO, NORTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the "SEFSA") includes the federal and state award activity of the Town of Wilkesboro, North Carolina (the "Town") under programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

The Town did not utilize the 10% de Minimis indirect cost rate.

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the
financial statements audited were prepared
in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X yes no

Significant deficiency(ies) identified?

 yes X none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 yes X no

Significant deficiency(ies) identified?

 yes X none reported

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

Unmodified

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

 yes X no

Identification of major federal programs:

Assistance Listing Number

21.027

Name of Federal Program or Cluster

Coronavirus State and Local Fiscal Recovery
Funds

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

\$750,000

Auditee qualified as a low-risk auditee?

 yes X no

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION I

SUMMARY OF AUDITOR'S RESULTS (CONTINUED)

State Awards

Internal control over major state programs:

Material weaknesses identified?

_____ yes X no

Significant deficiencies identified?

_____ yes X none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

_____ yes X no

Identification of major state program:

Program Name _____

State Revolving Loan and Grant Program

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION II

FINANCIAL STATEMENT FINDINGS AND RESPONSES

2023-001. Reporting of Capital Assets and Related Balances

Criteria: Internal controls should be in place to ensure that the Town's capital assets and related accounts are properly reported in accordance with generally accepted accounting principles.

Condition: During our audit procedures, material misstatements were noted in the Town's capital asset balances and related accounts which required audit adjustments. The nature and magnitude of these misstatements are discussed further below.

Context/Cause: During our audit for the year ended June 30, 2023, several audit adjustments were required to properly report capital assets and related accounts of the Town. The nature and magnitude of these adjustments are as follows:

- In the Water and Sewer Fund, an audit adjustment of \$74,323 was required that was found during our testing of accounts payable. The Town improperly omitted an invoice totaling \$74,323 that should have been recorded as accounts payable. These construction costs were incurred before year-end and thus the Town should report the liability and related construction in progress for these items. Additionally, this amount was omitted from the Schedule of Expenditures of Federal and State Awards as it is all grant funded.
- In the Water and Sewer Fund, an audit adjustment of \$40,437 was required to correct repairs and maintenance expense. This amount was improperly expensed and needed to be capitalized.

Effect: Audit adjustments totaling approximately \$115,000 were needed to correct capital and, furthermore, added to the schedule of expenditures of federal and state awards.

Recommendation: Management of the Town needs to review its processes and internal controls related to the reporting of capital assets and accounts payable. We recommend the Town implement monthly reviews of all capital outlay and other project related general ledger accounts to ensure that all capital activity is properly identified, classified, and capitalized. We recommend these reviews occur monthly to minimize the amount of work that is required at year-end to prepare capital asset schedules and subsidiary listings for the annual audit.

Views of Responsible Officials and Planned Corrective Action: See Corrective Action Plan.

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION II

FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2023-002. Accounting for Cash Transactions and Reconciliation of Bank Accounts

Criteria: Internal controls should be in place to ensure that all bank accounts belonging to the Town are identified and recorded for financial reporting.

Condition: During our audit procedures, we noted one bank account with a material balance in the name of the Town that had not been recorded by the Town.

Context/Cause: During the year ending June 30, 2023, we found that a material bank balance of \$138,324 was in the name of the Town but had not been recorded in any of the funds. An audit adjustment was made to record cash and accounts payable for that amount to properly state and report the balance of cash accounts at June 30, 2023.

Effect: An audit adjustment for \$138,324 was made to properly reflect the Towns cash and account payable balances.

Recommendation: Management of the Town needs to review its processes and internal controls related to the reporting of cash and be sure to record all cash in the name of the Town into their system.

Views of Responsible Officials and Planned Corrective Action: See Corrective Action Plan.

SECTION III

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV

STATE AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2022-001. 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.

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: Resolved

2022-002. Purchasing Card Policies

Criteria: Internal controls and policies should be in place which provide reasonable assurance that an individual cannot misappropriate funds and to ensure the safeguarding of assets against unauthorized acquisition or use as it relates to the Town's purchasing card usage.

Condition: There is an overall lack in adequate policies as relates to the Town's purchasing cards. Specifically, we noted the following during our testing:

- The Town is not conducting timely reviews and thorough reconciliation of the individual user purchases.
- No approval process is in place to ensure proper purchases are made.
- No purchase or spending limits are in place to prevent items that would normally require a purchase order or Town Council approval prior to being made.
- The Town lacks certain supporting documentation for various purchases.

Status: Resolved

2022-003. Reporting of Capital Assets, Accounts Payable, and Related Balances

Criteria: Internal controls should be in place to ensure that the Town's capital assets, accounts payable, and related balances are properly reported in accordance with generally accepted accounting principles.

Condition: During our audit procedures, material misstatements were noted in the County's capital asset and accounts payable balances that required audit adjustments. The nature and magnitude of these misstatements are discussed further below.

Status: Unresolved. See Finding 2023-001

TOWN OF WILKESBORO, NORTH CAROLINA

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2022-004. Preparation of Schedule of Expenditures of Federal and State Awards

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

Condition: Internal controls were not in place to accurately report, and ultimately reconcile the expenditures reported on the SEFSA to the Town's underlying accounting records.

Status: Resolved



TOWN OF WILKESBORO

"Where the Mountains Begin"

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MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2023-001. Reporting Capital Assets

Name of Contact Person Responsible for the Corrective Action Plan: Halee Ratcliff, Finance Director

Views of Responsible Officials and Corrective Action Plan: The Finance Director had identified the \$74,323 as a year-end payable during her analysis of the Town's capital projects. However, the entry had not been posted prior to providing the auditors a draft of the Schedule of Expenditures of Federal and State Awards ("SEFSA"). The \$40,437 expenditure was one of three "pump rebuilds" that were capitalized during the year. This expenditure was inadvertently overlooked during the Finance Director's review of the various repairs and maintenance accounts. The Finance Director will consider doing periodic analysis of repairs and maintenance accounts during the year as time permits. In addition, the Finance Director will endeavor to scrutinize purchase order requests to identify potential capital expenditures and ensure the transactions are coded to the proper capital outlay accounts.

Anticipated Completion Date: June 30, 2024.

2023-002. Accounting for Cash Transactions

Name of Contact Person Responsible for the Corrective Action Plan: Halee Ratcliff, Finance Director

Views of Responsible Officials and Corrective Action Plan: The bank account in question was set up several years ago for the benefit of the campground located on the Town's property. The account was properly authorized but wasn't recorded by the previous finance director because it was not considered available for the Town's operations. The Town has consistently reported the account on the semiannual report of deposits (LGC Form-203) to the State. The account should have been accounted for in a custodial fund (fiduciary fund type). However, the account will be transferred to a newly created not-for-profit organization whose purpose is to operate the campground. The transfer will be completed prior to June 30, 2024; therefore, the account (and related liability) has been recorded in the General Fund as of June 30, 2023. The Town does not anticipate opening a new bank account anytime soon; however, the current finance director will ensure that any account created will be properly authorized and recorded in the appropriate fund.

Anticipated Completion Date: June 30, 2024.