

CITY OF WILSON, NORTH CAROLINA

Management's Discussion and Analysis

As management of the City of Wilson (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with the transmittal letter located at the front of this report, and the City's financial statements which follow this narrative that provide more specific detail.

Financial Highlights

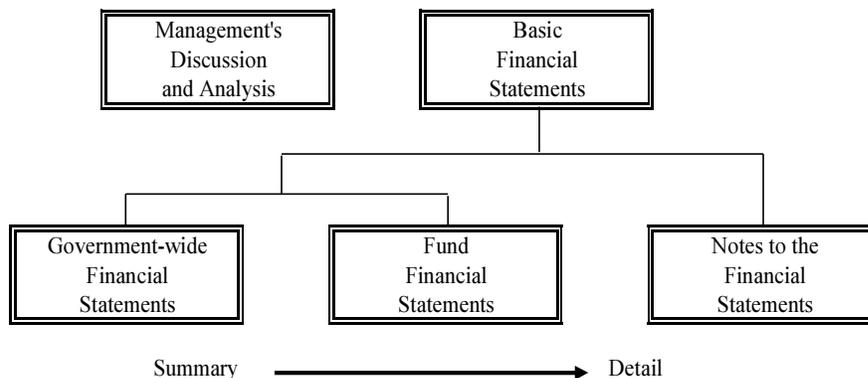
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$372,255,745 (*net position*). Of this amount, \$54,791,609 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$19,387,569, consisting of a \$5,118,514 increase in net position of governmental activities and a \$14,269,055 increase in net position of business-type activities. The governmental increase is due to a number of factors: Increased investment in capital asset infrastructure, increases in property and sales taxes during the current year, and increased contributions of infrastructure assets from developers. The increase in business-type activities was driven by operations of four of the City's utilities; electric, gas, water resources, and broadband.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27,797,250, a decrease of \$897,108 in comparison with the prior year. Approximately 27.4 percent of this total amount, or \$7,610,478, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,141,895, or 21.4 percent of total general fund expenditures for the fiscal year.
- The City's total debt decreased by \$6,225,956 (4.4 percent) during the current fiscal year. The key factors in this decrease is \$8,881,999 in reductions related to regularly scheduled principal payments on existing outstanding debt, a \$621,241 decrease in other post employment benefits (OPEB), offset by increases in the net pension liabilities for the LGERS plan of \$2,173,140 and the LEOSSA plan of \$814,527.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. These 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 City 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 City.

Required Components of Annual Financial Report

Figure 1



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Basic Financial Statements

The first two statements in the basic financial statements are the government-wide financial statements. They provide both short and long-term information about the City's financial status.

The next statements are fund financial statements. These statements focus on the activities of the various funds and provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. In addition, supplemental information is provided to show details about the City's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements. Also, following the notes is the required supplementary information. This section contains funding information about the City's pension plans and other post employment benefits (OPEB).

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City'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 City's financial status as a whole.

The statement of net position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave) or for which cash flows have already occurred.

Both of the government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as general administration, public safety, parks and recreation, and sanitation services. Property taxes, sales taxes, state-collected revenues and charges for services finance most of these activities. The business-type activities are those that the City charges a fee for the service provided. These include electric, gas, water and wastewater, mass transit, industrial air center, broadband, and stormwater management. The final category consists of the component units, whose financial information is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15 -17 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City'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 City, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the state statutes or the City's budget ordinance. All of the funds of the City 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 City'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

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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 City's programs. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparison to governmental activities in the government-wide financial statements.

The City maintains thirty-two individual governmental funds (29 of these are capital or grant project related). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City 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, management, and the City Council of the City about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance. 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 related to the General Fund: 1) the original budget as adopted by the City Council; 2) the final budget as amended by the City Council; 3) the actual resources, charges to appropriations, and ending balances; and 4) the difference or variance between the final budget and the actual resources and charges.

The basic governmental fund financial statements can be found on pages 18-23 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and wastewater utilities, stormwater activities and its electric, gas, mass transit, broadband, and municipal airport operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for risk management activities, group insurance benefits, and costs of the City's operations center. The services of the Risk Management and Group Insurance Benefits Funds predominately benefit governmental rather than business-type activities, and have been included with governmental activities in the government-wide financial statements. The services of the Operations Center Fund predominately benefit business-type activities and has been included with business-type activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 24-29 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 30-31 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 32-68 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and other post employment benefits. Required supplementary information can be found on pages 69-73.

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The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions and other post employment benefits (OPEB). Combining and individual fund statements and schedules can be found on pages 74-219 of this report.

Interdependence with Other Entities: The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City 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 governments and other holders of publicly held U.S. Treasury Securities.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$372,255,745 as of June 30, 2020.

By far the largest portion of the City's net position (83.4 percent) reflects its net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table # 1
Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 58,483,120	\$ 55,880,063	\$ 99,885,762	\$ 98,405,630	\$ 158,368,882	\$ 154,285,693
Capital assets	67,530,774	62,564,527	290,677,258	287,420,013	358,208,032	349,984,540
Total assets	126,013,894	118,444,590	390,563,020	385,825,643	516,576,914	504,270,233
Deferred outflows of resources	10,474,337	10,807,914	4,658,183	5,161,740	15,132,520	15,969,654
Current and other liabilities	10,116,103	9,502,380	24,419,740	26,307,472	34,535,843	35,809,852
Long-term liabilities outstanding	63,509,478	61,839,994	60,379,770	68,427,603	123,889,248	130,267,597
Total liabilities	73,625,581	71,342,374	84,799,510	94,735,075	158,425,091	166,077,449
Deferred inflows of resources	415,053	581,047	613,545	713,215	1,028,598	1,294,262
Net position:						
Net investment in capital assets	66,892,868	61,601,610	243,403,883	231,553,184	310,296,751	293,154,794
Restricted	7,167,385	6,714,726			7,167,385	6,714,726
Unrestricted	(11,612,656)	(10,987,253)	66,404,265	63,985,909	54,791,609	52,998,656
Total net position	<u>\$ 62,447,597</u>	<u>\$ 57,329,083</u>	<u>\$ 309,808,148</u>	<u>\$ 295,539,093</u>	<u>\$ 372,255,745</u>	<u>\$ 352,868,176</u>

A portion of the City's net position (1.93 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$54,791,609 may be used to meet the government's ongoing obligations to citizens and creditors.

There was a net increase of \$452,659 in restricted net position reported. The amount for governmental-type activities increased primarily due to receipts of forfeiture restricted amounts, which increased \$321,662 over the prior year.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole, as well as for its business-type activities. Unrestricted net position for governmental activities is negative due to pensions and other postemployment benefits (OPEB), Note 2.A.8 and 10 in the notes to the financial statements.

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Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 7,679,555	\$ 7,588,542	\$ 187,453,997	\$ 193,068,940	\$ 195,133,552	\$ 200,657,482
Operating grants and contributions	3,606,715	3,275,404	1,038,299	2,010,413	4,645,014	5,285,817
Capital grants and contributions	1,324,079	800,759	387,277	115,201	1,711,356	915,960
General revenues:						
Property taxes	25,508,622	25,138,117			25,508,622	25,138,117
Other taxes	15,360,339	14,921,207			15,360,339	14,921,207
Grants and contributions not restricted to specific programs	394,904	477,669			394,904	477,669
Investment income	970,544	749,893	1,564,493	1,229,103	2,535,037	1,978,996
Other general revenues	2,577,965	1,176,445	457,378	622,394	3,035,343	1,798,839
Total revenues	<u>57,422,723</u>	<u>54,128,036</u>	<u>190,901,444</u>	<u>197,046,051</u>	<u>248,324,167</u>	<u>251,174,087</u>
Expenses						
Program Activities						
Governmental Activities:						
General government	5,404,725	5,790,860			5,404,725	5,790,860
Public safety	26,390,388	23,880,498			26,390,388	23,880,498
Public services	6,112,471	5,734,201			6,112,471	5,734,201
Environmental services	6,273,344	5,824,279			6,273,344	5,824,279
Planning and development	5,520,647	4,986,383			5,520,647	4,986,383
Human services	278,149	251,877			278,149	251,877
Culture and recreation	6,050,291	5,919,161			6,050,291	5,919,161
Interest on long-term debt	27,474	38,101			27,474	38,101
Business-type Activities:						
Electric			116,168,168	119,702,736	116,168,168	119,702,736
Gas			14,427,552	15,274,141	14,427,552	15,274,141
Water Resources			23,139,932	21,662,381	23,139,932	21,662,381
Mass Transit			1,544,819	1,516,438	1,544,819	1,516,438
Industrial Air Center			151,252	160,584	151,252	160,584
Broadband			14,374,800	14,570,477	14,374,800	14,570,477
Stormwater Management			3,072,586	3,085,241	3,072,586	3,085,241
Total expenses	<u>56,057,489</u>	<u>52,425,360</u>	<u>172,879,109</u>	<u>175,971,998</u>	<u>228,936,598</u>	<u>228,397,358</u>
Increase (Decrease) in Net Position before transfers	1,365,234	1,702,676	18,022,335	21,074,053	19,387,569	22,776,729
Transfers	<u>3,753,280</u>	<u>3,675,130</u>	<u>(3,753,280)</u>	<u>(3,675,130)</u>		
Increase (Decrease) in Net Position	5,118,514	5,377,806	14,269,055	17,398,923	19,387,569	22,776,729
Net Position-Beginning	57,329,083	51,951,277	295,539,093	278,140,170	352,868,176	330,091,447
Net Position-Ending	<u>\$ 62,447,597</u>	<u>\$ 57,329,083</u>	<u>\$ 309,808,148</u>	<u>\$ 295,539,093</u>	<u>\$ 372,255,745</u>	<u>\$ 352,868,176</u>

Overall, the City's net position increased by \$19,387,569 during the current fiscal year. There are various factors that influenced this increase, both positively and negatively. A significant component of the increase in governmental activities was increased outlays for capital assets (\$3,658,558 more than the prior year), upgrading parks facilities, building renovation, and parking facilities. Other factors include an increase in value of a joint venture investment and increased property and sales tax revenues. Our utilities are sensitive to several factors, with weather conditions being a significant influence. We experienced both a milder summer period and milder winter conditions this year compared to the prior year. The resulting impact was a decrease in electric sales volume of 4.7 percent and a decrease in gas sales volume of 4.9 percent. Although not influenced as much by weather, sewer volume decreased 1.8 percent, while, conversely, we experienced an increase in water sales volume of 4.2 percent compared to the prior year. Adjustments were made to increase volume and base rates for both water and sewer; to increase electric residential rates; to increase cable rates; and to increase the stormwater fee. Broadband subscribers

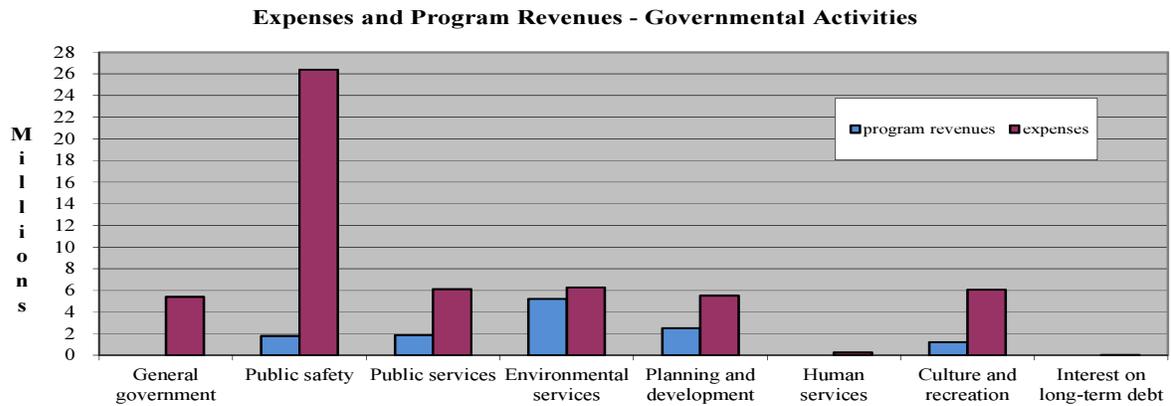
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increased during the year by 8.2 percent. The overall effect was an increase in net position for electric of \$2,811,510, gas of \$511,124, water resources of \$5,469,817, stormwater of \$653,281 and broadband of \$2,773,995.

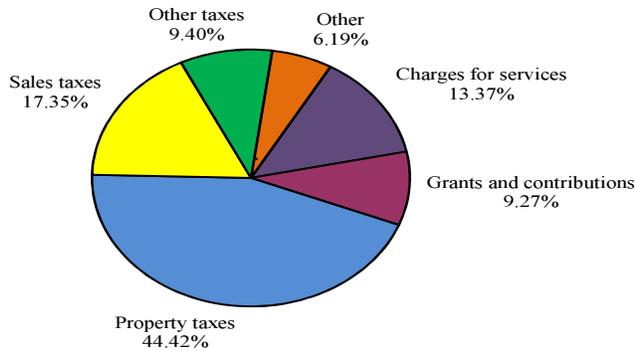
Governmental Activities. Governmental activities increased the City’s net position by \$5,118,514 due to a number of factors, both positive and negative, during the current fiscal year. Key elements of this increase are as follows:

- Property tax revenues increased by \$370,505 (1.47 percent) over the prior year as result of a 1.3 percent growth in tax base.
- Investment earnings increased by \$ 220,651 for governmental activities.
- Capital grants and contributions increased \$523,320 compared to the prior year, while operating grant and contributions increased by \$331,311.
- Sales tax revenues increased approximately \$735,313, or 8.0 percent, due to an increase in taxable sales in Wilson County.
- The City recognized a liability increase of \$1,830,171 related to governmental activities; consisting of a \$459,718 reduction for other post employment benefits (OPEB) during the year and a \$2,289,889 increase for the LGERS and LEOSA.
- Contribution of infrastructure assets from developers was \$441,070 compared to \$199,981 of land and infrastructure donations in the prior year.
- The City’s joint venture investment in the Rocky Mount/Wilson Airport increased by \$1,863,167.

Figure 2



Revenues by Source - Governmental Activities

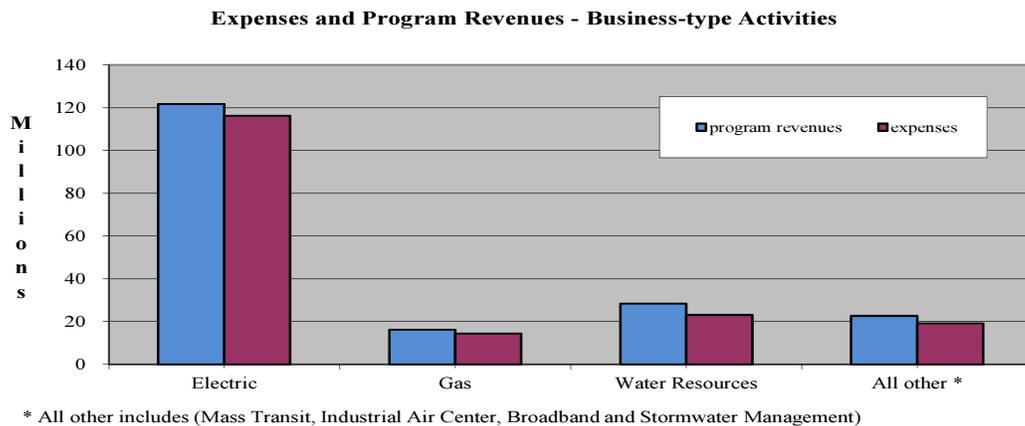


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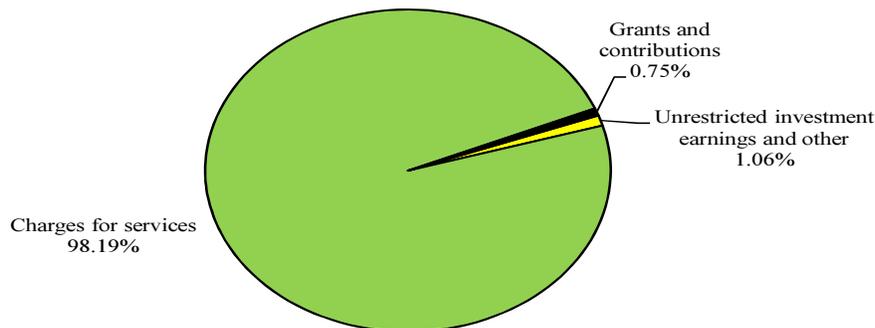
Business-type Activities. Business-type activities increased the City’s net position by \$14,269,055. Key elements of this increase are as follows:

- The City recognized a liability increase of \$536,255 related to business-type activities; consisting of a \$161,523 reduction for other post employment benefits (OPEB) during the year and a \$697,778 increase for the LGERS.
- Investment earnings increased \$335,390 for business-type activities.
- Electric sales volume decreased for the current year, and operating revenue decreased by \$5,247,515 or 4.1 percent. Other operating costs were up \$685,706 or 2.0 percent over the prior year. Electric power purchase costs decreased by \$3,993,647 or 4.8 percent compared to the previous year.
- Operating revenues for gas decreased \$2,357,684 or 12.7 percent, driven by a 4.9 percent volume sales decrease. The winter season compared to the prior year was milder with average temperatures 5.0 percent warmer. Gas purchase costs decreased by \$1,000,390 or 11.2 percent below the prior year.
- For Water Resources, metered water sales to consumer and sewer services revenues increased \$1,071,929 or 4.1 percent, spurred partly by a 4.2 percent increase in water volume sales, coupled with volume and base rate increases for both water and sewer. This increase is more than offset as operating expenditures were also higher by \$1,615,390 or 7.6 percent compared to the prior year.
- During 2020, operating revenues for Broadband services increased \$989,178, or 6.4 percent over the prior year. This amount is partially offset by an increase in programming fees of \$681,597 or 8.9 percent over the prior year. Internet service revenue has increased \$552,500, or 11.3 percent in the past year through subscriber growth. Other operating revenues decreased by \$754,547, or 55.7 percent, as the pandemic postponed contractual work and services provided to other units.

Figure 3



Revenues by Source - Business-type Activities



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Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The General Fund is one of the major operating funds of the City. At the end of the current fiscal year, available fund balance in the General Fund was \$18,992,311, while total fund balance was \$23,450,139. Wilson's City Council instituted an available fund balance policy of 25% of general fund expenditures in response to unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 33.5 percent of general fund expenditures, while total fund balance represents 41.4 percent of the same amount. Due to uncertainties in the fluctuations of the economy from year to year, Council and management recognize that sustaining this level during uncertain times may be difficult. Steps have been taken to mitigate the draw on this resource and future corrective actions are anticipated should the economy worsen.

At June 30, 2020 the governmental funds of the City reported a combined fund balance of \$27,797,250, a 3.13 percent decrease from last year. Included in this change in fund balances is a decrease in both the General Fund and in Capital Project Funds compared to an increase in Special Revenue Funds.

The net change in fund balance of the General Fund was a decrease of \$4,943 due to a number of factors, some of which have been previously discussed. Changes in the economy can affect the City's revenue from year to year and such occurrences can be found in privilege licenses, investment income and sales tax revenues. Property taxes increased by \$419,035, or 1.74 percent over the prior year due to growth in the tax base of 1.3 percent. Sales and occupancy tax revenues increased by \$672,605, or 6.95 percent, as taxable sales in Wilson County increased by 9.47 percent. Total expenditures and other uses overall for the year were up by \$929,001 or 1.74 percent compared to the prior year.

The decrease in fund balance for the capital project funds is due to the progression of projects and the expending of funds received in the prior year, while the increase in special revenue funds is due to matching contributions transferred into the fund yet to be expended for program expenditures.

General Fund Budgetary Highlights: During the year, the city revised the budget on two 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.

Amendments were made to increase appropriations for equipment purchases and replacement, paving a parking lot, purchase of new software, maintenance of vehicles, maintenance of buildings and land purchases. Also, appropriations using forfeiture proceeds, grants and transfers to fund capital projects were made. The above changes accounted for \$3,997,676 of the \$4,006,186 added to the General Fund budget. Encumbrances totaling \$771,260 were automatically added at the outset of the fiscal year as authorized in the original budget ordinance.

Of the aforementioned items, appropriations increased in relation to: general government expenditures for land and property purchases (\$613,710); financial services expenditures for financial forensic software (\$50,000); police grant expenditures for equipment (\$24,810), vehicle replacements (\$46,000), and forfeiture funded purchases of police vehicles and equipment (\$95,350); fire expenditures for vehicle maintenance (\$50,000); parks and recreation expenditures for maintenance of buildings, equipment, and grounds (\$105,000) and baseball scoreboard (\$166,000); public services and engineering expenditures for paving a parking lot (\$200,000), maintenance of vehicles and equipment (\$332,000), and purchase of garbage bins (\$48,600); and transfers to GIG East Exchange Building Renovation Project (\$460,000), Mass Transit Fund (\$750,000), Brownfields Cleanup Revolving Loan Fund project (\$90,000), Centre Brick Parking Lot Re-design project (\$728,000), Risk Mitigation – Toisnot Bank and Flood Zone

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Project (\$178,206), Fleming Stadium Phase II Renovations (\$30,000), 2019 Essential Single Family Rehabilitation Loan Pool Grant Project (\$20,000), and 2019 Urgent Repair Program Project (\$10,000).

Overall, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates. Some of the more significant variances between budget and actual results were the following:

- Sales tax revenue is highly sensitive to fluctuations in the economy and taxable sales increased 9.47 percent over 2019; and sales tax revenues were above the budget estimate for 2020 by approximately \$2,180,288.
- Intergovernmental revenues are well beyond the budget projection estimates overall by \$1,143,522 due to forfeiture proceeds and utility sales taxes exceeding budget expectations for 2020.
- Police department experienced significant savings overall of \$729,327, compared to the budget due to lapse salaries and benefits for vacancies the past year of \$370,000 and planned capital purchases which were delayed and others still encumbered at yearend of \$225,000.
- Street maintenance experienced significant savings overall of \$334,426 compared to the budget due to planned street improvements which were delayed (\$179,500) and equipment purchases still encumbered at yearend of \$121,000.

Proprietary Funds. The City's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of each fund is as follows: Electric at \$36,517,468; Gas at \$9,173,627; Water Resources at \$12,125,378; Mass Transit at \$800,205; Industrial Air Center at \$702,340; Broadband at \$2,511,579 and Stormwater Management at \$4,054,969. The total increase or decrease in net position for each fund was as follows: Electric increased \$2,811,510; Gas increased \$511,124; Water Resources increased \$5,469,817; Mass Transit increased \$770,075; Industrial Air Center increased \$611,217; Broadband increased \$2,773,995 and Stormwater Management increased \$653,281. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$358,208,032 (net of accumulated depreciation). These assets include buildings, streets and sidewalks, land, machinery and equipment, and vehicles. The total increase in the City's investment in capital assets for the current fiscal year was 2.35 percent (a 7.94 percent increase for governmental activities and a 1.13 percent increase for business-type activities).

Major capital asset transactions during the year include the following additions:

- Various electric distribution system improvements were made during the year at a cost of \$2,541,382 and improvements of \$166,628 were also made to the gas distribution system.
- Construction continues on the fiber to the premise system which provides broadband services for residents, business, governmental and other institutions. Costs for the current year total \$1,243,089.
- The City has substantially completed the renovation of basins and filter rebuilds at the Wiggins Mill and Toisnot facilities, with current costs of \$1,071,099.
- Longview Pump Station upgrades continued in the amount of \$1,311,813. The Wiggins Mill Dam Pump Station Mitigation project is substantially complete with current year costs of \$2,604,656.
- The City continued construction and improvements to its park facilities. Phase II improvements to Lake Wilson Park were completed at a cost of \$826,309 in the current year. Toisnot Park improvements involved construction of a dog park at a cost of \$205,285, along with risk mitigation efforts in flood zone of \$301,093.
- Another significant project undertaken in 2020 involved the renovation of a building downtown to house the GIG East Exchange at a cost of \$1,343,873, which was primarily funded through the Golden Leaf Foundation.
- Work is nearing completion on the redesign and improvement of the Centre Brick Parking Lot, which added additional spaces and an underground storage to mitigate flooding. Current year costs incurred totaled \$1,834,984.

CITY OF WILSON, NORTH CAROLINA

Table 3
Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 21,191,415	\$ 20,885,225	\$ 28,235,939	\$ 27,585,908	\$ 49,427,354	\$ 48,471,133
Land improvements	6,907,349	6,162,155	4,215,439	3,544,091	11,122,788	9,706,246
Buildings	12,504,707	12,802,042	13,419,472	13,771,030	25,924,179	26,573,072
Distribution system			208,490,621	212,004,962	208,490,621	212,004,962
Rolling stock	5,899,186	6,138,686	9,314,007	8,026,471	15,213,193	14,165,157
Furniture, Fixtures, and equipment	4,176,281	4,050,523	22,275,243	21,525,524	26,451,524	25,576,047
Infrastructure	12,075,619	12,061,769			12,075,619	12,061,769
Construction in progress	4,776,217	464,127	4,726,537	962,027	9,502,754	1,426,154
Total	<u>\$ 67,530,774</u>	<u>\$ 62,564,527</u>	<u>\$ 290,677,258</u>	<u>\$ 287,420,013</u>	<u>\$ 358,208,032</u>	<u>\$ 349,984,540</u>

Additional information on the City's capital assets can be found in Note 5 on pages 45-47 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2020 the City had total debt outstanding of \$135,401,044. Of this amount, \$39,583,000 represents bonded debt, comprised of the following: the City has \$2,530,000 in debt backed by the full faith and credit of the City and \$8,150,000 in bonds secured solely by revenues of the Combined Enterprise System (water, wastewater, and natural gas) and, the City has \$28,903,000 of certificates of participation outstanding. The remainder of the City's long-term obligations comprises notes, pension related debt, OPEB and compensated absences.

Table 4
Outstanding Liabilities

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Direct placement General obligation bonds	\$	\$	\$ 2,530,000	\$ 3,710,000	\$ 2,530,000	\$ 3,710,000
Direct placement Revenue bonds			8,150,000	9,040,000	8,150,000	9,040,000
Direct placement Certificates of participation			28,903,000	33,264,000	28,903,000	33,264,000
Notes from direct borrowings			6,859,409	8,532,983	6,859,409	8,532,983
Notes from direct placements	637,906	962,917	714,272	1,166,686	1,352,178	2,129,603
Compensated absences	2,812,220	2,672,790	1,405,295	1,255,108	4,217,515	3,927,898
OPEB	44,382,905	44,842,623	15,593,993	15,755,516	59,976,898	60,598,139
Pension related debt (LGERs)	11,896,756	10,421,394	5,570,372	4,872,594	17,467,128	15,293,988
Pension related debt (LEOSSA)	5,944,916	5,130,389			5,944,916	5,130,389
Total	<u>\$ 65,674,703</u>	<u>\$ 64,030,113</u>	<u>\$ 69,726,341</u>	<u>\$ 77,596,887</u>	<u>\$ 135,401,044</u>	<u>\$ 141,627,000</u>

The City of Wilson's total debt decreased by \$6,225,956, or (4.4 percent). The key factors in this decrease is \$8,881,999 in reductions related to regularly scheduled principal payments on existing outstanding debt, a \$621,241 decrease in OPEB, and a \$2,173,140 increase in the net pension liability for the LGERs plan.

The City maintains, an "Aa2" rating from Moody's Investor Services, an "AA" rating from Standard and Poor's Rating Service, and an "AA+" rating from Fitch Ratings on its general obligation debt (*current long term debt rating*).

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 City is currently at 0.87 percent. The legal debt margin for the City is \$302,645,928.

Additional information regarding the City's long-term debt can be found in note 7 on pages 47-53 of this report.

CITY OF WILSON, NORTH CAROLINA

Economic Factors

On March 11, 2020, the World Health Organization declared a global pandemic following the outbreak of COVID-19. The federal government along with state and local governments implemented a variety of efforts aimed at preventing the spread of COVID-19. For the period of February through June, there was significant volatility on the global economy. The average unemployment rate for Wilson County is currently 7.15 percent. The statewide and the national average unemployment rates for fiscal year 2020 are 5.59 percent and 6.0 percent respectively. Taxable sales within Wilson County increased by 9.47 percent from \$1,050,905,659 in 2019 to \$1,150,422,862 in 2020.

Budget Highlights for the Fiscal Year Ending June 30, 2021

While it is difficult to see past the current COVID-19 crisis, the City of Wilson continues to stay in front of revenues and review expenditures for ways to balance out any shortfalls, if needed. The FY 2020-21 budget reflects more conservative expectations about revenues. Although not immune to the effects of COVID-19, the City of Wilson maintains a healthy fund balance and is well positioned to confront the economic uncertainty.

For the City as a whole, the adopted budget for FY 2021 is 1.1 percent lower than the FY 2020 budget. All departments worked diligently examining ways to improve efficiencies and contain costs. The budget includes the net reduction of eight positions. The costs of health care benefits for employees increased 4.0 percent and will be absorbed by the City. In addition, the City's required contribution to the North Carolina Local Government Retirement System has increased from 9.0 to 10.19 percent, impacting the budget by an estimated \$519,860.

Governmental Activities: During the current fiscal year, unassigned fund balance in the General Fund increased to \$12,141,895. The City has appropriated \$6,047,230 for spending in the 2021 fiscal year budget. As a result of the COVID19 pandemic, adjustments were made to projections. Sales tax revenues are budgeted flat compared to 2020 budget. Parks and Recreation revenues are projected to decline 6.9 percent below 2020 levels. Permitting fees were also adjusted by 3 percent to help support growing operating and capital needs surrounding technology in this area.

Business-type Activities: Effective for 2021, the stormwater fee will increase from \$5.00 to \$5.50 per equivalent unit to support infrastructure improvements. In addition, Broadband cable rates will increase to recoup the rate increase from the City's programming service supplier. Water and Sewer volume is projected to remain relatively steady for FY 2021, while Gas volume is projected to increase slightly by 3.4 percent with a return to more traditional winter weather conditions.

Requests for Information

This report is designed to provide an overview of the City's finances. Questions concerning any of the information found in this report or requests for additional financial information should be directed to the Chief Financial Officer, City of Wilson, P.O. Box 10, Wilson, NC 27894, khands@wilsonnc.org.