

**TOWN OF WILKESBORO,  
NORTH CAROLINA**

Financial Statements and Supplementary Information

For the Year Ended June 30, 2018

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## **Town of Wilkesboro, North Carolina**

### **Town Council Members**

Mike Inscore, Mayor  
Jimmy Hayes, Mayor Pro Tem  
Russ Ferree  
Andy Soots  
Gary Johnson

### **Administrative and Financial Staff**

Ken Noland, Town Manager  
Bob Urness, Finance Director  
James K. Byrd, Tax Collector and Town Clerk

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**Town of Wilkesboro, North Carolina  
Table of Contents  
June 30, 2018**

<u>Exhibit</u>		<u>Page</u>
	<b>Financial Section:</b>	
	<b>Independent Auditor’s Report</b>	1-3
	<b>Management’s Discussion and Analysis</b>	4-10
	<b>Basic Financial Statements:</b>	
	<b>Government-wide Financial Statements:</b>	
1	Statement of Net Position	11
2	Statement of Activities	12
	<b>Fund Financial Statements:</b>	
3	Balance Sheet - Governmental Funds	13
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
5	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	16
6	Statement of Net Position - Proprietary Funds	17
7	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	18
8	Statement of Cash Flows - Proprietary Funds	19
	Notes to the Financial Statements	20-44
	<b>Required Supplemental Financial Data:</b>	
A-1	Law Enforcement Officers’ Special Separation Allowance - Schedule of Changes in Total Pension Liability	45
A-1	Law Enforcement Officers’ Special Separation Allowance - Schedule of Total Pension Liability as a Percentage of Covered Payroll	45
B-1	OPEB - Schedule of Changes in the total OPEB liability	46
B-1	OPEB – Schedule of Total OPEB Liability as a Percentage of Covered Payroll	46

**Town of Wilkesboro, North Carolina  
Table of Contents  
June 30, 2018**

<u>Exhibit</u>		<u>Page</u>
B-2	Schedule of Proportionate Share of the Net Pension Liability (Asset) - Local Government Employees' Retirement System	47
B-2	Schedule of Contributions -Local Government Employees' Retirement System	47
 <b>Combining and Individual Fund Statements and Schedules:</b>		
C-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	48-51
D-1	Combining Balance Sheet for Non-Major Governmental Fund	52
D-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	53
D-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual - From Inception – Grant Project Fund	54
D-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual - From Inception – PSG Custom Fabricators	55
 <b>Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:</b>		
E-1	Water and Sewer Fund	56-58
E-2	Water and Sewer Capital Projects Fund	59-60
E-3	Water and Sewer Capital Reserve Fund	61
 <b>Other Schedules:</b>		
F-1	Schedule of Ad Valorem Taxes Receivable	62
F-2	Analysis of Current Tax Levy - Town-Wide Levy	63
 <b>Compliance Section:</b>		
	Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	64-65
	Schedule of Findings	66
	Corrective Action Plan	67
	Schedule of Prior Year Audit Findings	68

## FINANCIAL SECTION



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## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Wilkesboro, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Wilkesboro ABC Board, which represents 66 percent of the assets, 67 percent of the net position, and 94 percent of the revenues of the discretely presented component units. 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 Wilkesboro ABC Board, is based solely on the report of the other 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 from material misstatement. The financial statements of the Town of Wilkesboro ABC Board and the Wilkesboro Tourism Development, Convention, and Visitors Bureau were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditor, 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 units, each major fund, and the aggregate remaining fund information of the Town of Wilkesboro, North Carolina as of June 30, 2018, 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, the Other Postemployment Benefits' Schedules of changes in the total OPEB liabilities and related ratios, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 4-10 and 45-47, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors 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 Wilkesboro, North Carolina. 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. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, the 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 24, 2020 on our consideration of Town of Wilkesboro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the 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. The financial statements of the Town's component units, the Town of Wilkesboro ABC Board and the Wilkesboro Tourism Development, Convention, and Visitor's Bureau, were not audited in accordance with *Governmental Auditing Standards*. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Town of Wilkesboro's internal control over financial reporting and compliance.

*RH CPAs, PLLC*

Lexington, North Carolina  
November 24, 2020

## Management's Discussion and Analysis

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2018**

As management of the Town of Wilkesboro, we offer readers of the Town of Wilkesboro's financial statements this narrative overview and analysis of the financial activities of the Town of Wilkesboro for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

**Financial Highlights**

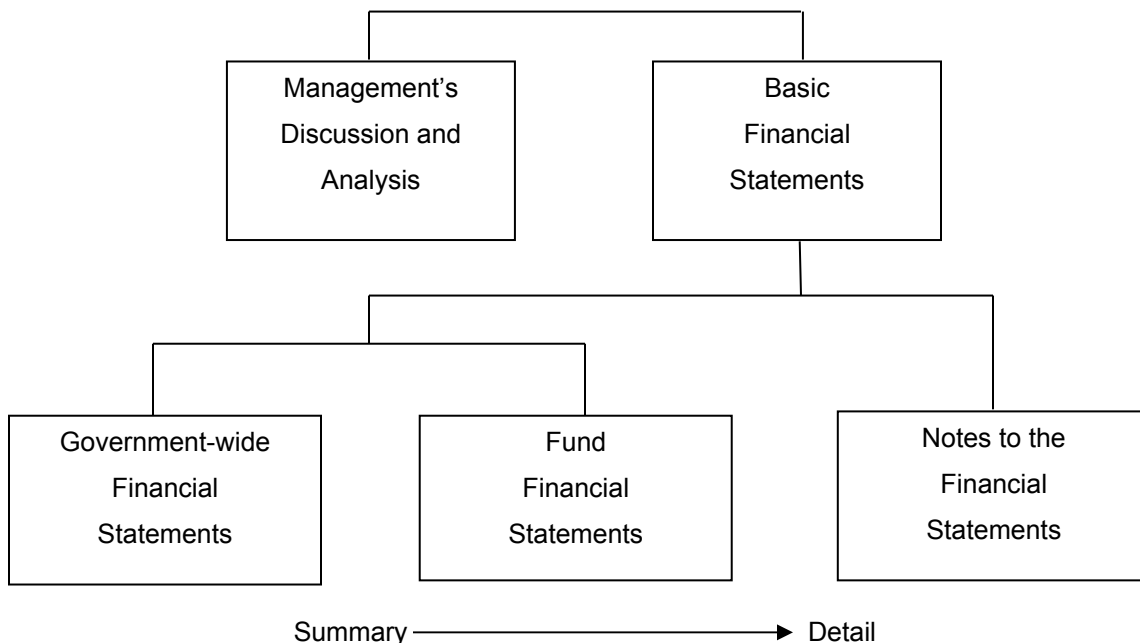
- The assets of the Town of Wilkesboro exceeded its liabilities at the close of the fiscal year by \$38,544,637 (*net position*).
- The government's total net position increased by \$2,559,995 or 7.11%. The general fund added major capital assets in the form of equipment and construction in progress, while the business-type activities were able to add to their facilities through the various capital projects. Both funds added significant increases due to the change in reporting OPEB deferrals.
- As of the close of the current fiscal year, the Town of Wilkesboro's governmental funds reported combined ending fund balances of \$2,141,988, a decrease of (\$724,991). Approximately 24.8% of this total amount or \$532,224 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$532,224 or 8.1% of total general fund expenditures for the fiscal year.
- The Town of Wilkesboro's total long-term liabilities increased by \$1,333,417 (9.4%) during the current fiscal year. This substantial increase is due to multiple factors such as debt secured for equipment purchases (\$96,000) as well as actuarial valuations which resulted in increases to Net Pension Liability (\$318,653) and Total OPEB liability (\$1,261,286).

**Overview of the Financial Statements**

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

**Required Components of Annual Financial Report**

**Figure 1**



**TOWN OF WILKESBORO, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2018**

## **Basic Financial Statements**

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

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

The next section of the basic financial statements 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 General Statutes also can be found in this part of the statements.

## **Government-wide Financial Statements**

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

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

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

The government-wide financial statements are on Exhibits 1 and 2 of this report.

## **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Wilkesboro, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Wilkesboro can be divided into two categories: governmental funds and proprietary funds.

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2018**

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

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

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

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 20-44 of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Wilkesboro's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 45 of this report.

**Government-Wide Financial Analysis**

Town of Wilkesboro's Net Position  
Figure 2

	Governmental Activities		Business-type Activities		Total	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Current and other assets	\$ 2,680,197	\$ 3,456,204	\$ 2,948,912	\$ 7,801,335	\$ 5,629,109	\$ 11,257,539
Net Pension assets	-	-	-	-	-	-
Deferred outflows	2,871,181	660,308	2,091,097	444,441	4,962,278	1,104,749
Capital assets	6,409,957	5,862,108	39,138,850	34,029,361	45,548,807	39,891,469
Total assets	\$ 11,961,335	\$ 9,978,620	\$ 44,178,859	\$ 42,275,137	\$ 56,140,194	\$ 52,253,757
Long-term liabilities outstanding	\$ 5,033,459	\$ 3,821,089	\$ 10,480,669	\$ 10,359,622	\$ 15,514,128	\$ 14,180,711
Other liabilities	457,892	632,610	1,517,831	1,383,584	1,975,723	2,016,194
Deferred Inflows	74,905	48,966	30,801	23,244	105,706	72,210
Total liabilities	\$ 5,566,256	\$ 4,502,665	\$ 12,029,301	\$ 11,766,450	\$ 17,595,557	\$ 16,269,115
Net assets:						
Net invested in Capital assets	5,122,520	5,057,531	29,990,871	28,345,248	35,113,391	33,402,779
Restricted	1,219,764	1,288,305	-	-	1,219,764	1,288,305
Unrestricted	52,795	(869,881)	2,158,687	2,163,439	2,211,482	1,293,558
Total net position	\$ 6,395,079	\$ 5,475,955	\$ 32,149,558	\$ 30,508,687	\$ 38,544,637	\$ 35,984,642

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Wilkesboro exceeded liabilities by \$38,544,637 as of June 30, 2018. The Town's net position increased by \$2,559,995, or 7.11%, for the fiscal year ended June 30, 2018. There was also a beginning restatement of \$(1,802,282) to the net position as a result of the OPEB health insurance plan. However, the largest portion reflects the Town's investment in capital assets (e.g.



**TOWN OF WILKESBORO, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2018**

land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Wilkesboro uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Wilkesboro's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Wilkesboro's net position \$1,219,764 (3.16%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,211,482 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.26%. The statewide average in fiscal year 2018 was 98.78%. This represents a decrease of 0.23% when compared to prior year.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 192,126	\$ 138,582	\$ 7,149,106	\$ 6,957,016	\$ 7,341,232	\$ 7,095,598
Operating grants and contributions	139,641	510,626	-	-	139,641	510,626
Capital grants and contributions			631,672	94,340	631,672	94,340
<b>General revenues:</b>						
Property taxes	3,215,517	3,080,511	-	-	3,215,517	3,080,511
Other taxes	1,981,855	1,873,343	-	-	1,981,855	1,873,343
Other	1,011,851	240,461	221,009	266,589	1,232,860	507,050
<b>Total revenues</b>	<b>\$ 6,540,990</b>	<b>\$ 5,843,523</b>	<b>\$ 8,001,787</b>	<b>\$ 7,317,945</b>	<b>\$ 14,542,777</b>	<b>\$ 13,161,468</b>
<b>Expenses:</b>						
General government	\$ 456,682	\$ 2,348,832			\$ 456,682	\$ 2,348,832
Public safety	2,691,727	2,596,930			2,691,727	2,596,930
Highways/Streets	818,913	528,508			818,913	528,508
Economic Development	-	174,871			-	174,871
Environmental Protection	281,999	271,952			281,999	271,952
Culture and recreation	290,283	263,686			290,283	263,686
Interest on long-term debt	37,190	14,885			37,190	14,885
Water and sewer expenses			5,603,706	6,693,263	5,603,706	6,693,263
<b>Total expenses</b>	<b>\$ 4,576,794</b>	<b>\$ 6,199,664</b>	<b>\$ 5,603,706</b>	<b>\$ 6,693,263</b>	<b>\$ 10,180,500</b>	<b>\$ 12,892,927</b>
Increase (decrease) in net position	\$ 1,964,196	\$ (356,141)	\$ 2,398,081	\$ 624,682	\$ 4,362,277	\$ 268,541
Net position, beginning	\$ 5,475,955	\$ 6,048,927	\$ 30,508,687	\$ 29,884,005	\$ 35,984,642	\$ 35,932,932
Restatement	(1,045,072)	(216,831)	(757,210)	-	(1,802,282)	(216,831)
Net position, beginning, restated	\$ 4,430,883	\$ 5,832,096	\$ 29,751,477	\$ 29,884,005	\$ 34,182,360	\$ 35,716,101
Net position, ending	\$ 6,395,079	\$ 5,475,955	\$ 32,149,558	\$ 30,508,687	\$ 38,544,637	\$ 35,984,642

**Governmental activities:** Governmental activities increased the Town's net position by \$1,964,196. The key element of this decrease in net position has been the increase of long-term liabilities. Both planned debt increases and increase in liabilities is driven by OPEB liabilities and the Town's portion of Pension expense allocated to it by the State through the Town's participation in the Local Government Employees Retirement System and the Law Enforcement Officers' pension plan. This represents post-employment benefits due to employees as a result of Town policy. See the notes section for more information with regards to this and other Town policies.

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2018**

**Business-type activities:** Business-type activities increased the Town of Wilkesboro's net position by \$2,398,081. The key elements of this increase in net position are the increases in charges for services which resulted from higher system usage by customers and the use of accumulated funds to complete projects at both plants in an effort to fortify the integrity of the system.

### **Financial Analysis of the Town's Funds**

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

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

The general fund is the chief operating fund of the Town of Wilkesboro. At the end of the current fiscal year, unassigned fund balance of the General Fund decreased by \$159,354 to \$1,312,320, while total fund balance increased \$55,105, 0.19%, to a total of \$2,992,084. This circumstance is a result of planned expenditures on behalf of the Town. Over the past couple of years, the Town has been able to increase its fund balance by putting off certain expenditures during a time of economic settling. Now that the economy has normalized, these funds are being allocated to specific projects including building maintenance and Fire Department restructuring. While these expenditures are mostly capital in nature, the Town has also considered the normal growth of operational expenses over time. As such, the Town has voted a tax increase into place for the 2016 tax year moving the rate from \$.44 to \$.48. This increase will allow the Town to maintain the level of service offered to citizens for the foreseeable future.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.9% of total General Fund expenditures, while total fund balance represents 44.9% of that same amount compared to 23.1% and 45.3% in the prior year, respectively.

**General Fund Budgetary Highlights:** During the 2018 fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services. These amendments are typical occurrences as Council adjusts to opportunities and circumstances that arise throughout the year.

**Proprietary Funds:** The Town of Wilkesboro's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,158,687. The total change in net position was an increase of \$2,398,081. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Wilkesboro's business-type activities.

### **Capital Asset and Debt Administration**

**Capital assets:** The Town of Wilkesboro's investment in capital assets for its governmental and business-type activities as of June 30, 2018, totals \$45,548,807 (net of accumulated depreciation). These assets include buildings, water and sewer lines, land, machinery and equipment, park facilities, vehicles, and infrastructure.

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

- Water and sewer capital asset additions of \$6,043,078.
- General fund capital asset additions of \$903,011.

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2018**

Town of Wilkesboro's Capital Assets (net of depreciation)  
Figure 4

	Governmental Activities		Business-type Activities		Total	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Land	\$ 1,803,348	\$ 1,803,348	\$ 609,932	\$ 609,932	\$ 2,413,280	\$ 2,413,280
Building and improvements	1,889,274	1,960,219			1,889,274	1,960,219
Plant and distribution systems		-	29,988,996	30,781,325	29,988,996	30,781,325
Machinery & equipment	1,337,120	1,469,547	920,845	726,250	2,257,965	2,195,797
Infrastructure	600,119	628,994		-	600,119	628,994
Construction in progress	780,096	-	7,619,077	1,911,854	8,399,173	1,911,854
<b>Total</b>	<b>\$ 6,409,957</b>	<b>\$ 5,862,108</b>	<b>\$ 39,138,850</b>	<b>\$ 34,029,361</b>	<b>\$ 45,548,807</b>	<b>\$ 39,891,469</b>

Additional information on the Town's capital assets can be found in note III.A.4. of the Basic Financial Statements.

### Long-term Debt

The Town of Wilkesboro's total long-term liabilities increased by \$1,215,273 (7.79%) during the current fiscal year related to the increase of OPEB, the LGERS and LEO pension liabilities.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Wilkesboro is \$53,810,164.

Additional information regarding the Town of Wilkesboro's long-term debt can be found in note III.5.d. beginning on page 41 of this report.

### Economic Factors

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

- The unemployment rate for Wilkes County at June 30, 2018 stands at 4.1%, which is has been holding steady as the local economy continues to show signs of growth. This rate is indicative of the national economic environment and is on par with the state-wide average. It is also consistently better than our surrounding area by comparison. The Town and County as a whole have had several exciting announcements with regards to employment opportunities in the area.
- The Town has secured grant funds for Water and Sewer line work that will directly enhance our system's efficiency of service to our US 421 business corridor. It regards the service line loop encompassing our large retail customer base in this area including future expansion. Known as the Brown' Ford Loop Project. The project has had issues due to a bore which has been unable to be completed by the contractor, but will serve as a tremendous infrastructure asset once completed.
- The retail development along the US 421 business corridor continues to develop. Numerous projects are currently in different phases of planning, construction, and completion with more in discussion.
- The Town is actively engaging in the planning phases of downtown revitalization with efforts to activate an old municipal parking lot. Plans include a performance stage, greenspace, and a splash pad. The concept has been 20+years in the making and is exciting for the community.
- The proposed joint water intake between the two Towns has proven to be financially unviable. However, both Towns continue our efforts to exchange water in times of need. The Town of Wilkesboro is well suited to provide access to additional water to our neighbors and are currently planning options to make it a reality.

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**June 30, 2018**

**Budget Highlights**

**Governmental Activities:** The tax rate will remain at 48 cents for FY 2019.

Budgeted expenditures have increased from last year by 6.1% to \$7,294,500. While this is a substantial increase, it does allow for planned expenditures including debt service of planned capital purchases and other increases to operations and personnel. This fiscal plan allows for the Board to maintain typical levels of services while allowing for the continued construction of the downtown revitalization.

**Business-type Activities:** Budgeted expenditures in the Water and Sewer Fund are expected to increase by 8.8% to \$8,375,000. The drastic increase is a result of the Fund's addition of debt service payments associated with the construction of the Brown's Ford Loop Project referenced earlier. The Town was able to fund 25% of the project through grant funds from multiple agencies.

While the potential Joint Intake Project with North Wilkesboro has not come to fruition, the Town has pivoted to researching a new intake of its own. The Town is reviewing options for both a Water Plant upfit and expansion as part of its future capital planning. We expect the need for these projects to become high priorities in the near future.

Tyson Foods continues to be the Town's major utility customer by a wide margin. While Tyson's water usage does have some seasonality, the overall usage increase has been very positive for the Town. Usage is showing signs of leveling out with an upward trend. This user is a tremendous asset to the Town as well as a close business partner. Due to the proposed expansion of the processing plant, we anticipate the need to add an additional capacity at both Water and Wastewater plants. The Town has obtained a grant for a clarifier expansion at Wastewater and expects to complete the project in FY 2019.

**Requests for Information**

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

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## BASIC FINANCIAL STATEMENTS

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
June 30, 2018

	Primary Government			Wilkesboro Tourism Development, Convention, and Visitors Bureau	Wilkesboro ABC Board
	Governmental Activities	Business-type Activities	Total		
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ -	\$ 1,305,564	\$ 1,305,564	\$ 176,311	\$ 117,368
Investments	1,336,264	278,397	1,614,661	-	-
Taxes receivables (net)	224,861	-	224,861	-	-
Accounts receivable	-	666,023	666,023	-	-
Internal balances	1,580	(1,580)	-	-	-
Due from other governments	1,045,671	237,672	1,283,343	-	-
Due from component units	22,890	-	22,890	-	-
Due from primary government	-	-	-	49,175	-
Inventories	-	405,219	405,219	-	304,749
Prepaid items	-	-	-	-	2,750
Restricted cash and cash equivalents	149,623	56,037	205,660	-	-
Total current assets	2,780,889	2,947,332	5,728,221	225,486	424,867
Noncurrent assets:					
Capital assets:					
Land, non-depreciable improvements, and construction in progress	2,583,444	8,229,009	10,812,453	-	11,600
Other capital assets, net of depreciation	3,826,513	30,909,841	34,736,354	-	60,731
Total capital assets	6,409,957	39,138,850	45,548,807	-	72,331
Total assets	9,190,846	42,086,182	51,277,028	225,486	497,198
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension deferrals	662,704	277,879	940,583	-	124,995
OPEB deferrals	2,208,477	1,813,218	4,021,695	-	-
Total Deferred inflows of resources	2,871,181	2,091,097	4,962,278	-	124,995
<b>LIABILITIES</b>					
Current liabilities:					
Cash overdraft	100,692	-	100,692	-	-
Accounts payable	240,057	336,062	576,119	-	118,839
Due to primary government	-	-	-	22,890	-
Due to other governments	-	-	-	-	61,961
Due to component units	49,175	-	49,175	-	-
Current portion of long-term liabilities	168,660	1,124,152	1,292,812	-	-
Payable from restricted assets	-	56,037	56,037	-	-
Total current liabilities	558,584	1,516,251	2,074,835	22,890	180,800
Long-term liabilities:					
Net Pension liability-LGERS	514,183	368,535	882,718	-	36,513
Net Pension liability-LEO	849,316	-	849,316	-	-
Net OPEB liability	2,511,513	2,062,016	4,573,529	-	-
Due in more than one year	1,158,447	8,050,118	9,208,565	-	-
Total liabilities	5,592,043	11,996,920	17,588,963	22,890	217,313
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid Taxes	17,519	-	17,519	-	-
Unexpended grant proceeds	6,597	-	6,597	-	-
Pension Deferrals	50,789	30,801	81,590	-	1,034
Total Deferred inflows of resources	74,905	30,801	105,706	-	1,034
<b>NET POSITION</b>					
Net investment in capital assets	5,122,520	29,990,871	35,113,391	-	72,331
Restricted for:					
Stabilization by state statute	1,070,141	-	1,070,141	49,175	-
Transportation	144,224	-	144,224	-	-
Public safety	5,399	-	5,399	-	-
Other purposes	-	-	-	-	80,731
Unrestricted	52,795	2,158,687	2,211,482	153,421	250,784
Total net position	\$ 6,395,079	\$ 32,149,558	\$ 38,544,637	\$ 202,596	\$ 403,846

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



TOWN OF WILKESBORO, NORTH CAROLINA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Wilkesboro Tourism Development, Convention, and Visitors Bureau	Wilkesboro ABC Board
Primary government:									
Governmental Activities:									
General government	\$ 456,682	\$ 57,519	\$ -	\$ -	\$ (399,163)	\$ -	\$ (399,163)	\$ -	\$ -
Public safety	2,691,727	9,102	21,767	-	(2,660,858)	-	(2,660,858)	-	-
Transportation	818,913	-	117,874	-	(701,039)	-	(701,039)	-	-
Economic Development	-	-	-	-	-	-	-	-	-
Environmental protection	281,999	117,621	-	-	(164,378)	-	(164,378)	-	-
Cultural and recreation	290,283	7,884	-	-	(282,399)	-	(282,399)	-	-
Interest on long-term debt	37,190	-	-	-	(37,190)	-	(37,190)	-	-
Total governmental activities	4,576,794	192,126	139,641	-	(4,245,027)	-	(4,245,027)	-	-
Business-type activities:									
Water and sewer	5,603,706	7,149,106	-	631,672	-	2,177,072	2,177,072	-	-
Total business-type activities	5,603,706	7,149,106	-	631,672	-	2,177,072	2,177,072	-	-
Total primary government	10,180,500	7,341,232	139,641	631,672	(4,245,027)	2,177,072	(2,067,955)	-	-
Component units:									
Wilkesboro Tourism Development, Convention, and Visitors Bureau	174,168	-	-	-	-	-	-	(174,168)	-
Wilkesboro ABC Board	2,485,577	2,517,961	-	-	-	-	-	-	32,384
Total component units	\$ 2,659,745	\$ 2,517,961	\$ -	\$ -	-	-	-	(174,168)	32,384
General revenues:									
Taxes:									
Property taxes, levied for general purpose					3,215,517	-	3,215,517	-	-
Other taxes					1,729,834	-	1,729,834	-	-
Occupancy tax					252,021	-	252,021	165,617	-
Unrestricted investment earnings					4,232	6,242	10,474	243	-
Miscellaneous					1,007,619	214,767	1,222,386	-	-
Total general revenues					6,209,223	221,009	6,430,232	165,860	-
Change in net position					1,964,196	2,398,081	4,362,277	(8,308)	32,384
Net position, beginning, previously reported					5,475,955	30,508,687	35,932,932	210,904	371,462
Restatement					(1,045,072)	(757,210)	(1,802,282)	-	-
Net position, beginning, restated					4,430,883	29,751,477	34,182,360	-	-
Net position, ending					\$ 6,395,079	\$ 32,149,558	\$ 38,544,637	\$ 202,596	\$ 403,846

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

TOWN OF WILKESBORO, NORTH CAROLINA  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 June 30, 2018

	Major Funds		Total Governmental Funds
	General	Total Non-Major Funds	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 672,807	\$ (773,499)	\$ (100,692)
Restricted Cash	149,623	-	149,623
Investments	1,336,264	-	1,336,264
Receivables, net:			
Taxes	224,861	-	224,861
Accounts	-	-	-
Due from other governments	1,045,671	-	1,045,671
Due from enterprise fund	1,580	-	1,580
Due from component units	22,890	-	22,890
Total assets	<u>3,453,696</u>	<u>(773,499)</u>	<u>2,680,197</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	240,057	-	240,057
Due to component unit	49,175	-	49,175
Total liabilities	<u>289,232</u>	<u>-</u>	<u>289,232</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid Taxes	17,519	-	17,519
Unexpended Grant Proceeds	-	6,597	6,597
Taxes Receivable, net	224,861	-	224,861
Total deferred inflows of resources	<u>242,380</u>	<u>6,597</u>	<u>248,977</u>
<b>FUND BALANCES</b>			
Restricted:			
Stabilization by State Statute	1,070,141	-	1,070,141
Streets-Powell bill	144,224	-	144,224
Drug crime prevention	5,399	-	5,399
Assigned:			
Designated for subsequent year's expenditures	390,000	-	390,000
Unassigned	1,312,320	(780,096)	532,224
Total fund balances	<u>2,922,084</u>	<u>(780,096)</u>	<u>2,141,988</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,453,696</u>	<u>\$ (773,499)</u>	<u>\$ 2,680,197</u>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balances, governmental funds		\$ 2,141,988
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets	\$ 11,901,530	
Accumulated depreciation	<u>(5,491,573)</u>	6,409,957
Deferred outflows of resources related to pensions		662,704
Deferred outflows of resources related to OPEB		2,208,477
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		224,861
Long-term liabilities used in governmental activities are not financial uses and therefore not reported in the funds		
Gross long-term debt		(1,327,107)
Net pension liability		(1,363,499)
Net OPEB liability		(2,511,513)
Deferred inflows of resources related to pensions		<u>(50,789)</u>
Net position of governmental activities		<u>\$ 6,395,079</u>

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

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**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2018**

	<b>Major Funds</b>		<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Total Non-Major Funds</b>	
<b>REVENUES</b>			
Ad valorem taxes	\$ 3,208,980	\$ -	\$ 3,208,980
Unrestricted intergovernmental	1,727,373	-	1,727,373
Restricted intergovernmental	394,123	-	394,123
Permits and fees	9,177	-	9,177
Sales and services	182,949	-	182,949
Investment earnings	4,232	-	4,232
Miscellaneous	1,007,619	-	1,007,619
Total revenues	<u>6,534,453</u>	<u>-</u>	<u>6,534,453</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,407,204	-	2,407,204
Public safety	2,564,106	-	2,564,106
Transportation	770,243	-	770,243
Environmental protection	248,988	-	248,988
Cultural and recreation	271,477	-	271,477
Debt service:			
Principal	276,140	-	276,140
Interest and other charges	37,190	-	37,190
Capital outlay: Downtown project	-	780,096	780,096
Total expenditures	<u>6,575,348</u>	<u>780,096</u>	<u>7,355,444</u>
Excess (deficiency) of revenues over expenditures	<u>(40,895)</u>	<u>(780,096)</u>	<u>(820,991)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from issuance of debt	96,000	-	96,000
Total other financing sources (uses)	<u>96,000</u>	<u>-</u>	<u>96,000</u>
Net change in fund balance	<u>55,105</u>	<u>(780,096)</u>	<u>(724,991)</u>
Fund balances, beginning	2,866,979	-	2,866,979
Fund balances, ending	<u>\$ 2,922,084</u>	<u>(780,096)</u>	<u>\$ 2,141,988</u>

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

**TOWN OF WILKESBORO, NORTH CAROLINA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018**

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

Net changes in fund balances - total governmental funds	\$	(724,991)
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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 capital outlays exceeded depreciation in the current period.

Capital outlay expenditures that were capitalized	\$ 903,011	
Depreciation expense	(355,164)	547,847

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		-
--	--	---

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		6,540
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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	\$ (96,000)	
Principal payments on long-term debt	276,140	180,140

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	\$ 16,901	
Pension Expense	(3,042)	
Net pension obligation (LEO)	(51,462)	
OPEB plan expense	1,992,263	1,954,660

Total changes in net position of governmental activities	\$	<u>1,964,196</u>
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The notes to the financial statements are an integral part of this statement.

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2018**

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 3,219,000	\$ 3,219,000	\$ 3,208,980	\$ (10,020)
Unrestricted intergovernmental	1,713,500	1,713,500	1,727,373	13,873
Restricted intergovernmental	372,000	372,000	394,123	22,123
Permits and fees	1,100	1,100	9,177	8,077
Sales and services	160,900	160,900	182,949	22,049
Investment earnings	12,000	12,000	4,232	(7,768)
Miscellaneous	468,000	1,113,000	1,007,619	(105,381)
Total revenues	<u>5,946,500</u>	<u>6,591,500</u>	<u>6,534,453</u>	<u>(57,047)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	2,575,000	2,755,000	2,407,204	347,796
Public safety	2,586,500	2,586,500	2,564,106	22,394
Transportation	483,000	933,000	770,243	162,757
Environmental protection	278,500	278,500	248,988	29,512
Cultural and recreation	271,500	271,500	271,477	23
<b>Debt service:</b>				
Principal retirement	215,000	215,000	276,140	(61,140)
Interest and other charges	40,000	40,000	37,190	2,810
Total expenditures	<u>6,449,500</u>	<u>7,079,500</u>	<u>6,575,348</u>	<u>504,152</u>
Revenues over (under) expenditures	<u>(503,000)</u>	<u>(488,000)</u>	<u>(40,895)</u>	<u>447,105</u>
<b>Other financing sources (uses):</b>				
Proceeds from Issuance of Debt	396,000	396,000	96,000	(300,000)
Total other financing sources (uses)	<u>396,000</u>	<u>396,000</u>	<u>96,000</u>	<u>(300,000)</u>
Revenues and other sources over (under) expenditures and other uses	(107,000)	(92,000)	55,105	147,105
Fund balance appropriated	<u>107,000</u>	<u>92,000</u>	<u>-</u>	<u>(92,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>55,105</u>	<u>\$ 55,105</u>
Fund balance, beginning			<u>2,866,979</u>	
Fund balance, ending			<u>\$ 2,922,084</u>	

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2018**

	<b>Major Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,305,564	\$ 1,305,564
Investments	278,397	278,397
Restricted cash and cash equivalents	56,037	56,037
Accounts receivable - billed	42,472	42,472
Accounts receivable - unbilled	623,551	623,551
Due from other governments	237,672	237,672
Inventories	405,219	405,219
	<hr/>	
Total current assets	2,948,912	2,948,912
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets	8,229,009	8,229,009
Other capital assets, net of depreciation	30,909,841	30,909,841
	<hr/>	
Capital assets (net)	39,138,850	39,138,850
Total noncurrent assets		
Total assets	\$ 42,087,762	\$ 42,087,762
<hr/>		
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension deferrals	\$ 277,879	\$ 277,879
OPEB deferrals	1,813,218	1,813,218
	<hr/>	
Total deferred outflows of resources	\$ 2,091,097	\$ 2,091,097
<hr/>		
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 336,062	\$ 336,062
Liabilities payable from restricted assets:		
Customer deposits	56,037	56,037
Due to general fund	1,580	1,580
Installment purchase-current	347,828	347,828
Promissory note-current	776,324	776,324
	<hr/>	
Total current liabilities	1,517,831	1,517,831
Noncurrent liabilities:		
Net pension liability	368,535	368,535
Other noncurrent liabilities:		
Compensated absences	26,291	26,291
Total OPEB liability	2,062,016	2,062,016
Notes payable-NONCURRENT	8,023,827	8,023,827
	<hr/>	
Total noncurrent liabilities	10,480,669	10,480,669
Total liabilities	11,998,500	11,998,500
<hr/>		
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals	30,801	30,801
<hr/>		
<b>NET POSITION</b>		
Net investment in capital assets	29,990,871	29,990,871
Unrestricted	2,158,687	2,158,687
	<hr/>	
Total net position	\$ 32,149,558	\$ 32,149,558
<hr/>		

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

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2018**

	<b>Major Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 7,048,776	\$ 7,048,776
Water and sewer taps	30,455	30,455
Other operating revenue	69,875	69,875
<b>Total operating revenues</b>	<b>7,149,106</b>	<b>7,149,106</b>
<b>OPERATING EXPENSES</b>		
Administration	77,464	77,464
Water treatment and distribution	1,299,433	1,299,433
Waste collection and treatment	1,606,895	1,606,895
Maintenance	1,467,374	1,467,374
Depreciation	933,590	933,590
<b>Total operating expenses</b>	<b>5,384,756</b>	<b>5,384,756</b>
<b>Operating income</b>	<b>1,764,350</b>	<b>1,764,350</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	6,242	6,242
Capital contributions	631,672	631,672
Interest and other charges	(218,950)	(218,950)
Miscellaneous Income	214,767	214,767
<b>Total nonoperating revenue (expenses)</b>	<b>633,731</b>	<b>633,731</b>
<b>Change in net position</b>	<b>2,398,081</b>	<b>2,398,081</b>
<b>Total net position, previously reported</b>	<b>30,508,687</b>	<b>30,508,687</b>
<b>Restatement</b>	<b>(757,210)</b>	<b>(757,210)</b>
<b>Beginning net position, restated</b>	<b>29,751,477</b>	<b>29,751,477</b>
<b>Total net position, ending</b>	<b>\$ 32,149,558</b>	<b>\$ 32,149,558</b>

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



**TOWN OF WILKESBORO, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2018**

	<b>Major Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	
	<b>Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 6,981,307	\$ 6,981,307
Cash paid for goods and services	(3,574,113)	(3,574,113)
Cash paid to or on behalf of employees for services	(1,981,146)	(1,981,146)
Customer deposits received	12,733	12,733
Customer deposits returned	(20,246)	(20,246)
Net cash provided by operating activities	<u>1,418,535</u>	<u>1,418,535</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(5,872,892)	(5,872,892)
Principal paid on long-term debt	(1,134,816)	(1,134,816)
Interest paid on long-term debt	(253,367)	(253,367)
Loans to General Fund	15,543	15,543
Capital contribution	631,672	631,672
Miscellaneous income	214,767	214,767
Net cash used by capital and related financing activities	<u>(6,399,093)</u>	<u>(6,399,093)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	6,242	6,242
Net decrease in cash and cash equivalents	(4,974,316)	(4,974,316)
Balances, beginning	6,614,314	6,614,314
Balances, ending	<u>\$ 1,639,998</u>	<u>\$ 1,639,998</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 1,764,350	\$ 1,764,350
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	933,590	933,590
Changes in assets, deferred inflows, deferred outflows and liabilities:		
Increase in accounts receivable	(167,799)	(167,799)
Decrease in inventory	31,943	31,943
Decrease in deferred outflows of resources - pension	166,562	166,562
Increase in deferred outflows of resources - OPEB	(1,813,217)	(1,813,217)
Decrease in net pension liability	(164,673)	(164,673)
Increase in deferred inflows of resources - pension	7,557	7,557
Decrease in accounts payable and accrued liabilities	15,074	15,074
Decrease in customer deposits	(7,513)	(7,513)
Decrease in accrued vacation pay	(14,017)	(14,017)
Increase in OPEB liability	666,678	666,678
Total adjustments	<u>(345,815)</u>	<u>(345,815)</u>
Net cash provided by operating activities	<u>\$ 1,418,535</u>	<u>\$ 1,418,535</u>

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

## Notes to the Financial Statement

TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

**I. Summary of Significant Accounting Policies**

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

**Wilkesboro Tourism Development, Convention, and Visitors Bureau**

The members of the Tourism Bureau's governing board are appointed by the Town. The Tourism Bureau is to spend the net proceeds of the Town's 3% occupancy tax to promote tourism, conventions, and visitation to the Town of Wilkesboro. The Tourism Bureau, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation). Complete financial statements for the Tourism Bureau may be obtained from the entity's administrative office at Wilkesboro Tourism Development, Convention, and Visitors Bureau, 203 West Main Street, Wilkesboro, NC 28697.

**Town of 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 and to other governmental units. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Wilkesboro ABC Board, 798 Curtis Bridge Road, Wilkesboro, NC 28697.

**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 units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

*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 nonmajor funds.

TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies result from non-exchange transactions. Other nonoperating 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 public safety, street maintenance and construction, and sanitation services.

The Town reports the following non-major governmental funds:

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

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

The Town reports the following major enterprise fund:

**Water and Sewer Fund.** This fund is used to account for the Town's water and sewer operations. Water and Sewer Projects Funds have been consolidated in the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Funds have been included in the supplemental information.

### **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. Nonexchange 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 nonoperating 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 nonoperating revenues and expenses.

TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

*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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable 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 utilities franchise 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 Wilkesboro because the tax is levied by Wilkes County and then remitted to and distributed by the State. 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. Grant revenues which are unearned at year-end are recorded as unearned 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 are both restricted and unrestricted net positions 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 and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Grant Project Special Revenue Funds, the Enterprise Capital Project Fund and the Enterprise Capital Reserve Fund. The enterprise fund projects are consolidated with the operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations by more than \$500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

#### **E. Assets, Liabilities, and Fund Equity**

##### **1. Deposits and Investments**

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

TOWN OF WILKESBORO, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2018

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

**2. Cash and Cash Equivalents**

The Town and Tourism Bureau pool money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

**3. Restricted Assets**

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

**Town of Wilkesboro-Restricted Cash**

**Governmental Activities:**

General Fund	
Streets	\$ 144,224
Drug Crime Prevention	5,399
Total Governmental Activities	149,623

**Enterprise Funds:**

Water Sewer Fund:	
Customer Deposits	56,037
Total Enterprise Funds	56,037

<b>Total Restricted Cash</b>	<b>\$ 205,660</b>
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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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2017.

TOWN OF WILKESBORO, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 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 inventory of the Town is valued at cost (first-in, first-out), which approximates market. The inventory of the ABC Board is valued at replacement cost, which approximates 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 cost of this inventory is expensed when consumed rather than when purchased. The inventory of the ABC Board is held for sale to customers.

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 \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. 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. A new water plant and waste treatment plant were constructed in 1964 and 1967, respectively. Information as to the cost of water and sewer lines installed prior to 1964 was not available and is not included in capital assets. It is not felt that these items are material. 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	25
Buildings and Improvements	32-60
Water and Sewer Plants	50-67
Water and Sewer Lines	33-100
Vehicles	5-10
Furniture and equipment	5-20
Computer equipment	5-7

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	20-33
Furniture and equipment	3-10

**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 only one item that meets this criterion, contributions made to the pension plan in the 2018 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

TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

position that applies to a future period and so it will not be recognized as revenue until then. The Town has five items that meet that criterion for this category – prepaid taxes, property tax receivable in the general fund, unexpended grant proceeds in a special revenue fund and deferrals of pension expense that result from the implementation of GASB Statement 68 and OPEB deferrals related to health insurance payments for certain retired employees.

## **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.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as another financing source.

## **10. Economic Dependency**

The enterprise fund has one major customer from whom receipts were approximately 65% of the revenue reported as water and sewer charges.

## **11. Compensated Absences**

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

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

## **12. 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 represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

### 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 is spendable form or (b) legally or contractually required to be maintained intact.

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

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].



TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

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

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

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

Assigned fund balance - portion of fund balance that Town of 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. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$500.

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

**13. 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 Wilkesboro's employer contributions are recognized when due and the Town of 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. Stewardship, Compliance, and Accountability**

**A. Significant Violations of Finance-Related Legal and Contractual Provisions**

None

**B. Excess of Expenditures over Appropriations**

During the fiscal year ended June 30, 2018 the Town reported expenditures within the General Fund that violated State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance by \$61,140. Management will amend procedures to ensure compliance with budget requirements.

**C. Deficits in Fund Balance or Net Position of Individual Funds**

None.

**III. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

TOWN OF WILKESBORO, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2018

All the deposits of the Town, the Tourism Bureau, and the ABC Board 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, the Tourism Bureau's or the ABC Board'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, the Tourism Bureau, and the ABC Board, these deposits are considered to be held by the Town's, the Tourism Bureau's, and the ABC Board'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, the Tourism Bureau, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town, the Tourism Bureau, and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town, the Tourism Bureau and the ABC Board have no formal policy regarding custodial credit risk for deposits, but rely 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 G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2018, the Town's deposits had a carrying amount of \$1,410,332 and a bank balance of \$1,724,053. Of the Town's bank balance, \$990,450 was covered by federal depository insurance and the remainder, \$310,890, was covered by collateral held under the pooling method. The carrying amount of deposits for the Tourism Bureau was \$176,311, and the bank balance was \$176,311. All of the Tourism's bank balance was covered by federal depository insurance. The carrying amount of deposits for the ABC Board was \$116,068 and the bank balance was \$91,273. All of the ABC Board's bank balance was covered by federal depository insurance. At June 30, 2018, the Town's petty cash fund totaled \$200 and the ABC Board had cash of \$1,300.

**2. Investments**

At June 30, 2018, the Town had \$278,397 invested with the North Carolina Capital Management Trust's Governmental Portfolio, which carried a credit rating of AA+ by Standard and Poor's.

Other government investments are as follows:

Investment by Type	Valuation Measurement Method	Book Value at June 30, 2018	Maturity	Rating	Callable
Government Agency:					
Federal Home Loan Banks	Fair Value Level 1	197,134	7/12/2019	AA+	7/12/2019
Federal Farm Credit Banks	Fair Value Level 1	147,468	11/25/2019	AA+	11/25/2019
Federal National Mortgage Association	Fair Value Level 1	198,814	1/29/2019	AA+	1/29/2019
Federal National Mortgage Association	Fair Value Level 1	99,405	12/27/2018	AA+	12/27/2018
Federal National Mortgage Association	Fair Value Level 1	149,475	11/16/2018	AA+	11/16/2018
Federal National Mortgage Association	Fair Value Level 1	248,127	2/26/2019	AA+	2/26/2019
Federal National Mortgage Association	Fair Value Level 1	270,875	9/9/2019	AA+	9/9/2019
Brokerage account		<u>24,966</u>			
		<u>\$ 1,336,264</u>			

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

TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

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

The Town has no formal policy regarding credit risk, custodial risk or interest rate risk, except as to the requirements of G.S. 159-30(c) which describes the investments allowed by state statute. For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments. Concentration of credit risk. The Council places no limit on the amount the Town may invest in any one issuer. The Town has 61% of its investments in the Federal National Mortgage Association; 9% in the Federal Farm Credit Banks; 18% in the North Carolina Capital Management Trust's Government Portfolio; and 12% in the Federal Home Loan Banks.

**3. Receivables - Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2018 are net of the following allowances for doubtful accounts:

General Fund	
Taxes Receivable	<u>\$ 52,200</u>

**4. Capital Assets**

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2018 was as follows:

**Government Activities:**

	Beginning	Increases	Decreases	Ending Balances
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 1,803,348	\$ -	\$ -	\$ 1,803,348
Construction In Progress	-	780,096	-	780,096
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,803,348</b>	<b>780,096</b>	<b>-</b>	<b>2,583,444</b>
<b>Capital Assets Being Depreciated:</b>				
Buildings	3,055,383	14,915	-	3,070,298
Other Improvements	453,406	-	-	453,406
Equipment and Furniture	598,607	-	-	598,607
Vehicles and Motorized equipment	4,282,548	108,000	-	4,390,548
Computer software	31,000	-	-	31,000
Computer Equipment	52,307	-	-	52,307
Infrastructure	721,920	-	-	721,920
<b>Total Capital Assets Being Depreciated</b>	<b>9,195,171</b>	<b>122,915</b>	<b>-</b>	<b>9,318,086</b>
<b>Less Accumulated Depreciation for :</b>				
Buildings	1,184,390	65,578	-	1,249,968
Other Improvements	364,180	20,282	-	384,462
Equipment and Furniture	408,645	29,494	-	438,139
Vehicles and Motorized equipment	3,015,119	207,894	-	3,223,013
Computer software	31,000	-	-	31,000
Computer Equipment	40,151	3,039	-	43,190
Infrastructure	92,926	28,875	-	121,801
<b>Total Accumulated Depreciated</b>	<b>5,136,411</b>	<b>355,162</b>	<b>-</b>	<b>5,491,573</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>4,058,760</b>	<b>(232,247)</b>	<b>-</b>	<b>3,826,513</b>
<b>Government Activity Capital Assets, Net</b>	<b>\$ 5,862,108</b>	<b>\$ 547,849</b>	<b>\$ -</b>	<b>\$ 6,409,957</b>

TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

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

General government	\$ 41,761
Public safety	194,376
Transportation	50,023
Environmental protection	34,340
Cultural and recreational	<u>34,662</u>
 Total depreciation expense	 <u><u>\$ 355,162</u></u>

**Business-type Activities:**

**Water and Sewer Fund:**

**Capital Assets Not Being Depreciated:**

	Beginning	Increases	Decreases	Ending Balances
Land	\$ 609,932	\$ -	\$ -	\$ 609,932
Construction In Progress	1,911,854	5,707,223	-	7,619,077
Total Capital Assets Not Being Depreciated	<u>2,521,786</u>	<u>5,707,223</u>	<u>-</u>	<u>8,229,009</u>

**Capital Assets Being Depreciated:**

Plant and Distribution system	42,498,095	-	-	42,498,095
Equipment	3,108,937	335,856	-	3,444,793
Total Capital Assets Being Depreciated	<u>45,607,032</u>	<u>335,856</u>	<u>-</u>	<u>45,942,888</u>

**Less Accumulated Depreciation for :**

Plant and Distribution system	11,716,770	792,334	-	12,509,104
Equipment	2,382,687	141,256	-	2,523,943
Total Accumulated Depreciated	<u>14,099,457</u>	<u>933,590</u>	<u>-</u>	<u>15,033,047</u>

**Total Capital Assets being Depreciated, Net**

	31,507,575	(597,734)	-	30,909,841
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**Government Activity Capital Assets, Net**

	<u><u>\$ 34,029,361</u></u>	<u><u>\$ 5,109,489</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 39,138,850</u></u>
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**Construction commitments**

The Town has active construction projects as of June 30, 2018. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Clarifier Project	\$ 66,065	\$ 1,952,968
Browns Ford Water Loop	5,531,015	1,577,230
Downtown project	2,663,136	120,535
Asset Inventory system	138,957	23,820
Total	<u><u>\$ 8,399,173</u></u>	<u><u>\$ 3,674,553</u></u>

**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2018, was as follows:

TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

	Beginning	Increases	Decreases	Ending Balances
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 11,600	\$ -	\$ -	\$ 11,600
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	246,580	-	-	246,580
Furniture and equipment	91,033	-	-	91,033
Motor Vehicles	3,800	-	-	3,800
Total Capital Assets Being Depreciated	341,413	-	-	341,413
<b>Less Accumulated Depreciation for :</b>				
Buildings and improvements	214,394	5,931	-	220,325
Furniture and equipment	47,724	9,594	-	57,318
Motor Vehicles	2,280	759	-	3,039
Total Accumulated Depreciated	264,398	16,284	-	280,682
<b>Total Capital Assets being Depreciated, Net</b>	77,015	(16,284)	-	60,731
<b>Government Activity Capital Assets, Net</b>	\$ 88,615	\$ (16,284)	\$ -	\$ 72,331

**B. Liabilities**

**1. Pension Plan and Postemployment Obligations**

**a. Local Governmental Employees' Retirement System**

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

TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

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 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 Wilkesboro's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 Wilkesboro were \$274,336 for the year ended June 30, 2018.

*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, 2018, the Town reported a liability of \$882,718 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.0578%, which was an decrease of 0.0047% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Town recognized pension expense of \$283,254. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 50,853	\$ 24,987
Changes of assumptions	126,064	-
Net difference between projected and actual earnings on pension plan investments	214,325	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	48,789
Town contributions subsequent to the measurement date	274,336	-
Total	\$ 665,578	\$ 73,776

TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

\$274,336 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 32,756
2020	243,720
2021	117,107
2022	(76,116)
2023	-
Thereafter	-
Total	<u>\$ 317,467</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 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 factors
Investment rate of return	7.20 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, 2016 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Lon-Term Expected Real Rate of return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

TOWN OF WILKESBORO, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2018

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability and investment policy study for the North Carolina Retirement Systems, including

LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.20%. 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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Town's proportionate share of the net pension liability (asset)	\$ 2,649,940	\$ 882,718	\$ (592,354)

*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 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 .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, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>21</u>
Total	<u>23</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



TOWN OF WILKESBORO, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2018

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 following criteria which are outlined in GASB Statements 73.

**3. Actuarial Assumptions**

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factors
Discount rate	3.16 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, 2016.

Mortality rates are based on the RP-2000 Mortality tables with adjustment for mortality improvements based on Scale AA.

**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. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$44,163 as benefits came due for the reporting period.

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

At June 30, 2018, the Town reported a total pension liability of \$849,316. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$88,234.

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$ 230,310	\$ -
Changes in assumptions	29,244	7,814
Town benefit payments and plan administrative expense Made subsequent to the measurement date	<u>15,451</u>	<u>-</u>
Total	<u>\$ 275,005</u>	<u>\$ 7,814</u>

\$15,451 (with \$0 administrative expenses) was 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, 2019. Other amounts reported as deferred inflows of resources relate to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$1,768
2020	1,768
2021	1,768
2022	1,768
2023	742
Thereafter	-
Total	<u>\$7,814</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

*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 3.16 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 (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	<b>1% Decrease (2.16%)</b>	<b>Discount Rate (3.16)</b>	<b>1% Increase (4.16)</b>
Total net pension liability (asset)	\$ 900,341	\$ 849,316	\$ 802,371

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

	2018
Beginning balance	\$ 530,663
Service cost	20,297
Interest on the total pension liability	19,887
Changes of benefits terms	-
Difference between expected and actual experience in the measurement of the total pension liability	274,515
Changes of assumptions or other inputs	34,857
Benefit payments	(30,903)
Other changes	-
Ending balance of the total pension liability	\$ 849,316

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, 2016 valuations 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 Related to Pensions***

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

	LGERS	LEOSSA	Total
Pension expense	\$ 286,821	\$ 88,234	\$ 375,055
Pension liability	\$ 882,718	\$ 849,316	\$ 1,732,034
Proportionate share of the net pension liability	0.0578%	N/A	

TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

Deferred Outflows of Resources	LGERS	LEOSSA	Total
Differences between expected and actual experience	\$ 50,853	\$ 230,310	\$ 281,163
Changes of assumptions and other inputs	126,064	29,244	155,308
Net difference between projected and actual earnings on plan investments	214,325	-	214,325
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	274,336	15,451	289,787
	<u>\$ 665,578</u>	<u>\$ 275,005</u>	<u>\$ 940,583</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 24,987	\$ -	\$ 24,987
Changes of assumptions and other inputs	-	7,814	7,814
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	48,789	-	48,789
	<u>\$ 73,776</u>	<u>\$ 7,814</u>	<u>\$ 81,590</u>

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

*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 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. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919)981-5454.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town made contributions for the year ended June 30, 2018 of \$44,163. No amounts were forfeited.

**d. 401(K) Retirement Plan**

For the year ended June 30, 2018, the Town contributed to an approved 401(K) Retirement Plan covering eligible employees not engaged in law enforcement. The Town elected to make matching contributions of up to five percent (5%) of eligible salaries. The Town's contribution to the plan for the year ended June 30, 2018 was \$118,051.

**e. Firemen's and Rescue Squad Workers' Pension Fund**

*Plan Description.* The State of North Carolina contributes, on behalf of the Town of Wilkesboro, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 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

TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' and Rescue Squad Workers' Pension Fund 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 the Firefighters' and Rescue Squad Workers' Pension Fund. 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](http://www.osc.nc.gov).

*Benefits Provided.* FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

*Contributions.* Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2017, the State contributed \$17,602,000 to the plan. The Town of Wilkesboro's proportionate share of the State's contribution is \$2,410.

*Refunds of Contributions* – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2018, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$9,144. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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 contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2017 and at June 30, 2016 was 0%.

For the year ended June 30, 2018, the Town recognized pension expense of \$2,410 and revenue of \$2,410 for support provided by the State. At June 30, 2018, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

TOWN OF WILKESBORO, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2018

*Discount rate.* The discount rate used to measure the total pension liability was 7.20%. 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.

*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.

**f. Other Postemployment Benefits**

**1. Healthcare Benefits**

*Plan Description.* Under the terms of a Town resolution, the Town administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). This plan provides health care benefits for all retired personnel who have thirty years of full-time service with the Town and all elected officials who have fourteen years of service as of April 6, 1998 with the Town. The spouse and eligible dependents are also covered. A retired employee's spouse and eligible dependents may continue to receive coverage upon death of the employee. However, if a retiree's spouse remarries after the death of the retiree, the spouse will no longer be eligible for insurance coverage. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. As of June 30, 2018, it is deemed that any active employee hired after November 4, 2002 is excluded from property right participation in this plan.

The Town pays the full cost of coverage for these benefits through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

*Funding Policy.* By Town resolution, the Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the responsible fund. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In the fiscal year ended June 30, 2018, the Town's total contributions were \$191,551

Membership of the Town's plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	7	
Terminated plan members entitled to but not yet receiving benefits	-	
Active plan members	20	
Total	27	

**Total OPEB Liability**

The Town's total OPEB liability of \$4,573,529 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

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

Inflation	3.00%	
Salary increases	3.50%	
Healthcare cost trend rates	6.00% initially, grading down to 4.50% ultimate	
Discount rate	3.62%	

TOWN OF WILKESBORO, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2018

**Changes in the Total OPEB Liability:**

	Total OPEB Liability
Balance at July 1, 2017	\$ 2,378,606
Changes for the year	
Service cost	253,692
Interest	101,461
Changes of benefit terms	(2,202,041)
Differences between expected and actual experience	3,684,998
Changes in assumptions or other inputs	548,364
Benefit payments	(191,551)
Net changes	2,194,923
Balance at June 30, 2018	\$ 4,573,529

Changes in assumptions and other inputs reflect a change in the discount rate from 3.17% to 3.18%. Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table. The actuarial assumptions used in the June 30, 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 are 1-percentage-point lower (2.62%) or 1-percentage-point higher (4.62%) than the current discount rate (3.62%):

	1% Decrease (2.62%)	Discount Rate (3.62)	1% Increase (4.62)
Total OPEB liability	\$ 5,710,914	\$ 4,573,529	\$ 3,706,034

*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 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare cost trend rates (4.50%):

	1% Decrease (3.50%)	Discount Rate (4.50)	1% Increase (5.50)
Ultimate Trend Rate			
Total OPEB liability	\$ 3,583,556	\$ 4,573,529	\$ 5,938,628

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

For the year ended June 30, 2018, the Town recognized OPEB expense of (\$1,635,220). At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,500,749	-
Changes in assumptions	520,946	-
Net difference between projected and actual earnings on plan investments	-	-
Total	\$ 4,021,695	\$ -

TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

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

<u>Year ended June 30</u>		
2019	\$	211,668
2020		211,668
2021		211,668
2022		211,668
2023		211,668
Thereafter		<u>2,963,355</u>
Total	\$	<u><u>4,021,695</u></u>

**2. 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 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.

**3. Deferred Outflows and Inflows of Revenues**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources Net Position</u>	<u>General Fund</u>
Taxes receivable, net	\$ -	\$ -	\$ 224,861
Unexpended grant proceeds	-	6,597	6,597
Prepaid taxes	-	17,519	17,519
Differences between expected and actual experience	281,163	24,987	-
Changes in assumptions	155,308	7,814	-
Net difference between projected and actual earnings on pension plan investments	214,325	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	48,789	-
Employer contributions subsequent to measurement date	289,787	-	-
	<u>\$ 940,583</u>	<u>\$ 105,706</u>	<u>\$ 248,977</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

**4. 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 carries commercial coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries commercial flood insurance on the garage/warehouse building and contents. Flood insurance is not carried on any other Town structure.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The town manager, finance officer, and tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$150,000.

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

**5. Long-Term Obligations**

**a. Promissory Notes**

**Serviced by the General Fund:**

Promissory Note due in quarterly installments of \$14,904 through November 2025; Interest at 2.54%. Secured by equipment.	\$ 405,937
Promissory Note due in annual installments of \$87,500 plus interest through June 30, 2027; Interest at prime plus 2% (currently 2.32%). Secured by equipment, fixtures and improvements, land and moneys on deposit (restricted cash) related to the project.	<u>787,500</u>
<b>Total General Fund</b>	<b><u>\$1,193,437</u></b>

**Serviced by the Water and Sewer Fund:**

Promissory Note due in annual installments of \$509,394 including interest through June 30, 2027; Interest at prime plus 2% (currently 2.32%). Secured by equipment, fixtures, improvements, land and moneys on deposit (restricted cash) related to the project.	4,095,006
Promissory Note due in annual installments of \$488,611 beginning May 2012; Interest at 2.50%. Secured by water and sewer revenues.	<u>5,067,079</u>
<b>Total Water and Sewer Fund</b>	<b><u>\$ 8,800,151</u></b>

Annual debt service requirements to maturity for the Town's promissory notes are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 137,276	\$ 28,109	\$ 776,324	\$ 212,633
2020	138,552	24,803	785,938	193,970
2021	139,862	21,463	795,774	175,085
2022	141,204	18,091	805,840	155,972
2023	142,581	14,678	816,138	136,625
Next 5 years	479,852	23,345	3,734,335	384,361
Next 5 years	<u>14,110</u>	<u>2,030</u>	<u>1,085,802</u>	<u>54,291</u>
<b>Total</b>	<b><u>\$ 1,193,437</u></b>	<b><u>\$ 132,519</u></b>	<b><u>\$ 8,800,151</u></b>	<b><u>\$ 1,312,937</u></b>



TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

**b. Installment Purchase**

In March 2004, the Town entered into certificates of participation to finance construction of a two million gallon clearwell, construction of water line and sewer line improvements and acquisition of water lines. The interest rate is 3.65%.

In February, 2018, the Town entered into an installment purchase financing note to purchase three police SUVs. The interest rate is 1.95%.

The future minimum payments of the installment purchase as of June 30, 2018, including \$31,457 of interest, are as follows:

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 31,384	\$ 1,872	\$ 347,828	\$ 9,550
2020	31,996	1,260	-	-
2021	32,620	636	-	-
	<u>\$ 96,000</u>	<u>\$ 3,768</u>	<u>\$ 347,828</u>	<u>\$ 9,550</u>

**c. General Obligation Indebtedness**

At June 30, 2018, the Town of Wilkesboro had a legal debt margin of \$53,810,164.

**d. Changes in Long-Term Liabilities**

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion of Balance
Government activities:					
Promissory notes	\$ 1,469,577	\$ 96,000	\$ 276,140	\$ 1,289,437	\$ 168,660
Compensated absences	54,571	-	16,901	37,670	-
Net pension obligation (LEO)	530,663	318,653	-	849,316	-
Net pension obligation (LGERS)	792,191	-	278,008	514,183	-
Total OPEB liability	<u>1,250,227</u>	<u>1,261,286</u>	<u>-</u>	<u>2,511,513</u>	<u>-</u>
Government activity long-term liabilities	<u>\$ 4,097,229</u>	<u>\$ 1,675,939</u>	<u>\$ 571,049</u>	<u>\$ 5,202,119</u>	<u>\$ 168,660</u>
Business-type activities:					
Installment purchases	\$ 683,299	\$ -	\$ 335,471	\$ 347,828	\$ 347,828
Promissory notes	9,599,496	-	799,345	8,800,151	776,324
Compensated absences	40,308	-	14,017	26,291	-
Net pension obligation (LGERS)	533,208	-	164,673	368,535	-
Total OPEB liability	<u>638,127</u>	<u>1,423,889</u>	<u>-</u>	<u>2,062,016</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 11,494,438</u>	<u>\$ 1,423,889</u>	<u>\$ 1,313,506</u>	<u>\$ 11,604,821</u>	<u>\$ 1,124,152</u>

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

TOWN OF WILKESBORO, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2018

**C. Interfund Balances and Activity**

**Balances due to/from Primary Government and Component Units**

Balances due to/from primary government and component units at June 30, 2018, consist of the following:

General Fund:

Due from component unit-Tourism Bureau for reimbursement of expenses to primary government-General Fund	<u>\$ 22,890</u>
Due from the primary government-General Fund for occupancy tax collected for component unit-Tourism Bureau	<u>\$ 49,175</u>
Due from Enterprise Fund	<u>\$ 1,580</u>

Enterprise Fund:

Due to General Fund	<u>\$ 1,580</u>
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**D. On-Behalf Payments for Fringe Benefits and Salaries**

For the fiscal year ended June 30, 2018, the Town of Wilkesboro has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$2,410 for the thirty four volunteer firemen and the four employed firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Worker's 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 the Town for each member, investment income, and a State appropriation.

**E. Fund Balance**

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation. There are no outstanding encumbrances. As part of the budgetary process in Fiscal Year 2018, Town Council has adopted a formal Fund Balance Policy to guide the financial decisions of the Town in the future. The adopted policy states:

*"When preparing the annual General Fund budget, the amount of appropriated fund balance should result in an anticipated ending unassigned fund balance shall end in within the range of 20-40% of total budgeted appropriations.*

*After the annual audit is completed, should the unreserved fund balance amount fall below the targeted level, Town Council will adopt a plan to restore the balance to the target level within 24 months. If restoration of the reserve cannot be accomplished within such period without severe hardship to the Town, then the Council will establish a different time period."*

Current Fund Balance Condition as of June 30, 2018 is:

Total fund balance - General Fund	<u>\$ 2,922,084</u>
Less:	
Restricted:	
Stabilization by State Statute	1,070,141
Streets - Powell Bill	144,224
Public Safety - Drug Crime Prevention	5,399
Assigned:	
Appropriated Fund Balance in 2018 budget	<u>390,000</u>
Unassigned fund balance - 20.0% of expenditures	<u><u>1,312,320</u></u>

TOWN OF WILKESBORO, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

**IV. Jointly Governed Organization**

The Town, in conjunction with seven counties and nineteen 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 \$981 to the Council during the fiscal year ended June 30, 2018.

The Town appoints two of five trustees of the Wilkesboro Firemen's Supplemental Pension Fund. The Town does not approve the budget of the Fund, is not responsible for any deficits, nor entitled to any surpluses. The Town is to receive transfers from the Fund to pay retirement benefits to beneficiaries.

**V. Joint Ventures**

The Town participates in a joint venture to operate the Wilkes Economic Development Corporation, a nonprofit corporation, with Wilkes County, another municipality, and the Wilkes Chamber of Commerce. The Town appoints one board member to the eighteen-member board of the Corporation. The Town has an ongoing financial responsibility for the joint venture because the Wilkes Economic Development Corporation's continued existence depends on the participating governments' continued funding. None of the participating governments have an equity interest in the nonprofit corporation, so no equity interests have been reflected in the financial statements at June 30, 2018. The Town appropriated \$50,000 to the Wilkes Economic Development Corporation during the year. Complete financial statements for the Corporation can be obtained from the Corporation's offices at PO Box 727, North Wilkesboro, NC 28659.

**VI. 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 moneys 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 moneys.

**VII. Significant Effect of Subsequent Events**

The Town has evaluated subsequent events through November 24, 2020, the date which the financial statements were available to be issued. The following events have arisen in the time period following June 30, 2018:

- On March 21, 2019, the Town entered into an agreement to complete phase 1 of the water filtration plant upgrade and expansion. Total expected costs of the project are approximately 2.14 million dollars.

**VIII. Change in Accounting Principles/Restatement**

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period (fiscal year ending December 31, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased by \$1,045,072 and \$757,210 for the business-type activities.

Required  
Supplementary Financial Data

TOWN OF WILKESBORO, NORTH CAROLINA  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 530,663	\$ 534,869
Service costs	20,297	20,713
Interest on the total pension liability	19,887	18,522
Changes of benefit terms	-	-
Difference between expected and actual experience in the measurement of the total pension liability	274,515	-
Changes in assumptions or other inputs	34,857	(11,350)
Benefit payments	(30,903)	(32,091)
Other changes	-	-
	<u>\$ 849,316</u>	<u>\$ 530,663</u>

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL

Total pension liability	\$ 849,316	\$ 530,663
Covered payroll	\$ 788,396	\$ 783,142
Total pension liability as a percentage of covered payroll	107.73%	67.76%

TOWN OF WILKESBORO, NORTH CAROLINA  
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2018

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

	<u>2018</u>
Service costs	\$ 253,692
Interest	101,461
Changes of benefit terms	(2,202,041)
Difference between expected and actual experience in the measurement of the total pension liability	3,684,998
Changes in assumptions or other inputs	548,364
Benefit payments	<u>(191,551)</u>
Net change in total OPEB liability	2,194,923
Total OPEB liability - beginning	<u>2,378,606</u>
Total OPEB liability - ending	<u><u>\$ 4,573,529</u></u>

SCHEDULE OF TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL

Covered payroll	\$ 3,655,936
Total OPEB liability as a percentage of covered payroll	125.10%

**Notes to Schedule**

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

<u>Fiscal Year</u>	<u>Rate</u>
2018	3.16%

TOWN OF WILKESBORO, NORTH CAROLINA  
 THE TOWN OF WILKESBORO'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
 REQUIRED SUPPLEMENTARY INFORMATION  
 LAST FIVE FISCAL YEARS

Local Government Employee's Retirement System

	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.0578%	0.0625%	0.0585%	0.0569%	0.0560%
Town's proportion of the net pension liability (Asset) (\$)	\$ 882,718	\$ 1,325,399	\$ 152,172	\$ (335,330)	\$675,015
Town's covered-employee payroll	\$ 3,548,885	\$ 3,422,499	\$ 3,247,723	\$ 3,091,122	\$ 2,415,634
Town's proportionate share of the net pension Liability (asset) as a percentage of its covered-employee payroll	24.87%	38.73%	4.69%	-10.85%	27.94%
Plan fiduciary net position as a percentage of the pension liability	94.18%	91.47%	98.09%	102.64%	94.35%

Town of Wilkesboro's Contribution

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

SUPPLEMENTARY INFORMATION:

Combining and Individual Fund Statements and Schedules

Schedule of Revenues, Expenditures, and Changes  
In Fund Balance-Budget to Actual



TOWN OF WILKESBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
Ad valorem taxes:			
Taxes	\$ 3,189,000	3,170,398	\$ (18,602)
Interest	30,000	38,582	8,582
TOTAL	<u>3,219,000</u>	<u>3,208,980</u>	<u>(10,020)</u>
Unrestricted intergovernmental:			
Local option sales taxes	1,000,000	1,095,934	95,934
Payments in lieu of taxes	1,000	1,269	269
Telecommunications sales tax	30,000	26,328	(3,672)
Utility franchise tax	550,000	536,748	(13,252)
Piped natural gas tax	7,500	9,267	1,767
Video franchise fee	50,000	41,780	(8,220)
Beer and wine tax	15,000	16,047	1,047
ABC profit distribution	60,000	-	(60,000)
TOTAL	<u>1,713,500</u>	<u>1,727,373</u>	<u>13,873</u>
Restricted intergovernmental:			
Powell bill allocation	115,000	117,874	2,874
Other federal and state grants	-	18,908	18,908
Controlled substance tax	5,000	2,859	(2,141)
Solid waste disposal tax	2,000	2,461	461
Occupancy tax	250,000	252,021	2,021
TOTAL	<u>372,000</u>	<u>394,123</u>	<u>22,124</u>
Permits and fees:			
Business registration fees	1,000	1,223	223
Street Assessment	-	7,954	7,954
Permits	100	-	(100)
TOTAL	<u>1,100</u>	<u>9,177</u>	<u>8,077</u>
Sales and services:			
Rents	25,000	48,342	23,342
Court costs, fees, and charges	8,900	9,102	202
Sanitation fees	115,000	117,621	2,621
Open air market fees	7,000	3,351	(3,649)
Park lights	5,000	4,533	(467)
TOTAL	<u>160,900</u>	<u>182,949</u>	<u>22,049</u>
Investment earnings	<u>12,000</u>	<u>4,232</u>	<u>(7,768)</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Miscellaneous:			
Other	1,108,000	1,004,864	(103,136)
Cemetery donation	5,000	2,755	(2,245)
TOTAL	<u>1,113,000</u>	<u>1,007,619</u>	<u>(105,381)</u>
 TOTAL REVENUES	 <u>6,591,500</u>	 <u>6,534,453</u>	 <u>(57,047)</u>
 EXPENDITURES:			
General government:			
Governing body:			
Salaries and employee benefits		24,644	
Operating expenditures		101,055	
Economic Development		187,337	
TOTAL	<u>337,500</u>	<u>313,036</u>	<u>24,464</u>
Administration:			
Salaries and employee benefits		459,594	
Other operating expenditures		320,246	
Insurance		962,828	
TOTAL	<u>2,066,000</u>	<u>1,742,668</u>	<u>323,332</u>
Public buildings:			
Salaries and employee benefits		161,007	
Other operating expenditures		190,493	
TOTAL	<u>351,500</u>	<u>351,500</u>	<u>-</u>
TOTAL GENERAL GOVERNMENT	<u>2,755,000</u>	<u>2,407,204</u>	<u>347,796</u>
Public safety:			
Police:			
Salaries and employee benefits		1,200,013	
Other operating expenditures		273,135	
Capital outlay		108,000	
TOTAL	<u>1,567,000</u>	<u>1,581,148</u>	<u>(14,148)</u>
Fire:			
Salaries and employee benefits		442,804	
Retirement benefits paid		51,000	
Other operating expenditures		193,229	
Capital outlay		-	
TOTAL	<u>693,000</u>	<u>687,033</u>	<u>5,967</u>
Inspections:			
Salaries and employee benefits		141,056	
Other operating expenditures		154,869	
TOTAL	<u>326,500</u>	<u>295,925</u>	<u>30,575</u>
TOTAL PUBLIC SAFETY	<u>2,586,500</u>	<u>2,564,106</u>	<u>22,394</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Transportation:			
Streets:			
Salaries and employee benefits		226,021	
Other operating expenditures		544,222	
TOTAL TRANSPORTATION	<u>933,000</u>	<u>770,243</u>	<u>162,757</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		160,383	
Other operating expenditures		42,576	
Landfill tipping fees		46,029	
TOTAL ENVIRONMENTAL PROTECTION	<u>278,500</u>	<u>248,988</u>	<u>29,512</u>
Cultural and recreation:			
Parks and Recreation:			
Salaries and employee benefits		131,587	
Other operating expenditures		124,975	
Capital outlay		14,915	
TOTAL CULTURAL AND RECREATION	<u>271,500</u>	<u>271,477</u>	<u>23</u>
Debt Service:			
Principal retirement		276,140	
Interest and other charges		37,190	
TOTAL DEBT SERVICE	<u>255,000</u>	<u>313,330</u>	<u>(58,330)</u>
 TOTAL EXPENDITURES	 <u>7,079,500</u>	 <u>6,575,348</u>	 <u>504,152</u>
 REVENUES OVER/(UNDER) EXPENDITURES	 <u>(488,000)</u>	 <u>(40,895)</u>	 <u>447,105</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from issuance of debt:	<u>396,000</u>	<u>96,000</u>	<u>(300,000)</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>396,000</u>	 <u>96,000</u>	 <u>(300,000)</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
 GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(92,000)	55,105	147,105
Fund balance appropriated	<u>92,000</u>	<u>-</u>	<u>(92,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>55,105</u>	<u>\$ 55,105</u>
Fund balance, beginning		<u>2,866,979</u>	
Fund balance, ending		<u>\$ 2,922,084</u>	

TOWN OF WILKESBORO, NORTH CAROLINA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Fiscal Year Ended June 30, 2018

	SPECIAL REVENUE FUND Grant Project Fund	SPECIAL REVENUE FUND Downtown Project	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,597	\$ (780,096)	\$ (773,499)
<b>TOTAL ASSETS</b>	<b>\$ 6,597</b>	<b>\$ (780,096)</b>	<b>\$ (773,499)</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Unearned revenue	\$ 6,597	\$ -	\$ 6,597
<b>TOTAL LIABILITIES</b>	<b>6,597</b>	<b>-</b>	<b>6,597</b>
<b>FUND BALANCE</b>			
Unassigned	-	(780,096)	(780,096)
<b>TOTAL FUND BALANCE</b>	<b>-</b>	<b>(780,096)</b>	<b>(780,096)</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 6,597</b>	<b>\$ (780,096)</b>	<b>\$ (773,499)</b>

TOWN OF WILKESBORO, NORTH CAROLINA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Fiscal Year Ended June 30, 2018

	SPECIAL REVENUE FUND Grant Project Fund	SPECIAL REVENUE FUND Downtown Project	Total Nonmajor Governmental Funds
REVENUES:			
Restricted intergovernmental	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:			
Downtown project	-	780,096	780,096
TOTAL EXPENDITURES	<u>-</u>	<u>780,096</u>	<u>780,096</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ (780,096)</u>	<u>\$ (780,096)</u>
Fund Balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, end of year	<u>\$ -</u>	<u>\$ (780,096)</u>	<u>\$ (780,096)</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
SPECIAL REVENUE FUND-GRANT PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
From inception and for the Fiscal Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES:					
Restricted intergovernmental Government grant	\$ 59,200	\$ 52,603	\$ -	\$ 52,603	\$ (6,597)
EXPENDITURES:					
Cultural and recreational	61,000	52,603	-	52,603	8,397
REVENUES UNDER EXPENDITURES	(1,800)	-	-	-	1,800
OTHER FINANCING SOURCES					
Transfer from General Fund	1,800	-	-	-	(1,800)
REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning of year			-		
Fund Balance, end of year			<u>\$ -</u>		

TOWN OF WILKESBORO, NORTH CAROLINA  
 GENERAL CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 From inception and for the Fiscal Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES:					
Restricted intergovernmental CDBG grant	\$ 750,000	\$ -	\$ -	\$ -	\$ (750,000)
TOTAL REVENUES	750,000	-	-	-	(750,000)
EXPENDITURES:					
Capital Outlay					
Building repair and renovation	750,000	-	780,096	780,096	(30,096)
TOTAL EXPENDITURES	750,000	-	780,096	780,096	(30,096)
REVENUES UNDER EXPENDITURES	\$ -	\$ -	(780,096)	\$ (780,096)	\$ (780,096)
Fund Balance, beginning of year			-		
Fund Balance, end of year			\$ (780,096)		



TOWN OF WILKESBORO, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (Non-GAAP)  
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>REVENUES:</b>			
Operating revenues:			
Water and sewer sales	\$ 7,410,000	\$ 7,048,776	\$ (361,224)
Water and sewer taps	25,000	30,455	5,455
Other operating revenue	70,000	69,875	(125)
TOTAL OPERATING REVENUES	<u>7,505,000</u>	<u>7,149,106</u>	<u>(355,894)</u>
Nonoperating revenue:			
Interest earnings	5,000	6,242	1,242
Miscellaneous	485,000	204,767	(280,233)
TOTAL NONOPERATING REVENUES	<u>490,000</u>	<u>211,009</u>	<u>(278,990)</u>
<b>TOTAL REVENUES</b>	<u>7,995,000</u>	<u>7,360,115</u>	<u>(634,885)</u>
<b>EXPENDITURES:</b>			
Water and sewer administration:			
Salaries and employee benefits		191,609	
Other operating expenditures		270,921	
Insurance		762,558	
TOTAL	<u>1,341,000</u>	<u>1,225,088</u>	<u>115,912</u>
Water treatment and distribution:			
Salaries and employee benefits		542,688	
Utilities		256,666	
Maintenance		290,618	
Other operating expenditures		214,181	
TOTAL	<u>1,279,000</u>	<u>1,304,154</u>	<u>(25,154)</u>
Waste collection and treatment:			
Salaries and employee benefits		495,998	
Utilities		360,506	
Maintenance		145,054	
Other operating expenditures		607,221	
TOTAL	<u>1,570,000</u>	<u>1,608,779</u>	<u>(38,779)</u>
Maintenance:			
Salaries and employee benefits		757,739	
Maintenance		448,552	
Other operating expenditures		257,962	
TOTAL	<u>1,387,500</u>	<u>1,464,253</u>	<u>(76,753)</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (Non-GAAP)  
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement		1,134,816	
Interest and other charges		218,950	
TOTAL DEBT SERVICE	<u>1,440,000</u>	<u>1,353,765</u>	<u>86,235</u>
Capital outlay:			
Land and building		245,022	
Equipment		90,834	
TOTAL CAPITAL OUTLAY	<u>361,000</u>	<u>335,856</u>	<u>25,144</u>
 TOTAL EXPENDITURES	 <u>7,378,500</u>	 <u>7,291,895</u>	 <u>86,605</u>
 REVENUES OVER (UNDER) EXPENDITURES	 <u>616,500</u>	 <u>68,220</u>	 <u>(548,280)</u>
OTHER FINANCING SOURCES (USES):			
Transfers to other funds:			
Water & Sewer Capital Projects Fund	<u>1,163,500</u>	<u>(1,504,134)</u>	<u>(2,667,634)</u>
 REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 <u>(547,000)</u>	 <u>(1,435,914)</u>	 <u>(3,215,914)</u>
APPROPRIATED RETAINED EARNINGS	<u>547,000</u>	<u>-</u>	<u>(547,000)</u>
 REVENUES, OTHER SOURCES, AND APPROPRIATED RETAINED EARNINGS OVER (UNDER) EXPENDITURES AND OTHER USES	 <u>\$ -</u>	 <u>\$ (1,435,914)</u>	 <u>\$ (1,435,914)</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
 WATER AND SEWER FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (Non-GAAP)  
 For the Fiscal Year Ended June 30, 2018

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

REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (1,435,914)</u>
Reconciling items:	
Principal retirement	1,134,816
Capital outlay	335,856
Decrease in accrued vacation pay	14,015
Increase in OPEB liability	(1,258,219)
Increase in deferred outflows of resources-OPEB	2,404,757
Increase in net pension liability	(166,562)
Decrease in deferred outflows of resources-pensions	164,673
Decrease in deferred inflows of resources-pensions	(7,557)
Depreciation	(933,590)
Capital contributions-Water Sewer Project Fund	631,672
Transfer to Water & Sewer Capital Project Fund	1,504,134
Rent income in the water and sewer:	
Capital reserve fund	10,000
TOTAL RECONCILING ITEMS	<u>3,833,995</u>
CHANGE IN NET POSITION	<u><u>\$ 2,398,081</u></u>

TOWN OF WILKESBORO, NORTH CAROLINA  
WATER AND SEWER CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
BUDGET AND ACTUAL (Non-GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues- Downtown Revitalization Project					
Federal Grant	\$ 500,000	\$ 94,340	\$ -	\$ 94,340	\$ (405,660)
Other	50,000	-	-	-	(50,000)
Partnerships	850,000	-	-	-	(850,000)
Total	<u>1,400,000</u>	<u>94,340</u>	<u>-</u>	<u>94,340</u>	<u>(1,305,660)</u>
Revenues-Brown's Ford Water Loop & Tank					
IDF Grant	1,110,000	-	-	-	(1,110,000)
Golden LEAF Grant	200,000	-	200,000	200,000	-
Department of Commerce Grant	700,000	-	431,672	431,672	(268,328)
West Wilkes Water Assn Contribution	5,000	-	-	-	(5,000)
Total	<u>2,015,000</u>	<u>-</u>	<u>631,672</u>	<u>631,672</u>	<u>(1,383,328)</u>
Revenues-Clarifier Project-Wastewater Treatment Grant	<u>1,900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,900,000)</u>
	<u>1,900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,900,000)</u>
Revenue-Asset Inventory and Assessment Grant	<u>135,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(135,000)</u>
Total	<u>135,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(135,000)</u>
 TOTAL REVENUES	<u>5,450,000</u>	<u>94,340</u>	<u>631,672</u>	<u>726,012</u>	<u>(4,723,988)</u>
Expenditures-Downtown Revitalization Project					
Repairs and Renovations	2,650,000	627,260	1,255,780	1,883,040	766,960
Contingency	200,000	-	-	-	200,000
Total	<u>2,850,000</u>	<u>627,260</u>	<u>1,255,780</u>	<u>1,883,040</u>	<u>966,960</u>
Expenditures-Brown's Ford Loop & Tank					
Construction	6,073,241	668,448	4,030,799	4,699,247	1,373,994
Construction Observation and Admin	125,000	570	-	570	124,430
Engineering	475,000	544,286	283,392	827,678	(352,678)
Land	250,000	-	-	-	250,000
Contingency	346,162	-	3,520	3,520	342,642
Total	<u>7,269,403</u>	<u>1,213,304</u>	<u>4,317,711</u>	<u>5,531,015</u>	<u>1,738,388</u>
Expenditures-Clarifier Project-Wastewater Treatment					
Engineering	85,000	-	65,363	65,363	19,637
Administration	40,000	-	-	-	40,000
Construction	1,908,420	-	702	702	1,907,718
Contingency	101,580	-	-	-	101,580
Total	<u>2,135,000</u>	<u>-</u>	<u>66,065</u>	<u>66,065</u>	<u>2,068,935</u>

TOWN OF WILKESBORO, NORTH CAROLINA  
WATER AND SEWER CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
BUDGET AND ACTUAL (Non-GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total To Date	
Expenditures-Asset Inventory and Assessment Infrastructure Planning	150,000	71,290	67,667	138,957	11,043
TOTAL EXPENDITURES	12,404,403	1,911,854	5,707,223	7,619,077	4,785,326
REVENUES OVER (UNDER) EXPENDITURES	(6,954,403)	(1,817,514)	(5,075,551)	(6,893,065)	61,338
OTHER FINANCING SOURCES (USES)					
Proceeds from Issuance of Debt	4,500,000	4,500,000	-	4,500,000	-
Proceeds from Issuance of Debt	250,000	-	-	-	(250,000)
Transfer From Water and Sewer	754,403	489,654	248,354	738,008	(16,395)
Transfer From Water and Sewer	235,000	-	-	-	(235,000)
Transfer From Water and Sewer	15,000	-	-	-	(15,000)
Transfer from General Fund	550,000	-	-	-	(550,000)
Transfer From Water and Sewer Fund	650,000	532,920	1,255,780	1,788,700	1,138,700
TOTAL OTHER FINANCING SOURCES (USES)	6,954,403	5,522,574	1,504,134	7,026,708	72,305
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ 3,705,060	\$ (3,571,417)	\$ 133,643	\$ 133,643

TOWN OF WILKESBORO, NORTH CAROLINA  
 WATER AND SEWER CAPITAL RESERVE FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET TO ACTUAL (Non-GAAP)  
 For the Fiscal Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>REVENUES</b>					
Rent Income-Vulcan Materials	\$ -	\$ 110,000	\$ 10,000	\$ 120,000	\$ 120,000
Investment Earnings	137,459	250,600	-	250,600	\$ 113,141
<b>TOTAL REVENUES</b>	<u>137,459</u>	<u>360,600</u>	<u>10,000</u>	<u>370,600</u>	<u>233,141</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from Water and Sewer Capital Project Fund	304,017	214,818	-	214,818	(89,199)
Transfer From Water and Sewer Capital Project Fund	<u>(441,476)</u>	<u>(441,476)</u>	<u>-</u>	<u>(441,476)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(137,459)</u>	<u>(226,658)</u>	<u>-</u>	<u>(226,658)</u>	<u>(89,199)</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>					
	<u>\$ -</u>	<u>\$ 133,942</u>	<u>\$ 10,000</u>	<u>\$ 143,942</u>	<u>\$ 143,942</u>

## Other Schedules

This section contains additional information required on property taxes.

- \* Schedule of Ad Valorem Taxes Receivable
- \* Analysis of Current Tax Levy

TOWN OF WILKESBORO, NORTH CAROLINA  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 TOWN-WIDE LEVY  
 For the Fiscal Year Ended June 30, 2018

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2017</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2017-2018	\$ -	\$ 3,227,719	\$ 3,115,792	\$ 111,927
2016-2017	93,041	-	22,643	70,398
2015-2016	50,842	-	41,420	9,422
2014-2015	9,660	-	4,373	5,287
2013-2014	11,602	-	7,380	4,222
2012-2013	7,927	-	3,738	4,189
2011-2012	63,514	-	20,171	43,343
2010-2011	25,969	-	2,327	23,642
2009-2010	3,980	-	1,633	2,347
2008-2009	2,546	-	262	2,284
2007-2008	1,442	-	1,442	-
Total	<u>\$ 270,523</u>	<u>\$ 3,227,719</u>	<u>\$ 3,221,181</u>	<u>\$ 277,061</u>
Less: Allowance for Uncollectible Accounts-General Fund				<u>52,200</u>
AD VALOREM TAXES RECEIVABLE-NET				<u>\$ 224,861</u>

RECONCILIATION TO REVENUES:

Ad Valorem Taxes-General Fund	<u>\$ 3,208,980</u>
Reconciling Items:	
Interest Collected	\$ 21,680
Taxes Written Off	(1,375)
Prior Years Releases	<u>(8,104)</u>
Subtotal	<u>\$ 12,201</u>
TOTAL COLLECTIONS AND CREDITS	<u>\$ 3,221,181</u>



TOWN OF WILKESBORO, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
TOWN-WIDE LEVY  
For the Fiscal Year Ended June 30, 2018

	Town-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 653,891,994	\$ 0.48	\$ 3,138,682	\$ 2,906,795	\$ 231,887
Property taxed at prior year's rate	-	0.44	-	-	-
<b>Total</b>	<u>\$ 653,891,994</u>		<u>\$ 3,138,682</u>	<u>\$ 2,906,795</u>	<u>\$ 231,887</u>
Discoveries:					
Current year taxes	\$ 18,184,935	\$ 0.48	\$ 87,288	\$ 87,288	\$ -
Prior year taxes	<u>2,239,377</u>	0.44	<u>9,853</u>	<u>9,853</u>	<u>-</u>
<b>TOTAL</b>	<u>\$ 20,424,312</u>		<u>\$ 97,141</u>	<u>\$ 97,141</u>	<u>\$ -</u>
Abatements and releases	<u>\$ (1,689,259)</u>		<u>\$ (8,104)</u>	<u>\$ (8,104)</u>	<u>\$ -</u>
<b>TOTAL PROPERTY VALUATION</b>	<u>\$ 672,627,047</u>				
Net Levy			\$ 3,227,719	\$ 2,995,832	\$ 231,887
Uncollected Taxes at June 30, 2018			<u>(111,927)</u>	<u>(111,927)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 3,115,792</u>	<u>\$ 2,883,905</u>	<u>\$ 231,887</u>
Current Levy Collection Percentage			<u>96.53%</u>	<u>96.26%</u>	<u>100.00%</u>

## Compliance Section

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Wilkesboro, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Wilkesboro’s basic financial statements, and have issued our report thereon dated November 24, 2020. Our report includes reference to other auditors who audited the financial statements of the Town of Wilkesboro ABC Board, as described in our report of the Town of Wilkesboro’s financials statements. This report does not include the results of the auditor’s testing of internal controls over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Wilkesboro ABC Board and the Wilkesboro Tourism Development, Convention, and Visitors Bureau 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 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 Wilkesboro’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Wilkesboro’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Wilkesboro's financial statements are free of 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 matters 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 results of that testing, and not to provide an opinion on the effectiveness of the Town of Wilkesboro'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.

*RH CPAs, PLLC*

Lexington, North Carolina  
November 24, 2020

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**Schedule of Findings**  
**For the Year Ended June 30, 2018**

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**SECTION I - FINANCIAL STATEMENT FINDINGS**

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None reported.

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**Corrective Action Plan**  
**For the Year Ended June 30, 2018**

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**SECTION I - FINANCIAL STATEMENT FINDINGS**

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None reported.

**TOWN OF WILKESBORO, NORTH CAROLINA**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2018**

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**SECTION I - FINANCIAL STATEMENT FINDINGS**

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None reported.