

TOWN OF NORTH WILKESBORO, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2022

**TOWN OF NORTH WILKESBORO, NORTH CAROLINA
JUNE 30, 2022**

BOARD OF COMMISSIONERS

Marc R. Hauser, Mayor

Otis Church

Angela Day

Bert Hall

Andrew Palmer

Michael Parsons

ADMINISTRATIVE STAFF

Holly Minton, Town Manager

Debra Pearson, Town Clerk

Connie Bauguess, Finance Officer

Town of North Wilkesboro, North Carolina
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June 30, 2021

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Financial Section



Independent Auditor's Report

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

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Wilkesboro, as of and for the year then ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of North Wilkesboro's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Wilkesboro as of June 30, 2022, and the respective changes in financial position, and, cash flows, where applicable, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of North Wilkesboro and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of North Wilkesboro's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of North Wilkesboro's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15, the Other Postemployment Benefits Schedule of changes in the total OPEB liability and related ratios on page 59, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 60 and 61, respectively, the Law Enforcement Officers' Special Separation Allowance schedules of the changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 62 and 63, and be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditor have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Wilkesboro's basic financial statements. The individual fund financial statements, budgetary schedules and other schedules as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above the individual fund statements, budgetary schedules, and other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

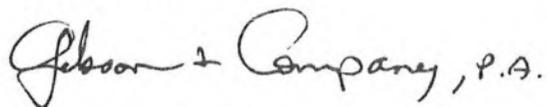
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory information and the statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023 on our consideration of the Town of North Wilkesboro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of North Wilkesboro's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of North Wilkesboro's internal control over financial reporting and compliance.



Winston-Salem, North Carolina
March 24, 2023

Management's Discussion and Analysis

Town of North Wilkesboro Management's Discussion and Analysis

As management of the Town of North Wilkesboro, we offer readers of the Town of North Wilkesboro's financial statements this narrative overview and analysis of the financial activities of the Town of North Wilkesboro for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

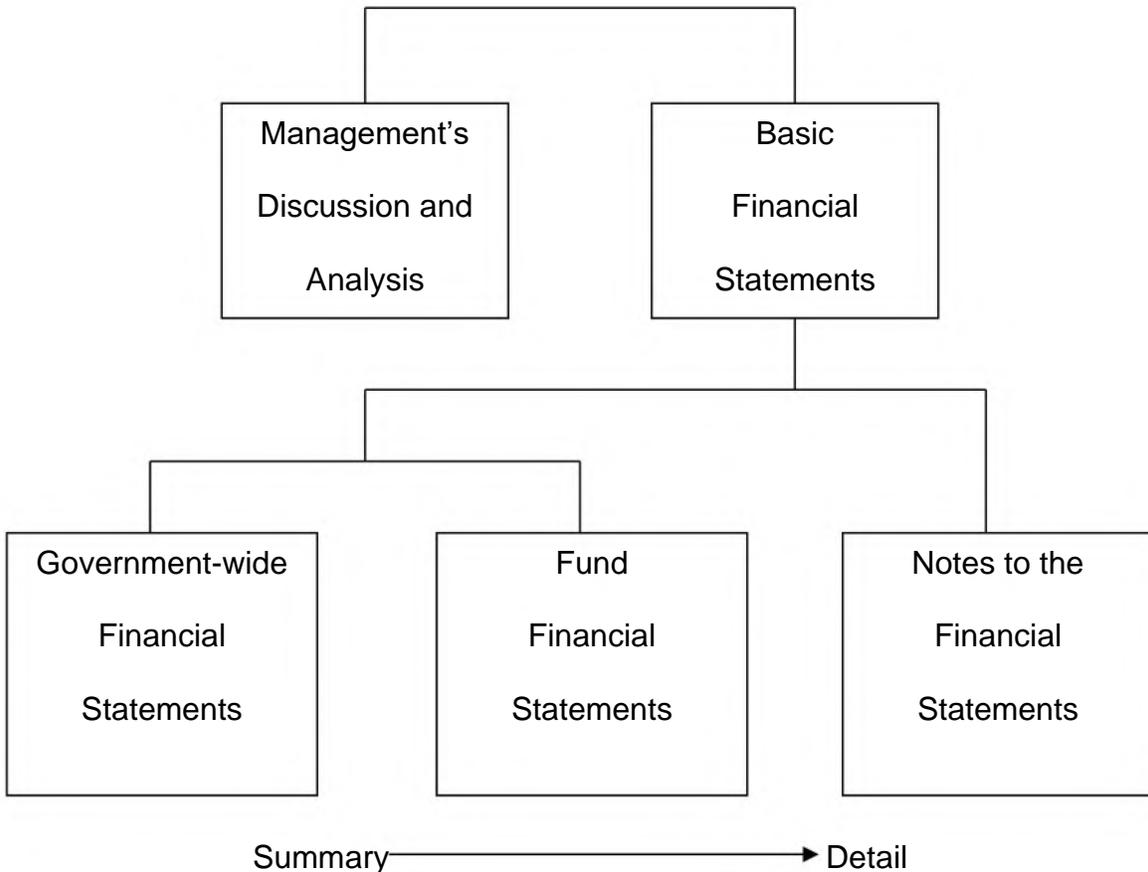
- The assets and deferred outflows of resources of the Town of North Wilkesboro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$68,145,975 (*net position*).
- The government's total net position increased by \$2,484,347, primarily due to increases in the governmental and business-type activities net position.
- As of the close of the current fiscal year, the Town of North Wilkesboro's governmental funds reported combined ending fund balances of \$8,680,607 with a net increase of \$502,565 in fund balance. Approximately 35.12 percent of this total amount, or \$3,056,734 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund \$5,623,873, or 78.58 percent of total general fund expenditures for the fiscal year.
- The Town of North Wilkesboro's total debt decreased by \$1,100,100 (19.11%) during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Management's Discussion and Analysis
Town of North Wilkesboro

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Management's Discussion and Analysis
Town of North Wilkesboro

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 26 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of North Wilkesboro's progress in funding its obligation to provide other postemployment benefits to its employees and the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 61 of this report.

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

Management's Discussion and Analysis
Town of North Wilkesboro

Government-Wide Financial Analysis

Town of North Wilkesboro's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 54,206,288	\$ 55,041,058	\$ 5,737,671	\$ 4,874,660	\$ 59,943,959	\$ 59,915,718
Capital assets	40,343,165	41,441,619	17,889,599	15,950,669	58,232,764	57,392,288
Deferred outflows of resources	1,336,162	1,216,803	255,354	211,826	1,591,516	1,428,629
Total assets and deferred outflows of resources	95,885,615	97,699,480	23,882,624	21,037,155	119,768,239	118,736,635
Long-term liabilities outstanding	3,102,883	4,397,726	1,367,409	868,986	4,470,292	5,266,712
Other liabilities	231,135	407,976	351,708	431,961	582,843	839,937
Deferred inflows of resources	46,349,061	46,913,134	220,068	55,424	46,569,129	46,968,558
Total liabilities and deferred inflows of resources	49,683,079	51,718,836	1,939,185	1,356,371	51,622,264	53,075,207
Net position:						
Net investment in capital assets	40,343,165	40,661,294	16,956,209	15,524,888	57,299,374	56,186,182
Restricted	1,542,409	1,137,149	-	-	1,542,409	1,137,149
Unrestricted	4,316,962	4,182,201	4,987,230	4,156,096	9,304,192	8,338,297
Total net position	\$ 46,202,536	\$ 45,980,644	\$ 21,943,439	\$ 19,680,984	\$ 68,145,975	\$ 65,661,628

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Town of North Wilkesboro exceeded liabilities and deferred inflows by \$68,145,975 as of June 30, 2022. The Town's net position increased by \$2,484,347 for the fiscal year ended June 30, 2022. However, the largest portion (84.08%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of North Wilkesboro uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of North Wilkesboro's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of North Wilkesboro's net position, \$1,542,409 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,304,192 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection rate of 96.11%.

Management's Discussion and Analysis
Town of North Wilkesboro

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 420,328	\$ 462,813	\$ 3,259,729	\$ 2,991,963	\$ 3,680,057	\$ 3,454,776
Operating grants and contributions	228,422	585,259	-	-	228,422	585,259
Capital grants and contributions	312,521	-	1,278,000	250,000	1,590,521	250,000
General revenues:						
Property taxes	2,463,561	2,565,518	-	-	2,463,561	2,565,518
Grants and contributions not restricted to specific programs	2,426,799	2,122,548	-	-	2,426,799	2,122,548
Other	2,114,305	1,861,080	1,128	625	2,115,433	1,861,705
Contribution of capital assets from lease cancellation	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	-	-	-	-	-	-
Total revenues	7,965,936	7,597,218	4,538,857	3,242,588	12,504,793	10,839,806
Expenses:						
General government	2,254,860	2,225,024	-	-	2,254,860	2,225,024
Public safety	2,502,829	2,998,656	-	-	2,502,829	2,998,656
Transportation	537,817	811,167	-	-	537,817	811,167
Economic development	239,624	-	-	-	239,624	-
Environmental protection	990,681	892,768	-	-	990,681	892,768
Cultural and recreational	644,267	427,295	-	-	644,267	427,295
Interest on long-term debt	22,700	17,661	-	-	22,700	17,661
Water and sewer	-	-	2,827,668	2,646,232	2,827,668	2,646,232
Total expenses	7,192,778	7,372,571	2,827,668	2,646,232	10,020,446	10,018,803
Increase (decrease) in net position before transfers	773,158	224,647	1,711,189	596,356	2,484,347	821,003
Transfers	(551,266)	-	551,266	-	-	-
Increase (decrease) in net position	221,892	224,647	2,262,455	596,356	2,484,347	821,003
Net position, July 1	45,980,644	45,755,997	19,680,984	19,084,628	65,661,628	64,840,625
Net position, June 30	\$ 46,202,536	\$ 45,980,644	\$ 21,943,439	\$ 19,680,984	\$ 68,145,975	\$ 65,661,628

Management's Discussion and Analysis

Town of North Wilkesboro

Governmental activities. Governmental activities increased the Town's net position by \$820,372. Key elements of this increase are as follows:

- The Town kept operating expenses as low as possible while maintaining services.
- Obtained ARP funds

Business-type activities: Business-type activities increased the Town of North Wilkesboro's net position by \$2,262,455. The key elements of this increase are as follows:

- The Town kept operating expenses as low as possible while maintaining services.
- The Town obtained ARP funds
- The Town received capital contributions for improvements

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of North Wilkesboro. At the end of the current fiscal year, Town of North Wilkesboro's fund balance available in the General Fund was \$5,623,873, while total fund balance reached \$7,166,282. The Town currently has an available fund balance of 78.58% of general fund expenditures, while total fund balance represents 100.13% of the same amount.

At June 30, 2022, the governmental funds of the Town of North Wilkesboro reported a combined fund balance of \$8,680,607 with a net increase in fund balance of \$502,565. Included in this change in fund balance is a decrease in the fund balance for the General Fund of \$5,334 and an increase for the Non-Major Funds of \$507,899.

Management's Discussion and Analysis
Town of North Wilkesboro

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

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

Proprietary Funds. The Town of North Wilkesboro's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$4,987,230. The total change in net position for the fund was an increase of \$2,262,455.

Management's Discussion and Analysis
Town of North Wilkesboro

Capital Asset and Debt Administration

Capital assets. The Town of North Wilkesboro's investment in capital assets for its governmental and business-type activities as of June 30, 2022, totals \$58,232,764 (net of accumulated depreciation). These assets include land, buildings, sewer lines, equipment, and vehicles.

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

- Purchased various furniture and equipment.
- Purchased various vehicles.
- Added \$3,160,865 to construction in process.

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

Management's Discussion and Analysis
Town of North Wilkesboro

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

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 4,594,938	\$ 4,594,938	\$ 44,618	\$ 44,618	\$ 4,639,556	\$ 4,639,556
Building and systems	29,924,952	31,072,429	14,266,926	14,874,675	44,191,878	45,947,104
Other improvements	4,506,915	4,674,416	-	-	4,506,915	4,674,416
Equipment and furniture	157,024	199,106	161,669	159,551	318,693	358,657
Vehicles and motorized equipment	623,387	637,320 685,637	151,740	133,784	775,127	771,104
Construction in progress	535,949	215,093	3,264,646	738,041	3,800,595	953,134
Total	\$ 40,343,165	\$ 42,078,939	\$ 17,889,599	\$ 15,950,669	\$ 58,232,764	\$ 57,343,971

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

Management’s Discussion and Analysis
Town of North Wilkesboro

Long-term Debt. As of June 30, 2022, the Town of North Wilkesboro had total debt outstanding of \$4,655,859

Town of North Wilkesboro’s Outstanding Liabilities

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Direct placement installment loans	\$ -	\$ 780,325	\$ -	\$ 153,544	\$ -	\$ 933,869
NC DENR Drinking Water Loan	-	-	933,390	272,238	933,390	272,238
NC DENR Drinking Water State Revolving Loan	-	-	-	-	-	-
Compensated absences	186,199	187,818	42,507	48,526	228,706	236,344
Net pension liability (LEO)	814,356	961,757	-	-	814,356	961,757
Net pension liability (LRS)	492,041	1,237,678	115,417	290,319	607,458	1,527,997
Other postemployment benefits	1,681,043	1,477,859	390,907	345,896	2,071,950	1,823,755
	<u>\$ 3,173,639</u>	<u>\$ 4,645,437</u>	<u>\$ 1,482,221</u>	<u>\$ 1,110,523</u>	<u>\$ 4,655,860</u>	<u>\$ 5,755,960</u>

The Town of North Wilkesboro’s total debt decreased by \$1,100,100 (19.11%) during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of North Wilkesboro is \$38,275,000.

Additional information regarding the Town of North Wilkesboro’s long-term debt can be found in Note II.B.4 and II.B.5 of this report.

Economic Factors and Next Year’s Budgets and Rates

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

For the fiscal year 2022/2023, the tax rate remains the same at \$.52 per \$100 valuation. The budget does not include the use of general fund balance.

Management's Discussion and Analysis
Town of North Wilkesboro

Budget Highlights for the Fiscal Year Ending June 30, 2023

- The Town will continue the improvement projects
- The Town received an additional ARP funding of approximately \$669,265. 1Ton
- Continuing with contract services for Code Enforcement.

Significant capital improvement projects -Elevated Water Tank and Water Plant Actiflo projects are continuing.

In FY2022-2023 the town continued to lay the groundwork for prosperity and further financial stability in the years to come. Conservative revenue projections underpinned our budgeting, and modest elective spending during the fiscal year shows our commitment to stewardship,

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

Basic Financial Statements

Town of North Wilkesboro, North Carolina
Statement of Net Position
June 30, 2022

	<u>Primary Government</u>			Town of North Wilkesboro ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 19,798,577	\$ 5,128,263	\$ 24,926,840	\$ 98,954
Note receivable - current	-	-	-	-
Taxes receivables (net)	135,015	-	135,015	-
Accounts receivable (net)	49,489	506,603	556,092	-
Lease receivable - current	-	-	-	-
Due from other governments	1,187,115	-	1,187,115	-
Due from other funds	-	-	-	-
Internal balances	-	-	-	-
Inventories	-	29,679	29,679	438,269
Prepaid items	-	-	-	16,210
Restricted cash and cash equivalents	305,805	73,126	378,931	-
Total current assets	<u>21,476,001</u>	<u>5,737,671</u>	<u>27,213,672</u>	<u>553,433</u>
Non-current assets:				
Lease receivable - long-term	32,730,287	-	32,730,287	-
Note receivable - long-term	-	-	-	-
Total non-current assets	<u>32,730,287</u>	<u>-</u>	<u>32,730,287</u>	<u>-</u>
Capital assets:				
Land, non-depreciable improvements, and construction in progress	5,130,887	3,309,264	8,440,151	-
Other capital assets, net of depreciation	35,212,278	14,580,335	49,792,613	17,619
Total capital assets	<u>40,343,165</u>	<u>17,889,599</u>	<u>58,232,764</u>	<u>17,619</u>
Total assets	<u>94,549,453</u>	<u>23,627,270</u>	<u>118,176,723</u>	<u>571,052</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	1,008,687	177,423	1,186,110	47,432
OPEB Deferrals	327,475	77,931	405,406	-
Total deferred outflows of resources	<u>1,336,162</u>	<u>255,354</u>	<u>1,591,516</u>	<u>47,432</u>
LIABILITIES				
Current liabilities:				
Accounts payable	145,379	163,770	309,149	152,907
Accrued interest payable	-	-	-	-
Current portion of long-term liabilities	70,756	114,812	185,568	-
Prepaid fees	15,000	-	15,000	-
Payable from restricted assets	-	73,126	73,126	-
Total current liabilities	<u>231,135</u>	<u>351,708</u>	<u>582,843</u>	<u>152,907</u>
Long-term liabilities:				
Net pension liability-LGERS	492,040	115,417	607,457	27,451
Total pension liability-LEO	814,356	-	814,356	-
Total OPEB liability	1,681,043	390,907	2,071,950	-
Due in more than one year	115,444	861,085	976,529	-
Total liabilities	<u>3,334,018</u>	<u>1,719,117</u>	<u>5,053,135</u>	<u>180,358</u>
DEFERRED INFLOWS OF RESOURCES				
Lease prepayment	12,500,000	-	12,500,000	-
Lease	32,730,287	-	32,730,287	-
OPEB deferrals	206,663	45,307	251,970	-
Pension deferrals	912,111	174,761	1,086,872	48,288
Total deferred inflows of resources	<u>46,349,061</u>	<u>220,068</u>	<u>46,569,129</u>	<u>48,288</u>
NET POSITION				
Net investment in capital assets	40,343,165	16,956,209	57,299,374	17,619
Restricted for:				
Stabilization by State Statute	1,236,604	-	1,236,604	-
Streets-Powell Bill	155,783	-	155,783	-
Other functions	150,022	-	150,022	65,177
Unrestricted	4,316,962	4,987,230	9,304,192	307,042
Total net position	<u>\$ 46,202,536</u>	<u>\$ 21,943,439</u>	<u>\$ 68,145,975</u>	<u>\$ 389,838</u>

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

Town of North Wilkesboro, North Carolina
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Town of North Wilkesboro ABC Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		
Primary Government:									
Governmental Activities:									
General government	\$ 2,254,860	\$ -	\$ -	\$ -	\$ (2,254,860)	\$ -	\$ (2,254,860)	\$ -	-
Public safety	2,502,829	4,476	72,735	-	(2,425,618)	-	(2,425,618)	-	-
Transportation	537,817	-	155,687	-	(382,130)	-	(382,130)	-	-
Economic development	239,624	-	-	312,521	72,897	-	72,897	-	-
Environmental protection	990,681	375,469	-	-	(615,212)	-	(615,212)	-	-
Cultural and recreational	644,267	40,383	-	-	(603,884)	-	(603,884)	-	-
Interest on long-term debt	22,700	-	-	-	(22,700)	-	(22,700)	-	-
Total governmental activities	7,192,778	420,328	228,422	312,521	(6,231,507)	-	(6,231,507)	-	-
Business-type activities:									
Water and sewer	2,827,668	3,259,729	-	1,278,000	-	1,710,061	1,710,061	-	-
Total business-type activity	2,827,668	3,259,729	-	1,278,000	-	1,710,061	1,710,061	-	-
Total primary government	<u>\$ 10,020,446</u>	<u>\$ 3,680,057</u>	<u>\$ 228,422</u>	<u>\$ 1,590,521</u>	<u>\$ (6,231,507)</u>	<u>\$ 1,710,061</u>	<u>\$ (4,521,446)</u>	<u>\$ -</u>	<u>-</u>
Component units:									
ABC Board	\$ 1,968,463	\$ 2,022,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,204
Total component units	<u>\$ 1,968,463</u>	<u>\$ 2,022,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,204</u>

General revenues:			
Taxes:			
Property taxes, levied for general purpose	2,463,561	-	2,463,561
Unrestricted intergovernmental revenues	2,426,799	-	2,426,799
Unrestricted investment earnings	254,502	1,128	255,630
Rental payments	1,439,572	-	1,439,572
Miscellaneous	400,107	-	400,107
Loss on sale of land held for resale	-	-	-
Gain on disposal of capital assets	20,124	-	20,124
Total general revenues not including transfers	7,004,665	1,128	7,005,793
Transfers	(551,266)	551,266	-
Total general revenues and transfers	6,453,399	552,394	7,005,793
Change in net position	221,892	2,262,455	2,484,347
Net position, beginning	45,980,644	19,680,984	65,661,628
Net position, ending	<u>\$ 46,202,536</u>	<u>\$ 21,943,439</u>	<u>\$ 68,145,975</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 389,838</u>

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

Town of North Wilkesboro, North Carolina
Balance Sheet
Governmental Funds
June 30, 2022

	Major Fund		Total Non-Major Funds	Total Governmental Funds
	General	ARP Fund		
ASSETS				
Cash and cash equivalents	\$ 18,284,252	\$ -	\$ 1,514,325	\$ 19,798,577
Restricted cash	305,805	-	-	305,805
Receivables, net:				
Taxes	135,015	-	-	135,015
Accounts	49,489	-	-	49,489
Lease	32,730,287	-	-	32,730,287
Due from other governments	1,187,115	-	-	1,187,115
Due from other funds	-	-	-	-
Land held for resale	-	-	-	-
Total assets	<u>52,691,963</u>	<u>-</u>	<u>1,514,325</u>	<u>54,206,288</u>
LIABILITIES				
Accounts payable and accrued liabilities	145,379	-	-	145,379
Due to other funds	-	-	-	-
Prepaid fees	15,000	-	-	15,000
Total liabilities	<u>160,379</u>	<u>-</u>	<u>-</u>	<u>160,379</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	135,015	-	-	135,015
Lease	32,730,287	-	-	32,730,287
Lease prepayment	12,500,000	-	-	12,500,000
Total deferred inflows of resources	<u>45,365,302</u>	<u>-</u>	<u>-</u>	<u>45,365,302</u>
FUND BALANCES				
Restricted				
Stabilization by State Statute	1,236,604	-	-	1,236,604
Streets	155,783	-	-	155,783
Public safety	128,321	-	-	128,321
Other	21,701	-	-	21,701
Committed				
Capital projects funds	-	-	1,514,325	1,514,325
Assigned				
Subsequent year's expenditures	-	-	-	-
Unassigned	5,623,873	-	-	5,623,873
Total fund balances	<u>7,166,282</u>	<u>-</u>	<u>1,514,325</u>	<u>8,680,607</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 52,691,963</u>	<u>\$ -</u>	<u>\$ 1,514,325</u>	(cont)

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

Town of North Wilkesboro, North Carolina
Balance Sheet
Governmental Funds
June 30, 2022

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

Total fund balance, governmental funds		\$ 8,680,607
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 54,550,252	
Accumulated depreciation	<u>14,207,087</u>	40,343,165
Deferred outflows of resources related to pensions are not reported in the funds		1,008,687
Deferred outflows of resources related to OPEB are not reported in the funds		327,475
Earned revenues considered deferred inflows of resources in fund statements.		135,015
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		-
Compensated absences		(186,200)
Long-term debt		-
OPEB liability		(1,681,043)
Net pension liability (LGERS)		(492,040)
Net pension liability (LEO)		(814,356)
Deferred inflows of resources related to pensions are not reported in the funds		(912,111)
Deferred inflows of resources related to OPEB are not reported in the funds		<u>(206,663)</u>
Net position of governmental activities		<u>\$ 46,202,536</u>

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

Town of North Wilkesboro, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	ARP Funds		
REVENUES				
Ad valorem taxes	\$ 2,432,106	\$ -	\$ -	\$ 2,432,106
Unrestricted intergovernmental	2,426,799	-	-	2,426,799
Restricted intergovernmental	264,088	669,264	50,000	983,352
Permits and fees	43,760	-	-	43,760
Sales and services	470,998	-	-	470,998
Investment earnings	254,502	-	-	254,502
Miscellaneous	1,637,706	-	262,521	1,900,227
Total revenues	7,529,959	669,264	312,521	8,511,744
EXPENDITURES				
Current:				
General government	1,486,740	-	-	1,486,740
Public safety	2,986,889	-	-	2,986,889
Transportation	695,747	-	-	695,747
Environmental protection	816,951	-	-	816,951
Cultural and recreational	367,829	-	-	367,829
Debt service:				
Principal	779,452	-	-	779,452
Interest and other charges	23,573	-	-	23,573
Capital outlay	-	-	320,856	320,856
Total expenditures	7,157,181	-	320,856	7,478,037
Excess (deficiency) of revenues over expenditures	372,778	669,264	(8,335)	1,033,707
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	484,764	-	546,234	1,030,998
Transfers (to) other funds	(883,000)	(669,264)	(30,000)	(1,582,264)
Sale of capital assets	20,124	-	-	20,124
Total other financing sources (uses)	(378,112)	(669,264)	516,234	(531,142)
Net change in fund balance	(5,334)	-	507,899	502,565
Fund balance, beginning	7,171,616	-	1,006,426	
Fund balances, ending	\$ 7,166,282	\$ -	\$ 1,514,325	

(cont)

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

Town of North Wilkesboro, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

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

Net changes in fund balances - total governmental funds	\$	502,565
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital outlay expenditures which were capitalized	\$	492,478
Depreciation expense for governmental activities	<u>(1,590,932)</u>	\$ (1,098,454)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities.		232,140
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		(31,454)
<p>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.</p>		
New long term debt issued		-
Principal payments on long-term debt		780,325
<p>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.</p>		
Compensated absences		1,619
Pension expense (LGERS)		(78,981)
Pension expense (LEO)		(30,584)
OPEB plan expense		<u>(55,284)</u>
Total changes in net position of governmental activities	<u>\$</u>	<u>221,892</u>

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

Town of North Wilkesboro, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 2,259,000	\$ 2,468,147	\$ 2,432,106	\$ (36,041)
Unrestricted intergovernmental	2,450,000	2,379,854	2,426,799	46,945
Restricted intergovernmental	260,000	254,897	259,316	4,419
Permits and fees	-	42,129	43,760	1,631
Sales and services	460,389	465,369	470,998	5,629
Investment earnings	265,463	253,687	254,501	814
Miscellaneous	1,627,546	1,617,824	1,637,706	19,882
Total revenues	<u>7,322,398</u>	<u>7,481,907</u>	<u>7,525,186</u>	<u>43,279</u>
Expenditures:				
Current:				
General government	1,415,578	1,429,206	1,486,740	(57,534)
Public safety	2,725,987	2,841,902	2,972,289	(130,387)
Transportation	627,654	677,888	695,747	(17,859)
Environmental protection	784,237	779,644	816,951	(37,307)
Cultural and recreational	377,611	353,781	367,829	(14,048)
Debt service:				
Principal retirement	785,645	789,980	779,452	10,528
Interest and other charges	22,335	18,000	23,573	(5,573)
Contingency	210,115	218,270	-	218,270
Total expenditures	<u>6,949,162</u>	<u>7,108,671</u>	<u>7,142,581</u>	<u>(33,910)</u>
Revenues over (under) expenditures	<u>373,236</u>	<u>373,236</u>	<u>382,605</u>	<u>9,369</u>
Other financing sources (uses):				
Transfers from other funds	484,764	484,764	484,764	-
Transfers to other funds	(883,000)	(883,000)	(883,000)	-
Installment purchase obligation issued	-	-	-	-
Loss on sale of land held for resale	-	-	-	-
Sale of fixed assets	25,000	25,000	20,124	(4,876)
Total other financing sources (uses)	<u>(373,236)</u>	<u>(373,236)</u>	<u>(378,112)</u>	<u>(4,876)</u>
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	4,493	<u>\$ 4,493</u>
Fund balances, beginning			<u>7,123,587</u>	
Fund balances, ending			<u>\$ 7,128,080</u>	
Legally budgeted Firemen's Supplementary Fund and Health Equity Fund are consolidated into the General Fund for reporting purposes:				
Contribution from State Firemen's Relief Fund			\$ 4,772	
Transfer from general fund			-	
Investment earnings			1	
Expenditures			(14,600)	
Fund balance, beginning			<u>48,029</u>	
Fund balance, ending			<u>\$ 7,166,282</u>	

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

Town of North Wilkesboro, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2022

	Major Enterprise Fund	
	Water and Sewer Fund	Total
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,128,263	\$ 5,128,263
Note receivable-other government-current	-	-
Accounts receivable (net)	506,603	506,603
Due from other governments	-	-
Due from other funds	-	-
Inventories	29,679	29,679
Restricted cash and cash equivalents	73,126	73,126
Total current assets	<u>5,737,671</u>	<u>5,737,671</u>
Noncurrent assets:		
Capital Assets:		
Land and construction in progress	3,309,264	3,309,264
Other capital assets, net of depreciation	14,580,335	14,580,335
Capital assets	<u>17,889,599</u>	<u>17,889,599</u>
Total noncurrent assets	<u>17,889,599</u>	<u>17,889,599</u>
Total assets	<u>23,627,270</u>	<u>23,627,270</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	177,423	177,423
OPEB deferrals	77,931	77,931
Total deferred outflows of resources	<u>255,354</u>	<u>255,354</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	163,770	163,770
Due to other funds	-	-
Accrued interest	-	-
Compensated absences - current	16,152	16,152
Loans payable - current	98,660	98,660
Liabilities payable from restricted assets:	-	-
Customer deposits	73,126	73,126
Total current liabilities	<u>351,708</u>	<u>351,708</u>
Noncurrent liabilities:		
Compensated absences	26,355	26,355
Net pension liability-LGERS	115,417	115,417
Total OPEB liability	390,907	390,907
Loans payable	834,730	834,730
Total noncurrent liabilities	<u>1,367,409</u>	<u>1,367,409</u>
Total liabilities	<u>1,719,117</u>	<u>1,719,117</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	174,761	174,761
OPEB deferrals	45,307	45,307
Total deferred inflows of resources	<u>220,068</u>	<u>220,068</u>
NET POSITION		
Net investment in capital assets	16,956,209	16,956,209
Unrestricted	4,987,230	4,987,230
Total net position	<u>\$ 21,943,439</u>	<u>\$ 21,943,439</u>

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

Town of North Wilkesboro, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2022

	Major Enterprise Fund	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 3,105,147	\$ 3,105,147
Water and sewer taps	16,900	16,900
Other operating revenues	72,350	72,350
Total operating revenues	3,194,397	3,194,397
OPERATING EXPENSES		
Administration and billing	183,092	183,092
Water treatment and distribution	844,830	844,830
Water maintenance and construction	411,610	411,610
Waste collection and treatment	486,806	486,806
Sanitary sewer maintenance and construction	101,472	101,472
Depreciation	790,654	790,654
Total operating expenses	2,818,464	2,818,464
Operating income (loss)	375,933	375,933
NONOPERATING REVENUES (EXPENSES)		
Rental income	65,332	65,332
Investment earnings	1,128	1,128
Sale of fixed assets	-	-
Interest and other charges	(9,204)	(9,204)
Total nonoperating revenues (expenses)	57,256	57,256
Income (loss) before contributions and transfers	433,189	433,189
Capital contributions	1,278,000	1,278,000
Transfers from other funds	1,239,498	1,239,498
Transfers to other funds	(688,232)	(688,232)
Change in net position	2,262,455	2,262,455
Beginning net position	19,680,984	19,680,984
Total net position, ending	\$ 21,943,439	\$ 21,943,439

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

Town of North Wilkesboro, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2022

	<u>Major Enterprise Fund</u>	
	<u>Water and Sewer Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,910,135	\$ 2,910,135
Cash paid for goods and services	(859,048)	(859,048)
Cash paid on behalf of employees for services	(912,120)	(912,120)
Customer deposits received, net	(2,267)	(2,267)
Net cash provided (used) by operating activities	<u>1,136,700</u>	<u>1,136,700</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Decrease in due form other funds	(481,071)	(481,071)
Transfers from other funds	1,239,498	1,239,498
Transfers to other funds	(688,232)	(688,232)
	<u>70,195</u>	<u>70,195</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Increase in due to other funds	-	-
Principal paid on long-term liabilities	(425,782)	(425,782)
Grant contributions	1,278,000	1,278,000
Interest paid on long-term liabilities	(9,204)	(9,204)
Acquisition and construction of capital assets	(2,729,583)	(2,729,583)
Net cash provided (used) by capital and related financing activities	<u>(1,886,569)</u>	<u>(1,886,569)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Rental income	65,332	65,332
Proceeds from note payable	933,390	933,390
Investment earnings	1,128	1,128
Net cash provided (used) by investing activities	<u>999,850</u>	<u>999,850</u>
Net increase (decrease) in cash and cash equivalents	320,176	320,176
Balances, beginning	4,881,213	4,881,213
Balance, ending	<u>\$ 5,201,389</u>	<u>\$ 5,201,389</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 375,933	\$ 375,933
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	790,654	790,654
Changes in assets, deferred outflows of resources, and liabilities:		
(Increase) decrease in accounts receivable	(61,764)	(61,764)
(Increase) decrease in deferred outflows of resources - pensions	(17,169)	(17,169)
(Increase) decrease in deferred outflows of resources - OPEB	(26,359)	(26,359)
Increase (decrease) in net pension liability	(174,902)	(174,902)
Increase (decrease) in deferred inflows of resources - pensions	173,545	173,545
Increase (decrease) in accounts payable and accrued liabilities	48,938	48,938
Increase (decrease) in customer deposits	(2,267)	(2,267)
Increase (decrease) in compensated absences	(6,019)	(6,019)
Increase (decrease) in deferred inflows of resources - OPEB	(8,901)	(8,901)
Increase (decrease) in OPEB liability	45,011	45,011
Total adjustments	<u>760,767</u>	<u>760,767</u>
Net cash provided by operating activities	<u>\$ 1,136,700</u>	<u>\$ 1,136,700</u>

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

Notes to the Financial Statements

Town of North Wilkesboro, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Town of North Wilkesboro ABC Board

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

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental funds:

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

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

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

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

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

North Wilkesboro Splash Pad. This fund is used to account for the construction of a splash pad.

Parks and Recreation Improvements. This fund is used to account for the improvements to the parks and recreation.

Improvements to the North Wilkesboro Farmers Market. This fund is used to account for the improvements to the farmers market.

ARP Fund. The ARP Fund is used to account for Grant funds to aid in the Town's general operations and water and sewer operations.

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Firemen's Supplementary Fund, The Health Equity Fund (Governmental Fund), the Capital Reserve Capital Projects Fund (Governmental Fund), the Enterprise Fund, the Capital Reserve Capital Projects Fund (Enterprise Fund) and the Health Equity Water Fund (Enterprise Fund). All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Fire Station Building Project Capital Projects Fund, the Neighborhood Streetscape Capital Projects Fund, the NC DOT No. R-2603 Highway 268 Capital Projects Fund, the Building Rehab and Condemnation Capital Projects Fund, the Downtown Streetscape 6th and Main Capital Project Fund, the North Wilkesboro Splash Pad Capital Project Fund, the Hwy. 115 South Sewer Extension Capital Projects Fund, the Jen Weld Elevated Water Tank Project, the Yadkin River Intake Capital Project, and the Waterline Extension Project to Wilkes Commercial Business Center Capital Project. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Town Manager is authorized to transfer appropriations between departments within a fund without limit provided those transfers are reported to the Board of Commissioners at their next regular meeting. However, any revisions that alter total expenditures of any fund must be approved by the governing board. The board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and its component unit to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town and its component unit's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value. The NCCMT Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30,2022, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of North Wilkesboro Restricted Cash

Governmental Activities

General Fund

Streets	\$ 155,783
Public safety	128,321
Other	21,701
Prepaid fees	-
Total Governmental Activities	<u>305,805</u>

Business-Type Activities

Water and Sewer Fund

Customer deposits	<u>73,126</u>
Total Business-Type Activities	<u>73,126</u>

Total Restricted Cash	<u>\$ 378,931</u>
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

7. Capital Assets

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

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building and improvements	10 to 20 years
Furniture and equipment	5 to 10 years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2022 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category - property taxes receivable, pension deferrals, and lease prepayments.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

Restricted for Public Safety – portion of fund balance restricted by donors.

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

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

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

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

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

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

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

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of North Wilkesboro's employer contributions are recognized when due and the Town of North Wilkesboro has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2022, the Town's deposits had a carrying amount of \$8,745,852 and a bank balance of \$8,614,134. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2022 the Town's petty cash fund totaled \$700.

At June 30, 2022, the ABC Board's deposits had a carrying amount of \$97,054 and a bank balance of \$102,636. All of the bank balance was covered by federal depository insurance. At June 30, 2022, the ABC Board's cash on hand totaled \$1,900.

2. Investments

At June 30, 2022, The Town's investment balances are as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/22	Maturity	Rating
NC Capital Management Trust-Government Portfolio	Fair Value Level 1	\$ 6,567,404	N/A	AAAm
US Treasuries	Fair Value Level 1	4,001,344	Varies from November 2023-2026	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	2,987,976	September 10, 2027	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	3,002,495	November 15, 2027	AAA
Total:		\$ 16,559,219		

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

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

Credit risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The investment in the Federal Home Loan Bank is rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2022. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

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

4. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2022 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 168,047
Accounts receivable	<u>8,115</u>
	<u>\$ 176,162</u>
Enterprise Fund:	
Accounts receivable	<u>\$ 49,917</u>
	<u>\$ 49,917</u>

5. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,594,938	\$ -	\$ -	\$ 4,594,938
Construction in progress	215,093	320,856	-	535,949
Total capital assets not being depreciated	4,810,031	320,856	-	5,130,887
Capital assets being depreciated:				
Buildings	36,688,897	32,065	-	36,720,962
Other improvements	7,757,813	25,035	-	7,782,848
Equipment and furniture	1,090,257	13,250	-	1,103,507
Vehicles	3,852,798	101,272	142,022	3,812,048
Total capital assets being depreciated	49,389,765	171,622	142,022	49,419,365
Less accumulated depreciation for:				
Buildings	5,616,468	1,179,542	-	6,796,010
Other improvements	3,083,397	192,536	-	3,275,933
Equipment and furniture	891,151	55,332	-	946,483
Vehicles	3,167,161	163,522	142,022	3,188,661
Total accumulated depreciation	12,758,177	1,590,932	142,022	14,207,087
Total capital assets being depreciated, net	36,631,588			35,212,278
Governmental activity capital assets, net	\$ 41,441,619			\$ 40,343,165

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

General government	\$1,085,812
Public safety	198,866
Transportation	19,887
Environmental protection	151,138
Recreational and cultural	135,229
Total depreciation expense	<u>\$1,590,932</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 44,618	\$ -	\$ -	\$ 44,618
Construction in progress	738,041	2,840,009	313,404	3,264,646
Total capital assets not being depreciated	782,659	2,840,009	313,404	3,309,264
Capital assets being depreciated:				
Building and distribution systems	32,568,110	104,708	-	32,672,818
Equipment and furniture	1,255,875	37,655	-	1,293,530
Vehicles	418,632	60,615	6,700	472,547
Total capital assets being depreciated	34,242,617	202,978	6,700	34,438,895
Less accumulated depreciation for:				
Building and distribution systems	17,693,435	712,457	-	18,405,892
Equipment and furniture	1,096,324	35,537	-	1,131,861
Vehicles	284,848	42,659	6,700	320,807
Total accumulated depreciation	19,074,607	790,653	6,700	19,858,560
Total capital assets being depreciated, net	15,168,010			14,580,335
Business-type activity capital assets, net	\$ 15,950,669			\$ 17,889,599

Construction Commitments

The government has active construction projects as of June 30, 2022. At year-end, the government's commitments with contractors is as follows:

Projects	Spent-to-date	Remaining Commitment
Fire Station Building Project	\$ 75,008	\$ 127,732
Neighborhood Streetscape	99,648	55,352
NC DOT Hwy 268	133,234	181,918
Building Rehab and Condemnation	27,441	115,559
North Wilkesboro Splash Pad	160,104	6,896
Parks and Recreation Improvements	68,917	348,583
Jeld Wen Water Tank Project	2,362,000	430,661
Improvements to North Wilkesboro Farmers Market	12,195	37,805
Yadkin River Intake Project	316,676	395,492
Waterline Extension to Wilkes Commercial Business Center	274,919	251,504
Highway 115 South Sewer Extension	313,404	4,036,204

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings and improvements	\$ 186,853	\$ -	\$ -	\$ 186,853
Furniture and equipment	50,312	-	300	50,012
Total capital assets being depreciated	237,165	-	300	236,865
Less accumulated depreciation for:				
Building and improvements	167,282	1,952	-	169,234
Furniture and equipment	50,158	154	300	50,012
Total accumulated depreciation	217,440	2,106	300	219,246
Total capital assets being depreciated, net	19,725			17,619
ABC Board capital assets, net	\$ 19,725			\$ 17,619

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of North Wilkesboro employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of North Wilkesboro's contractually required contribution rate for the year ended June 30, 2022, was 12.04% of compensation for law enforcement officers and 11.46% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of North Wilkesboro were \$354,311 for the year ended June 30, 2022.

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, 2022, the Town reported a liability of \$607,457 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021, the Town's proportion was .03961% which was a decrease of .00315% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$97,508. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 193,254	\$ -
Changes in assumptions	381,638	-
Net difference between projected and actual earnings on pension plan investments	-	867,874
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,638	51,921
Town contributions subsequent to the measurement date	<u>352,277</u>	<u>-</u>
Total	<u>\$ 933,807</u>	<u>\$ 919,795</u>

\$352,277 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 41,945
2024	(32,916)
2025	(81,720)
2026	(265,575)
2027	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 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, 2020 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, 2021 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 5.50 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 2,358,099	\$ 607,457	\$ (833,219)

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of North Wilkesboro administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>23</u>
Total	<u>27</u>

2. *Summary of Significant Accounting Policies:*

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the

modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.25 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, 2020.

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

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$60,181 as benefits came due in the reporting period.

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

At June 30, 2022, the Town reported a total pension liability of \$814,356. The total pension liability was measured as of June 30, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$30,584.

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	\$ 59,268	\$ 141,259
Changes of assumptions	160,412	25,818
Town benefit payments and plan administrative expense made subsequent to measurement date	<u>32,623</u>	<u>-</u>
	<u>\$ 252,303</u>	<u>\$ 167,077</u>

\$32,623 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 32,045
2024	14,600
2025	22,018
2026	12,682
2027	(23,067)
Thereafter	(5,675)

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 2.25 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	<u>1% Decrease (1.25%)</u>	<u>Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 883,051	\$ 841,356	\$ 751,487

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

	2022
Beginning balance	\$ 981,757
Service Cost	42,286
Interest on the total pension liability	18,367
Changes of benefit terms	-
Differences between expected and actual experience in measurement of the total pension liability	(146,538)
Changes in assumptions or other inputs	(21,335)
Benefit payments	(60,181)
Other changes	-
Ending balance of total pension liability	\$ 814,356

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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 97,508	\$ 30,584	\$ 128,092
Pension Liability	607,457	814,356	1,421,813
Proportionate share of the net pension liability	0.39610%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	193,254	59,268	252,522
Changes of assumptions	381,638	160,412	542,050
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	6,638	-	6,638
Benefit payments and administrative costs paid subsequent to the measurement date	352,277	32,623	384,900
Deferred of Inflows of Resources			
Differences between expected and actual experience	867,874	141,259	1,009,133
Changes of assumptions	-	25,818	25,818
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	51,921	-	51,921

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

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and employees not engaged in law enforcement employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for law enforcement officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for law enforcement officers and all other employees not engaged in law enforcement. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's and employee's salary, and all amounts contributed are vested immediately. Also, law enforcement officers and employees may make voluntary contributions to the plan.

The Town made contributions of \$50,691 for the reporting year. No amounts were forfeited.

d. Other Postemployment Benefit

Healthcare Benefits

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

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

Membership of the HCB Plan consisted of the following at December 31, 2021, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	8	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	36	28
Total	<u>44</u>	<u>28</u>

Total OPEB Liability

The Town's total OPEB liability of \$2,071,950 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.25-8.41 percent, average, including inflation
Discount rate	2.16%
Healthcare cost trend rates	Pre-Medicare - 7.25% of 2020 decreasing to an ultimate rate of 4.75% by 2030

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2021	\$ 1,823,754
Changes for the year	
Service cost	60,198
Interest	58,507
Changes of benefit terms	-
Differences between expected and actual experience	(12,578)
Changes in assumptions or other inputs	226,477
Benefit payments	(84,408)
Net changes	<u>248,196</u>
Balance at 6/30/2022	<u>\$ 2,071,950</u>

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 2,259,539	\$ 2,071,950	\$ 1,850,892

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

	<u>1% decrease</u>	<u>Current</u>	<u>1% increase</u>
Total OPEB liability	\$ 1,821,587	\$ 2,071,950	\$ 2,247,164

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$53,766. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 175,449
Changes of assumptions	363,202	76,521
Benefit payments and administrative costs made subsequent to the measurement date	<u>42,204</u>	<u>-</u>
Total	<u>\$ 405,406</u>	<u>\$ 251,970</u>

\$42,204 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 22,246
2023	22,246
2024	22,246
2025	22,246
2026	22,248
Thereafter	

e. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of

monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$ 352,277
Benefit payments made and administrative expenses for LEOSSA	32,623
Differences between expected and actual experience	252,522
Changes of assumptions	542,050
Net difference between projected and actual	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	6,638
OPEB deferrals	405,406
Charge on refunding	-
Total	<u>\$ 1,591,516</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 135,015
Lease prepayment	12,500,000	12,500,000
Lease	32,730,287	32,730,287
OPEB deferrals	251,970	-
Changes in assumptions	25,818	-
Differences between projected and actual experience	1,009,133	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	51,921	-
	<u>\$ 46,569,129</u>	<u>\$ 45,365,302</u>

3. Risk Management

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

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

The Town carries no flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000, the tax collector for \$2,500, the Town Manager for \$25,000, and the Town Clerk for \$25,000. The remaining employees that have access to funds are bonded under a blanket bond for \$1,000,000.

4. Long-term Obligations – Governmental Activities

a. Installment purchase

In February, 2020, the Town entered into a direct placement contract for the purchase of 5 Dodge Charger Police Cars. The property was pledged as collateral for the debt while the debt is outstanding. The Town repaid this loan during the year.

b. Installment purchase

In February, 2020, the Town entered into a direct placement contract for the purchase of a 2020 Mack Dumpster Truck. The property was pledged as collateral for the debt while the debt is outstanding. The Town repaid this loan during the year.

c. Loan agreement

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

d. Loan Agreement

In September, 2021, the Town entered into a loan agreement for the purchase of police vehicles. The agreement required annual payments of \$47,846, including interest at 1.57% through June, 2025. The Town repaid this loan during the year.

5. Long-term Obligations – Business-Type Activities

a. NCDENR Drinking Water Loan

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

b. Loan Agreement

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

c. Installment purchase

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

d. NCDEQ Drinking Water State Revolving Loan

In April, 2022, the Town of North Wilkesboro arranged with NCDEQ for a Drinking Water State Revolving Loan in the amount of \$1,973,196. The loan will be repaid over a twenty-year period through 2042 in yearly installments of \$98,660 plus interest of 1.22% beginning not earlier than six months nor later than twelve months after the estimated date of completion. The first payment is due in November, 2022. There \$933,390 draws during the year.

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

Year Ending June 30	Principal	Interest
2023	\$ 98,660	\$ 34,996
2024	98,660	39,901
2025	98,660	38,698
2026	98,660	37,494
2027	98,660	36,290
2028-2032	493,299	163,393
2033-2037	493,299	133,305
2038-2042	473,298	103,217
	<u>\$ 1,953,196</u>	<u>\$ 587,294</u>

6. Changes in Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Direct placement installment purchase	\$ 780,325	\$ -	\$ 780,325	\$ -	\$ -
Compensated absences	187,818	-	1,619	186,199	70,756
Other postemployment benefits	1,477,859	203,184	-	1,681,043	-
Net pension liability (LGERS)	1,237,678	-	745,637	492,041	-
Total pension liability (LEO)	981,757	-	167,401	814,356	-
Governmental activity long-term liabilities	<u>\$ 4,665,437</u>	<u>\$ 203,184</u>	<u>\$ 1,694,982</u>	<u>\$ 3,173,639</u>	<u>\$ 70,756</u>
Business-type activities:					
NC DENR Drinking Water Loan	\$ 272,238	\$ 933,390	\$ 272,238	\$ 933,390	\$ 98,660
NC DENR Drinking Water State Revolving Loan	-	-	-	-	-
Direct placement installment purchase	153,544	-	153,544	-	-
Compensated absences	48,526	-	6,019	42,507	16,152
Other postemployment benefits	345,896	45,011	-	390,907	-
Net pension liability (LGERS)	290,319	-	174,902	115,417	-
Business-type activity long-term liabilities	<u>\$ 1,110,523</u>	<u>\$ 978,401</u>	<u>\$ 606,703</u>	<u>\$ 1,482,221</u>	<u>\$ 114,812</u>

At June 30, 2022, the Town had a legal debt margin of \$38,275,300.

C. Interfund Balances and Activity

Transfers to and from other funds at June 30, 2021, consist of the following:

From the ARP Fund to the General Fund	\$ 484,764
From the ARP Fund to the Water Sewer Fund	<u>184,500</u>
	<u>\$ 669,264</u>
From the General Fund to the Neighborhood Streetscape	\$ 55,000
From the General Fund to the Capital Reserve Fund	163,000
From the Capital Reserve Fund to the Building Rehab and Condemnation Fund	23,000
From the General Fund to the North Wilkesboro Splash Pad Fund	17,000
From the General Fund to the Parks and Recreation Improvements Fund	155,000
From the General Fund to the River District Fund	500,000
From the Water Sewer Fund to the NC DOT Project No. R-2603 Highway 268 Fund	<u>133,234</u>
	<u>\$ 1,046,234</u>
From the Water Sewer Fund to the Yadkin River Intake Fund	\$ 314,347
From the Capital Reserve Fund to the Waterline Extension Project to Wilkes Commercial Business Center	138,000
From the Water Sewer Fund to the Yadkin River Intake Fund	314,347
From the Hwy 115 South Sewer Extension Fund to the Capital Reserve Fund	<u>2,651</u>
	<u>\$ 769,345</u>

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

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2022, the Town of North Wilkesboro has recognized on-behalf payments for pension contributions made by the State as revenue of \$10,974 and an expenditure of \$10,974 for the twenty-four volunteer firemen and four employed firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firefighters' and Rescue Squad Workers' Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

E. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 40,343,165	\$ 17,889,599
Less: long-term debt	<u>-</u>	<u>933,390</u>
Net investment in capital assets	<u>\$ 40,343,165</u>	<u>\$ 16,956,209</u>

F. Fund Balance

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

Total fund balance - General Fund	\$ 7,166,282
Less:	
Stabilization by State Statute	1,236,604
Streets - Powell Bill	155,783
Public safety	128,321
Other	21,701
Remaining Fund Balance	5,623,873

III. Jointly Governed Organizations

The Town, in conjunction with seven counties and eighteen other municipalities established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$1,854 to the Council during the fiscal year ended June 30, 2022.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Leases

Effective July 1, 2017 the Town of North Wilkesboro (Town), WRMC Operating Corporation (WRMC), Wilkes Physician Network, Inc (WPN), and Wake Forest University Baptist Medical Center, presently known as Atrium Health Wake Forest Baptist, (WFUBMC) entered into a lease agreement whereby the Town will lease to WRMC the "Leased Assets" (as described in the lease) i.e. real property together with the buildings, improvements, and fixtures thereon. The initial term of this lease shall be for thirty (30) years commencing as of July 1, 2017. After the initial term the

lease may be renewed and extended at the option of the tenant and WFUBMC for two (2) successive periods of ten (10) years each. Lease payments consist of a \$15,000,000 “Upfront Lease Payment” (including the Lock Up Fee) on the commencement date plus an Annual Rent payment of \$1,000,000 (which shall be increased by 2% of the amount paid the previous year) beginning on the first anniversary of the commencement date. The Town elected earlier application of GASB 87 and accordingly recorded this lease as a Lease Receivable and a Deferred Inflow of Resources at the present value of lease payments plus the “Upfront Lease Payment”)”) at the commencement of the lease term.

Also, the Town recognized \$193,530 of interest income on the Lease Receivable and \$1,388,902 inflow of resources (revenue) from the deferred inflow of resources during the current year.

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

Year Ended <u>June 30</u>	
2023	\$ 1,104,080
2024	1,126,162
2025	1,148,686
2026	1,171,659
2027	1,195,093
2028-2032	6,343,696
2033-2037	7,003,953
2038-2042	7,732,930
2043-2047	8,537,779
	\$ 35,364,038

VI. Subsequent Events

Subsequent events have been evaluated through March 24, 2023, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

Town of North Wilkesboro, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service Cost	\$ 60,198	\$ 58,373	\$ 70,013	\$ 73,040	\$ 80,122
Interest	58,507	56,101	65,922	60,630	52,575
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(12,578)	(9,922)	(230,121)	(6,226)	(17,955)
Changes of assumptions	226,477	217,245	30,209	(57,865)	(98,380)
Benefit payments	(84,408)	(84,408)	(87,807)	(68,433)	(51,660)
Net change in total OPEB liability	248,196	237,389	(151,784)	1,146	(35,298)
Total OPEB liability - beginning	1,823,754	1,586,365	1,738,149	1,737,003	1,772,301
Total OPEB liability - ending	<u>\$ 2,071,950</u>	<u>\$ 1,823,754</u>	<u>\$ 1,586,365</u>	<u>\$ 1,738,149</u>	<u>\$ 1,737,003</u>
Covered payroll	\$ 2,026,496	\$ 1,690,331	\$ 1,690,331	\$ 2,558,379	\$ 2,558,379
Total OPEB liability as a percentage of covered pay	102.24%	107.89%	93.85%	67.94%	67.89%

Notes to schedule:

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

<u>Fiscal Year</u>	<u>Rate</u>
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

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

Local Governmental Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
North Wilkesboro's proportion of the net pension liability (asset) (%)	0.03961%	0.04276%	0.04249%	0.04462%	0.04546%	0.04354%	0.04506%	0.04802%	0.04760%
North Wilkesboro's proportion of the net pension liability (asset) (\$)	\$ 607,457	\$ 1,527,997	\$ 1,160,369	\$ 1,058,539	\$ 694,503	\$ 924,065	\$ 202,227	\$ (283,196)	\$ 573,763
North Wilkesboro's covered payroll	\$ 2,948,658	\$ 3,002,857	\$ 2,967,343	\$ 2,925,086	\$ 2,807,808	\$ 2,732,193	\$ 2,618,450	\$ 2,646,975	\$ 2,547,882
North Wilkesboro's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	20.60%	50.88%	39.10%	36.19%	24.73%	33.82%	7.72%	-10.70%	22.52%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

Local Governmental Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 354,311	\$ 308,410	\$ 279,096	\$ 240,389	\$ 227,358	\$ 213,463	\$ 189,027	\$ 188,470	\$ 189,235
Contributions in relation to the contractually required contribution	354,311	308,410	279,096	240,389	227,358	213,463	189,027	188,470	189,235
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
North Wilkesboro's covered payroll	\$ 3,040,365	\$ 2,948,658	\$ 3,002,857	\$ 2,967,343	\$ 2,925,086	\$ 2,807,808	\$ 2,732,193	\$ 2,618,450	\$ 2,646,975
Contributions as a percentage of covered payroll	11.65%	10.46%	9.29%	8.10%	7.78%	7.60%	6.92%	7.20%	7.15%

Town of North Wilkesboro, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2022

	2022	2021	2020	2019	2018	2017
Beginning balance	\$981,757	\$ 744,348	\$ 674,450	\$ 737,751	\$ 605,667	\$ 615,942
Service cost	42,286	32,049	29,361	31,365	27,416	26,603
Interest on the total pension liability	18,367	23,285	23,365	22,723	22,817	21,190
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(146,538)	27,935	62,009	(56,082)	69,394	-
Changes of Assumptions or other inputs	(21,335)	214,321	20,272	(23,984)	41,571	(13,317)
Benefit payments	(60,181)	(60,181)	(65,109)	(37,323)	(29,114)	(44,751)
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$814,356</u>	<u>\$ 981,757</u>	<u>\$ 744,348</u>	<u>\$ 674,450</u>	<u>\$ 737,751</u>	<u>\$ 605,667</u>

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

Town of North Wilkesboro, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 814,356	\$ 981,757	\$ 744,348	\$ 674,450	\$ 737,751	\$ 605,667
Covered payroll	1,003,960	1,116,722	1,090,070	1,100,117	1,076,242	1,015,687
Total pension liability as a percentage of covered payroll	81.11%	87.91%	68.28%	61.31%	68.55%	59.63%

Notes to the schedules:

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

Individual Fund Schedules

Town of North Wilkesboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 2,408,987	\$
Interest		23,119	
Total	<u>2,468,147</u>	<u>2,432,106</u>	<u>(36,041)</u>
Unrestricted intergovernmental:			
Local option sales taxes		1,943,598	
Payments in lieu of taxes		39,021	
Telecommunications sales tax		31,343	
Utilities sales tax		340,626	
Piped natural gas sales tax		14,861	
Video franchise fee		31,994	
Beer and wine tax		17,356	
ABC distribution		8,000	
Total	<u>2,379,854</u>	<u>2,426,799</u>	<u>46,945</u>
Restricted intergovernmental:			
Powell Bill allocation		155,687	
Controlled substance tax		16,623	
On-behalf of payments - Fire		10,974	
Grants		72,735	
Solid waste disposal tax		3,297	
Total	<u>254,897</u>	<u>259,316</u>	<u>4,419</u>
Permits and fees:			
Privilege licenses and penalties		445	
Planning and zoning		4,370	
Building permits		38,945	
Total	<u>42,129</u>	<u>43,760</u>	<u>1,631</u>
Sales and services:			
Rents and concessions		50,670	
Court costs, fees, and charges		2,791	
Recreation Department fees		40,383	
Garage disposal fees		375,469	
Parking violation fees		1,685	
Total	<u>465,369</u>	<u>470,998</u>	<u>5,629</u>
Investment earnings	<u>253,687</u>	<u>254,501</u>	<u>814</u>
Miscellaneous:			
Lease - WRMC		1,388,902	
Miscellaneous		248,804	
Total	<u>1,617,824</u>	<u>1,637,706</u>	<u>19,882</u>
Total revenues	<u>7,481,907</u>	<u>7,525,186</u>	<u>43,279</u> cont.

Town of North Wilkesboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and benefits		80,831	
Operating expenses		44,769	
Capital outlay		-	
Total	<u>123,566</u>	<u>125,600</u>	<u>(2,034)</u>
Administration:			
Salaries and employee benefits		212,751	
Other operating expenditures		21,389	
Total	<u>220,761</u>	<u>234,140</u>	<u>(13,379)</u>
Finance:			
Salaries and employee benefits		231,204	
Other operating expenditures		35,665	
Capital outlay		-	
Total	<u>254,723</u>	<u>266,869</u>	<u>(12,146)</u>
Legal department:			
Salaries and employee benefits		22,708	
Professional services		216,390	
Total	<u>227,879</u>	<u>239,098</u>	<u>(11,219)</u>
Public buildings:			
Other operating expenditures		178,827	
Capital outlay		32,065	
Total	<u>206,578</u>	<u>210,892</u>	<u>(4,314)</u>
Special appropriations:			
Salaries and employee benefits		228,746	
Total	<u>221,387</u>	<u>228,746</u>	<u>(7,359)</u>
Tourism:			
Salaries and employee benefits		67,842	
Other operating expenditures		113,553	
Capital outlay		-	
Total	<u>174,312</u>	<u>181,395</u>	<u>(7,083)</u>
Total general government	<u>1,429,206</u>	<u>1,486,740</u>	<u>(57,534)</u>
Public safety:			
Police department:			
Salaries and employee benefits		1,681,762	
Other operating expenditures		334,355	
Capital outlay		67,840	
Total	<u>1,989,896</u>	<u>2,083,957</u>	<u>(94,061)</u>
Fire department:			
Salaries and employee benefits		428,282	
Other operating expenditures		163,243	
Capital outlay		-	
Total	<u>559,879</u>	<u>591,525</u>	<u>(31,646)</u>

cont.

Town of North Wilkesboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Inspections:			
Salaries and employee benefits		188,548	
Other operating expenditures		74,827	
Capital outlay		33,432	
Total	<u>292,127</u>	<u>296,807</u>	<u>(4,680)</u>
Total public safety	<u>2,841,902</u>	<u>2,972,289</u>	<u>(130,387)</u>
Transportation:			
Public works:			
Salaries and employee benefits		28,450	
Other operating expenditures		2,909	
Total	<u>33,798</u>	<u>31,359</u>	<u>2,439</u>
Streets and highways:			
Salaries and employee benefits		268,644	
Other operating expenditures		263,168	
Capital outlay		25,035	
Total	<u>540,791</u>	<u>556,847</u>	<u>(16,056)</u>
Garage:			
Salaries and employee benefits		82,712	
Other operating expenditures		24,829	
Total	<u>103,299</u>	<u>107,541</u>	<u>(4,242)</u>
Total transportation	<u>677,888</u>	<u>695,747</u>	<u>(17,859)</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		375,086	
Other operating expenditures		120,624	
Contracted services		202,199	
Capital outlay		13,250	
Total	<u>669,789</u>	<u>711,159</u>	<u>(41,370)</u>
Cemeteries:			
Salaries and employee benefits		87,827	
Other operating expenditures		17,965	
Total	<u>109,855</u>	<u>105,792</u>	<u>4,063</u>
Total environmental protection	<u>779,644</u>	<u>816,951</u>	<u>(37,307)</u>

cont.

Town of North Wilkesboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and recreational:			
Recreational:			
Salaries and employee benefits		229,723	
Other operating expenditures		138,106	
Capital outlay		-	
Total	<u>353,781</u>	<u>367,829</u>	<u>(14,048)</u>
Cultural:			
Contributions to other agencies		-	
Total	<u>-</u>	<u>-</u>	<u>-</u>
Total cultural and recreation	<u>353,781</u>	<u>367,829</u>	<u>(14,048)</u>
Debt service:			
Principal retirement		779,452	
Interest and other charges		23,573	
Total debt service	<u>807,980</u>	<u>803,025</u>	<u>4,955</u>
Contingency	<u>218,270</u>	<u>-</u>	<u>218,270</u>
Total expenditures	<u>7,108,671</u>	<u>7,142,581</u>	<u>(33,910)</u>
Revenues over (under) expenditures	<u>373,236</u>	<u>382,605</u>	<u>9,369</u>
Other financing sources (uses):			
Transfers from other funds	484,764	484,764	-
Transfers to other funds	(883,000)	(883,000)	-
Installment purchase obligation issued	-	-	-
Loss on sale of land held for resale	-	-	-
Sale of fixed assets	25,000	20,124	(4,876)
Total other financing sources (uses)	<u>(373,236)</u>	<u>(378,112)</u>	<u>(4,876)</u>
Fund balance appropriated	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>4,493</u>	<u>\$ 4,493</u>
Fund balances, beginning		7,123,587	
Fund balances, ending		<u>\$ 7,128,080</u>	

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Firemen's Supplementary Fund
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Contribution from State Firemen's Relief Fund	\$ 4,500	\$ 4,772	\$ 272
Investment earnings	60	1	(59)
Total revenues	<u>4,560</u>	<u>4,773</u>	<u>213</u>
Expenditures:			
Salaries and benefits	16,800	14,600	2,200
Total expenditures	<u>16,800</u>	<u>14,600</u>	<u>2,200</u>
Revenues over (under) expenditures	<u>(12,240)</u>	<u>(9,827)</u>	<u>2,413</u>
Appropriated fund balance	<u>12,240</u>	-	<u>(12,240)</u>
Net change in fund balance	<u>\$ -</u>	<u>(9,827)</u>	<u>\$ (9,827)</u>
Fund balance, beginning		<u>13,029</u>	
Fund balance, ending		<u>\$ 3,202</u>	

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Health Equity
For the Year Ended June 30, 2022

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

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
ARP Funds
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
ARP Grant		\$ 669,264	
Total revenues	<u>\$ 1,338,529</u>	<u>669,264</u>	<u>\$ (669,265)</u>
Expenditures			
Miscellaneous		-	
Total	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>1,338,529</u>	<u>669,264</u>	<u>(669,265)</u>
Other financing sources (uses):			
Transfer to General Fund	969,529	484,764	(484,765)
Transfer to Water & Sewer Fund	<u>369,000</u>	<u>184,500</u>	<u>(184,500)</u>
Total other financing sources (uses)	<u>1,338,529</u>	<u>669,264</u>	<u>(669,265)</u>
Revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	-	<u>\$ -</u>
Net increase in fund balance		-	
Fund balances, beginning as previously reported		<u>-</u>	
Fund balances, ending		<u>\$ -</u>	

Town of North Wilkesboro, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2022

	Fire Station Building Project Capital Projects Fund	Neighborhood Streetscape Capital Projects Fund	NC DOT Project No. R-2603 Highway 268 Capital Projects Fund
Assets			
Cash and cash equivalents	\$ 127,732	\$ 55,352	\$ 83,866
Grants receivable	-	-	-
Total assets	127,732	55,352	83,866
Liabilities			
Accounts payable and accrued liabilities	-	-	-
Total liabilities	-	-	-
Fund Balances			
Restricted by stabilization by state statute	-	-	-
Committed	127,732	55,352	83,866
Total fund balances	127,732	55,352	83,866
Total liabilities and fund balances	\$ 127,732	\$ 55,352	\$ 83,866

Town of North Wilkesboro, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2022

	Capital Reserve Capital Projects Fund		Building Rehab and Condemnation Capital Projects Fund
Assets			
Cash and cash equivalents	\$ 738,511	\$	115,559
Grants receivable	-		-
Total assets	738,511		115,559
 Liabilities			
Accounts payable and accrued liabilities	-		-
Total liabilities	-		-
 Fund Balances			
Restricted by stabilization by state statute	-		-
Committed	738,511		115,559
Total fund balances	738,511		115,559
Total liabilities and fund balances	\$ 738,511	\$	115,559

Town of North Wilkesboro, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2022

	North Wilkesboro Splash Pad Capital Projects Fund	Parks and Recreation Improvements Capital Projects Fund	Improvements to the North Wilkesboro Farmers Market Capital Projects Fund	Total Non-Major Governmental Funds
Assets				
Cash and cash equivalents	\$ 6,896	\$ 348,583	\$ 37,826	\$ 1,514,325
Grants receivable	-	-	-	-
Total assets	6,896	348,583	37,826	1,514,325
Liabilities				
Accounts payable and accrued liabilities	-	-	-	-
Total liabilities	-	-	-	-
Fund Balances				
Restricted by stabilization by state statute	-	-	-	-
Committed	6,896	348,583	37,826	1,514,325
Total fund balances	6,896	348,583	37,826	1,514,325
Total liabilities and fund balances	\$ 6,896	\$ 348,583	\$ 37,826	\$ 1,514,325

Town of North Wilkesboro, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2022

	Fire Station Building Project Capital Projects Fund	Neighborhood Streetscape Capital Projects Fund	NC DOT Project No. R-2603 Highway 268 Capital Projects Fund
Revenues:			
Restricted intergovernmental	\$ -	\$ -	\$ -
Contributions from other agencies	-	-	-
Investment earnings	-	-	-
Total revenues	-	-	-
Expenditures:			
Capital outlay	-	20,440	49,368
Economic development	-	-	-
Total expenditures	-	20,440	49,368
Revenues over (under) expenditures	-	(20,440)	(49,368)
Other financing sources (uses):			
Transfers from other funds	-	55,000	133,234
Transfers to other funds	-	-	-
Total other financing sources (uses)	-	55,000	133,234
Net change in fund balance	-	34,560	83,866
Fund balance, beginning	127,732	20,792	-
Fund balance, ending	\$ 127,732	\$ 55,352	\$ 83,866

Town of North Wilkesboro, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2022

	Capital Reserve Capital Projects Fund	Building Rehab and Condemnation Capital Projects Fund
	<u> </u>	<u> </u>
Revenues:		
Restricted intergovernmental	\$ -	\$ -
Contributions from other agencies	-	-
Investment earnings	-	-
	<u> </u>	<u> </u>
Total revenues	-	-
	<u> </u>	<u> </u>
Expenditures:		
Capital outlay	-	9,832
Economic development	-	-
	<u> </u>	<u> </u>
Total expenditures	-	9,832
	<u> </u>	<u> </u>
Revenues over (under) expenditures	-	(9,832)
	<u> </u>	<u> </u>
Other financing sources (uses):		
Transfers from other funds	163,000	23,000
Transfers to other funds	(30,000)	-
Total other financing sources (uses)	<u>133,000</u>	<u>23,000</u>
Net change in fund balance	133,000	13,168
Fund balance, beginning	605,511	102,391
Fund balance, ending	<u>\$ 738,511</u>	<u>\$ 115,559</u>

Town of North Wilkesboro, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2022

	North Wilkesboro Splash Pad Capital Projects Fund	Parks and Recreation Improvements Capital Projects Fund	Improvements to the North Wilkesboro Farmers Market Capital Projects Fund	Total Non-Major Governmental Funds
Revenues:				
Restricted intergovernmental	\$ -	\$ -	\$ 50,000	\$ 50,000
Contributions from other agencies	-	262,500	-	262,500
Investment earnings	-	-	21	21
Total revenues	-	262,500	50,021	312,521
Expenditures:				
Capital Outlay	160,104	68,917	12,195	320,856
Economic development	-	-	-	-
Total expenditures	160,104	68,917	12,195	320,856
Revenues over (under) expenditures	(160,104)	193,583	37,826	(8,335)
Other financing sources (uses):				
Transfers from other funds	17,000	155,000	-	546,234
Transfers to other funds	-	-	-	(30,000)
Total other financing sources (uses)	17,000	155,000	-	516,234
Net change in fund balance	(143,104)	348,583	37,826	507,899
Fund balance, beginning	150,000	-	-	1,006,426
Fund balance, ending	\$ 6,896	\$ 348,583	\$ 37,826	\$ 1,514,325

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Fire Station Building Project
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2022

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

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Neighborhood Streetscape
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Other	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Capital outlay	155,000	79,208	20,440	99,648	55,352
Total expenditures	<u>155,000</u>	<u>79,208</u>	<u>20,440</u>	<u>99,648</u>	<u>55,352</u>
Revenues over (under) expenditures	<u>(155,000)</u>	<u>(79,208)</u>	<u>(20,440)</u>	<u>(99,648)</u>	<u>55,352</u>
Other financing sources (uses)					
Transfers from other funds					
General Fund	155,000	100,000	55,000	155,000	-
Total other financing sources (uses)	<u>155,000</u>	<u>100,000</u>	<u>55,000</u>	<u>155,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 20,792</u>	34,560	<u>\$ 55,352</u>	<u>\$ 55,352</u>
Fund balance, beginning			20,792		
Fund balance, ending			<u>\$ 55,352</u>		

Town of North Wilkesboro, North Carolina
Capital Projects Fund - NC DOT Project No. R-2603 Highway 268
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grants	\$ 83,866	\$ 83,866	\$ -	\$ 83,866	\$ -
Total revenues	<u>83,866</u>	<u>83,866</u>	<u>-</u>	<u>83,866</u>	<u>-</u>
Expenditures:					
Capital outlay	315,152	83,866	49,368	133,234	181,918
Total expenditures	<u>315,152</u>	<u>83,866</u>	<u>49,368</u>	<u>133,234</u>	<u>181,918</u>
Revenues over (under) expenditures	<u>(231,286)</u>	<u>-</u>	<u>(49,368)</u>	<u>(49,368)</u>	<u>181,918</u>
Other financing sources (uses)					
Transfers from other funds					
General Fund	98,052	-	-	-	(98,052)
Water and Sewer Enterprise Fund	133,234	-	133,234	133,234	-
Total other financing sources (uses)	<u>231,286</u>	<u>-</u>	<u>133,234</u>	<u>133,234</u>	<u>(98,052)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	83,866	<u>\$ 83,866</u>	<u>\$ 83,866</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 83,866</u>		

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Capital Projects Fund - Capital Reserve - Governmental Fund
For the Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Operating expenses	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):			
Transfers from (to) other funds:			
	-	-	-
General Fund	260,000	163,000	(97,000)
Capital Project Fund -	-	(7,000)	(7,000)
Capital Project Fund -	-	(23,000)	(23,000)
Total	<u>260,000</u>	<u>133,000</u>	<u>(127,000)</u>
Fund balance appropriated	(260,000)	-	260,000
Net change in fund balance	<u>\$ -</u>	133,000	<u>\$ 133,000</u>
Fund balance, beginning		<u>605,511</u>	
Fund balance, ending		<u>\$ 738,511</u>	

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Building Rehab and Condemnation
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Capital outlay	143,000	17,609	9,832	27,441	115,559
Total expenditures	<u>143,000</u>	<u>17,609</u>	<u>9,832</u>	<u>27,441</u>	<u>115,559</u>
Revenues over (under) expenditures	<u>(143,000)</u>	<u>(17,609)</u>	<u>(9,832)</u>	<u>(27,441)</u>	<u>115,559</u>
Other financing sources (uses)					
Transfers from other funds					
General Fund	143,000	120,000	23,000	143,000	-
Total other financing sources (uses)	<u>143,000</u>	<u>120,000</u>	<u>23,000</u>	<u>143,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 102,391</u>	13,168	<u>\$ 115,559</u>	<u>\$ 115,559</u>
Fund balance, beginning			102,391		
Fund balance, ending			<u>\$ 115,559</u>		

Town of North Wilkesboro, North Carolina
Capital Projects Fund - North Wilkesboro Splash Pad
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay	167,000	-	160,104	160,104	6,896
Total expenditures	167,000	-	160,104	160,104	6,896
Revenues over (under) expenditures	(167,000)	-	(160,104)	(160,104)	6,896
Other financing sources (uses)					
Transfers from (to) other funds					
General Fund	167,000	150,000	17,000	167,000	-
General Fund Capital Reserve Fund	-	-	-	-	-
Water and Sewer Enterprise Fund	-	-	-	-	-
Total other financing sources (uses)	167,000	150,000	17,000	167,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 150,000</u>	(143,104)	<u>\$ 6,896</u>	<u>\$ 6,896</u>
Fund balance, beginning			<u>150,000</u>		
Fund balance, ending			<u>\$ 6,896</u>		

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Parks and Recreation Improvements
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Restricted intergovernmental:					
Other contributions	\$ 262,500	\$ -	\$ 262,500	\$ 262,500	\$ -
Investment earnings	-	-	-	-	-
Total revenues	<u>262,500</u>	<u>-</u>	<u>262,500</u>	<u>262,500</u>	<u>-</u>
Expenditures:					
Capital outlay	417,500	-	68,917	68,917	348,583
Total expenditures	<u>417,500</u>	<u>-</u>	<u>68,917</u>	<u>68,917</u>	<u>348,583</u>
Other financing sources (uses)					
Transfer from General Fund	155,000	-	155,000	155,000	-
Transfer to Capital Reserve Fund	-	-	-	-	-
Total other financing sources (uses)	<u>155,000</u>	<u>-</u>	<u>155,000</u>	<u>155,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	348,583	<u>\$ 348,583</u>	<u>\$ 348,583</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 348,583</u>		

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Improvements to the North Wilkesboro Farmers Market
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
SCIF grant	\$ 50,000	\$ -	\$ 50,000	\$ 50,000	\$ -
Investment earnings	-	-	21	21	21
Total revenues	<u>50,000</u>	<u>-</u>	<u>50,021</u>	<u>50,021</u>	<u>21</u>
Expenditures:					
Capital outlay	50,000	-	12,195	12,195	37,805
Total expenditures	<u>50,000</u>	<u>-</u>	<u>12,195</u>	<u>12,195</u>	<u>37,805</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>37,826</u>	<u>37,826</u>	<u>37,826</u>
Other financing sources (uses)					
Transfers from other funds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>37,826</u>	<u>\$ 37,826</u>	<u>\$ 37,826</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 37,826</u>		

Town of North Wilkesboro, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales and sewer charges	\$ 3,057,895	\$ 3,105,147	\$ 47,252
Water and sewer taps	8,000	16,900	8,900
Other operating revenues	5,000	72,350	67,350
Total operating revenues	<u>3,070,895</u>	<u>3,194,397</u>	<u>123,502</u>
Nonoperating revenues:			
Rental income		65,332	
Investment earnings		1,128	
Total nonoperating revenues	<u>57,695</u>	<u>66,460</u>	<u>8,765</u>
Total revenues	<u>3,128,590</u>	<u>3,260,857</u>	<u>132,267</u>
Expenditures:			
Administration and billing:			
Salaries and employee benefits		82,403	
Other operating expenditures		103,689	
Total	<u>197,582</u>	<u>186,092</u>	<u>11,490</u>
Water treatment and distribution:			
Salaries and employee benefits		289,203	
Utilities		134,376	
Other operating expenditures		427,125	
Total	<u>865,875</u>	<u>850,704</u>	<u>15,171</u>
Water maintenance and construction:			
Salaries and employee benefits		234,128	
Other operating expenditures		183,357	
Total	<u>418,654</u>	<u>417,485</u>	<u>1,169</u>
Waste collection and treatment:			
Salaries and employee benefits		282,633	
Utilities		67,625	
Other operating expenditures		142,422	
Total	<u>493,852</u>	<u>492,680</u>	<u>1,172</u>
Sanitary sewer maintenance and construction:			
Other operating expenditures		99,777	
Total	<u>101,257</u>	<u>99,777</u>	<u>1,480</u>
Total operating expenditures	<u>2,077,220</u>	<u>2,046,738</u>	<u>30,482</u>

(continued)

Town of North Wilkesboro, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Interest and other charges		7,137	
Principal retirement		425,781	
Total debt service	440,584	432,918	7,666
Capital outlay:			
Capital outlay		202,978	
Total capital outlay	205,135	202,978	2,157
Total expenditures	2,722,939	2,682,634	40,305
Contingency	167,500	-	(167,500)
Revenues over (under) expenditures	573,151	578,223	5,072
Notes receivable receipts	-	-	-
Other financing sources (uses):			
Transfers from (to) other funds			
Transfers (to) from other funds	(573,151)	551,266	1,124,417
Total other financing sources (uses)	(573,151)	551,266	1,124,417
Fund balance appropriated	-	-	-
Revenues and other sources over (under) expenditures and other uses	\$ -	1,129,489	\$ 1,129,489
Reconciliation from budgetary basis			
(modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		425,781	
Capital outlay		202,978	
Decrease in accrued interest payable		2,067	
Decrease in compensated absences		6,019	
Increase in deferred outflow of resources - pension		17,169	
Increase in deferred outflow of resources - OPEB		26,359	
Decrease in net pension liability		174,902	
Increase in deferred inflows of resources- pensions		(173,545)	
Decrease in deferred inflows of resources- OPEB		8,901	
Depreciation		(790,654)	
Increase in accrued OPEB liability		(45,011)	
Capital contributions		1,278,000	
Total reconciling items		1,132,966	
Change in net position		\$ 2,262,455	

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Hwy. 115 South Sewer Extension Project
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ -	\$ -	\$ -	\$ -	-
State grants	564,000	-	-	-	(564,000)
Other contributions	-	-	-	-	-
Investment earnings	-	-	-	-	-
Total revenues	<u>564,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(564,000)</u>
Expenditures:					
Capital outlay	<u>4,349,608</u>	<u>313,404</u>	<u>-</u>	<u>313,404</u>	<u>4,036,204</u>
Total expenditures	<u>4,349,608</u>	<u>313,404</u>	<u>-</u>	<u>313,404</u>	<u>4,036,204</u>
Other financing sources (uses)					
Transfer from Capital Reserve	2,608	316,055	-	316,055	313,447
Transfer to Capital Reserve Fund	-	-	(2,651)	(2,651)	(2,651)
Loan proceeds	<u>3,783,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,783,000)</u>
Total other financing sources (uses)	<u>3,785,608</u>	<u>316,055</u>	<u>(2,651)</u>	<u>313,404</u>	<u>(3,472,204)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,651</u>	<u>(2,651)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>2,651</u>		
Fund balance, ending			<u>\$ -</u>		

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Capital Projects Fund - Capital Reserve - Enterprise Fund
For the Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Operating expenses		-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):			
Transfers to (from) other funds:			
Capital Projects Fund - Jeld Wen Elevated Water Tank	(135,000)	-	135,000
Capital Projects Fund - Yadkin River Intake	(60,100)	-	60,100
Capital Projects Fund - Highway 115 Sewer Extension	-	2,651	2,651
Capital Projects Fund - General Fund	<u>-</u>	<u>(191,234)</u>	<u>(191,234)</u>
Total	<u>(195,100)</u>	<u>(188,583)</u>	<u>6,517</u>
Appropriated fund balance	195,100	-	(195,100)
Net change in fund balance	<u>\$ -</u>	<u>(188,583)</u>	<u>\$ (188,583)</u>
Fund balance, beginning		<u>214,998</u>	
Fund balance, ending		<u>\$ 26,415</u>	

Town of North Wilkesboro, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Health Equity Water Fund
For the Year Ended June 30, 2022

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

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Jeld Wen Elevated Water Tank Project
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 580,000	\$ -	\$ 580,000	\$ 580,000	-
NC Department of Environmental Quality Loan	1,473,197	-	933,390	933,390	(539,807)
State Grant	500,000	-	500,000	500,000	-
Other contributions	200,000	-	160,000	160,000	(40,000)
Investment earnings	-	-	-	-	-
Total revenues	<u>2,753,197</u>	<u>-</u>	<u>2,173,390</u>	<u>2,173,390</u>	<u>(579,807)</u>
Expenditures:					
Capital outlay	<u>2,792,661</u>	<u>379,506</u>	<u>1,982,494</u>	<u>2,362,000</u>	<u>430,661</u>
Total expenditures	<u>2,792,661</u>	<u>379,506</u>	<u>1,982,494</u>	<u>2,362,000</u>	<u>430,661</u>
Other financing sources (uses)					
Loan from Water Fund Capital Reserve	340,000	340,000	-	340,000	-
Reimburse Water Fund Capital Reserve	(340,000)	-	-	-	340,000
Transfer to Water Fund	<u>39,464</u>	<u>39,464</u>	<u>-</u>	<u>39,464</u>	<u>-</u>
Total other financing sources (uses)	<u>39,464</u>	<u>379,464</u>	<u>-</u>	<u>379,464</u>	<u>340,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (42)</u>	190,896	<u>\$ 190,854</u>	<u>\$ 190,854</u>
Fund balance, beginning			(42)		
Fund balance, ending			<u>\$ 190,854</u>		

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Yadkin River Intake Project
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ -	\$ -	\$ -	\$ -	-
State grants	621,550	-	-	-	(621,550)
Other contributions	-	-	-	-	-
Investment earnings	-	-	-	-	-
Total revenues	<u>621,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(621,550)</u>
Expenditures:					
Capital outlay	<u>712,168</u>	<u>47,483</u>	<u>269,193</u>	<u>316,676</u>	<u>395,492</u>
Total expenditures	<u>712,168</u>	<u>47,483</u>	<u>269,193</u>	<u>316,676</u>	<u>395,492</u>
Other financing sources (uses)					
Transfer from Water Sewer fund	180,518	30,518	314,347	344,865	164,347
Transfer to Capital Reserve Fund	(150,000)	-	-	-	150,000
Transfer from Capital Reserve Fund	<u>60,100</u>	<u>60,100</u>	<u>-</u>	<u>60,100</u>	<u>-</u>
Total other financing sources (uses)	<u>90,618</u>	<u>90,618</u>	<u>314,347</u>	<u>404,965</u>	<u>314,347</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 43,135</u>	45,154	<u>\$ 88,289</u>	<u>\$ 88,289</u>
Fund balance, beginning			<u>43,135</u>		
Fund balance, ending			<u>\$ 88,289</u>		

Town of North Wilkesboro, North Carolina
Capital Projects Fund - Waterline Extension Project to Wilkes Commercial Business Center
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Author - ization	Actual Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Other contributions	\$ 288,423	\$ 250,000	\$ 38,000	\$ 288,000	\$ (423)
Investment earnings	-	-	-	-	-
Total revenues	<u>288,423</u>	<u>250,000</u>	<u>38,000</u>	<u>288,000</u>	<u>(423)</u>
Expenditures:					
Capital outlay	526,423	-	274,919	274,919	251,504
Total expenditures	<u>526,423</u>	<u>-</u>	<u>274,919</u>	<u>274,919</u>	<u>251,504</u>
Other financing sources (uses)					
Transfer from Capital Reserve	238,000	-	238,000	238,000	-
Transfer to Capital Reserve Fund	-	-	-	-	-
Total other financing sources (uses)	<u>238,000</u>	<u>-</u>	<u>238,000</u>	<u>238,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 250,000</u>	1,081	<u>\$ 251,081</u>	<u>\$ 251,081</u>
Fund balance, beginning			250,000		
Fund balance, ending			<u>\$ 251,081</u>		

Town of North Wilkesboro, North Carolina
Capital Projects Fund - River District Project
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Restricted intergovernmental:					
Other contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Capital outlay	500,000	-	-	-	500,000
Total expenditures	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Other financing sources (uses)					
Transfer from General Fund	500,000	-	500,000	500,000	-
Transfer to Capital Reserve Fund	-	-	-	-	-
Total other financing sources (uses)	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	500,000	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 500,000</u>		

Other Schedules

Town of North Wilkesboro, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2022

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2021</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022	\$ -	\$ 2,487,895	\$ 2,391,001	\$ 96,894
2020-2021	74,735		29,412	45,323
2019-2020	74,410		13,553	60,857
2018-2019	31,126		5,138	25,988
2017-2018	20,321		2,659	17,662
2016-2017	15,805		1,296	14,509
2015-2016	12,519		1,869	10,650
2014-2015	9,289		1,885	7,404
2013-2014	10,099		957	9,142
2012-2013	15,429		796	14,633
2011-2012	13,221		13,221	-
	<u>\$ 276,954</u>	<u>\$ 2,487,895</u>	<u>\$ 2,461,787</u>	<u>303,062</u>
	Less: allowance for uncollectible accounts:			
	General Fund			<u>168,047</u>
	Ad valorem taxes receivable - net			<u>\$ 135,015</u>
	<u>Reconcilement to revenues:</u>			
	Ad valorem taxes - General Fund			\$ 2,432,017
	Reconciling items:			
	Interest collected			39,669
	Adjustments			(23,119)
	Taxes written off			13,221
	Subtotal			<u>29,771</u>
	Total collections and credits			<u>\$ 2,461,788</u>

Town of North Wilkesboro, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2022

	Town - Wide		Total Levy		
	Property		Total	Property excluding Registered Motor	Registered Motor
	Valuation	Rate	Levy	Vehicles	Vehicles
Original levy:					
Property taxed at current rate	\$ 477,454,615	0.52	\$ 2,482,764	\$ 2,269,460	\$ 213,304
Penalties	-	-	-	-	-
Discoveries current and prior years	986,730.77	0.52	5,131	5,131	-
Releases	-	0.52	-	-	-
Total property valuation	<u>\$ 478,441,346</u>				
Net levy			2,487,895	2,274,591	213,304
Unpaid (by taxpayer) taxes at June 30, 2022			<u>(96,894)</u>	<u>(96,894)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,391,001</u>	<u>\$ 2,177,697</u>	<u>\$ 213,304</u>
Current levy collection percentage			<u>96.11%</u>	<u>95.74%</u>	<u>100.00%</u>

Compliance Section



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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Wilkesboro, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprises the Town of North Wilkesboro's basic financial statements, and have issued our report thereon dated March 24, 2023.

Report on Internal Control Over Financial Reporting

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

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

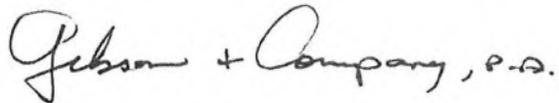
Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Gibson + Company, P.A.".

Winston-Salem, North Carolina
March 24, 2023



**Report On Compliance With Requirements Applicable To Each Major Federal Program
And Internal Control Over Compliance; In Accordance With OMB Uniform Guidance and
the State Single Audit Implementation Act**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of North Wilkesboro, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of North Wilkesboro' major federal programs for the year ended June 30, 2022. The Town of North Wilkesboro' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of North Wilkesboro complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

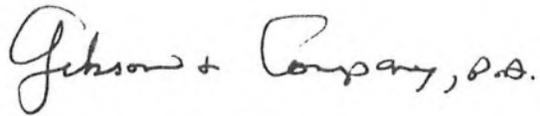
Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "Johnson & Company, P.A.".

Winston-Salem, North Carolina

March 24, 2023



Report on Compliance With Requirements Applicable to Each Major State Program And Internal Control Over Compliance; in Accordance With OMB Circular Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of North Wilkesboro, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of North Wilkesboro' major State programs for the year ended June 30, 2022. The Town of North Wilkesboro' major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of North Wilkesboro complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

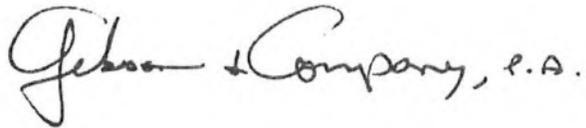
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Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given

these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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

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

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

Winston-Salem, North Carolina
March 24, 2023

Town of North Wilkesboro
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2022

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant Deficiency(s) ___ yes X none reported

Noncompliance material to financial statements noted

___ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___ yes X no
- Significant Deficiency(s) identified ___ yes X none reported

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

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

___ yes X no

Identification of major federal programs:

CFDA Number	Names of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Fund
66.468	Drinking Water State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B Programs

\$ 750,000

Auditee qualified as low-risk auditee?

___ yes X no

Town of North Wilkesboro
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2022

Section II – Financial Statement Findings

None reported.

Section III - Federal Award Findings & Questioned Costs

None reported.

Town of North Wilkesboro
Corrective Action Plan
For the Fiscal Year Ended June 30, 2022

Section II – Financial Statement Findings

None reported.

Section III - Federal Award Findings & Questioned Costs

None reported.

Town of North Wilkesboro
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2022

Finding: None

TOWN OF NORTH WILKESBORO, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title I(a)	Federal Assistance Listing No. I(a)(b)	State/ Pass-through Grantor's Number I(c)	Fed. (Direct & Pass-through) Expenditures I(c),2	State Expenditures I(d)	Pass-through to subrecipients I(e)
Federal Grants:					
<u>United States Department of Treasury</u>					
Coronavirus State and Local Fiscal Recovery Fund	21.027	XXXX	\$ 669,264	\$ -	\$ -
Passed through the North Carolina Department of Environmental Quality: Coronavirus State and Local Fiscal Recovery Fund	21.027	SRP-D-ARP-0011 & WIF1939	500,000	-	-
<u>United States Department of Housing and Urban Development</u>					
Passed through North Carolina Department of Commerce: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	19-E-3118	580,000	-	-
<u>United States Environmental Protection Agency</u>					
Passed through North Carolina Department of Environmental Quality: Drinking Water State Revolving Fund	66.468	SRP-D-ARP-0011 & WIF1939	933,390	-	-
Total assistance - federal programs			<u>2,682,654</u>	<u>-</u>	<u>-</u>
State Grants:					
Cash Assistance:					
<u>N.C. Department of Commerce</u>					
Legislatively Directed Program (SCIF)		2022-069-14257-1913	-	12,195	-
<u>Golden Leaf Foundation</u>					
		FY 2022 20-186	-	160,000	-
Total assistance - State programs			<u>-</u>	<u>172,195</u>	<u>-</u>
Total assistance			<u>\$ 2,682,654</u>	<u>\$ 172,195</u>	<u>\$ -</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of North Wilkesboro under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of North Wilkesboro, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of North Wilkesboro.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

The Town of North Wilkesboro has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Loan

The Town obtained a loan in the amount of \$1,973,196 from the North Carolina Environmental Quality. During the year, \$933,390 was expended.