

TOWN OF NORTH WILKESBORO, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2019

**TOWN OF NORTH WILKESBORO, NORTH CAROLINA
JUNE 30, 2019**

BOARD OF COMMISSIONERS

Robert L. Johnson, Mayor

Angela Day

Debbie Ferguson

Junior Goforth

Bert Hall

Joe Johnston

ADMINISTRATIVE STAFF

Wilson Hooper, Town Manager

Debra Pearson, Town Clerk

Connie Bauguess, Finance Officer

Town of North Wilkesboro, North Carolina
Table of Contents
June 30, 2019

<u>Exhibit</u>		<u>Page</u>
	Financial Section:	
	Independent Auditor's Report	1 - 3
	Management's Discussion and Analysis	4 - 15
	Basic Financial Statements:	
	Government-Wide Financial Statements:	
1	Statement of Net Position	16
2	Statement of Activities	17
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	18-19
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20-21
5	Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund	22
6	Statement of Fund Net Position - Proprietary Funds	23
7	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	24
8	Statement of Cash Flows - Proprietary Funds	25
	Notes to the Financial Statements	26 - 60

Required Supplemental Financial Data:

Schedule of Changes in Total OPEB Liability and Related Ratios	61
Schedule of the Proportionate Share of Net Pension Liability (Asset) - Local Governmental Employees' Retirement System	62
Schedule of Contributions - Local Governmental Employees' Retirement System	63
Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance	64
Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance	65

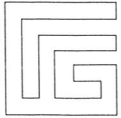
Individual Fund Schedules:

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	66-69
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Firemen's Supplementary Fund	70
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Health Equity	71
Combining Balance Sheet for Non-Major Governmental Funds	72-74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance for Non-Major Governmental Funds	75-77
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - From Inception - Capital Projects Fund - Fire Station Building	78
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Projects Fund - From Inception - Neighborhood Streetscape	79
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Projects Fund - From Inception - Community Waste Reduction and Recycling Grant	80
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Projects Fund - From Inception - NC DOT Project No. R-2603 Highway 268	81

<u>Exhibit</u>	<u>Page</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Projects Fund - Capital Reserve - Governmental Fund	82
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - From Inception - Capital Projects Fund - Yadkin Valley Downtown Streetscape Improvements	83
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Projects Fund - From Inception - Building Rehab and Condemnation	84
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Projects Fund - From Inception - Downtown Streetscape 6th and Main	85
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Projects Fund - From Inception - Memorial Park to Mulberry Fields Greenway Connect	86
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Fund	87-88
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - From Inception - Capital Projects Fund - Kerr Scott Reservoir Raw Water	89
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - From Inception - Capital Projects Fund - Hwy. 115 South Sewer Expansion Project	90
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Projects Fund - Capital Reserve - Enterprise Fund	91
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Health Equity Water Fund	92
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Asset Inventory and Assessment Grant Sewer - A	93
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Asset Inventory and Assessment Grant Sewer - B	94

<u>Exhibit</u>	<u>Page</u>
Other Schedules:	
Schedule of Ad Valorem Taxes Receivable	95
Analysis of Current Tax Levy - Town-Wide Levy	96
Compliance Section:	
Report on Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	97-98

Financial Section



Independent Auditor's Report

To the Honorable Mayor
and Members of the Board of Commissioners
Town of North Wilkesboro, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15, the Other Postemployment Benefits Schedules of Funding Progress and Employer Contributions on page 61, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 62 and 63, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 64 and 65 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditor have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of North Wilkesboro. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, and the procedures performed as described above by us and other auditors, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019 on our consideration of Town of North Wilkesboro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of North Wilkesboro's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Gibson + Company, P.A.". The signature is written in a cursive, flowing style.

Winston-Salem, North Carolina
November 25, 2019

Management's Discussion and Analysis

Town of North Wilkesboro Management's Discussion and Analysis

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

Financial Highlights

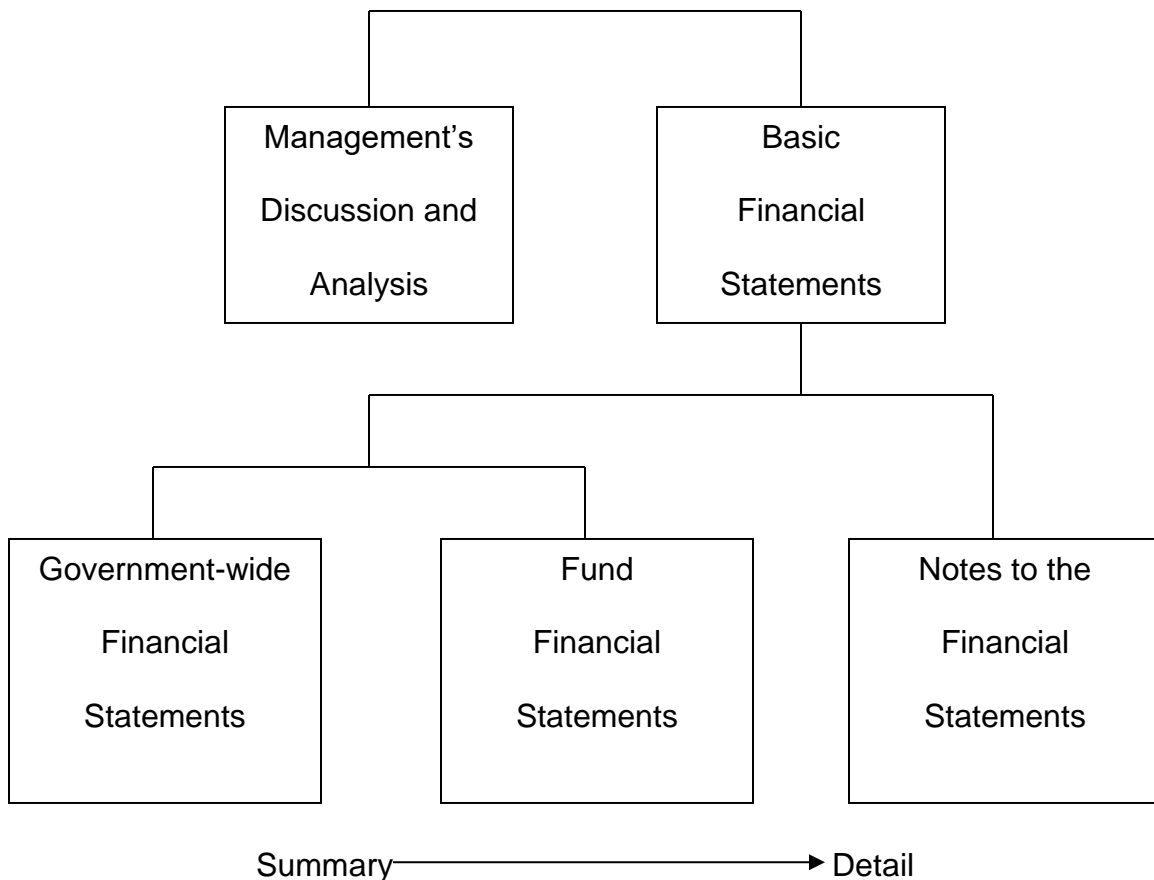
- The assets and deferred outflows of resources of the Town of North Wilkesboro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$64,366,066 (*net position*).
- The government's total net position decreased by \$1,048,966, primarily due to an impairment of capital assets in the amount of \$1,397,328 in the business-type activities net position.
- As of the close of the current fiscal year, the Town of North Wilkesboro's governmental funds reported combined ending fund balances of \$5,204,621 with a net increase of \$944,002 in fund balance. Approximately 24.65 percent of this total amount, or \$1,282,921 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,195,544, or 53.92 percent of total general fund expenditures for the fiscal year.
- The Town of North Wilkesboro's total debt decreased by \$394,227 (6.58%) 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 North 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 North Wilkesboro.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

Management's Discussion and Analysis

Town of North Wilkesboro

Government-wide Financial Statements

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

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the Town's basic services such as public safety, public works and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town's charges customers to provide. These include the water and sewer services offered by the Town of North Wilkesboro. The final category is the component unit. The Town has one component unit, the Town of North Wilkesboro ABC Board. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the ABC Board by appointing its members and the Board is required to distribute its profits to the Town.

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 North 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 Town of North Wilkesboro can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Town of North Wilkesboro

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 26 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 North Wilkesboro's progress in funding its obligation to provide other postemployment benefits to its employees and the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 67 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Management's Discussion and Analysis
Town of North Wilkesboro

Government-Wide Financial Analysis

Town of North Wilkesboro's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 54,304,304	\$ 54,966,226	\$ 3,932,465	\$ 3,904,324	\$ 58,236,769	\$ 58,870,550
Capital assets	43,275,308	43,506,866	16,817,377	18,388,325	60,092,685	61,895,191
Deferred outflows of resources	811,153	575,085	165,876	109,603	977,029	684,688
Total assets and deferred outflows of resources	98,390,765	99,048,177	20,915,718	22,402,252	119,306,483	121,450,429
Long-term liabilities outstanding	3,392,031	3,269,967	1,469,539	1,948,205	4,861,570	5,218,172
Other liabilities	268,442	397,837	679,565	735,689	948,007	1,133,526
Deferred inflows of resources	49,101,463	50,529,797	29,377	24,888	49,130,840	50,554,685
Total liabilities and deferred inflows of resources	52,761,936	54,197,601	2,178,481	2,708,782	54,940,417	56,906,383
Net position:						
Net investment in capital assets	42,843,982	42,940,723	15,637,403	16,817,662	58,481,385	59,758,385
Restricted	947,709	2,044,032	-	-	947,709	2,044,032
Unrestricted	1,837,138	(134,179)	3,099,834	2,875,808	4,936,972	2,741,629
Total net position	\$ 45,628,829	\$ 44,850,576	\$ 18,737,237	\$ 19,693,470	\$ 64,366,066	\$ 64,544,046

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Town of North Wilkesboro exceeded liabilities and deferred inflows by \$64,366,066 as of June 30, 2019. The Town's net position decreased by \$177,980 for the fiscal year ended June 30, 2019. However, the largest portion (90.86%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of North Wilkesboro uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of North Wilkesboro's net investment in 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 North Wilkesboro's net position, \$947,709 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,936,972 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection rate of 96.61%.

Management's Discussion and Analysis
Town of North Wilkesboro

Town of North Wilkesboro's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 502,997	\$ 508,426	\$ 3,056,142	\$ 3,103,978	\$ 3,559,139	\$ 3,612,404
Operating grants and contributions	371,705	168,020	-	-	371,705	168,020
Capital grants and contributions	190,200	103,311	-	596,626	190,200	699,937
General revenues:						
Property taxes	2,293,892	2,268,189	-	-	2,293,892	2,268,189
Grants and contributions not restricted to specific programs	1,902,220	1,819,515	-	-	1,902,220	1,819,515
Other	1,859,533	2,150,693	163,690	24,577	2,023,223	2,175,270
Contribution of capital assets from lease cancellation	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	7,607	460	8,467	-	16,074	460
Total revenues	7,128,154	7,018,614	3,228,299	3,725,181	10,356,453	10,743,795
Expenses:						
General government	2,311,339	2,551,908	-	-	2,311,339	2,551,908
Public safety	2,901,921	2,832,606	-	-	2,901,921	2,832,606
Transportation	695,482	1,167,297	-	-	695,482	1,167,297
Economic development	-	-	-	-	-	-
Environmental protection	856,712	837,354	-	-	856,712	837,354
Cultural and recreational	443,074	445,948	-	-	443,074	445,948
Interest on long-term debt	12,359	15,391	-	-	12,359	15,391
Water and sewer	-	-	4,184,532	2,765,978	4,184,532	2,765,978
Total expenses	7,220,887	7,850,504	4,184,532	2,765,978	11,405,419	10,616,482
Increase (decrease) in net position before transfers	(92,733)	(831,890)	(956,233)	959,203	(1,048,966)	127,313
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	(92,733)	(831,890)	(956,233)	959,203	(1,048,966)	127,313
Net position, July 1 as previously reported	44,850,576	46,769,232	19,693,470	18,979,067	64,544,046	65,748,299
Restatement	870,986	(1,086,766)	-	(244,800)	870,986	(1,331,566)
Net position, July 1 as restated	45,721,562	45,682,466	19,693,470	18,734,267	65,415,032	64,416,733
Net position, June 30	\$ 45,628,829	\$ 44,850,576	\$ 18,737,237	\$ 19,693,470	\$ 64,366,066	\$ 64,544,046

Management's Discussion and Analysis

Town of North Wilkesboro

Governmental activities. Governmental activities decreased the Town's net position by \$92,733. Key elements of this decrease are as follows:

- The Town kept operating expenses as low as possible while maintaining services.
- Depreciation expense for the year amounted to \$1,501,729.

Business-type activities: Business-type activities decreased the Town of North Wilkesboro's net position by \$956,233. The key elements of this increase are as follows:

- Depreciation expense for the year amounted to \$791,856.
- The Town impaired a capital asset in the amount of \$1,397,328.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of North 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 North Wilkesboro's financing requirements.

The general fund is the chief operating fund of the Town of North Wilkesboro. At the end of the current fiscal year, Town of North Wilkesboro's fund balance available in the General Fund was \$3,195,544, while total fund balance reached \$4,491,202. The Town currently has an available fund balance of 53.29% of general fund expenditures, while total fund balance represents 74.90% of the same amount.

At June 30, 2019, the governmental funds of the Town of North Wilkesboro reported a combined fund balance of \$5,204,621 with a net increase in fund balance of \$944,002. Included in this change in fund balance is an increase in the fund balance for the General Fund of \$999,401 and a decrease for the Non-Major Funds of \$55,399.

Management's Discussion and Analysis

Town of North Wilkesboro

General Fund Budgetary Highlights: During the 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.

Revenues were more than the budgeted amounts primarily because the Town did not expect to receive some of the funds that became available. State collected and disbursed revenues such as sales tax and franchise taxes came in higher than expected as consumer spending continues to improve. On an overall basis, expenditures were held in check to comply with its budgetary requirements.

Proprietary Funds. The Town of North 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 \$3,099,834. The total change in net position for the fund was a decrease of \$956,233.

Management's Discussion and Analysis
Town of North Wilkesboro

Capital Asset and Debt Administration

Capital assets. The Town of North Wilkesboro's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$60,092,685 (net of accumulated depreciation). These assets include land, buildings, sewer lines, equipment, and vehicles.

The following are some of the capital asset transactions during the year:

- Purchased furniture and equipment for \$227,692.
- Infrastructure upgrades amounted to \$249,026.
- Purchased various vehicles for \$118,095
- Received an unimproved tract of land valued at \$336,500 as a donation.
- Added \$626,652 to construction in process.

These capital improvement donations and purchases will assist the Town in continuing to deliver top quality service to our citizens and assist in helping our town develop economically.

Management's Discussion and Analysis
Town of North Wilkesboro

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

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 4,594,938	\$ 2,856,568	\$ 44,618	\$ 44,618	\$ 4,639,556	\$ 2,901,186
Building and systems	33,432,622	35,537,114	16,149,529	16,619,768	49,582,151	52,156,882
Other improvements	3,824,031	3,925,174	-	-	3,824,031	3,925,174
Equipment and furniture	185,715	214,089	239,345	281,341	425,060	495,430
Vehicles and motorized equipment	314,076	365,593	70,481	42,920	384,557	408,513
Construction in progress	923,926	608,328	313,404	1,399,678	1,237,330	2,008,006
Total	<u>\$ 43,275,308</u>	<u>\$ 43,506,866</u>	<u>\$ 16,817,377</u>	<u>\$ 18,388,325</u>	<u>\$ 60,092,685</u>	<u>\$ 61,895,191</u>

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

Management's Discussion and Analysis
Town of North Wilkesboro

Long-term Debt. As of June 30, 2019, the Town of North Wilkesboro had total debt outstanding of \$5,601,016. Of this amount, \$3,706,692 is debt backed by the full faith and credit of the Town, \$783,740 is secured by equipment. The remainder of the Town's debt is secured solely by specified revenue sources.

Town of North Wilkesboro's Outstanding Liabilities

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Direct placement installment loans	\$ 431,326	\$ 566,143	\$ 352,414	\$ 450,228	\$ 783,740	\$ 1,016,371
NC DENR Drinking Water Loan	-	-	544,475	680,594	544,475	680,594
NC DENR Drinking Water State Revolving Loan	-	-	566,109	879,681	566,109	879,681
Compensated absences	190,258	204,963	45,296	44,377	235,554	249,340
Net pension liability (LEO)	674,450	737,751	-	-	674,450	737,751
Net pension liability (LGERs)	857,417	562,547	201,122	131,956	1,058,539	694,503
Other postemployment benefits	1,412,204	1,411,266	325,945	325,737	1,738,149	1,737,003
	<u>\$ 3,565,655</u>	<u>\$ 3,482,670</u>	<u>\$ 2,035,361</u>	<u>\$ 2,512,573</u>	<u>\$ 5,601,016</u>	<u>\$ 5,995,243</u>

The Town of North Wilkesboro's total debt decreased by \$394,227 (6.58%) during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of North Wilkesboro is \$34,414,414.

Additional information regarding the Town of North Wilkesboro's long-term debt can be found in Note II.B.6 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicator reflects the growth and prosperity of the Town:

For the fiscal year 2019/2020, the tax rate remains the same at \$.52 per \$100 valuation. The budget does not include the use of general fund balance. New this year is a "Contingencies" line item allocating \$289,157 for unexpected issues.

Budget Highlights for the Fiscal Year Ending June 30, 2020

This is a very straight forward, primarily operations budget with little capital outlay with the exception of police cars and a dumpster truck purchase.

- 2.5% cost of living compensation adjustment for our dedicated and talented employees; we must stay competitive to retain and recruit the best in all departments.
- Purchase and replacement of our 2006 dumpster truck for \$216,000 and using current full-time service 2012 truck as a backup (allows disposing of the 2006) by Installment Purchase Loan.
- Purchase of four police cars by Installment Purchase Loan at \$140,000.
- Proposal for the town to begin paying the Fireman's Pension Plan for fire personnel at a cost of \$10 per month per volunteer and budgeting \$1,440 for the year.
- Continuing with contract services for Code Enforcement.
- \$50,000.00 for dredging.
- \$156,786 for debt service on the withdrawn W. Kerr Scott Intake Project.
- 6th and Main Street Streetscape project has been completed.
- The Memorial Park to Mulberry Fields Greenway Connection Project has been completed.

The Town is laying the groundwork for increased prosperity in the coming years and working to solidify our financial position. Two new elected Commissioners, a new Town Manager, and a new Planner joined the Town in 2019. Engineering and design continued on two significant water projects that, if implemented, will provide North Wilkesboro with plentiful and reliable water service for years to come. And the Town maintained service levels in all areas despite an austere budget designed to build back undesignated fund balance.

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 Wilson Hooper, Town Manager or Connie Bauguess, Finance Officer, Town of North Wilkesboro, 832 Main Street, North Wilkesboro, NC 28659.

Basic Financial Statements

Town of North Wilkesboro, North Carolina
Statement of Net Position
June 30, 2019

Primary Government				
	Governmental Activities	Business-type Activities	Total	Town of North Wilkesboro ABC Board
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 18,007,018	\$ 3,398,666	\$ 21,405,684	\$ 158,842
Note receivable - current	-	156,786	156,786	-
Taxes receivables (net)	107,349	-	107,349	-
Accounts receivable (net)	70,689	493,447	564,136	-
Lease receivable - current	-	-	-	-
Due from other governments	420,760	-	420,760	-
Due from other funds	358,903	(358,903)	-	-
Internal balances	(7,570)	7,570	-	-
Inventories	-	34,903	34,903	228,911
Prepaid items	-	-	-	1,759
Restricted cash and cash equivalents	114,427	73,728	188,155	-
Total current assets	19,071,576	3,806,197	22,877,773	389,512
Non-current assets:				
Land held for resale	335,212	-	335,212	-
Lease receivable - long-term	35,316,941	-	35,316,941	-
Note receivable - long-term	-	126,268	126,268	-
	35,652,153	126,268	35,778,421	-
Capital assets:				
Land, non-depreciable improvements, and construction in progress	5,518,864	358,022	5,876,886	-
Other capital assets, net of depreciation	37,756,444	16,459,355	54,215,799	36,143
Total capital assets	43,275,308	16,817,377	60,092,685	36,143
Total assets	97,999,037	20,749,842	118,748,879	425,655
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	783,206	159,606	942,812	38,140
OPEB Deferrals	27,947	6,270	34,217	-
Total deferred outflows of resources	811,153	165,876	977,029	38,140
LIABILITIES				
Current liabilities:				
Accounts payable	85,318	37,273	122,591	157,877
Accrued interest payable	-	2,742	2,742	-
Current portion of long-term liabilities	173,624	565,822	739,446	-
Prepaid fees	9,500	-	9,500	-
Payable from restricted assets	-	73,728	73,728	-
Total current liabilities	268,442	679,565	948,007	157,877
Long-term liabilities:				
Net pension liability-LGERS	857,417	201,122	1,058,539	-
Total pension liability-LEO	674,450	-	674,450	-
Total OPEB liability	1,412,204	325,945	1,738,149	-
Due in more than one year	447,960	942,472	1,390,432	-
Total liabilities	3,660,473	2,149,104	5,809,577	157,877
DEFERRED INFLOWS OF RESOURCES				
Lease prepayment	14,000,000	-	14,000,000	-
Lease	35,316,941	-	35,316,941	-
OPEB deferrals	121,846	27,309	149,155	-
Pension deferrals	82,101	2,068	84,169	4,361
Total deferred inflows of resources	49,520,888	29,377	49,550,265	4,361
NET POSITION				
Net investment in capital assets	42,843,982	15,637,403	58,481,385	36,143
Restricted for:				
Stabilization by State Statute	842,782	-	842,782	-
Streets-Powell Bill	-	-	-	-
Other functions	104,927	-	104,927	46,092
Unrestricted	1,837,138	3,099,834	4,936,972	219,322
Total net position	\$ 45,628,829	\$ 18,737,237	\$ 64,366,066	\$ 301,557

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

Town of North Wilkesboro, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

Program Revenues					Net (Expense) Revenue and Changes in Net Position					
					Primary Government					
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Town of North Wilkesboro ABC Board		
Primary Government:										
Governmental Activities:										
General government	\$ 2,311,339	\$ -	\$ -	\$ -	\$ (2,311,339)	\$ -	\$ (2,311,339)	\$ -		
Public safety	2,901,921	7,007	34,546	-	(2,860,368)	-	(2,860,368)	-		
Transportation	695,482	-	337,159	-	(358,323)	-	(358,323)	-		
Economic development	-	-	-	190,200	190,200	-	190,200	-		
Environmental protection	856,712	416,814	-	-	(439,898)	-	(439,898)	-		
Cultural and recreational	443,074	79,176	-	-	(363,898)	-	(363,898)	-		
Interest on long-term debt	12,359	-	-	-	(12,359)	-	(12,359)	-		
Total governmental activities	7,220,887	502,997	371,705	190,200	(6,155,985)	-	(6,155,985)	-		
Business-type activities:										
Water and sewer	2,787,204	3,056,142	-	-	-	268,938	268,938	-		
Total business-type activity	2,787,204	3,056,142	-	-	-	268,938	268,938	-		
Total primary government	\$ 10,008,091	\$ 3,559,139	\$ 371,705	\$ 190,200	\$ (6,155,985)	\$ 268,938	\$ (5,887,047)	\$ -		
Component units:										
ABC Board	\$ 1,437,290	\$ 1,432,336	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,954)		
Total component units	\$ 1,437,290	\$ 1,432,336	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,954)		
General revenues:										
Taxes:										
Property taxes, levied for general purpose					2,293,892	-	2,293,892	-		
Unrestricted intergovernmental revenues					1,902,220	-	1,902,220	-		
Unrestricted investment earnings					401,331	68,122	469,453	-		
Rental payments					1,309,894	-	1,309,894	-		
Miscellaneous					306,065	95,568	401,633	-		
Donation of land					336,500	-	336,500	-		
Donation of land					(392,436)	-	(392,436)	-		
Loss on sale of land held for resale					(101,821)	-	(101,821)	-		
Abandonment of capital asset					-	(1,397,328)	(1,397,328)	-		
Gain on disposal of capital assets					7,607	8,467	16,074	-		
Total general revenues not including transfers					6,063,252	(1,225,171)	4,838,081	-		
Transfers					-	-	-	-		
Total general revenues and transfers					6,063,252	(1,225,171)	4,838,081	-		
Change in net position					(92,733)	(956,233)	(1,048,966)	(4,954)		
Net position, beginning, previously reported					44,850,576	19,693,470	64,544,046	306,511		
Restatement					870,986	-	870,986	-		
Net position, beginning, restated					45,721,562	19,693,470	65,415,032	-		
Net position, ending					\$ 45,628,829	\$ 18,737,237	\$ 64,366,066	\$ 301,557		

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

Town of North Wilkesboro, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	Major Fund		
	General	Total Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 17,293,599	\$ 713,419	\$ 18,007,018
Restricted cash	114,427	-	114,427
Receivables, net:			
Taxes	107,349	-	107,349
Accounts	70,689	-	70,689
Lease	35,316,941	-	35,316,941
Due from other governments	420,760	-	420,760
Due from other funds	351,333	-	351,333
Land held for resale	335,212	-	335,212
Total assets	<u>54,010,310</u>	<u>713,419</u>	<u>54,723,729</u>
LIABILITIES			
Accounts payable and accrued liabilities	85,318	-	85,318
Due to other funds	-	-	-
Prepaid fees	9,500	-	9,500
Total liabilities	<u>94,818</u>	<u>-</u>	<u>94,818</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	107,349	-	107,349
Lease	35,316,941	-	35,316,941
Lease prepayment	14,000,000	-	14,000,000
Total deferred inflows of resources	<u>49,424,290</u>	<u>-</u>	<u>49,424,290</u>
FUND BALANCES			
Non Spendable			
Land held for resale	335,212	-	335,212
Restricted			
Stabilization by State Statute	842,782	-	842,782
Streets	-	-	-
Public safety	89,890	-	89,890
Other	15,037	-	15,037
Committed			
Capital projects funds	-	713,419	713,419
Assigned			
Subsequent year's expenditures	12,737	-	12,737
Unassigned	3,195,544	-	3,195,544
Total fund balances	<u>4,491,202</u>	<u>713,419</u>	<u>5,204,621</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 54,010,310</u>	<u>\$ 713,419</u>	(cont)

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

Exhibit 3
(cont)

Town of North Wilkesboro, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balance, governmental funds		\$ 5,204,621
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 53,024,396	
Accumulated depreciation	<u>9,749,088</u>	43,275,308
Deferred outflows of resources related to pensions are not reported in the funds		783,206
Deferred outflows of resources related to OPEB are not reported in the funds		27,947
Earned revenues considered deferred inflows of resources in fund statements.		107,349
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Compensated absences		(190,258)
Long-term debt		(431,326)
OPEB liability		(1,412,204)
Net pension liability (LGERS)		(674,450)
Net pension liability (LEO)		(857,417)
Deferred inflows of resources related to pensions are not reported in the funds		(82,101)
Deferred inflows of resources related to OPEB are not reported in the funds		<u>(121,846)</u>
Net position of governmental activities		<u><u>\$ 45,628,829</u></u>

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

Town of North Wilkesboro, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	Major Funds		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,295,597	\$ -	\$ 2,295,597
Unrestricted intergovernmental	1,902,220	-	1,902,220
Restricted intergovernmental	368,219	175,200	543,419
Permits and fees	28,867	-	28,867
Sales and services	477,616	-	477,616
Investment earnings	401,331	-	401,331
Miscellaneous	1,615,959	15,000	1,630,959
Total revenues	7,089,809	190,200	7,280,009
EXPENDITURES			
Current:			
General government	1,327,859	-	1,327,859
Public safety	2,760,783	-	2,760,783
Transportation	666,916	-	666,916
Environmental protection	701,910	-	701,910
Cultural and recreational	321,553	-	321,553
Debt service:			
Principal	134,814	-	134,814
Interest and other charges	12,359	-	12,359
Capital outlay	-	315,599	315,599
Total expenditures	5,926,194	315,599	6,241,793
Excess (deficiency) of revenues over expenditures	1,163,615	(125,399)	1,038,216
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds	(70,000)	70,000	-
Installment purchase obligation issued	-	-	-
Loss on sale of land held for resale	(101,821)	-	(101,821)
Sale of capital assets	7,607	-	7,607
Total other financing sources (uses)	(164,214)	70,000	(94,214)
Net change in fund balance	999,401	(55,399)	944,002
Fund balance, beginning	3,491,801	768,818	
Fund balances, ending	\$ 4,491,202	\$ 713,419	

(cont)

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

Exhibit 4
(cont)

Town of North Wilkesboro, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	944,002
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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 and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay expenditures which were capitalized	\$ 455,120	
Depreciation expense for governmental activities	(1,501,729)	
Donation of capital assets	336,500	
Donation of capital assets	(392,436)	
Proceeds from sale of capital assets	(7,607)	
Gain on disposal of capital assets	<u>7,607</u>	(1,102,545)

Contributions to the pension plan in the current fiscal year are not included on the statement of activities.		194,046
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		(1,705)
------------------------------------------------	--	---------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long term debt issued		-
Principal payments on long-term debt		134,814

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

Compensated absences		14,705
Pension expense (LGERS)		(239,779)
Pension expense (LEO)		(5,295)
OPEB plan expense		<u>(30,976)</u>

Total changes in net position of governmental activities	\$	<u>(92,733)</u>
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The notes to the financial statements are an integral part of this statement.

Town of North Wilkesboro, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 2,220,000	\$ 2,210,000	\$ 2,295,597	\$ 85,597
Unrestricted intergovernmental	1,867,500	1,740,500	1,902,220	161,720
Restricted intergovernmental	2,384,433	151,500	364,080	212,580
Permits and fees	-	18,000	28,867	10,867
Sales and services	-	449,380	477,616	28,236
Investment earnings	-	380,386	401,217	20,831
Miscellaneous	-	1,877,719	1,615,959	(261,760)
Total revenues	6,471,933	6,827,485	7,085,556	258,071
Expenditures:				
Current:				
General government	848,113	1,398,209	1,327,859	70,350
Public safety	3,324,155	2,938,821	2,743,483	195,338
Transportation	1,257,479	763,479	666,916	96,563
Environmental protection	753,908	734,579	701,910	32,669
Cultural and recreational	460,354	475,954	321,553	154,401
Debt service:				
Principal retirement	60,000	134,816	134,814	2
Interest and other charges	10,832	12,360	12,359	1
Contingency	185,586	-	-	-
Total expenditures	6,900,427	6,458,218	5,908,894	549,324
Revenues over (under) expenditures	(428,494)	369,267	1,176,662	807,395
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	(145,000)	(70,000)	(70,000)	-
Installment purchase obligation issued	-	-	-	-
Loss on sale of land held for resale	-	(336,500)	(101,821)	234,679
Sale of capital assets	-	-	7,607	7,607
Total other financing sources (uses)	(145,000)	(406,500)	(164,214)	242,286
Fund balance appropriated	573,494	37,233	-	(37,233)
Net change in fund balance	\$ -	\$ -	1,012,448	\$ 1,012,448
Fund balances, beginning			3,408,390	
Fund balances, ending			<u>\$ 4,420,838</u>	
Legally budgeted Firemen's Supplementary Fund and Health Equity Fund are consolidated into the General Fund for reporting purposes:				
Contribution from State Firemen's Relief Fund			\$ 4,139	
Transfer from general fund			-	
Investment earnings			114	
Expenditures			(17,300)	
Fund balance, beginning			83,411	
Fund balance, ending			<u>\$ 4,491,202</u>	

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

Exhibit 6

Town of North Wilkesboro, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2019

	Major Enterprise Fund	
	Water and Sewer	
	Fund	Total
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,398,666	\$ 3,398,666
Note receivable-other government-current	156,786	156,786
Accounts receivable (net)	493,447	493,447
Due from other governments	-	-
Due from other funds	7,570	7,570
Inventories	34,903	34,903
Restricted cash and cash equivalents	73,728	73,728
Total current assets	4,165,100	4,165,100
Noncurrent assets:		
Note receivable-other government-long-term	126,268	126,268
Capital Assets:		
Land and construction in progress	358,022	358,022
Other capital assets, net of depreciation	16,459,355	16,459,355
Capital assets	16,817,377	16,817,377
Total noncurrent assets	16,943,645	16,943,645
Total assets	21,108,745	21,108,745
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	159,606	159,606
OPEB deferrals	6,270	6,270
Total deferred outflows of resources	165,876	165,876
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	37,273	37,273
Due to other funds	358,903	358,903
Accrued interest	2,742	2,742
Compensated absences - current	17,212	17,212
Loans payable - current	548,610	548,610
Liabilities payable from restricted assets:		
Customer deposits	73,728	73,728
Total current liabilities	1,038,468	1,038,468
Noncurrent liabilities:		
Compensated absences	28,083	28,083
Net pension liability-LGERS	201,122	201,122
Total OPEB liability	325,945	325,945
Loans payable	914,389	914,389
Total noncurrent liabilities	1,469,539	1,469,539
Total liabilities	2,508,007	2,508,007
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	2,068	2,068
OPEB deferrals	27,309	27,309
Total deferred inflows of resources	29,377	29,377
NET POSITION		
Net investment in capital assets	15,637,403	15,637,403
Unrestricted	3,099,834	3,099,834
Total net position	\$ 18,737,237	\$ 18,737,237

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

Town of North Wilkesboro, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2019

	Major Enterprise Fund	
	Water and Sewer	
	Fund	Total
OPERATING REVENUES		
Charges for services	\$ 2,953,309	\$ 2,953,309
Water and sewer taps	19,550	19,550
Other operating revenues	28,060	28,060
Total operating revenues	3,000,919	3,000,919
OPERATING EXPENSES		
Administration and billing	258,280	258,280
Water treatment and distribution	880,289	880,289
Water maintenance and construction	279,420	279,420
Waste collection and treatment	478,589	478,589
Sanitary sewer maintenance and construction	71,732	71,732
Depreciation	791,856	791,856
Total operating expenses	2,760,166	2,760,166
Operating income (loss)	240,753	240,753
NONOPERATING REVENUES (EXPENSES)		
Rental income	55,223	55,223
Investment earnings	68,122	68,122
Abandonment of capital asset	(1,397,328)	(1,397,328)
Gain on disposal	8,467	8,467
Miscellaneous income	95,568	95,568
Interest and other charges	(27,038)	(27,038)
Total nonoperating revenues (expenses)	(1,196,986)	(1,196,986)
Income (loss) before contributions and transfers	(956,233)	(956,233)
Capital contributions	-	-
Transfers from other funds	-	-
Change in net position	(956,233)	(956,233)
Beginning net position	19,693,470	19,693,470
Total net position, ending	\$ 18,737,237	\$ 18,737,237

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

Town of North Wilkesboro, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019

	Major Enterprise Fund	
	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 3,016,569	\$ 3,016,569
Cash paid for goods and services	(1,139,668)	(1,139,668)
Cash paid on behalf of employees for services	(863,176)	(863,176)
Customer deposits received, net	(1,810)	(1,810)
Net cash provided (used) by operating activities	<u>1,011,915</u>	<u>1,011,915</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term liabilities	(547,504)	(547,504)
Gain on sale of capital assets	8,467	8,467
Miscellaneous income	95,568	95,568
Interest paid on long-term liabilities	(27,715)	(27,715)
Acquisition and construction of capital assets	(618,234)	(618,234)
Net cash provided (used) by capital and related financing activities	<u>(1,089,418)</u>	<u>(1,089,418)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Rental income	55,223	55,223
Note receivable receipts	156,786	156,786
Investment earnings	68,122	68,122
Net cash provided (used) by investing activities	<u>280,131</u>	<u>280,131</u>
Net increase (decrease) in cash and cash equivalents	202,628	202,628
Balances, beginning	3,269,766	3,269,766
Balance, ending	<u>\$ 3,472,394</u>	<u>\$ 3,472,394</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	<u>\$ 240,753</u>	<u>\$ 240,753</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	791,856	791,856
Changes in assets, deferred outflows of resources, and liabilities:		
(Increase) decrease in accounts receivable	(9,817)	(9,817)
(Increase) decrease in due from other governments	25,467	25,467
(Increase) decrease in inventories	2,050	2,050
(Increase) decrease in deferred outflows of resources - pensions	(54,752)	(54,752)
(Increase) decrease in deferred outflows of resources - OPEB	(1,521)	(1,521)
Increase (decrease) in net pension liability	69,166	69,166
Increase (decrease) in deferred inflows of resources - pensions	(3,686)	(3,686)
Increase (decrease) in accounts payable and accrued liabilities	(55,092)	(55,092)
Increase (decrease) in customer deposits	(1,810)	(1,810)
Increase (decrease) in compensated absences	918	918
Increase (decrease) in deferred inflows of resources - OPEB	8,175	8,175
Increase (decrease) in OPEB liability	208	208
Total adjustments	<u>771,162</u>	<u>771,162</u>
Net cash provided by operating activities	<u>\$ 1,011,915</u>	<u>\$ 1,011,915</u>
NONCASH FINANCING NON-CAPITAL ACTIVITIES:		
Impairment of capital asset	<u>\$ (1,397,328)</u>	<u>\$ (1,397,328)</u>

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

Notes to the Financial Statements

Town of North Wilkesboro, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of North Wilkesboro is a municipal corporation that is governed by an elected mayor and a five-member Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of North Wilkesboro ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements of the ABC Board may be obtained from Town of North Wilkesboro ABC Board, 297 Wilkesboro Avenue, North Wilkesboro, NC 28659.

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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.

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

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

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for administration, public safety, street maintenance and construction, and sanitation services. Additionally, the Town has legally adopted a Firemen's Supplementary Fund and Health Equity Fund. Under GASB 54 guidance these funds are consolidated in the General Fund. The budgetary comparison for these funds have been included in the supplemental information.

The Town reports the following non-major governmental funds:

Fire Station Building Project Capital Projects Fund. This fund is used to account for the construction of a new fire station building.

Neighborhood Streetscape Capital Projects Fund. This fund is used to account for the construction of street improvements.

Community Waste Reduction and Recycling Grant Capital Projects Fund. This fund is used to account for the purchase of a vehicle.

NC DOT Project No. R-2603 Highway 268 Capital Projects Fund. This fund is used to account for improvements to a highway.

Capital Reserve Capital Projects Fund. This fund is used to account for funds to be used in various future capital projects and equipment needs.

Yadkin Valley Downtown Streetscape Capital Projects Fund. This fund is used to account for the construction of the downtown streetscape.

Building Rehab and Condemnation Capital Projects Fund. This fund is used to account for building rehab and condemnation improvements.

Downtown Streetscape 6th and Main. This fund is used to account for the construction of the downtown streetscape.

Memorial Park to Mulberry Fields Greenway Connect. This fund is used to account for the construction of a greenway connector.

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and

collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Firemen's Supplementary Fund, The Health Equity Fund (Governmental Fund), the Capital Reserve Capital Projects Fund (Governmental Fund), the Enterprise Fund, the Capital Reserve Capital Projects Fund (Enterprise Fund) and the Health Equity Water Fund (Enterprise Fund). All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Fire Station Building Project Capital Projects Fund, the Neighborhood Streetscape Capital Projects Fund, the Community Waste Reduction and Recycling Grant Capital Projects Fund, the NC DOT No. R-2603 Highway 268 Capital Projects Fund, the Yadkin Valley Downtown Streetscape Capital Projects Fund, the Building Rehab and Condemnation Capital Projects Fund, the Downtown Streetscape 6th and Main Capital Project Fund, the Memorial Park to Mulberry Fields Greenway Connect, the Kerr Scott Reservoir Raw Water Capital Projects Fund, the Hwy. 115 South Sewer Extension Capital Projects Fund and the Asset Inventory and Assessment Grant Sewer Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Town Manager is authorized to transfer appropriations between departments within a fund without limit provided those transfers are reported to the Board of Commissioners at their next regular meeting. However, any revisions that alter total expenditures of any fund must be approved by the governing board. The board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town and its component unit are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and its component unit may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and its component unit may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town and its component unit 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 and its component unit's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value. The NCCMT Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30,2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of North Wilkesboro Restricted Cash

Governmental Activities

General Fund

Public safety	\$ 89,890
Other	15,037
Prepaid fees	<u>9,500</u>
Total Governmental Activities	<u>114,427</u>

Business-Type Activities

Water and Sewer Fund

Customer deposits	<u>73,728</u>
Total Business-Type Activities	<u>73,728</u>

Total Restricted Cash	<u><u>\$ 188,155</u></u>
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the Town and the ABC Board are valued at the lower of cost (first-in, first-out) or market. The inventory of the Town's enterprise fund consists of materials and supplies held for subsequent use. The inventory of the ABC Board consists of goods held for sale. The cost of these inventories are expensed when consumed rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are set at \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do

not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and distributions systems	5 to 40 years
Other improvements	5 to 40 years
Equipment and furniture	5 to 40 years
Vehicles	5 to 10 years

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

Asset Class	Estimated Useful Lives
Building and improvements	10 to 20 years
Furniture and equipment	5 to 10 years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category - property taxes receivable, pension deferrals, and lease prepayments.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The Town's employees are granted vacation and sick leave in varying amounts. However, if an employee departs from service, payment for accumulated vacation leave shall not exceed 30 days. Effective the last day in the month, any employee with more than 30 days of accumulated leave shall have the excess accumulation converted to sick leave so that only 30 days of vacation time is carried forward to the next month. Firefighters are allowed to carry over 60 days of accumulated leave at month end. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

Land held for resale - portion of fund balance that is not an available resource because it represents the year-end balance of land held for resale, which is not spendable resources.

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

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of

fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as “restricted by State statute”. Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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 – portion of fund balance restricted by donors.

Restricted for Other – portion of fund balance restricted by donors.

Committed Fund Balance – portion of fund balance that can be used for specific purposes imposed by majority vote by quorum of the Town of North Wilkesboro’s governing body (highest level of decision-making authority). 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 limitations.

Committed for Capital Projects Funds – funds are used to account for the revenue and expenditures of the various capital projects funds of the Town.

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

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed.

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

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

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LGERS) and additions

to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of North Wilkesboro's employer contributions are recognized when due and the Town of North Wilkesboro has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and its component unit are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or its component unit's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and its component unit, these deposits are considered to be held by the Town's and component unit's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, its component unit, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and its component unit under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$1,652,686 and a bank balance of \$1,760,371. Of the bank balance, \$497,809 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019 the Town's petty cash fund totaled \$600.

At June 30, 2019, the ABC Board's deposits had a carrying amount of \$157,142 and a bank balance of \$148,893. All of the bank balance was covered by federal depository insurance. At June 30, 2019, the ABC Board's cash on hand totaled \$1,700.

2. Investments

At June 30, 2019, The Town's investment balances are as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/19	Maturity	Rating
NC Capital Management Trust-Government Portfolio	Fair Value Level 1	\$ 1,481,477	N/A	AAAm
NC Capital Management Trust-Term Portfolio	Fair Value Level 1	8,467,261	.11 years a	Unrated
US Treasuries	Fair Value Level 1	4,001,344	Varies from November 2023-2026	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	2,987,976	September 10, 2027	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	3,002,495	November 15, 2027	AAA
Total:		\$ 19,940,553		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

a This is the duration for the Term Portfolio.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk.

Credit risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The investment in the Federal Home Loan Bank is rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2019. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

Concentration of Credit Risk. The Town's Board places no limit on the amount that the Town may invest in any one issuer. More than 5 percent of the Town's investments are invested in United States Treasuries, Federal Home Loan Bank securities, and Federal Farm Credit Bank securities.

3. Note Receivables – Other Governments

To address raw water supply storage and sufficient water supply, the Town of North Wilkesboro has arranged with NCDENR for a Drinking Water State Revolving Loan with a maximum borrowing limit on the loan up to \$1,567,860 to design and construct a raw water intake on the Kerr Scott Reservoir.

As of June 30, 2019, loan proceeds of \$1,193,253 have been drawn and \$627,144 have been repaid. The balance is to be repaid over 3 years.

To share the costs of the project, the Town entered into a note receivable from the Town of Wilkesboro whereby the Town of Wilkesboro will pay one-half of amounts owed for the Kerr Scott Capital Project engineering fees as the payments come due.

Annual amounts to be received by the Town from the Town of Wilkesboro are as follows:

Year Ending June 30	Principal	Interest
2020	\$ 156,786	-
2021	126,268	-
	<u>\$ 283,054</u>	<u>\$ -</u>

4. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 133,272
Accounts receivable	8,115
	<u>\$ 141,387</u>
Enterprise Fund:	
Accounts receivable	\$ 49,917
	<u>\$ 49,917</u>

5. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,650,874	\$ 336,500	\$ 392,436	\$ 4,594,938
Construction in progress	608,328	315,598	-	923,926
Total capital assets not being depreciated	5,259,202	652,098	392,436	5,518,864
Capital assets being depreciated:				
Buildings	36,688,897	-	-	36,688,897
Other improvements	6,499,202	55,634	-	6,554,836
Equipment and furniture	978,529	13,659	-	992,188
Vehicles	3,236,849	70,229	37,467	3,269,611
Total capital assets being depreciated	47,403,477	139,522	37,467	47,505,532
Less accumulated depreciation for:				
Buildings	2,075,102	1,181,173	-	3,256,275
Other improvements	2,574,028	156,777	-	2,730,805
Equipment and furniture	764,440	42,033	-	806,473
Vehicles	2,871,256	121,746	37,467	2,955,535
Total accumulated depreciation	8,284,826	1,501,729	37,467	9,749,088
Total capital assets being depreciated, net	39,118,651			37,756,444
Governmental activity capital assets, net	<u>\$ 44,377,853</u>			<u>\$ 43,275,308</u>

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

General government	\$ 1,024,930
Public safety	187,716
Transportation	18,772
Environmental protection	142,664
Recreational and cultural	127,647
Total depreciation expense	<u>\$ 1,501,729</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 44,618	\$ -	\$ -	\$ 44,618
Construction in progress	1,399,678	311,054	1,397,328	313,404
Total capital assets not being depreciated	1,444,296	311,054	1,397,328	358,022
Capital assets being depreciated:				
Building and distribution systems	32,162,398	249,026	-	32,411,424
Equipment and furniture	1,245,585	10,290	-	1,255,875
Vehicles	302,409	47,866	36,685	313,590
Total capital assets being depreciated	33,710,392	307,182	36,685	33,980,889
Less accumulated depreciation for:				
Building and distribution systems	15,542,630	719,265	-	16,261,895
Equipment and furniture	964,244	52,286	-	1,016,530
Vehicles	259,489	20,305	36,685	243,109
Total accumulated depreciation	16,766,363	791,856	36,685	17,521,534
Total capital assets being depreciated, net	16,944,029			16,459,355
Business-type activity capital assets, net	\$ 18,388,325			\$ 16,817,377

Construction Commitments

The government has active construction projects as of June 30, 2019. At year-end, the government's commitments with contractors is as follows:

Projects	Spent-to-date	Remaining Commitment
Fire Station Building Project	\$ 75,008	\$ 127,732
Neighborhood Streetscape	79,208	20,792
NC DOT Hwy 268	83,866	182,052
Building Rehab and Condemnation	10,139	109,861
Downtown Streetscape 6 th and Main	114,388	562,000
Memorial Park to Mulberry Fields Greenway Connection	266,670	131,330
Hwy. 115 South Sewer Extension Project	313,404	4,036,204
Asset Inventory and Assessment Grant Sewer-B	35,320	69,680
	\$ 978,003	\$ 5,239,651

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings and improvements	\$ 186,853	\$ -	\$ -	\$ 186,853
Furniture and equipment	50,313	-	-	50,313
Total capital assets being depreciated	237,166	-	-	237,166
Less accumulated depreciation for:				
Building and improvements	161,423	1,953	-	163,376
Furniture and equipment	30,250	7,397	-	37,647
Total accumulated depreciation	191,673	9,350	-	201,023
Total capital assets being depreciated, net	45,493			36,143
ABC Board capital assets, net	\$ 45,493			\$ 36,143

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of North 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the

member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of North Wilkesboro 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 of North Wilkesboro's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.86% 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 of North Wilkesboro were \$240,389 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$1,058,539 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was .04462% which was a decrease of .00084% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$296,855. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 163,307	\$ 5,480
Changes in assumptions	280,895	-
Net difference between projected and actual earnings on pension plan investments	145,306	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	10,132	5,402
Town contributions subsequent to the measurement date	240,389	-
Total	<u>\$ 840,029</u>	<u>\$ 10,882</u>

\$240,389 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 280,903
2021	186,621
2022	36,905
2023	84,329
2024	-
Thereafter	-

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return

on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 2,542,702	\$ 1,058,539	\$ (181,651)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of North Wilkesboro 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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>24</u>
Total	<u>26</u>

2. *Summary of Significant Accounting Policies:*

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.

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

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

4. 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. There were no contributions made by employees. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$37,323 as benefits came due in the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$674,450. The total pension liability was measured as of June 30, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$5,295.

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$ 46,224	\$ 46,640
Changes of assumptions	27,691	26,647
Town benefit payments and plan administrative expense made subsequent to measurement date	28,868	-
	<u>\$ 102,783</u>	<u>\$ 73,287</u>

\$28,868 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 2,841
2021	2,841
2022	2,841
2023	4,774
2024	(12,669)
Thereafter	-

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 3.64 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 (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Town's proportionate share of the net pension liability (asset)	\$ 725,556	\$ 674,450	\$ 627,621

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

	2019
Beginning balance	\$ 737,751
Service Cost	31,365
Interest on the total pension liability	22,723
Changes of benefit terms	-
Differences between expected and actual experience in measurement of the total pension liability	(56,082)
Changes in assumptions or other inputs	(23,984)
Benefit payments	(37,323)
Other changes	-
Ending balance of total pension liability	<u>\$ 674,450</u>

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 296,855	\$ 5,295	\$ 302,150
Pension Liability	1,058,539	674,450	1,732,989
Proportionate share of the net pension liability	0.04462%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	163,307	46,224	209,531
Changes of assumptions	280,895	27,691	308,586
Net difference between projected and actual earnings on plan investments	145,306	-	145,306
Changes in proportion and differences between contributions and proportionate share of contributions	10,132	-	10,132
Benefit payments and administrative costs paid subsequent to the measurement date	240,389	28,868	269,257
Deferred of Inflows of Resources			
Differences between expected and actual experience	5,480	46,640	52,120
Changes of assumptions	-	26,647	26,647
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	5,402	-	5,402

c. Supplemental Retirement Income Plan for Law Enforcement Officers and All Other Full-Time Employees

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and employees not engaged in law enforcement 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for law enforcement officers and all other employees not engaged in law enforcement. 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 and employee's salary, and all amounts contributed are vested immediately. Also, law enforcement officers and employees may make voluntary contributions to the plan.

The Town made contributions of \$56,035 for the reporting year. No amounts were forfeited.

d. Other Postemployment Benefit

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. *Benefits Provided.* The plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least thirty years of creditable service with the Town. The Town will pay for health insurance for eligible retirees until they become eligible for Medicare. The retiree may continue dependent coverage (and pay the full cost of this coverage) if enrolled in dependent coverage at the time of retirement. Dependent coverage terminates upon the spouse becoming eligible for Medicare or upon the retiree's death, whichever comes first. A separate report was not issued for the plan. The Town Council may amend the benefit provisions.

Membership of the HCB Plan consisted of the following at December 31, 2018, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	6	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	39	26
Total	45	26

Total OPEB Liability

The Town's total OPEB liability of \$1,738,149 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.50-7.75 percent, average, including inflation
Discount rate	3.89 percent
Healthcare cost trend rates	Pre-Medicare - 7.50% of 2017 decreasing to an ultimate rate of 5.00% by 2023

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	\$ 1,737,003
Changes for the year	
Service cost	73,040
Interest	60,630
Changes of benefit terms	-
Differences between expected and actual experience	(6,226)
Changes in assumptions or other inputs	(57,865)
Benefit payments	(68,433)
Net changes	<u>1,146</u>
Balance at 6/30/2019	<u>\$ 1,738,149</u>

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

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 (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease	Discount Rate (3.89%)	1% Increase
Total OPEB liability	\$ 1,921,050	\$ 1,738,149	\$ 1,576,784

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. 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	Current	1% increase
Total OPEB liability	\$ 1,532,709	\$ 1,738,149	\$ 1,985,932

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$37,838. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 19,741
Changes of assumptions	-	129,414
Benefit payments and administrative costs made subsequent to the measurement date	34,217	-
Total	<u>\$ 34,217</u>	<u>\$ 149,155</u>

\$34,217 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ (19,012)
2021	(19,012)
2022	(19,012)
2023	(19,012)
2024	(19,012)
Thereafter	(54,095)

e. Other Employment Benefit

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

2. Deferred Outflows and Inflows of Resources

The Town has six deferred outflows of resources. Deferred outflows of resources are comprised of the following:

Contributions to pension plan in current fiscal year	\$ 240,389
Benefit payments made and administrative expenses for LEOSA	28,868
Differences between expected and actual experience	209,531
Changes of assumptions	308,586
Net difference between projected and actual	145,306
Changes in proportion and differences between employer contributions and proportionate share of contribution	10,132
OPEB deferrals	34,217
Charge on refunding	-
Total	<u>\$ 977,029</u>

Deferred inflows of resources at year-end is comprised of the following:

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 107,349
Lease prepayment	14,000,000	14,000,000
Lease	34,897,516	34,897,516
OPEB deferrals	149,155	-
Changes in assumptions	26,647	-
Differences between projected and actual experience	52,120	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,402	-
	<u>\$ 49,130,840</u>	<u>\$ 49,004,865</u>

3. 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. Employee health coverage is provided by a local insurance agency. 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. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical

stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries no flood insurance.

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 individually bonded for \$50,000, the tax collector for \$2,500, the Town Manager for \$25,000, and the Town Clerk for \$25,000. The remaining employees that have access to funds are bonded under a blanket bond for \$1,000,000.

4. Commitments

A building built by the ABC Board is on land owned by the Town of North Wilkesboro. A ten year lease was renewed on the land effective September 1, 2014. The terms of the lease call for an annual rent payment of \$3,600 plus monthly payments of 1 ½% of gross monthly sales in excess of \$20,000.

Rent expense under the operating lease was as follows:

	For the Year Ended June 30, 2019
Minimum rent	\$ 3,600
Contingent rent	13,968
Total rent	<u>\$ 17,568</u>

Future minimum annual obligations for the operating lease are as follows:

Year Ended June 30	
2020	\$ 3,600
2021	3,600
2022	3,600
2023	3,600
2024	<u>3,600</u>
	<u>\$ 18,000</u>

5. Long-term Obligations – Governmental Activities

a. Installment purchase

In March, 2012, the Town entered into a direct placement contract for the purchase a 2012 Mack garbage truck. The property is pledged as collateral for the debt while the debt is outstanding. The contract required monthly payments of \$2,305 which included interest at 2.09% through March, 2019. The loan was paid off in 2019.

b. Installment purchase

In March, 2013, the Town entered into a direct placement contract for the purchase of a 2012 Pierce fire truck. The property is pledged as collateral for the debt while the debt is outstanding. The agreement requires quarterly payments of \$13,899, which includes interest at 1.79% through March, 2020.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending		
June 30	Principal	Interest
2020	\$ 41,326	\$ 370
	<u>\$ 41,326</u>	<u>\$ 370</u>

c. Loan agreement

In September, 2015, the Town entered into a loan agreement for the construction and renovation of the Farmer's Market and surroundings. The agreement requires semi-annual payments of \$30,000, plus interest at 2.49% through September, 2025.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending		
June 30	Principal	Interest
2020	\$ 60,000	\$ 9,338
2021	60,000	7,844
2022	60,000	6,350
2023	60,000	4,856
2024	60,000	3,362
2025-2026	90,000	2,238
	<u>\$ 390,000</u>	<u>\$ 33,988</u>

6. Long-term Obligations – Business-Type Activities

a. NCDENR Drinking Water Loan

In October, 2002, the Town entered into a NCDENR Drinking Water Loan that requires annual principal payments of \$136,119 plus semi-annual interest payments at 2.57% through May, 2023.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2020	\$ 136,119	\$ 13,993
2021	136,119	10,495
2022	136,119	6,997
2023	136,118	3,498
	<u>\$ 544,475</u>	<u>\$ 34,983</u>

b. NCDENR Drinking Water State Revolving Loan

To address raw water supply storage and sufficient water supply, the Town of North Wilkesboro is partnering with the Town of Wilkesboro to design and construct a raw water intake on the Kerr Scott Reservoir. Kerr Scott Reservoir will provide a reliable source of good quality water for both towns. The Town is using a combination of grants and loans to finance the project. The Town has arranged with NCDENR for a Drinking Water State Revolving Loan with a maximum borrowing limit on the loan up to \$1,567,860. As of June 30, 2019, loan proceeds of \$1,193,253 have been drawn and \$627,144 have been repaid.

The loan requires annual principal payments of \$313,572 at no interest through May, 2022.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2020	\$ 313,572	\$ -
2021	252,537	-
	<u>\$ 566,109</u>	<u>\$ -</u>

Additionally, the Town of Wilkesboro has agreed to pay one-half of the payments as they come due which is reflected as a note receivable. During the year, the Town of Wilkesboro reimbursed to the Town an amount of \$156,786.

c. Loan Agreement

In December, 2013, the Town entered into a loan agreement for funding to construct a new water and sewer maintenance building and equipment shed requiring principal payments twice per year at \$22,188 each plus interest at 2.79% through December, 2023.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending		
June 30	Principal	Interest
2020	\$ 44,377	\$ 5,262
2021	44,377	4,024
2022	44,377	2,786
2023	44,377	1,548
2024	<u>22,188</u>	<u>309</u>
	<u>\$ 199,696</u>	<u>\$ 13,929</u>

d. Installment purchase

In May, 2012, the Town entered into a direct placement contract for the purchase of equipment that requires monthly payments of \$4,763, which includes interest at 2.048% through April, 2022. The property is pledged as collateral for the debt while the debt is outstanding.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending		
June 30	Principal	Interest
2020	\$ 54,542	\$ 2,618
2021	55,670	1,490
2022	<u>42,506</u>	<u>364</u>
	<u>\$ 152,718</u>	<u>\$ 4,472</u>

7. Changes in Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Direct placement installment purchase	\$ 566,143	\$ -	\$ 134,817	\$ 431,326	\$ 101,326
Compensated absences	204,963	118,988	133,693	190,258	72,298
Other postemployment benefits	1,411,266	938	-	1,412,204	-
Net pension liability (LGRS)	562,547	294,870	-	857,417	-
Total pension liability (LEO)	737,751	-	63,301	674,450	-
Governmental activity long-term liabilities	<u>\$ 3,482,670</u>	<u>\$ 414,796</u>	<u>\$ 331,811</u>	<u>\$ 3,565,655</u>	<u>\$ 173,624</u>
Business-type activities:					
NC DENR Drinking Water Loan	\$ 680,594	\$ -	\$ 136,119	\$ 544,475	\$ 136,119
NC DENR Drinking Water State Revolving Loan	879,681	-	313,572	566,109	313,572
Direct placement installment purchase	450,228	-	97,814	352,414	98,919
Compensated absences	44,377	29,910	28,991	45,296	17,212
Other postemployment benefits	325,737	208	-	325,945	-
Net pension liability (LGRS)	131,956	69,166	-	201,122	-
Business-type activity long-term liabilities	<u>\$ 2,512,573</u>	<u>\$ 99,284</u>	<u>\$ 576,496</u>	<u>\$ 2,035,361</u>	<u>\$ 565,822</u>

At June 30, 2019, the Town had a legal debt margin of \$34,414,414.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019, consist of the following:

General Fund	<u>\$ (7,570)</u>
Water Sewer Fund	<u>\$ 7,570</u>
General Fund	<u>\$ 358,903</u>
Water Sewer Fund	<u>\$ (358,903)</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to and from other funds at June 30, 2019, consist of the following:

From General Fund to Capital Reserve Fund	\$ (70,000)
From Capital Reserve to Memorial Park to Mulberry Fields Greenway Connect	(110,000)
From Capital Reserve Fund to Downtown Streetscape 6th and Main	<u>(70,000)</u>
	<u>\$ (250,000)</u>
From Capital Projects Fund - Capital Reserve - Enterprise Fund to Capital Projects Fund - Hwy. 115 South Sewer Extension Project	<u>\$ (313,447)</u>

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

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2019, the Town of North Wilkesboro has recognized on-behalf payments for pension contributions made by the State as revenue of \$10,544 and an expenditure of \$10,544 for the twenty-six volunteer firemen and three employed firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firefighters' and Rescue Squad Workers' Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

E. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 43,275,308	\$ 16,817,377
Less: long-term debt	<u>431,326</u>	<u>1,179,974</u>
Net investment in capital assets	<u>\$ 42,843,982</u>	<u>\$ 15,637,403</u>

F. Fund Balance

The following schedule provides management and citizens with information on the portion of general fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 4,491,202
Less:	
Land held for resale	335,212
Stabilization by State Statute	842,782
Streets - Powell Bill	-
Public safety	89,890
Other	15,037
Appropriated fund balance in 2019 budget	12,737
Remaining Fund Balance	3,195,544

III. Jointly Governed Organizations

The Town, in conjunction with seven counties and eighteen other municipalities established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$1,126 to the Council during the fiscal year ended June 30, 2019.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Restatement

During the current year, it was determined a tract of unimproved land purchased in 1999 for \$1,794,306 was being depreciated over forty years. The accumulated depreciation on this land amounted to \$870,896 at July 1, 2018. A restatement in the amount of \$870,896 was recorded at July 1, 2018 increasing the net position of the governmental activities.

During the year, it was determined that the lease receivable and the deferred inflows – lease at June 30, 2018 was understated by \$215,417. This had no effect on net position and fund balance.

VI. Leases

Effective July 1, 2017 the Town of North Wilkesboro (Town), WRMC Operating Corporation (WRMC), Wilkes Physician Network, Inc (WPN), and Wake Forest University Baptist Medical Center (WFUBMC) entered into a lease agreement whereby the Town will lease to WRMC the "Leased Assets" (as described in the lease) i.e. real property together with the buildings,

improvements, and fixtures thereon. The initial term of this lease shall be for thirty (30) years commencing as of July 1, 2017. After the initial term the lease may be renewed and extended at the option of the tenant and WFUBMC for two (2) successive periods of ten (10) years each. Lease payments consist of a \$15,000,000 "Upfront Lease Payment" (including the Lock Up Fee) on the commencement date plus an Annual Rent payment of \$1,000,000 (which shall be increased by 2% of the amount paid the previous year) beginning on the first anniversary of the commencement date. The Town elected earlier application of GASB 87 and accordingly recorded this lease as a Lease Receivable and a Deferred Inflow of Resources at the present value of lease payments plus the "Upfront Lease Payment") at the commencement of the lease term. Also, the Town recognized \$210,106 of interest income on the Lease Receivable and \$1,309,894 inflow of resources (revenue) from the deferred inflow of resources during the current year.

Minimum lease payments to be received in the future are as follows:

Year Ended June 30	
2020	\$ 1,040,400
2021	1,061,208
2022	1,082,432
2023	1,104,080
2024	1,126,162
2025-2029	5,977,806
2030-2034	6,599,981
2035-2039	7,286,913
2040-2044	8,045,340
2045-2047	5,223,758
	<u>\$ 38,548,080</u>

VII. Other Matters

The Town donated a 118.92 acre unimproved tract of land to the State of North Carolina with a carrying value at \$392,436. Additionally, the Town received an 18.227 acre unimproved tract of land valued at \$336,500.

During the year, the decision was made to abandon the Kerr Scott Reservoir Raw Water Project. Accordingly, the expenditures to date in the amount of \$1,397,328 were written off as an abandonment in the Water and Sewer fund.

VIII. Subsequent Events

Subsequent events have been evaluated through November 29, 2019, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

Town of North Wilkesboro, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 73,040	\$ 80,122
Interest	60,630	52,575
Changes of benefit terms	-	-
Differences between expected and actual experience	(6,226)	(17,955)
Changes of assumptions	(57,865)	(98,380)
Benefit payments	<u>(68,433)</u>	<u>(51,660)</u>
Net change in total OPEB liability	1,146	(35,298)
Total OPEB liability - beginning	<u>1,737,003</u>	<u>1,772,301</u>
Total OPEB liability - ending	<u><u>\$ 1,738,149</u></u>	<u><u>\$ 1,737,003</u></u>
Covered payroll	\$ 2,558,379	\$ 2,558,379
Total OPEB liability as a percentage of covered payroll	67.94%	67.89%

Notes to schedule:

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2019	3.89%
2018	3.56%

Town of North Wilkesboro, North Carolina
Town of North Wilkesboro's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years*

Local Governmental Employees' Retirement System

	2019	2018	2017	2016	2015	2014
North Wilkesboro's proportion of the net pension liability (asset) (%)	0.04462%	0.04546%	0.04354%	0.04506%	0.04802%	0.04760%
North Wilkesboro's proportion of the net pension liability (asset) (\$)	\$ 1,058,539	\$ 694,503	\$ 924,065	\$ 202,227	\$ (283,196)	\$ 573,763
North Wilkesboro's covered payroll	\$ 2,925,086	\$ 2,807,808	\$ 2,732,193	\$ 2,618,450	\$ 2,646,975	\$ 2,547,882
North Wilkesboro's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	36.19%	24.73%	33.82%	7.72%	-10.70%	22.52%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

** This will be the same percentage for all participant employers in the LGERS plan.

Town of North Wilkesboro, North Carolina
Town of North Wilkesboro's Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Governmental Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 240,389	\$ 227,358	\$ 213,463	\$ 189,027	\$ 188,470	\$ 189,235
Contributions in relation to the contractually required contribution	240,389	227,358	213,463	189,027	188,470	189,235
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
North Wilkesboro's covered payroll	\$ 2,967,343	\$ 2,925,086	\$ 2,807,808	\$ 2,732,193	\$ 2,618,450	\$ 2,646,975
Contributions as a percentage of covered payroll	8.10%	7.78%	7.60%	6.92%	7.20%	7.15%

Town of North Wilkesboro, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	2019	2018	2017
Beginning balance	\$ 737,751	\$ 605,667	\$ 615,942
Service cost	31,365	27,416	26,603
Interest on the total pension liability	22,723	22,817	21,190
Changes of benefit terms		-	-
Differences between expected and actual experience in the measurement of the total pension liability	(56,082)	69,394	-
Changes of Assumptions or other inputs	(23,984)	41,571	(13,317)
Benefit payments	(37,323)	(29,114)	(44,751)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 674,450</u>	<u>\$ 737,751</u>	<u>\$ 605,667</u>

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

Town of North Wilkesboro, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 674,450	\$ 737,751	\$ 605,667
Covered payroll	1,100,117	1,076,242	1,015,687
Total pension liability as a percentage of covered payroll	61.31%	68.55%	59.63%

Notes to the schedules:

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

Individual Fund Schedules

Town of North Wilkesboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 2,287,880	\$
Interest		7,717	
Total	<u>2,210,000</u>	<u>2,295,597</u>	<u>85,597</u>
Unrestricted intergovernmental:			
Local option sales taxes		1,393,038	
Payments in lieu of taxes		29,620	
Telecommunications sales tax		52,624	
Utilities sales tax		360,732	
Piped natural gas sales tax		12,587	
Video franchise fee		34,620	
Beer and wine tax		18,999	
Total	<u>1,740,500</u>	<u>1,902,220</u>	<u>161,720</u>
Restricted intergovernmental:			
Powell Bill allocation		142,545	
Controlled substance tax		3,816	
On-behalf of payments - Fire		10,544	
State grants		204,078	
Solid waste disposal tax		3,097	
Total	<u>151,500</u>	<u>364,080</u>	<u>212,580</u>
Permits and fees:			
Privilege licenses and penalties		500	
Planning and zoning		2,986	
Building permits		25,381	
Total	<u>18,000</u>	<u>28,867</u>	<u>10,867</u>
Sales and services:			
Rents and concessions		46,575	
Court costs, fees, and charges		5,847	
Recreation Department fees		32,601	
Garage disposal fees		391,433	
Parking violation fees		1,160	
Total	<u>449,380</u>	<u>477,616</u>	<u>28,236</u>
Investment earnings	<u>380,386</u>	<u>401,217</u>	<u>20,831</u>
Miscellaneous:			
Lease - WRMC		1,309,894	
Miscellaneous		306,065	
Total	<u>1,877,719</u>	<u>1,615,959</u>	<u>(261,760)</u>
 Total revenues	 <u>6,827,485</u>	 <u>7,085,556</u>	 <u>258,071</u>

cont.

Town of North Wilkesboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Governing body:			
Salaries and benefits		68,498	
Operating expenses		45,600	
Capital outlay		-	
Total	135,253	114,098	21,155
Administration:			
Salaries and employee benefits		284,718	
Other operating expenditures		20,800	
Total	316,048	305,518	10,530
Finance:			
Salaries and employee benefits		195,145	
Other operating expenditures		47,708	
Capital outlay		-	
Total	252,661	242,853	9,808
Legal department:			
Salaries and employee benefits		30,544	
Professional services		9,797	
Total	46,420	40,341	6,079
Public buildings:			
Other operating expenditures		210,961	
Capital outlay		37,448	
Total	259,150	248,409	10,741
Special appropriations:			
Salaries and employee benefits		200,759	
Total	209,325	200,759	8,566
Tourism:			
Salaries and employee benefits		58,570	
Other operating expenditures		117,311	
Capital outlay		-	
Total	179,352	175,881	3,471
Total general government	1,398,209	1,327,859	70,350
Public safety:			
Police department:			
Salaries and employee benefits		1,686,203	
Other operating expenditures		302,377	
Capital outlay		77,915	
Total	2,201,924	2,066,495	135,429
Fire department:			
Salaries and employee benefits		312,044	
Other operating expenditures		148,368	
Capital outlay		13,659	
Total	520,849	474,071	46,778
			cont.

Town of North Wilkesboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Inspections:			
Salaries and employee benefits		133,584	
Other operating expenditures		69,333	
Total	<u>216,048</u>	<u>202,917</u>	<u>13,131</u>
Total public safety	<u>2,938,821</u>	<u>2,743,483</u>	<u>195,338</u>
Transportation:			
Public works:			
Salaries and employee benefits		59,757	
Other operating expenditures		4,880	
Total	<u>68,247</u>	<u>64,637</u>	<u>3,610</u>
Streets and highways:			
Salaries and employee benefits		246,686	
Other operating expenditures		260,753	
Capital outlay		-	
Total	<u>591,219</u>	<u>507,439</u>	<u>83,780</u>
Garage:			
Salaries and employee benefits		72,402	
Other operating expenditures		22,438	
Total	<u>104,013</u>	<u>94,840</u>	<u>9,173</u>
Total transportation	<u>763,479</u>	<u>666,916</u>	<u>96,563</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		334,416	
Other operating expenditures		102,846	
Contracted services		163,570	
Capital outlay		-	
Total	<u>622,192</u>	<u>600,832</u>	<u>21,360</u>
Cemeteries:			
Salaries and employee benefits		82,442	
Other operating expenditures		18,636	
Total	<u>112,387</u>	<u>101,078</u>	<u>11,309</u>
Total environmental protection	<u>734,579</u>	<u>701,910</u>	<u>32,669</u>

cont.

Town of North Wilkesboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Cultural and recreational:			
Recreational:			
Salaries and employee benefits		190,550	
Other operating expenditures		120,503	
Capital outlay		10,500	
Total	<u>475,954</u>	<u>321,553</u>	<u>154,401</u>
Cultural:			
Contributions to other agencies		-	
Total	<u>-</u>	<u>-</u>	<u>-</u>
Total cultural and recreation	<u>475,954</u>	<u>321,553</u>	<u>154,401</u>
Debt service:			
Principal retirement	134,816	134,814	
Interest and other charges	12,360	12,359	
Total debt service	<u>147,176</u>	<u>147,173</u>	<u>3</u>
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>6,458,218</u>	<u>5,908,894</u>	<u>549,324</u>
Revenues over (under) expenditures	<u>369,267</u>	<u>1,176,662</u>	<u>807,395</u>
Other financing sources (uses):			
Transfers from other funds:			
Capital projects funds	-	-	-
Transfers to other funds:			
Capital projects funds	(70,000)	(70,000)	-
Loss on sale of land held for resale	(336,500)	(101,821)	234,679
Sale of capital assets	-	7,607	7,607
Total other financing sources (uses)	<u>(406,500)</u>	<u>(164,214)</u>	<u>242,286</u>
Fund balance appropriated	37,233	-	(37,233)
Net change in fund balance	<u>\$ -</u>	1,012,448	<u>\$ 1,012,448</u>
Fund balances, beginning		3,408,390	
Fund balances, ending		<u>\$ 4,420,838</u>	

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Firemen's Supplementary Fund
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Contribution from State Firemen's Relief Fund	\$ 4,000	\$ 4,139	\$ 139
Investment earnings	-	114	114
Total revenues	<u>4,000</u>	<u>4,253</u>	<u>253</u>
Expenditures:			
Salaries and benefits	<u>21,900</u>	<u>17,300</u>	<u>4,600</u>
Total expenditures	<u>21,900</u>	<u>17,300</u>	<u>4,600</u>
Revenues over (under) expenditures	<u>(17,900)</u>	<u>(13,047)</u>	<u>4,853</u>
Appropriated fund balance	<u>17,900</u>	<u>-</u>	<u>(17,900)</u>
Net change in fund balance	<u>\$ -</u>	<u>(13,047)</u>	<u>\$ (13,047)</u>
Fund balance, beginning		48,411	
Fund balance, ending		<u>\$ 35,364</u>	

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Health Equity
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ -	\$ -
Total revenues	-	-	-
Expenditures:			
Expenditures	35,000	-	35,000
Total expenditures	35,000	-	35,000
Revenues over (under) expenditures	(35,000)	-	35,000
Other financing sources (uses):			
Transfer from general fund	35,000	-	(35,000)
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		35,000	
Fund balance, ending		\$ 35,000	

Town of North Wilkesboro, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2019

	Fire Station Building Project Capital Projects Fund	Neighborhood Streetscape Capital Projects Fund	Community Waste Reduction and Recycling Grant Capital Projects Fund
Assets			
Cash and cash equivalents	\$ 127,732	\$ 20,792	\$ 445
Grants receivable	-	-	-
Total assets	<u>127,732</u>	<u>20,792</u>	<u>445</u>
Liabilities			
Accounts payable and accrued liabilities	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Restricted by stabilization by state statute	-	-	-
Committed	127,732	20,792	445
Total fund balances	<u>127,732</u>	<u>20,792</u>	<u>445</u>
Total liabilities and fund balances	<u>\$ 127,732</u>	<u>\$ 20,792</u>	<u>\$ 445</u>

Continued

Town of North Wilkesboro, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2019

	NC DOT Project No. R-2603 Highway 268 Capital Projects Fund		Capital Reserve Capital Projects Fund	Yadkin Valley Downtown Streetscape Capital Projects Fund
Assets				
Cash and cash equivalents	\$	-	\$ 339,236	\$ 211
Grants receivable		-	-	-
Total assets		-	339,236	211
Liabilities				
Accounts payable and accrued liabilities		-	-	-
Total liabilities		-	-	-
Fund Balances				
Restricted by stabilization by state statute		-	-	-
Committed		-	339,236	211
Total fund balances		-	339,236	211
Total liabilities and fund balances	\$	-	\$ 339,236	\$ 211

Continued

Town of North Wilkesboro, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2019

	Building Rehab and Condemnation Capital Projects Fund	Downtown Streetscape 6th and Main	Memorial Park to Mulberry Fields Greenway Connect	Total Non-Major Governmental Funds
Assets				
Cash and cash equivalents	\$ 109,861	\$ 5,612	\$ 109,530	\$ 713,419
Grants receivable	-	-	-	-
Total assets	109,861	5,612	109,530	713,419
Liabilities				
Accounts payable and accrued liabilities	-	-	-	-
Total liabilities	-	-	-	-
Fund Balances				
Restricted by stabilization by state statute	-	-	-	-
Committed	109,861	5,612	109,530	713,419
Total fund balances	109,861	5,612	109,530	713,419
Total liabilities and fund balances	\$ 109,861	\$ 5,612	\$ 109,530	\$ 713,419

Town of North Wilkesboro, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2019

	Fire Station Building Project Capital Projects Fund	Neighborhood Streetscape Capital Projects Fund	Community Waste Reduction and Recycling Grant Capital Projects Fund
Revenues:			
Restricted intergovernmental	\$ -	\$ -	\$ (3,000)
Contributions from other agencies	-	-	-
Total revenues	-	-	(3,000)
Expenditures:			
Capital outlay	26,572	-	-
Economic development	-	-	-
Total expenditures	26,572	-	-
Revenues over (under) expenditures	(26,572)	-	(3,000)
Other financing sources (uses):			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	(26,572)	-	(3,000)
Fund balance, beginning	154,304	20,792	3,445
Fund balance, ending	<u>\$ 127,732</u>	<u>\$ 20,792</u>	<u>\$ 445</u>

Continued

Town of North Wilkesboro, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2019

	NC DOT Project No. R-2603 Highway 268 Capital Projects Fund	Capital Reserve Capital Projects Fund	Yadkin Valley Downtown Streetscape Capital Projects Fund
Revenues:			
Restricted intergovernmental	\$ -	\$ -	\$ -
Contributions from other agencies	-	-	-
Total revenues	-	-	-
Expenditures:			
Capital outlay	-	-	-
Economic development	-	-	-
Total expenditures	-	-	-
Revenues over (under) expenditures	-	-	-
Other financing sources (uses):			
Transfers from other funds	-	-	-
Transfers to other funds	-	(110,000)	-
Total other financing sources (uses)	-	(110,000)	-
Net change in fund balance	-	(110,000)	-
Fund balance, beginning	-	449,236	211
Fund balance, ending	\$ -	\$ 339,236	\$ 211

Continued

Town of North Wilkesboro, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2019

	Building Rehab and Condemnation Capital Projects Fund	Downtown Streetscape 6th and Main	Memorial Park to Mulberry Fields Greenway Connect	Total Non-Major Governmental Funds
Revenues:				
Restricted intergovernmental	\$ -	\$ -	\$ 178,200	\$ 175,200
Contributions from other agencies	-	-	15,000	15,000
Total revenues	-	-	193,200	190,200
Expenditures:				-
Capital Outlay	-	99,888	189,139	315,599
Economic development	-	-	-	-
Total expenditures	-	99,888	189,139	315,599
Revenues over (under) expenditures	-	(99,888)	4,061	(125,399)
Other financing sources (uses):				
Transfers from other funds	-	70,000	110,000	180,000
Transfers to other funds	-	-	-	(110,000)
Total other financing sources (uses)	-	70,000	110,000	70,000
Net change in fund balance	-	(29,888)	114,061	(55,399)
Fund balance, beginning	109,861	35,500	(4,531)	768,818
Fund balance, ending	\$ 109,861	\$ 5,612	\$ 109,530	\$ 713,419

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Fire Station Building Project
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ 2,740	\$ 2,740	\$ -	\$ 2,740	\$ -
Total revenues	<u>2,740</u>	<u>2,740</u>	<u>-</u>	<u>2,740</u>	<u>-</u>
Expenditures:					
Capital outlay	202,740	48,436	26,572	75,008	127,732
Total expenditures	<u>202,740</u>	<u>48,436</u>	<u>26,572</u>	<u>75,008</u>	<u>127,732</u>
Revenues over (under) expenditures	<u>(200,000)</u>	<u>(45,696)</u>	<u>(26,572)</u>	<u>(72,268)</u>	<u>127,732</u>
Other financing sources (uses)					
Transfers from other funds	200,000	200,000	-	200,000	-
Total other financing sources (uses)	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 154,304</u>	<u>(26,572)</u>	<u>\$ 127,732</u>	<u>\$ 127,732</u>
Fund balance, beginning			154,304		
Fund balance, ending			<u>\$ 127,732</u>		

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Neighborhood Streetscape
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Other	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
Capital outlay	100,000	79,208	-	79,208	20,792
Total expenditures	100,000	79,208	-	79,208	20,792
Revenues over (under) expenditures	(100,000)	(79,208)	-	(79,208)	20,792
Other financing sources (uses)					
Transfers from other funds					
General Fund	100,000	100,000	-	100,000	-
Total other financing sources (uses)	100,000	100,000	-	100,000	-
Net change in fund balance	\$ -	\$ 20,792	-	\$ 20,792	\$ 20,792
Fund balance, beginning			20,792		
Fund balance, ending			\$ 20,792		

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Community Waste Reduction and Recycling Grant
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grants	\$ 55,000	\$ 55,000	\$ (3,000)	\$ 52,000	\$ (3,000)
Total revenues	<u>55,000</u>	<u>55,000</u>	<u>(3,000)</u>	<u>52,000</u>	<u>(3,000)</u>
Expenditures:					
Capital outlay	118,379	115,934	-	115,934	2,445
Total expenditures	<u>118,379</u>	<u>115,934</u>	<u>-</u>	<u>115,934</u>	<u>2,445</u>
Revenues over (under) expenditures	<u>(63,379)</u>	<u>(60,934)</u>	<u>(3,000)</u>	<u>(63,934)</u>	<u>(555)</u>
Other financing sources (uses)					
Transfers from other funds					
Transfer from General Fund	3,295	4,295	-	4,295	1,000
Capital Reserve Fund	60,084	60,084	-	60,084	-
Total other financing sources (uses)	<u>63,379</u>	<u>64,379</u>	<u>-</u>	<u>64,379</u>	<u>1,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,445</u>	<u>(3,000)</u>	<u>\$ 445</u>	<u>\$ 445</u>
Fund balance, beginning			3,445		
Fund balance, ending			<u>\$ 445</u>		

Town of North Wilkesboro, North Carolina
Capital Projects Fund - NC DOT Project No. R-2603 Highway 268
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grants	\$ 83,866	\$ 83,866	\$ -	\$ 83,866	\$ -
Total revenues	<u>83,866</u>	<u>83,866</u>	<u>-</u>	<u>83,866</u>	<u>-</u>
Expenditures:					
Capital outlay	265,918	83,866	-	83,866	182,052
Total expenditures	<u>265,918</u>	<u>83,866</u>	<u>-</u>	<u>83,866</u>	<u>182,052</u>
Revenues over (under) expenditures	<u>(182,052)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,052</u>
Other financing sources (uses)					
Transfers from other funds					
General Fund	98,052	-	-	-	(98,052)
Water and Sewer Enterprise Fund	84,000	-	-	-	(84,000)
Total other financing sources (uses)	<u>182,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(182,052)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ -</u>		

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Capital Projects Fund - Capital Reserve - Governmental Fund
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ -	\$ -
Total revenues	-	-	-
Expenditures:			
Operating expenses	-	-	-
Total expenditures	-	-	-
Revenues over (under) expenditures	-	-	-
Other financing sources (uses):			
Transfers from (to) other funds:			
General fund	145,000	70,000	(75,000)
General fund	(145,000)	-	145,000
Capital Project Fund - Memorial Park to Mulberry Fields Greenway Connect	(110,000)	(110,000)	-
Capital Project Fund - Downtown Streetscape 6th and Main	-	(70,000)	(70,000)
Total	(110,000)	(110,000)	-
Fund balance appropriated	110,000	-	(110,000)
Net change in fund balance	\$ -	(110,000)	\$ (110,000)
Fund balance, beginning		449,236	
Fund balance, ending		\$ 339,236	

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Yadkin Valley Downtown Streetscape Improvements
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grants	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Expenditures:					
Capital outlay	315,637	315,426	-	315,426	211
Total expenditures	<u>315,637</u>	<u>315,426</u>	<u>-</u>	<u>315,426</u>	<u>211</u>
Revenues over (under) expenditures	<u>(265,637)</u>	<u>(265,426)</u>	<u>-</u>	<u>(265,426)</u>	<u>211</u>
Other financing sources (uses)					
Transfers from other funds					
General Fund	265,637	265,637	-	265,637	-
Total other financing sources (uses)	<u>265,637</u>	<u>265,637</u>	<u>-</u>	<u>265,637</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 211</u>	<u>-</u>	<u>\$ 211</u>	<u>\$ 211</u>
Fund balance, beginning			211		
Fund balance, ending			<u>\$ 211</u>		

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Building Rehab and Condemnation
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
Capital outlay	120,000	10,139	-	10,139	109,861
Total expenditures	120,000	10,139	-	10,139	109,861
Revenues over (under) expenditures	(120,000)	(10,139)	-	(10,139)	109,861
Other financing sources (uses)					
Transfers from other funds					
General Fund	120,000	120,000	-	120,000	-
Total other financing sources (uses)	120,000	120,000	-	120,000	-
Net change in fund balance	\$ -	\$ 109,861	-	\$ 109,861	\$ 109,861
Fund balance, beginning			109,861		
Fund balance, ending			<u>\$ 109,861</u>		

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Downtown Streetscape 6th and Main
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grants	\$ 300,000	\$ -	\$ -	\$ -	\$ (300,000)
Total revenues	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>
Expenditures:					
Capital outlay	676,388	14,500	99,888	114,388	562,000
Total expenditures	<u>676,388</u>	<u>14,500</u>	<u>99,888</u>	<u>114,388</u>	<u>562,000</u>
Revenues over (under) expenditures	<u>(376,388)</u>	<u>(14,500)</u>	<u>(99,888)</u>	<u>(114,388)</u>	<u>262,000</u>
Other financing sources (uses)					
Transfers from other funds					
General Fund	376,388	50,000	70,000	120,000	(256,388)
Total other financing sources (uses)	<u>376,388</u>	<u>50,000</u>	<u>70,000</u>	<u>120,000</u>	<u>(256,388)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 35,500</u>	<u>(29,888)</u>	<u>\$ 5,612</u>	<u>\$ 5,612</u>
Fund balance, beginning			35,500		
Fund balance, ending			<u>\$ 5,612</u>		

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Memorial Park To Mulberry Fields Greenway Connect
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grants	\$ 200,000	\$ -	\$ 178,200	\$ 178,200	\$ (21,800)
National Park Service Grant	25,000	25,000	-	25,000	-
Foundation Grant	63,000	48,000	15,000	63,000	-
Total revenues	<u>288,000</u>	<u>73,000</u>	<u>193,200</u>	<u>266,200</u>	<u>(21,800)</u>
Expenditures:					
Capital outlay	<u>398,000</u>	<u>77,531</u>	<u>189,139</u>	<u>266,670</u>	<u>131,330</u>
Total expenditures	<u>398,000</u>	<u>77,531</u>	<u>189,139</u>	<u>266,670</u>	<u>131,330</u>
Revenues over (under) expenditures	<u>(110,000)</u>	<u>(4,531)</u>	<u>4,061</u>	<u>(470)</u>	<u>109,530</u>
Other financing sources (uses)					
Transfers from other funds					
General Fund Capital Reserve Fund	110,000	-	110,000	110,000	-
Water and Sewer Enterprise Fund	-	-	-	-	-
Total other financing sources (uses)	<u>110,000</u>	<u>-</u>	<u>110,000</u>	<u>110,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (4,531)</u>	<u>114,061</u>	<u>\$ 109,530</u>	<u>\$ 109,530</u>
Fund balance, beginning			(4,531)		
Fund balance, ending			<u>\$ 109,530</u>		

Town of North Wilkesboro, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales and sewer charges	\$ 2,637,000	\$ 2,953,307	\$ 316,307
Water and sewer taps	5,000	19,550	14,550
Other operating revenues	15,000	68,493	53,493
Total operating revenues	<u>2,657,000</u>	<u>3,041,350</u>	<u>384,350</u>
Nonoperating revenues:			
Rental income		55,223	
Investment earnings		68,122	
Total nonoperating revenues	<u>59,000</u>	<u>123,345</u>	<u>64,345</u>
Total revenues	<u>2,716,000</u>	<u>3,164,695</u>	<u>448,695</u>
Expenditures:			
Administration and billing:			
Salaries and employee benefits		108,317	
Other operating expenditures		91,855	
Total	<u>243,729</u>	<u>200,172</u>	<u>43,557</u>
Water treatment and distribution:			
Salaries and employee benefits		303,434	
Utilities		155,770	
Other operating expenditures		415,614	
Total	<u>872,440</u>	<u>874,818</u>	<u>(2,378)</u>
Water maintenance and construction:			
Salaries and employee benefits		191,760	
Other operating expenditures		83,580	
Total	<u>335,732</u>	<u>275,340</u>	<u>60,392</u>
Waste collection and treatment:			
Salaries and employee benefits		257,385	
Utilities		73,429	
Other operating expenditures		142,113	
Total	<u>539,526</u>	<u>472,927</u>	<u>66,599</u>
Sanitary sewer maintenance and construction:			
Other operating expenditures		71,732	
Total	<u>80,000</u>	<u>71,732</u>	<u>8,268</u>
Total operating expenditures	<u>2,071,427</u>	<u>1,894,989</u>	<u>176,438</u>
			(continued)

Town of North Wilkesboro, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Interest and other charges		27,713	
Principal retirement		547,506	
Total debt service	575,222	575,219	3
Capital outlay:			
Capital outlay		307,180	
Total capital outlay	392,500	307,180	85,320
Total expenditures	3,039,149	2,777,388	261,761
Revenues over (under) expenditures	(323,149)	387,307	710,456
Capital contribution	156,786	-	156,786
Other financing sources (uses):			
Transfers from (to) other funds			
Sale of capital assets	-	8,467	8,467
Health Equity Water Fund	(5,000)	-	5,000
Capital reserve fund	156,786	-	(156,786)
Total other financing sources (uses)	151,786	8,467	(143,319)
Fund balance appropriated	14,577	-	(14,577)
Revenues and other sources over (under) expenditures and other uses	\$ -	395,774	\$ 395,774

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Reconciling items:	
Principal retirement	547,506
Capital outlay	307,182
Decrease in accrued interest payable	676
Increase in compensated absences	(918)
Increase in deferred outflow of resources - pension	54,752
Increase in deferred outflow of resources - OPEB	1,521
Increase in net pension liability	(69,166)
Decrease in deferred inflows of resources- pensions	3,686
Increase in deferred inflows of resources- OPEB	(8,174)
Depreciation	(791,856)
Abandonment of capital asset	(1,397,328)
Water and Sewer Capital Projects Funds revenues	55,135
Water and Sewer Capital Projects Funds expenses	(54,815)
Increase in accrued OPEB liability	(208)
Total reconciling items	(1,352,007)
Change in net position	\$ (956,233)

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Kerr Scott Reservoir Raw Water
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grants	\$ 500,000	\$ 204,075	\$ -	\$ 204,075	\$ (295,925)
Total revenues	<u>500,000</u>	<u>204,075</u>	<u>-</u>	<u>204,075</u>	<u>(295,925)</u>
Expenditures:					
Capital outlay	13,895,872	1,397,328	-	1,397,328	12,498,544
Total expenditures	<u>13,895,872</u>	<u>1,397,328</u>	<u>-</u>	<u>1,397,328</u>	<u>12,498,544</u>
Revenues over (under) expenditures	<u>(13,395,872)</u>	<u>(1,193,253)</u>	<u>-</u>	<u>(1,193,253)</u>	<u>12,202,619</u>
Other financing sources (uses)					
Transfers from other funds	242,170	242,170	-	242,170	-
Transfers to Capital Projects Fund -					
Capital Reserve Fund - Enterprise Fund	(242,070)	(242,070)	-	(242,070)	-
Proceeds from NC DENR Drinking Water					
State Revolving Loan	13,395,772	1,193,253	-	1,193,253	(12,202,519)
Total other financing sources (uses)	<u>13,395,872</u>	<u>1,193,353</u>	<u>-</u>	<u>1,193,353</u>	<u>(12,202,519)</u>
Revenues and other financing sources over (under) expenditures and other uses	<u>\$ -</u>	<u>100</u>	<u>-</u>	<u>\$ 100</u>	<u>\$ 100</u>
Fund balance, beginning		-	100		
Fund balance, ending		<u>\$ 100</u>	<u>\$ 100</u>		

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Hwy. 115 South Sewer Extension Project
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ -	\$ -	\$ -	\$ -	-
State grants	564,000	-	-	-	(564,000)
Other contributions	-	-	-	-	-
Investment earnings	-	-	-	-	-
Total revenues	<u>564,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(564,000)</u>
Expenditures:					
Capital outlay	<u>4,349,608</u>	<u>2,352</u>	<u>311,052</u>	<u>313,404</u>	<u>4,036,204</u>
Total expenditures	<u>4,349,608</u>	<u>2,352</u>	<u>311,052</u>	<u>313,404</u>	<u>4,036,204</u>
Other financing sources (uses)					
Transfer from Capital Reserve	2,608	2,608	313,447	316,055	313,447
Loan proceeds	<u>3,783,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,783,000)</u>
Total other financing sources (uses)	<u>3,785,608</u>	<u>2,608</u>	<u>313,447</u>	<u>316,055</u>	<u>(3,469,553)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 256</u>	<u>2,395</u>	<u>\$ 2,651</u>	<u>\$ 2,651</u>
Fund balance, beginning			256		
Fund balance, ending			<u>\$ 2,651</u>		

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Capital Projects Fund - Capital Reserve - Enterprise Fund
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ -	\$ -
Total revenues	-	-	-
Expenditures:			
Operating expenses		-	-
Total expenditures	-	-	-
Revenues over (under) expenditures	-	-	-
Other financing sources (uses):			
Transfers to (from) other funds:			
Capital Projects Fund - Hwy. 115 South Sewer Extension Project	(472,841)	(313,447)	159,394
Capital Projects Fund - Kerr Scott Reservoir Raw Water	-	-	-
Total	(472,841)	(313,447)	159,394
Appropriated fund balance	472,841	-	(472,841)
Net change in fund balance	\$ -	(313,447)	\$ (313,447)
Fund balance, beginning		966,409	
Fund balance, ending		<u>\$ 652,962</u>	

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Health Equity Water Fund
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ -	\$ -
Total revenues	-	-	-
Expenditures:			
Expenditures	15,000	-	15,000
Total expenditures	15,000	-	15,000
Revenues over (under) expenditures	(15,000)	-	15,000
Other financing sources (uses):			
Transfer from water sewer fund	15,000	-	(15,000)
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		15,000	
Fund balance, ending		\$ 15,000	

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Asset Inventory and Assessment Grant Sewer - A
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ -	\$ -	\$ -	\$ -	-
State grants	100,000	50,600	18,315	68,915	(31,085)
Other contributions	5,000	3,000	-	3,000	(2,000)
Investment earnings	-	-	-	-	-
Total revenues	<u>105,000</u>	<u>53,600</u>	<u>18,315</u>	<u>71,915</u>	<u>(33,085)</u>
Expenditures:					
Assessment expenditures	<u>105,000</u>	<u>54,100</u>	<u>19,495</u>	<u>73,595</u>	<u>31,405</u>
Total expenditures	<u>105,000</u>	<u>54,100</u>	<u>19,495</u>	<u>73,595</u>	<u>31,405</u>
Other financing sources (uses)					
Transfer from Capital Reserve	-	-	-	-	-
Loan proceeds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (500)</u>	<u>(1,180)</u>	<u>\$ (1,680)</u>	<u>\$ (1,680)</u>
Fund balance, beginning			(500)		
Fund balance, ending			<u>\$ (1,680)</u>		

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Asset Inventory and Assessment Grant Sewer - B
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ -	\$ -	\$ -	\$ -	-
State grants	100,000	-	31,820	31,820	(68,180)
Other contributions	5,000	-	5,000	5,000	-
Investment earnings	-	-	-	-	-
Total revenues	<u>105,000</u>	<u>-</u>	<u>36,820</u>	<u>36,820</u>	<u>(68,180)</u>
Expenditures:					
Assessment expenditures	105,000	-	35,320	35,320	69,680
Total expenditures	<u>105,000</u>	<u>-</u>	<u>35,320</u>	<u>35,320</u>	<u>69,680</u>
Other financing sources (uses)					
Transfer from Capital Reserve	-	-	-	-	-
Loan proceeds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,500	<u>\$ 1,500</u>	<u>\$ 1,500</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 1,500</u>		

Other Schedules

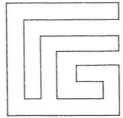
Town of North Wilkesboro, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019		\$ 2,288,758	\$ 2,211,273	\$ 77,485
2017-2018	\$ 73,479		38,082	35,397
2016-2017	44,369		16,438	27,931
2015-2016	30,621		6,784	23,837
2014-2015	15,250		2,675	12,575
2013-2014	15,226		1,560	13,666
2012-2013	19,020		1,772	17,248
2011-2012	16,596		1,481	15,115
2010-2011	11,270		830	10,440
2009-2010	7,541		614	6,927
2008-2009	3,126		3,126	-
	<u>\$ 236,498</u>	<u>\$ 2,288,758</u>	<u>\$ 2,284,635</u>	<u>240,621</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>133,272</u>
Ad valorem taxes receivable - net				<u>\$ 107,349</u>
<u>Reconcilement to revenues:</u>				
Ad valorem taxes - General Fund				\$ 2,295,597
Reconciling items:				
Interest collected				(7,717)
Adjustments				(6,432)
Taxes written off				<u>3,126</u>
Subtotal				<u>(11,023)</u>
Total collections and credits				<u>\$ 2,284,574</u>

Town of North Wilkesboro, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2019

				Total Levy	
	Town - Wide			Property excluding Registered Motor	Registered Motor
	Property		Total		
	Valuation	Rate	Levy	Vehicles	Vehicles
Original levy:					
Property taxed at current rate	\$ 416,427,500	0.52	\$ 2,165,423	\$ 2,000,678	\$ 164,745
Penalties	-	-	878	878	-
Discoveries current and prior years	24,413,270	0.52	126,949	126,949	-
Releases	(863,846)	0.52	(4,492)	(4,492)	-
Total property valuation	<u>\$ 439,976,924</u>				
Net levy			2,288,758	2,124,013	164,745
Unpaid (by taxpayer) taxes at June 30, 2019			<u>(77,485)</u>	<u>(77,485)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,211,273</u>	<u>\$ 2,046,528</u>	<u>\$ 164,745</u>
Current levy collection percentage			<u>96.61%</u>	<u>96.35%</u>	<u>100.00%</u>

Compliance Section



**Report On Internal Control Over Financial Reporting And On Compliance and Other Matters
Based On An Audit Of Financial Statements Performed In Accordance With *Government
Auditing Standards***

Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Commissioners
Town of North Wilkesboro, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of North Wilkesboro, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of North Wilkesboro's basic financial statements, and have issued our report thereon dated November 25, 2019. Our report includes a reference to other auditors who audited the financial statements of the Town of North Wilkesboro ABC Board, as described in our report on the Town of North Wilkesboro's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The Town of North Wilkesboro ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

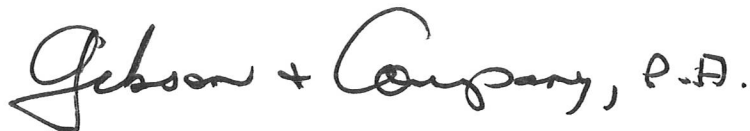
Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of North Wilkesboro'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Gibson + Company, P.A." The signature is written in a cursive, flowing style.

Winston-Salem, North Carolina
November 25, 2019