

CITY OF WILSON, NORTH CAROLINA

Notes to Basic Financial Statements For the Year Ended June 30, 2020

Note 1. Summary of Significant Accounting Policies

The City of Wilson, North Carolina, (“the City”) was incorporated in 1849 and operates under a Council-Manager form of government. The City provides the following services: public safety (police and fire), streets, environmental services, water and sewer, stormwater, planning, inspections and zoning, parks and recreation, electric, gas, broadband, and general administration services.

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City’s significant accounting policies are described below.

A - Reporting Entity

The City of Wilson is a municipal corporation that is governed by an elected mayor and a seven-member council. The City’s basic financial statements include all funds over which the City has accountability. As required by generally accepted accounting principles, these financial statements present the financial position and results of the operations of the City and its component units, legally separate entities for which the City is financially accountable. Blended component units are in substance part of the City’s operations and are combined with amounts of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Included within the reporting entity -

City of Wilson Financing Assistance Corporation

The City of Wilson Financing Assistance Corporation (COWFAC) assists the City in acquiring, constructing, financing, selling and/or leasing of real property, improvements, facilities, equipment and other tangible and intangible personal property. The sole purpose of the COWFAC is to provide a funding source for City assets and enter into lease or financing arrangements with the City to repay the debt. The COWFAC governing board is appointed by City Council. The City is required to make payments to the COWFAC in an amount sufficient to pay the scheduled debt service on COWFAC debt. As a blended component unit, with a June 30 year end, the assets and liabilities of the corporation are combined with the assets and liabilities of the primary government.

Downtown Development Corporation

Downtown Development Corporation is a not-for-profit corporation, established to promote economic development in a municipal service district created by the act of City Council. A municipal service district tax is levied under the taxing authority of the City and remitted to the Downtown Development Corporation for use in the downtown district. The Downtown Development Corporation’s budget is subject to the approval of City Council. The Downtown Development Corporation, which has a June 30 year end, is a discretely presented component unit presented in a separate column in the City’s financial statements in order to emphasize that it is legally separate from the city.

Wilson Cemetery Commission

Wilson Cemetery Commission is responsible for maintaining and operating the municipal cemeteries. A five-member board appointed by City Council manages it. The Wilson Cemetery Commission’s operating budget is subject to the approval of the City Council. The City Council sets charges for cemetery services. The City is required to provide sufficient appropriation in the annual budget for the care and maintenance of municipal cemeteries. The Wilson Cemetery Commission, which has a June 30 year end, is a discretely presented component unit presented in a separate column in the City’s financial statements in order to emphasize that it is legally separate from the city.

There are no significant disclosures related to the above entities, which are not already included herein; therefore, no

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separate financial statements have been issued for these entities.

B – Basis of Presentation

Government-wide Statements: The entity-wide financial statements (i.e., the statement of net position and the statement of activities) include the financial activities of the overall government (Primary Government and its Component Units). Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental and business-type activities of the City. Governmental activities, defined as activities supported through taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on customer demand-based fees and charges for support services. Inter-fund transactions are eliminated for the most part. Net position may serve over time as a useful indicator of a government's financial condition. The government-wide Statement of Net Position shows all assets and liabilities of the City and the net position, which is the difference between assets and liabilities.

The Statement of Activities presents a comparison between direct expenses (gross and net) and program revenues for the different business-type activities of the City and for each function of the City'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 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 reported as general revenues.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include certain services provided between funds at market or near market rates, which are treated as revenues and expenses, and net residual amounts due between governmental and business-like activities, which are presented as internal balances. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

The City does not currently employ an indirect cost allocation system. An administrative service fee is charged by the General Fund to the other operating funds to address General Fund services provided (e.g., general administration, financial administration, personnel, legal, etc.).

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – 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 funds distinguish *operating* revenues and expenses from the *non-operating* items. *Operating* revenues and expenses generally result from charges for providing service and producing and delivering goods in relation with a proprietary fund's principal operations. The principal operating revenues of the enterprise funds, charges for services, results 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 and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources with the exception of those funds that are required by law to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and environmental services.

The City reports the following major enterprise funds:

Electric Fund. The Electric Fund accounts for the operation of the City's electric power distribution system.

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Gas Fund. The Gas Fund accounts for the operation of the City's gas distribution system.

Water Resources Fund. The Water Resources Fund accounts for the operation of the City's water and sewer system.

Broadband Fund. The Broadband Fund accounts for the operation of the City's broadband services providing video, voice, and data services.

Mass Transit Fund. The Mass Transit Fund accounts for the operation of the City's mass transit system.

Industrial Air Center Fund. The Industrial Air Center Fund accounts for the operation of the City's municipal airport.

Stormwater Management Fund. The Stormwater Management Fund accounts for activities of the stormwater management system of the City.

Additionally, the government reports the following fund types:

Internal Service Funds. Internal Service Funds account for a risk management (insurance) program, limited risk self-insurance health program, and operation center facility operations and maintenance program.

Private Purpose Trust Fund accounts for monies held in trust for a private individual that provides financial assistance to private individuals for their education in fire fighting.

C – Measurement Focus and Basis of Accounting

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Economic resources measurement focus requires all assets and liabilities are included on the statement of net position or balance sheet. Accrual basis accounting requires revenues to be recognized when earned and expenses to be recognized when a liability is incurred, regardless of the timing of related cash flow. Non-exchange transactions, in which the City 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 as revenues in the fiscal year in which they are levied. Revenue from grants and donations is recognized in the fiscal year for which all eligibility requirements imposed by the provider 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 program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses separately from non-operating transactions. 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 City enterprise funds are charges to customers for sales and services related to electric, gas, water, sanitary sewer, storm water management services and broadband services. The City also recognizes restoration of services, service taps, bus fares, and airport rentals as operating revenues. Operating expenses for enterprise funds include cost of sales and services, production and distribution, administration, and depreciation on capital assets. All revenues and expenses not meeting these criteria (such as investment earnings) are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized in

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the accounting period in which the related fund liability is incurred, if measurable, except for un-matured 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 City recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Non-exchange transactions occur when one government provides (or receives) value to (or from) another party without receiving (or giving) equal value in return. The City regards all revenues as 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 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 City are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by Wilson 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 City 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 City's policy to first apply cost reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The City reports deferred inflows of resources on its Governmental Funds Balance Sheet. Deferred inflows arise when potential revenue does not meet the "available" criteria for recognition in the current period. Deferred inflows also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred inflows is removed from the governmental funds balance sheet and revenue is recognized.

D - Budgetary Data

The City's budget is adopted as required by the North Carolina General Statutes. The annual budgetary process entails the preparation of budgetary documents within an established timetable. The timetable is designed to incorporate the amount of time necessary to produce a draft budget document prior to June 1st, when the City Manager submits a proposed operating budget of estimated revenues and expenditures to the City Council for the fiscal year commencing July 1. Public hearings are conducted to obtain taxpayer comments. Prior to July 1st, the budget is legally enacted through passage of an ordinance. Annual appropriated budgets are adopted for the General Fund, Community Development Fund, Economic Development Reserve Fund and Enterprise Funds. 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 budget includes all funds with the exception of Trust Funds and the Internal Service Funds.

All annual appropriations lapse at the fiscal year end. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Project ordinances are adopted for Special Revenue Grant Projects, Capital Projects and Enterprise Fund Capital Projects, which are consolidated with the operating funds for reporting purposes.

The City Manager is authorized to transfer budgeted amounts between objects of expenditures within any department without limitation. The City Manager is also authorized to transfer up to \$50,000 in budgeted expenditures between

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departments within each fund. All amendments must be approved by resolution of the City Council. The financial statement budget columns reflect all budget amendments adopted by the City Council through June 30.

During the year, several supplementary appropriations were necessary; however, individual amendments were not material in relation to the original appropriations.

Also as required by State law, the City's internal service funds (Risk Management, Group Insurance Benefit, and Operation's Center) operate under financial plans that were adopted by the governing board at the time the City's budget ordinance was approved. The financial plans were also entered into the minutes of the governing board.

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

1. Deposits and Investments

The deposits of the City of Wilson and each of its component units are secured as required by North Carolina General Statute ("G.S.") 159-31. Each of these units may establish official depositories with any bank or savings and loan association whose principal office is located in North Carolina. G.S. 159-30(c) authorizes each of these units to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed 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 banker's acceptances; and the North Carolina Capital Management Trust (NCCMT), an SEC registered money market mutual fund dedicated to serving North Carolina public units.

The City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices and in accordance with GASB Statement 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months. For the majority of investments, the City has the ability to hold all securities to maturity. However, due to economic conditions and when it is beneficial to the City, the City may elect to sell investments prior to their maturity on the secondary market. In accordance with State law, the City has invested in securities which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

Each of these units may also establish time deposits in the form of NOW, Super NOW and money market accounts, and certificates of deposit. Depositories must collateralize public deposits in excess of federal depository insurance coverage by using one of two methods. Under the *dedicated method*, each depository in the name of each local unit establishes a separate escrow account, and the responsibility of monitoring collateralization rests with the local unit. Under the *pooling method*, which is a collateral pool, each depository establishes an escrow account in the name of the State Treasurer to secure all its public deposits. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in its name. 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 City or its component units or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City or its component units under the pooling method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the pooling method depository. The City 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.

2. Cash and Cash Equivalents

The City of Wilson and its component units pool money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash

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and cash equivalents. It is the City’s policy to use unrestricted resources first, and then restricted resources as needed.

3. Restricted Assets

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

City of Wilson Restricted Cash		
Governmental Activities		
General Fund	Deposits	\$ 778,049
Community Development Fund	Deposits	8,250
Total Governmental Activities		\$ 786,299
Business-type Activities		
Electric Fund	Customer Deposits	\$ 2,031,792
Gas Fund	Customer Deposits	191,679
Water Resources Fund	Customer Deposits	367,777
Mass Transit Fund	Customer Deposits	168
Broadband Fund	Customer Deposits	170,540
Total Business-type Activities		\$ 2,761,956
Total Restricted Cash		\$ 3,548,255

4. Ad Valorem Taxes Receivable

In accordance with North Carolina General Statutes (GS 105-347 and G.S. 159-13(a)), all ad valorem taxes are levied by the City of Wilson on property other than motor vehicles on July 1st, the beginning of the fiscal year. The Wilson County Tax Administrator acts as agent for the City in listing, assessing and collecting all taxes related to real and personal property located in the City. 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, 2019.

By the following June 30, taxes receivable are delinquent and are not considered a resource to finance current year operations. A lien attaches to real property as of the listing date (January 2) and to personal property when the levy or garnishment attachment is made.

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. Internal Balances

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

7. Inventory and Prepaid Items

The inventories of the City are recorded as an expenditure/expense when consumed rather than when purchased. Inventory is determined by physical count and valued at cost using the average cost method. These inventories are accounted for in the central warehouse, which is managed by the Purchasing Division in the Financial Services Department.

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

8. Long Term Receivables

Assessments that can be paid over a ten-year period which only require an annual payment amount that equals 10% of the original amount are considered long-term receivables. Notes receivable for Community Development loans that were incurred to improve substandard properties for rent to low-income people are financed for periods of 10 to 20 years. All of these receivables have a lien against real property for collateral.

9. Capital Assets

Capital assets, which include land, buildings, equipment, vehicles and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements. Fund financial statements of governmental funds do not include capital assets since they are on the current financial measurement focus and the modified accrual accounting basis. Capital assets include individual assets that have a life of longer than one year and a value of \$5,000 or greater, except for infrastructure assets, which must have a value of at least \$50,000.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair market value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Any interest incurred during the construction phase of proprietary capital assets is reflected in the capitalized value of the asset constructed. 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.

Depreciation has been provided over the estimated useful lives of the capital assets using the straight-line method. The estimated useful lives are as follows:

<u>Capital asset</u>	<u>Useful Life</u>
Equipment	5 - 30 years
Land improvements	25 - 30 years
Buildings	30 - 50 years
Distribution systems	30 - 50 years
Infrastructure	30 - 50 years

10. Long-Term Obligations

Long-term liabilities are reported as liabilities in the government-wide statements and the proprietary fund financial statements. 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 premium or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs on debt issuance are expensed over the life of the debt. Governmental fund types do not show long-term liabilities in the fund financial statements since their measurement focus is on current financial resources and the modified accrual basis of accounting.

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.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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

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position that applies to a future period and so will not be recognized as an expense or expenditure until that time. The City has a few items that meet this criterion: pension deferrals for LGERS, contributions made to pension plan in the 2020 fiscal year, benefit payments and administrative expenses for LEOSSA, OPEB deferrals, and the difference between the reacquisition price and the net carrying amount of revenue bonds and certificates of participation refunded. 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 City has a few items that meet this criterion: unearned revenue related to taxes receivable, assessments, and miscellaneous receivables, insurance premium prepayment, pension deferrals, and the difference between the reacquisition price and the net carrying amount of revenue bonds and certificates of participation refunded. Fund statement receivables recorded in the governmental funds that have been assessed for improvements are recognized as a receivable on the assessment date and have been reduced by an allowance for doubtful accounts. The receivables are recognized as revenue when collected during the year. Government-wide and proprietary fund statements record revenue from receivables when the transaction occurs and have also been reduced by an allowance for doubtful accounts.

12. Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City, the current portion of the accumulated vacation pay is not considered to be material; therefore no expenditure or liability has been reported in the fund financial statements. The City also has a compensatory time policy that allows employees to accrue leave in lieu of payment for overtime worked. The City's liability for accumulated compensatory time, earned vacation and salary related payments as of June 30, 2020 are not recorded in the fund financial statements for governmental funds financial statements and are a reconciling item to government-wide financials. For the City's proprietary funds financial statements and government-wide financials, an expense and a liability for compensated absences, and the salary related payments, are accrued within those funds when incurred. Vacation leave accrued over the 30 day limit is converted to sick leave annually. The City's liability for compensated absences at June 30, 2020 is \$4,217,515. The City 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 sick leave policy of the City 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 City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

13. 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.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

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Restricted for Stabilization by State statute – portion of fund balance that is restricted by State Statute [G.S. 159-8], which 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 general government – portion of fund balance restricted by revenue source to be utilized by the public affairs division of the administrative services department for cable television channels maintained by the City for public, educational or governmental use; such as adding additional programming or upgrading equipment.

Restricted for public safety – Police distributed share of Federal DEA, IRS/Customs Border Protection and Judicial forfeitures; State Controlled Substance Tax Assessment restricted by revenue sources to be used for law enforcement to purchase vehicles, equipment, and other approved items.

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

Committed for general government – portion of fund balance committed by City Council for the relocation of Arts Council.

Committed for public services – portion of fund balance committed by City Council for the public services department for public street maintenance (paving and resurfacing of streets), for redesign of the Centre Brick parking lot, for repairs to Rail Station canopy, and for portion received for payment in-lieu of sidewalks.

Committed for planning and development – portion of fund balance committed by City Council for the planning and development services department for the purchase and/or construction of buildings for economic purposes; matching funds for a Wayfinding Signage grant that will provide guidance and direction for all modes of travel; matching funds for an urgent repair grant; matching funds for Brownfields Cleanup Revolving Loan fund program; matching funds for single family rehabilitation loan pool grant; matching funds for an historic preservation grant; and remediation and infrastructure improvement to the Cherry Hotel.

Committed for culture and recreation – portion of fund balance committed by City Council for entrance area and parking improvements at an area park, trail and bridge improvements at one of the lake parks, improvements at Wiggins Mill, grandstand renovations at baseball stadium; and portion received for park space dedication.

Assigned Fund Balance – the portion of fund balance that the City of Wilson intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The City Council approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations within funds up to \$50,000.

Assigned for planning and development – portion of fund balance assigned by City Council for community development administration and loan program management and a Downtown Redevelopment Incentive Grant.

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Unassigned Fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The City of Wilson follows the guidelines as set forth by the GASB Statement 54, that in the use of unrestricted fund balance amounts, committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The City of Wilson has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bonds proceeds, federal funds, state funds, local non-city funds, city 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 City.

It is the City’s policy to maintain an amount of fund balance available for appropriation in the General Fund no less than twenty-five percent of annual expenditures.

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	\$	23,450,139
Less Inventories		443,093
Less Stabilization by State Statute		4,014,735
Available Fund Balance	\$	18,992,311

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Encumbrances	General Fund	Non-Major funds
	\$ 612,905	\$ 1,080,307

The Downtown Development Corporation has encumbrances of \$10,126 at year-end.

14. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LGERS) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City’s employer contributions are recognized when due and the City 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.

15. Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as “Transfers to other funds” in the General Fund and “Transfers from other funds” in the receiving fund in the fund financial statements.

CITY OF WILSON, NORTH CAROLINA

16. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

17. Comparative Data/Reclassifications

Comparative data for the prior year has been presented on certain supplemental financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

Note 2. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2020, the carrying amount of the City's deposits, including restricted deposits, was \$49,040,120. The carrying amounts of the Downtown Development Corporation and the Wilson Cemetery Commission deposits were \$73,499 and \$138,351 respectively. The City has balances totaling \$1,459,307 invested in certificates of deposit, of which, \$2,160 and \$10,734 are presented in the Downtown Development Corporation and Wilson Cemetery Commission, respectively. The City has investments in Money Market accounts of \$20,418,194, of which, \$30,374 and \$55,135 are presented in the Downtown Development Corporation and Wilson Cemetery Commission, respectively. The bank balances for the above deposits were \$71,975,808, including all certificates of deposit and Money Market accounts, which consist of \$71,665,555 for the City, \$106,033 for the Downtown Development Corporation and \$204,220 for the Wilson Cemetery Commission. At June 30, 2020, the City's petty cash fund totaled \$8,035. The Wilson Cemetery petty cash fund totaled \$50. All deposits were maintained with financial institutions which collateralize deposits in excess of FDIC by the pooling method. Of the bank balance above, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Investments

Pooled cash and investments are maintained and used by all funds.

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 valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

As of June 30, 2020, the City had the following investments and maturities:

Investment Type	Valuation Measurement Method	Investment Maturity (in Years)		
		Fair Value	Less Than 1	1-5
Government Agencies:				
Federal Home Loan Bank	Fair Value Level 1	\$ 4,839,551		\$ 4,839,551
Federal Home Loan Mortgage Corporation	Fair Value Level 1	4,896,118		4,896,118
Federal National Mortgage Association	Fair Value Level 1	22,688,824	1,400,162	21,288,662
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	15,315,982	15,315,982	
		<u>\$ 47,740,475</u>	<u>\$ 16,716,144</u>	<u>\$ 31,024,331</u>

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As of June 30, 2020, the Wilson Cemetery Commission had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Investment Maturity (in Years)</u>		
		<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>
Government Agencies:				
Federal Home Loan Bank	Fair Value Level 1	\$ 12,849		\$ 12,849
Federal Home Loan Mortgage Corporation	Fair Value Level 1	12,999		12,999
Federal National Mortgage Association	Fair Value Level 1	60,238	3,717	56,521
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	41,531	41,531	
		<u>\$ 127,617</u>	<u>\$ 45,248</u>	<u>\$ 82,369</u>

As of June 30, 2020, the Downtown Development had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Investment Maturity (in Years)</u>		
		<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>
Government Agencies:				
Federal Home Loan Bank	Fair Value Level 1	\$ 7,077		\$ 7,077
Federal Home Loan Mortgage Corporation	Fair Value Level 1	7,160		7,160
Federal National Mortgage Association	Fair Value Level 1	33,180	2,048	31,132
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	22,880	22,880	
		<u>\$ 70,297</u>	<u>\$ 24,928</u>	<u>\$ 45,369</u>

Interest rate risk is not managed by a formal investment policy to limit exposure to fair value losses arising from rising interest rates.

The City has no policy on managing credit risk. General Statute 159-30(c) authorizes the City and its component units to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust, an SEC registered external investment pool. The City complies with these provisions.

The credit risk for the City and its component units are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>
Federal Home Loan Bank	Aaa
Federal Home Loan Mortgage Corporation	Aaa
Federal National Mortgage Association	Aaa
NC Capital Management Trust – Government Portfolio	AAAm

Concentration of credit risk is not managed by a formal investment policy limiting the amount that may be invested in any one issuer.

The concentration of credit risk for the City and its component units are as follows:

<u>Investment Type</u>	<u>% of Total Investments</u>
Federal Home Loan Bank	10%
Federal Home Loan Mortgage Corporation	10%
Federal National Mortgage Association	48%
NC Capital Management Trust – Government Portfolio	32%

Investment income is allocated to the various funds based on their equity in a pooled account. Each fund's equity in pooled cash and investments is set forth in the accompanying financial statements. As required for periods beginning after June 15, 1997 by Statement 31 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the City and its component units are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio's securities are measured at fair value.

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During fiscal year ended June 30, 2020 the City, Downtown Development Corporation, and the Wilson Cemetery Commission have realized a net gain/(loss) of \$328,145, \$770, and \$753, respectively from the sale of investments. The calculation of realized loss is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses in investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of the investments reported in the prior year. The net increase/(decrease) in the fair value of the City's, Downtown Development Corporation's and the Wilson Cemetery Commission's investments during fiscal year ended June 30, 2020 were \$675,224, \$1,022, and \$1,888 respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year. The City's, Downtown Development Corporation's, and the Wilson Cemetery Commission's unrealized gain / (loss) on investments held at June 30, 2020 were \$816,692, \$1,230 and \$2,297 respectively.

3. Receivables - Allowance for Uncollectibles

The receivables shown for Governmental and Business-type activities are presented net of the following allowances for doubtful accounts as of June 30, 2020:

Funds		Total
Governmental	\$	3,594,254
Business-type		923,000
Total	\$	4,517,254

Accounts receivable for the Downtown Development Corporation are presented net of a \$690 allowance for doubtful accounts.

4. Due from Other Agencies and Governments

The following summarizes amounts due from other agencies and governments by source as of June 30, 2020.

Funds	Local	State	Federal	Total
Governmental	\$ 695,148	\$ 165,766	\$ 1,011,861	\$ 1,872,775
Business-type	987	99,490	714,776	815,253
Total	\$ 696,135	\$ 265,256	\$ 1,726,637	\$ 2,688,028

The Downtown Development Corporation has a local amount due from other governments of \$1,368 and a federal amount due from other governments of \$3,696. The Wilson Cemetery Commission has a federal amount due from other governments of \$147.

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5. Capital Assets

The following summarizes the changes in capital assets for the governmental activities:

Primary Government

	Beginning Balances	Additions	Transfers In/out	Retirements	Ending Balances
Governmental Activities					
Capital Assets, not being depreciated					
Land	20,885,225	328,392		\$ (22,202)	21,191,415
Construction in progress	464,127	4,541,728	(229,638)		4,776,217
	<u>21,349,352</u>	<u>4,870,120</u>	<u>(229,638)</u>	<u>(22,202)</u>	<u>25,967,632</u>
Capital assets, being depreciated:					
Land Improvements	11,374,450	870,202	229,636		12,474,288
Buildings	21,339,973	132,168			21,472,141
Rolling Stock	18,749,487	951,234	50,212	(575,974)	19,174,959
General Equipment	8,574,327	823,767	8,300	(8,748)	9,397,646
Furniture, Fixtures, and equipment	4,530,791	5,211		(6,580)	4,529,422
Infrastructure	37,646,352	608,265			38,254,617
Sidewalks	1,632,646	395,105			2,027,751
	<u>103,848,026</u>	<u>3,785,952</u>	<u>288,148</u>	<u>(591,302)</u>	<u>107,330,824</u>
Less accumulated depreciation for:					
Land Improvements	(5,212,295)	(354,644)			(5,566,939)
Buildings	(8,537,931)	(429,503)			(8,967,434)
Rolling Stock	(12,610,801)	(1,190,736)	(50,208)	575,972	(13,275,773)
General Equipment	(4,821,016)	(628,630)	(6,777)	8,748	(5,447,675)
Furniture, Fixtures, and equipment	(4,233,579)	(76,113)		6,580	(4,303,112)
Infrastructure	(26,923,512)	(935,304)			(27,858,816)
Sidewalks	(293,717)	(54,216)			(347,933)
	<u>(62,632,851)</u>	<u>(3,669,146)</u>	<u>(56,985)</u>	<u>591,300</u>	<u>(65,767,682)</u>
Total capital assets, being depreciated, net	<u>41,215,175</u>	<u>116,806</u>	<u>231,163</u>	<u>(2)</u>	<u>41,563,142</u>
Governmental activities capital assets, net	<u>\$ 62,564,527</u>	<u>\$ 4,986,926</u>	<u>\$ 1,525</u>	<u>\$ (22,204)</u>	<u>\$ 67,530,774</u>

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The following summarizes the changes in capital assets for the business-type activities:

	Beginning Balances	Additions	Transfers In (out)	Retirements	Ending Balances
Business-type activities					
Capital Assets, not being depreciated					
Land	\$ 27,585,908	\$ 650,031		\$	\$ 28,235,939
Construction in progress	962,027	4,454,455	(689,945)		4,726,537
Total capital assets, not being depreciated	<u>28,547,935</u>	<u>5,104,486</u>	<u>(689,945)</u>		<u>\$ 32,962,476</u>
Capital assets, being depreciated:					
Land Improvements	7,876,869	832,290			8,709,159
Buildings	23,967,921	97,596			24,065,517
Utility distribution System	360,289,036	5,107,567	689,941		366,086,544
Tanks Reservoirs dams Waterways	33,783,215				33,783,215
Rolling Stock and other vehicles	22,832,643	3,169,679	(50,208)	(781,810)	25,170,304
Furniture, fixtures, and equipment	51,194,538	3,585,899	(8,298)	(67,371)	54,704,768
Total capital assets, being depreciated	<u>499,944,222</u>	<u>12,793,031</u>	<u>631,435</u>	<u>(849,181)</u>	<u>512,519,507</u>
Less accumulated depreciation for:					
Land Improvements	(4,332,778)	(160,942)			(4,493,720)
Buildings	(10,196,891)	(449,154)			(10,646,045)
Utility distribution System	(168,266,702)	(8,653,503)			(176,920,205)
Tanks, reservoirs, dams, waterways	(13,800,587)	(658,346)			(14,458,933)
Rolling Stock and other vehicles	(14,806,172)	(1,882,145)	66,223	765,797	(15,856,297)
Furniture, fixtures, and equipment	(29,669,014)	(2,834,657)	(9,238)	83,384	(32,429,525)
Total Accumulated depreciation	<u>(241,072,144)</u>	<u>(14,638,747)</u>	<u>56,985</u>	<u>849,181</u>	<u>(254,804,725)</u>
Total capital assets, being depreciated, net	<u>258,872,078</u>	<u>(1,845,716)</u>	<u>688,420</u>		<u>257,714,782</u>
Business-type activities capital assets, net	<u>\$ 287,420,013</u>	<u>\$ 3,258,770</u>	<u>\$ (1,525)</u>	<u>\$</u>	<u>\$ 290,677,258</u>

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

Governmental activities:	
General government	\$ 500,714
Public Safety	1,102,387
Highways and streets, including depreciation of general infrastructure assets	1,081,022
Environmental services	451,938
Culture and recreation	524,041
Planning and development	9,044
Human Services	
Total depreciation expense - governmental activities	<u>\$ 3,669,146</u>
Business-type activities:	
Electric	\$ 6,804,215
Gas	862,208
Water	4,455,781
Mass Transit	22,016
Industrial Air Center	14,888
Broadband	1,861,791
Stormwater	323,524
Operations Center	294,324
Total depreciation expense - business-type activities	<u>\$ 14,638,747</u>

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A summary of Wilson Cemetery Commission capital assets activity by type at June 30, 2020:

	Beginning Balance June 30, 2019	Additions	Transfers In (Out)	Retirements	Ending Balance June 30, 2020
Capital assets, not being depreciated:					
Land	\$ 25,754	\$	\$	\$	\$ 25,754
Total capital assets, not being depreciated	<u>25,754</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>25,754</u>
Capital assets, being depreciated:					
Land Improvements	851,073	21,145			872,218
Buildings	76,609				76,609
Rolling Stock	94,925	19,377			114,302
Furniture, fixtures and equipment	<u>225,458</u>	<u>11,944</u>			<u>237,402</u>
Total capital assets, being depreciated	<u>1,248,065</u>	<u>52,466</u>			<u>1,300,531</u>
Less accumulated depreciation:					
Land improvements	(506,969)	(19,000)			(525,969)
Buildings	(72,164)	(532)			(72,696)
Rolling stock	(94,788)	(1,752)			(96,540)
Furniture, fixtures and equipment	<u>(86,370)</u>	<u>(23,064)</u>			<u>(109,434)</u>
Total accumulated depreciation	<u>(760,291)</u>	<u>(44,348)</u>			<u>(804,639)</u>
Total capital assets, being depreciated net	<u>487,774</u>	<u>8,118</u>			<u>495,892</u>
Total capital assets, net	<u>\$ 513,528</u>	<u>\$ 8,118</u>	<u>\$</u>	<u>\$</u>	<u>\$ 521,646</u>

6. Operating Leases

The City has committed to various operating leases. Lease expenditures for the year ended June 30, 2020 amounted to \$1,252,526.

Future minimum lease payments for these leases are as follows:

Year Ending	Amount
2021	\$ 1,048,402
2022	949,071
2023	794,291
2024	379,950
2025	33,412
2026-2030	<u>29,250</u>
	<u>\$ 3,234,376</u>

7. Long-Term Debt

The City is subject to the Local Government Bond Act of North Carolina, which limits the amount of net bonded debt the City may have outstanding to eight percent (8%) of the appraised value of property subject to taxation. At June 30, 2020, the statutory legal debt margin for the City was \$302,645,928.

Principal and interest requirements for Governmental Activities debt will be provided by appropriation in the General Fund in the year in which they become due. Principal and interest requirements for Business-type Activities debt will be provided through operating revenues in the respective Business-type Activities Funds and appropriated in the year in which they become due.

Revenue Bonds issued in fiscal year 2003 pledge the income derived from the Combined Utility System for payment of the debt. These Series 2002 Revenue Bonds were subsequently refunded in fiscal years 2012 and 2014. Currently the

CITY OF WILSON, NORTH CAROLINA

Combined Utility System is composed of the Water System, Wastewater System and Gas System. Certain financial covenants are contained in the revenue bond order, among the most restrictive of which provide that the City maintain a long-term revenue bonded debt service coverage ratio of not less than 120%. The overall Combined Utility System debt service coverage ratio must be maintained at a ratio of 100%. The coverage ratio as of June 30, 2020 for revenue bonded debt service is 1,113.27% and 283.80% for all debt. The City is in compliance with the covenants as to rates, fees, rentals and charges as presented in the Report of Independent Auditors on Revenue Bond Covenant Compliance letter that is included in the Other Financial Information tab later in this report.

A summary of changes in long-term liabilities is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within 1 year</u>
Governmental Activities					
Notes from direct placements	\$ 962,917	\$	\$ (325,011)	\$ 637,906	\$ 329,906
Total OPEB Liability	44,842,623		(459,718)	44,382,905	
Net pension Liability (LGERS)	10,421,394	1,475,362		11,896,756	
Total pension Liability (LEOSSA)	5,130,389	814,527		5,944,916	
Accrued compensated balances	2,672,790	1,670,224	(1,530,794)	2,812,220	1,835,319
	<u>64,030,113</u>	<u>3,960,113</u>	<u>(2,315,523)</u>	<u>65,674,703</u>	<u>2,165,225</u>

The Downtown Development Corporation had accrued compensated absences balance of \$34,936 as of June 30, 2020.

For the governmental funds, accrued compensated absences, pensions, and post-employment benefits are generally liquidated in the General Fund.

Business Type Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within 1 year</u>
Electric Fund					
Notes from direct placements	\$ 785,269	\$	\$ (261,757)	\$ 523,512	\$ 261,756
Direct Placement Certificate of Participation	17,991,000		(959,000)	17,032,000	809,000
Total OPEB Liability	6,665,795		(68,337)	6,597,458	
Net pension liability (LGERS)	1,689,257	239,861		1,929,118	
Accrued Compensated Absences	440,078	326,323	(258,946)	507,455	295,570
Electric Fund long term liabilities	<u>27,571,399</u>	<u>566,184</u>	<u>(1,548,040)</u>	<u>26,589,543</u>	<u>1,366,326</u>
Gas Fund					
Notes from direct placements	381,417		(190,657)	190,760	190,760
Direct Placement Revenue Bonds	2,034,000		(200,250)	1,833,750	205,875
Gas Deferred Revenue Bonds Premium	1,713		(190)	1,523	
Total OPEB Liability	1,817,944		(18,637)	1,799,307	
Net pension liability (LGERS)	460,705	65,417		526,122	
Accrued Compensated Absences	97,429	89,520	(70,167)	116,782	93,320
Gas Fund long term liabilities	<u>4,793,208</u>	<u>154,937</u>	<u>(479,901)</u>	<u>4,468,244</u>	<u>489,955</u>

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<u>Business Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within 1 year</u>
Water Resources Fund					
Notes from direct borrowings	8,532,983		(1,673,574)	6,859,409	1,673,575
Direct Placement General Obligation Bonds	3,710,000		(1,180,000)	2,530,000	1,160,000
Water and Sewer GO Bond Premium	237,458		(59,364)	178,094	
Direct Placement Revenue Bonds	7,006,000		(689,750)	6,316,250	709,125
Water & Sewer Deferred Revenue					
Bond Premium	5,757		(641)	5,116	
Total OPEB Liability	6,665,795		(68,337)	6,597,458	
Net pension liability (LGERS)	1,954,790	283,472		2,238,262	
Accrued Compensated Absences	383,780	249,591	(223,893)	409,478	264,144
Water Resources Fund long term liabilities	<u>28,496,563</u>	<u>533,063</u>	<u>(3,895,559)</u>	<u>25,134,067</u>	<u>3,806,844</u>
Broadband Fund					
Direct Placement Certificate of Participation	14,231,170		(3,071,864)	11,159,306	3,338,380
Net pension liability (LGERS)	307,137	43,611		350,748	
Accrued Compensated Absences	263,080	148,272	(119,461)	291,891	154,354
Broadband Fund long term liabilities	<u>14,801,387</u>	<u>191,883</u>	<u>(3,191,325)</u>	<u>11,801,945</u>	<u>3,492,734</u>
Mass Transit Fund					
Total OPEB Liability	605,982		(6,212)	599,770	
Net pension liability (LGERS)	153,568	21,806		175,374	
Accrued Compensated Absences	42,114	18,452	(11,161)	49,405	13,504
Mass Transit Fund long term liabilities	<u>801,664</u>	<u>40,258</u>	<u>(17,373)</u>	<u>824,549</u>	<u>13,504</u>
Stormwater Management Fund					
Net pension liability (LGERS)	307,137	43,611		350,748	
Accrued Compensated Absences	28,627	12,334	(10,677)	30,284	14,321
Stormwater Fund long term liabilities	<u>335,764</u>	<u>55,945</u>	<u>(10,677)</u>	<u>381,032</u>	<u>14,321</u>
Operation Center Fund					
Direct Placement Certificate of Participation	1,041,830		(330,136)	711,694	347,620
Operation Center Fund long term liabilities	<u>1,041,830</u>		<u>(330,136)</u>	<u>711,694</u>	<u>347,620</u>
Business activity long-term liabilities	<u>\$ 77,841,815</u>	<u>\$ 1,542,270</u>	<u>\$ (9,473,011)</u>	<u>\$ 69,911,074</u>	<u>\$ 9,531,304</u>

At June 30, 2020 long-term debt, excluding accrued compensated absences, consists of the following:

Governmental Activities:

General Fund

Notes from Direct Placements:

Carter National Bank Land and Building purchase due in annual principal installment of \$182,010 through June 2021, interest at 3.09% \$ 181,906

Aerial Ladder Fire Truck; note due in annual principal installments of \$141,000 to \$156,000 through May 2023, interest at 2.99% 456,000

Total Governmental Activities Long-Term Debt \$ 637,906

CITY OF WILSON, NORTH CAROLINA

Business-Type Activities

Electric Fund:

Notes from Direct Placements:

Industrial Development- Land note due in annual principal installments of \$261,756 through June 2022, interest rate at 3.09% 523,512

Direct Placement Certificate of Participation:

\$19,761,000 – 2018 Refunded certificates due in annual principal installments of \$ 945,000 to \$ 2,094,000 through May 2032, interest at 4.00% to 5.00% 17,032,000

Total Electric fund 17,555,512

Gas Fund:

Notes from Direct Placements:

MGP Site Cleanup, note due in annual principal installments of \$190,656 through June, 2021, interest at 3.09% 190,760

Direct Placement Revenue Bonds:

\$ 2,155,500 – 2011 Revenue Bonds due in annual principal installments of \$15,750 to \$254,250 through June 2028, including interest at 2.99% 1,833,750

Total Gas fund 2,024,510

Water Resources Fund:

Notes from Direct Borrowings:

Wastewater Facility upgrades to 14MGD; note due in annual principal installments of \$654,601 through May 1, 2021; interest at 2.91% 654,601

Happy Valley Water Reuse and Sewer Rehabilitation; note due in annual principal installments of \$22,468 beginning after the completion of the capital project and continuing through May 2025, interest at 2.205% 112,342

Wastewater Facility Phase III Upgrade; note due in annual principal installments of \$968,147, beginning after completion of the project and continuing through May 2026, interest at 2.205% 5,808,886

Contentnea Interceptor Line; note due in annual principal installments of \$28,358 through May 2030; interest rate at 0.00% 283,580
6,859,409

Direct Placement General Obligation Bonds:

\$15,280,000 – 2009 Water serial bonds due in annual principal installments of \$225,000 to \$1,345,000 through June 1, 2023: interest at 2.00% to 5.00%. 2,530,000

Direct Placement Revenue Bonds:

\$4,237,162 – 2011 Sewer Revenue Bonds due in annual principal installments of \$30,960 to \$499,790 through June 2028; interest at 2.99% 3,604,683

\$3,187,338 – 2011 Water Revenue Bonds due in annual principal installments of \$23,290 to \$375,959 through June 2028; interest rate at 2.99% 2,711,567
6,316,250

Total Water Resources fund 15,705,659

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Broadband Fund:

Direct Placement Certificates of Participation:

\$20,085,008 – 2018 Refunded certificates due in annual principal installments of \$ 779,000 to \$ 4,112,925 through May 2025, interest at 4.00% to 5.00% 11,159,306

Operation Center Fund:

Direct Placement Certificates of Participation:

\$ 1,661,992 – 2018 Refunded certificates due in annual principal installments of \$ 317,794 to \$ 364,076 through May 2022, interest at 4.00% to 5.00% 711,694

Total Business Activities Long-Term Debt \$ 47,156,681

Total Primary Government Long-Term Debt \$ 47,794,587

The annual requirements to amortize all long-term debt (except accrued compensated absences) outstanding as of June 30, 2020, including interest payments, are as follows:

Year Ending	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 329,906	\$ 19,255	\$ 8,696,091	\$ 1,321,117	\$ 9,025,997	\$ 1,340,372
2022	152,000	9,209	7,992,730	1,066,713	8,144,730	1,075,922
2023	156,000	4,664	5,103,974	833,348	5,259,974	838,012
2024			3,698,974	689,615	3,698,974	689,615
2025			3,769,974	590,612	3,769,974	590,612
2026-2030			13,761,938	1,575,540	13,761,938	1,575,540
2031-2033			4,133,000	177,471	4,133,000	177,471
	<u>\$ 637,906</u>	<u>\$ 33,128</u>	<u>\$ 47,156,681</u>	<u>\$ 6,254,416</u>	<u>\$ 47,794,587</u>	<u>\$ 6,287,544</u>

The annual requirements to amortize general obligation bonded debt outstanding as of June 30, 2020 including interest payments are as follows:

Year Ending	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$	\$	\$ 1,160,000	\$ 92,556	\$ 1,160,000	\$ 92,556
2022			1,145,000	50,506	1,145,000	50,506
2023			225,000	9,000	225,000	9,000
	<u>\$</u>	<u>\$</u>	<u>\$ 2,530,000</u>	<u>\$ 152,062</u>	<u>\$ 2,530,000</u>	<u>\$ 152,062</u>

The annual requirements to amortize revenue obligation bonded debt outstanding as of June 30, 2020 including interest payments are as follows:

Year Ending	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$	\$	\$ 915,000	\$ 230,005	\$ 915,000	\$ 230,005
2022			945,000	202,199	945,000	202,199
2023			970,000	173,569	970,000	173,569
2024			1,005,000	144,044	1,005,000	144,044
2025			1,030,000	113,621	1,030,000	113,621
2026-2028			3,285,000	149,424	3,285,000	149,424
	<u>\$</u>	<u>\$</u>	<u>\$ 8,150,000</u>	<u>\$ 1,012,862</u>	<u>\$ 8,150,000</u>	<u>\$ 1,012,862</u>

CITY OF WILSON, NORTH CAROLINA

The annual requirements to amortize certificates of participation obligation bonded debt outstanding as of June 30, 2020 including interest payments are as follows:

Year Ending	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$	\$	\$ 4,495,000	\$ 823,735	\$ 4,495,000	\$ 823,735
2022			4,622,000	695,629	4,622,000	695,629
2023			2,890,000	563,902	2,890,000	563,902
2024			1,675,000	480,537	1,675,000	480,537
2025			1,721,000	433,800	1,721,000	433,800
2026-2030			9,367,000	1,404,767	9,367,000	1,404,767
2031-2033			4,133,000	177,471	4,133,000	177,471
	<u>\$</u>	<u>\$</u>	<u>\$ 28,903,000</u>	<u>\$ 4,579,841</u>	<u>\$ 28,903,000</u>	<u>\$ 4,579,841</u>

The annual requirements to amortize notes payable for certain equipment, facilities and real property outstanding as of June 30, 2020, including interest payments are as follows:

Year Ending	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 329,906	\$ 19,255	\$ 2,126,091	\$ 174,821	\$ 2,455,997	\$ 194,076
2022	152,000	9,209	1,280,730	118,379	1,432,730	127,588
2023	156,000	4,664	1,018,974	86,877	1,174,974	91,541
2024			1,018,974	65,034	1,018,974	65,034
2025			1,018,974	43,191	1,018,974	43,191
2026-2030			1,109,938	21,349	1,109,938	21,349
	<u>\$ 637,906</u>	<u>\$ 33,128</u>	<u>\$ 7,573,681</u>	<u>\$ 509,651</u>	<u>\$ 8,211,587</u>	<u>\$ 542,779</u>

Notes from direct placements are collateralized by capital assets with a carrying value of \$6,040,467 a lien on property sold to a third party and pledges of water resources revenues.

The City's outstanding note from direct placements related to governmental activities of \$181,906 (Carter National Bank Land and Building Purchase) is secured with collateral of the building and property. The note contains provision that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due, (2) enforce the City's performance of the applicable covenants of the agreement or recover for the breach thereof, (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate, and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorney's fees and other expenses.

The City's outstanding note from direct placements related to governmental activities of \$456,000 (Aerial Ladder Fire Truck) is secured with the equipment. The note contains provisions that an event of default would result in; (1) the timing of repayment of outstanding amounts become immediately due, (2) enforce the City's performance of the applicable covenants of the agreement or recover for the breach thereof, (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonable deem appropriate, and (4) avail itself of all available remedies under the agreement, including execution on personal property and recovery of attorneys' fees and other expenses.

The City's outstanding note from direct placements related to business-type activities of \$523,512 (Industrial Development Land) is secured with property. The interlocal agreement contains provisions that an event of default would result in (1) County shall have the right and option after subsequent failure to pay any amount of the City Share that is due and owing and then execute promissory note payable in the principal amount that the County paid in excess of the County Share and bearing interest at the rate of one and one-half percent per annum.

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The City's outstanding note from direct placements related to business-type activities of \$190,760 (MGP Site Cleanup) is secured with utility equipment and property. The note contains provision that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due, (2) enforce the City's performance of the applicable covenants of the agreement or recover for the breach thereof, (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate, and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorney's fees and other expenses.

The City's outstanding note from direct borrowings related to business-type activities of \$654,601 (Wastewater Facility Upgrades to 14MGD) is payable from the revenues of the wastewater system. The note contains provisions that an event of default would result in (1) any other monies due to the City from the State may be withheld by the State and applied to the payment of this obligation.

The City's outstanding note from direct borrowings related to business-type activities of \$112,342 (Happy Valley Water Reuse and Sewer Rehabilitation) is payable from the revenues of the wastewater system. The note contains provisions that an event of default would result in (1) any other monies due to the City from the State may be withheld by the State and applied to the payment of this obligation.

The City's outstanding note from direct borrowings related to business-type activities of \$5,808,886 (Wastewater Facility Phase III Upgrade) is payable from the revenues of the wastewater system. The note contains provisions that an event of default would result in (1) any other monies due to the City from the State may be withheld by the State and applied to the payment of this obligation.

The City's outstanding note from direct borrowings related to business-type activities of \$283,580 (Contentnea Interceptor Line) is payable from the revenues of the wastewater system. The note contains provisions that an event of default would result in (1) any other monies due to the City from the State may be withheld by the State and applied to the payment of this obligation.

The City's outstanding general obligation bonds from direct placements related to business-type activities of \$2,530,000 (Buckhorn Reservoir) is payable from the revenues of the water resources fund. The City's general obligation bonds serviced by the Water Resources Fund were issued for the construction of the Buckhorn Reservoir. These bonds are being retired by its resources and reported as long-term debt in the Water Resources Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City. In the event of a default, the City agrees to pay to the purchaser, on demand, interest on any, and all amounts due and owing by the City under the related agreements. Principal and interest requirements are appropriated when due.

The City's outstanding revenue bonds from direct placements related to business-type activities of \$8,150,000 (Improvements to Combined Enterprise System) is payable from the Combined Utility System (composed of the Water system, Wastewater system and Gas system). The City's revenues bonds serviced by the Gas Fund and Water Resources Fund were issued for improvements to sanitary sewer collection system, water system, and natural gas system. These bonds are being retired by the resources and reported as long-term debt in the Gas Fund and Water Resources Fund. Net Receipts from the Combined Utility System is pledged for payment of the debt. In the event of a default, the City agrees to pay the purchaser, on demand, interest on any, and all amounts due and owing by the City under the related agreements. Principal and interest requirements are appropriated when due.

The City's outstanding certificates of participation from direct placements related to business-type activities of \$28,903,000 (Public Facilities Project) is secured by collateral of the mortgaged property included in the deed of trust in association with debt obligation. The City's certificates of participation serviced by the Electric Fund, Broadband Fund and Operation Center Fund were issued to acquire, construct, and equip various improvements to the City's fiber optic system and electric distribution system. The debt is being retired by the resources and reported as long-term debt in the Electric Fund, Broadband Fund and Operation Fund. The contract contains provisions that an event of default would result in; (1) the timing of repayment of outstanding amounts become immediately due, (2) enforce the City's performance of the applicable covenants of the agreement or recover for the breach thereof, (3) exercise all rights and remedies of a secured party or creditor under the general laws of the State with respect to the enforcement of the security interest grants under the Deed of Trust, and (4) enforce its security interest or direct the Deed of Trust Trustee to institute foreclosure proceedings under the Deed of Trust and sell the Mortgage Property.

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8. Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The City of Wilson, and its component units, are participating employers 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. City of Wilson employees and its component unit employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City and its component units' contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 9.00% 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 City were \$3,870,979 for the year ended June 30, 2020. Of this amount, \$3,849,266 represents the City's contribution and \$21,713 represents the City's component unit, the Downtown Development Corporation because of its inclusion in the City's Agency account for LGERS.

Contributions to the pension plan from the City's component unit, the Wilson Cemetery Commission, which has a separate Agency account in LGERS, were \$20,633 for the year ended June 30, 2020.

Refunds of Contributions – City 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.

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

At June 30, 2020, the City reported a liability of \$17,537,435 for its proportionate share of the net pension liability, which includes the City’s share of \$17,467,128, and the City’s component unit, the Downtown Development Corporation, with a share of \$70,307 because of its inclusion in the City’s Agency account for LGERS. The City’s other component unit, the Wilson Cemetery Commission, which has a separate Agency account in LGERS, reported liabilities of \$97,221 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The City’s proportion of the net pension liability was based on a projection of the City’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, 2019, the City’s proportion was 0.64218%, which was a decrease of 0.00515% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$7,717,670 for the City’s share and the City’s component unit, the Downtown Development Corporation which is included in the City’s Agency account for LGERS. The City’s other component unit, the Wilson Cemetery Commission, which has a separate Agency account in LGERS, recognized pension expense of \$41,565. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,002,853	\$
Changes of assumptions	2,858,311	
Net difference between projected and actual earnings on pension plan investments	427,763	
Changes in proportion and differences between City contributions and proportionate share of contributions		518,756
City contributions subsequent to the measurement date	3,870,979	
Total	\$ 10,159,906	\$ 518,756

\$3,870,979 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Of this amount, \$3,849,266 represents the City’s contribution and \$21,713 represents the City’s component unit, the Downtown Development Corporation because of its inclusion in the City’s Agency account for LGERS. The City’s other component unit, the Wilson Cemetery Commission, which has a separate Agency account in LGERS, contributed \$20,633. \$518,756 is reported as deferred inflows of resources, and of this amount \$511,247 is for the City and \$7,509 is for the City’s component unit, the Downtown Development Corporation. The City’s other component unit, the Wilson Cemetery Commission, which has a separate Agency account in LGERS, had \$4,580 reported as deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 2,914,143
2022	807,842
2023	1,600,792
2024	447,394
2025	
Thereafter	

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Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2018 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, 2019 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 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 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.

CITY OF WILSON, NORTH CAROLINA

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 40,111,321	\$ 17,537,435	\$ (1,226,037)

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.

Law Enforcement Officers Special Separation Allowance ("Plan")

Plan Description. The City of Wilson administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the City'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. A separate report was not issued for the plan.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Inactive Members Currently Receiving Benefits	15
Active plan members	<u>110</u>
Total	<u>125</u>

Basis of Accounting. The City 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 are recognized when due and payable in accordance with the terms of the plan.

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

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

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DEATHS AFTER RETIREMENT (HEALTHY): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

DEATHS BEFORE RETIREMENT: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

DEATHS AFTER RETIREMENT (BENEFICIARY): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

DEATHS AFTER RETIREMENT (DISABLED): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are paid in the General Fund. The City paid \$235,158 as benefits came due for the reporting period.

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

At June 30, 2020, the City reported a total pension liability of \$5,944,916. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$524,803.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 466,033	\$
Changes of assumptions and other inputs	293,508	172,992
Benefit payments and administrative expenses subsequent to the measurement date	119,554	
Total	\$ 879,095	\$ 172,992

\$119,554 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	124,847
2022	124,847
2023	141,059
2024	95,639
2025	100,157
Thereafter	0

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.26 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Total Pension Liability	\$ 6,445,472	\$ 5,944,916	\$ 5,489,478

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

	2020
Total Pension Liability as of December 31, 2018	\$ 5,130,389
Service Cost	216,752
Interest on the total pension liability	182,466
Changes of benefit terms	
Differences between expected and actual experience in the measurement of the total pension liability	472,245
Changes of assumptions or other inputs	178,222
Benefit payments	(235,158)
Other changes	
Total Pension Liability as of December 31, 2019	\$ 5,944,916

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, 2018 valuation were based on the results of an actuarial experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 7,717,670	\$ 524,803	\$ 8,242,473
Pension Liability	17,537,435	5,944,916	23,482,351
Proportionate share of the net pension liability	0.64218%	n/a	
Deferred Outflows of Resources			
Difference between expected and actual experience	3,002,853	466,033	3,468,886
Change of assumptions	2,858,311	293,508	3,151,819
Net difference between projected and actual earnings on plan investments	427,763		427,763
Changes in proportion and differences between contributions and proportionate share of contributions			
City contributions subsequent to the measurement date	3,870,979		3,870,979
Benefit payments and administrative costs paid subsequent to the measurement date		119,554	119,554
Deferred Inflows of Resources			
Difference between expected and actual experience			
Changes of assumptions		172,992	172,992
Net difference between projected and actual earnings on plan investments			
Changes in proportion and differences between contributions and proportionate share of contributions	518,756		518,756

Retirement Income Plan

Plan Description. The City and the Downtown Development Corporation provide retirement benefits for all of its law

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enforcement officers and other full-time employees through a defined contribution plan administered by the North Carolina Department of the State Treasurer and a Board of Trustees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Participation begins at the date of employment. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Wilson Cemetery Commission does not provide these benefits. 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 Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires that the City contribute an amount equal to 5% of each law enforcement officer’s salary each month. The City also makes a contribution of 5% for all other full-time and certain part-time employees. All covered employees may make voluntary contributions to the Plan. All contributed amounts plus investment earnings allocated to the employee accounts are fully vested immediately. Total contributions for the year ended June 30, 2020 were \$3,046,877 which consisted of \$2,121,042 from the City and \$925,835 from employees. No amounts were forfeited.

9. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

10. Other Post-Employment Benefits (OPEB)

Plan Description. Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (“HCB Plan”). The City Council may amend the benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. The City pays the full cost of coverage for employees’ benefits through private insurers and employees have the option of purchasing dependent coverage at the City’s group rates. The City pays the full cost of coverage for employees (excluding a maximum \$15 contribution by the retiree) hired prior to July 1, 1991. The City will pay a graduated amount of the cost of coverage for employees hired between July 1, 1991 and June 30, 1993 ranging from \$0 for employees with 10 years or less of service with the City to a maximum of the full premium less a \$15 contribution by the retiree for employees with 21 or more years of service with the City. No post-employment health benefits will be provided to employees hired after July 1, 1993. The plan provides lifetime healthcare benefits for eligible retirees until they become ineligible for coverage or eligible for Medicare at their cost. Benefit provisions are established by the City and funded through the annual budget process adopted by City Council. Also, the City’s retirees can purchase coverage for their dependents at the City’s group rates. The City Council may amend the benefit provisions.

Retired Employees’ Years Of Creditable Service	Date Hired	
	Pre-July 1, 1993	On or after July 1, 1993
Less than 10 years	Not eligible for coverage	Not eligible for coverage
10-20 years	Graduated amount paid by City	Not eligible for coverage
20+ years	Full coverage paid by City	Not eligible for coverage

Funding Policy. The City pays part of the coverage cost for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by City Council. The City’s members pay \$15 per month for individual coverage, \$73 per month for parent/child coverage, \$168 per month for employee/spouse coverage and \$257 per month for family coverage to age 65. Medicare coverage contribution amount for the retiree is \$6.36 per month after age 65. The City has chosen to fund the healthcare benefits on a pay as you go basis.

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Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees receiving benefits	281	53
Active plan members	26	3
Total	307	56

The HCB plan does not issue a stand-alone financial report. Information on the plan and actuarial valuation results are included here in the City’s Comprehensive Annual Financial Report in the footnotes under Other Post-Employment Benefits (OPEB).

Total OPEB Liability

The City’s total OPEB liability of \$59,976,898 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	
General Employees	3.50 percent to 7.75 percent
Firefighters	3.50 percent to 7.75 percent
Law Enforcement Officers	3.50 percent to 7.35 percent
Discount rate	3.89 percent
Healthcare cost trend rates	
Pre-Medicare	7.00 percent for 2019 decreasing to an ultimate rate of 4.50 percent by 2026
Medicare	5.00 percent for 2019 decreasing to an ultimate rate of 4.50 percent by 2021

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the The Bond Buyer.

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% (prior measurement date) to 3.50% at the measurement date.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014 adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

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Changes in the Total OPEB Liability

Schedule of Changes in Total OPEB Liability

Total OPEB Liability as of July 1, 2019	\$	60,598,139
Changes for the year:		
Service Cost at the end of the year		385,976
Interest on TOL and Cash Flows		2,296,858
Changes of benefit terms		
Differences between expected and actual experience		(686,432)
Changes in assumptions or other inputs		518,145
Benefit payments		(3,135,788)
Net changes:	\$	(621,241)
Total OPEB Liability as of June 30, 2020	\$	59,976,898

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate of 3.50 percent:

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Total OPEB Liability	\$ 67,694,259	\$ 59,976,898	\$ 53,684,145

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City'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	\$ 53,701,462	\$ 59,976,898	\$ 67,525,933

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$2,514,547. At June 30, 2020, the City 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	\$	\$
Changes of assumptions and other inputs		
Benefit payments and administrative expenses subsequent to the measurement date	3,724,276	
Total	<u>\$ 3,724,276</u>	<u>\$</u>

\$3,724,276 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Measurement Period ended June 30:

2021	\$	0
2022		0
2023		0
2024		0
2025		0
Thereafter		0

11. Other Benefits

The City 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. Lump-sum death benefits are provided to the beneficiaries of those employees 1) who die in active service after one year of contributing membership in the System, or 2) 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. This payment is 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 be less than \$25,000 and no more than \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible employees. The City 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 percent of monthly payroll based on rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions immaterial.

12. Deferred Outflows and Inflows of Resources

The City has several deferred outflows of resources at June 30, 2020. Deferred outflows of resources are comprised of the following:

Source	Amount
Deferred outflow of resources on refunding	\$ 412,338
Pension deferrals - LGERS	6,267,545
Contributions subsequent to measurement - LGERS	3,849,266
Pension deferrals - LEOSSA	759,541
Benefit payments subsequent to measurement - LEOSSA	119,554
OPEB deferrals	3,724,276
	\$ 15,132,520

The City's component unit, the Downtown Development Corporation, had pension deferrals of \$21,382 and contributions subsequent to measurement of \$21,713, which are not in the table above, but are included in the table under Note 8 for Deferred Outflows of Resources because of the inclusion in the City's Agency account for LGERS.

The City has several deferred inflows of resources at June 30, 2020. Deferred inflows of resources at year-end are comprised of the following:

Source	Statement of Net Position	Governmental Funds Balance Sheet
Retiree insurance premium prepayments	\$ 60	
Uncollected property taxes, assessments, and miscellaneous receivables (General Fund)		2,132,251
Uncollected miscellaneous receivables (Other nonmajor funds)		8,500
Pension deferrals - LGERS	511,247	
Pension deferrals - LEOSSA	172,992	
Deferred inflow of resources on refunding	344,299	
	\$ 1,028,598	\$ 2,140,751

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The City's component unit, the Downtown Development Corporation, has pension deferrals of \$7,509 not reflected in the table above, but are included in the table under Note 8 for Deferred Inflows of Resources because of its inclusion in the City's Agency account for LGERS.

13. Other Resources

During the year, the General, Electric, and Gas Funds provided substantial support to various other funds in the form of transfers. Transfers are used to move unrestricted revenues to fund various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs. The computation of the transfers is consistent with the method allowed by the General Assembly and within the City's established policy, and includes a portion to cover payment in lieu of taxes. Transfers from the Electric, Gas, and General Fund to the Mass Transit and Industrial Air Center Funds are to support operations within the specific fund. Transfers from the General Fund to Community Development are to support operations. Transfers to other Special Revenue Fund(s) are to support operations pertaining to those specific purposes. Transfers to Capital Projects are to fund capital needs.

Specific to fiscal year 2020 transfers, the General Fund made transfers of \$90,000 to the Brownfields Cleanup Revolving Loan grant project, \$20,000 to the 2019 Essential Single-Family Rehabilitation Loan Pool grant project, \$10,000 to the 2019 Urgent Repair Program grant project to provide matching funds for the grants and \$167 to the 2018 Urgent Repair Program grant project to close the project. Also transfers from the General Fund were made to the following capital projects: Fleming Stadium II Repairs capital project \$30,000, Centre Brick Parking Lot Re-design and Improvements capital project \$728,000, Risk Mitigation – Toisnot Bank and Flood Zone capital project \$178,206, Gig East Exchange Building Renovations capital project \$460,000, Toisnot Park Renovations capital project \$100,000, City-Wide Greenway System capital project \$100,000, Lake Wilson Park Improvements – Phase II capital project \$445,870, Arts Council Relocation and Renovation capital project \$300,000, and the 2020 Public Street Maintenance and Construction capital project \$575,000. The Electric Fund made transfers for Economic Community Investment for the following project: Downtown Building Revitalization project \$250,000 and \$665,000 to Economic Development Revolving Loan Fund. The Stormwater Management Fund made a transfer of \$750,000 to the Centre Brick Parking Lot Re-design and Improvements capital project.

A summary of the City's transfers is listed below:

Transfers In						
Transfers Out	General	Mass Transit	Industrial Air Center	Special Revenue	Capital Projects	Total
General	\$	\$ 785,000	\$ 699,000	\$ 120,167	\$ 2,917,076	\$ 4,521,243
Electric	2,305,890	166,500			915,000	3,387,390
Gas	1,266,390	111,000				1,377,390
Stormwater Mgmt.					750,000	750,000
Capital Projects	282,142					282,142
Total Transfers In	\$ 3,854,422	\$ 1,062,500	\$ 699,000	\$ 120,167	\$ 4,582,076	\$ 10,318,165

14. Inter-fund Receivables/Payables

Balances due to/from other funds at June 30, 2020 consist of the following:

Due to Risk Management Fund for temporary coverage of grant eligible expenditures yet to be reimbursed by the grant agency for Hazardous Mitigation Hurricane Matthew Buyout, GIG East Exchange Building Renovation, and City-wide Greenway System.

Non-major Governmental	\$ <u>720,343</u>
Total	\$ <u>720,343</u>

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Advance Loans between funds:

In fiscal years 2008 and 2009, funds were loaned in the amount of \$1,980,000 and \$1,250,000, respectively, to the Broadband Fund from the Gas Fund to help fund expenditures in the initial startup years of this enterprise. The term over which the loan is scheduled to be re-paid is 15 years, commencing FY 2014 and ending FY 2029.

The amount Due to Gas Fund for Advance Loans between funds at June 30, 2020 is \$2,110,910 due from the Broadband fund.

15. Commitments and Contingencies

The City is involved in litigation for several general liability claims. The City intends to defend the cases vigorously. The City also believes the ultimate resolution of the proceedings is not likely to have a material adverse impact on its financial position.

North Carolina Eastern Municipal Power Agency

On July 13, 1981 the City entered into a fifty-year contract with the North Carolina Eastern Municipal Power Agency (the Power Agency) to purchase electric power. The Power Agency is organized as a public body under the laws of the State of North Carolina. The Power Agency is authorized to study, plan, finance, construct, reconstruct, acquire, improve, enlarge, extend, better, own, operate, and maintain systems or facilities or any interest therein for the generation, transmission and/or transformation, of electric power and energy and is authorized to sell for resale electric power and energy.

The City has agreed to purchase its share (15.5%) of the Power Agency output and to charge rates for electric power and energy sold sufficient to provide revenues adequate to meet its obligation to the Power Agency.

The obligation of the City to purchase electric power is an operating expense of the Electric Fund and is payable solely from the revenues of the Electric Fund.

Construction Projects

At June 30, 2020, the City is obligated for \$2,943,795 in commitments for construction project contracts. The commitments are fully budgeted.

Federal and State Assisted Programs

The City 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.

16. Risk Management

The City 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. Losses from asserted claims and from unasserted claims identified under the City's incident reporting system are accrued based on estimates that incorporate the City's past experience, as well as other considerations including the nature of each claim and relevant trend factors.

The City has established the following funds to account for and finance its uninsured risks of loss.

Group Insurance Benefits Fund

The City has established a limited risk management program (an internal service fund) for employees' health, dental, vision, and life insurance benefits. Premiums are paid into the Group Insurance Benefits Internal Service Fund by all other funds and are available to pay claims and administrative costs of the program. During fiscal year 2020, a total of \$12,312,057 (cash basis) was incurred for medical benefits and administrative costs.

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An excess coverage health insurance policy covers individual medical claims in excess of \$160,000 per employee. Incurred but not reported claims of \$1,175,000 and reported claims of \$233,937 have been accrued as liabilities at June 30, 2020. Inter-fund premiums are based primarily upon the insured fund's claims experience and are reported as inter-fund services provided and used.

During the year there was no significant decrease in insurance coverage, nor have there been any settlements in excess of insurance coverage for the past three years.

Risk Management Fund

The City has established a Risk Management Fund (an internal service fund) to account for and finance its uninsured risk of loss. In fiscal year 2019-2020 the Risk Management Fund provided coverage for up to a maximum of \$750,000 for each worker's compensation claim, a maximum of \$500,000 for automobile and general liability claims, a \$500,000 maximum for property and casualty claims and police officer and public official liability claims, a \$25,000 maximum for property loss coverage, \$100,000 for windstorm/hail damage, \$100,000 for flood insurance claims not covered with the NFIP, and a \$5,000 maximum for National Flood Insurance Plan (NFIP) flood insurance claims in zone AE. City employees are covered under a blanket dishonesty bond through our employee dishonesty coverage. The deductible for this \$500,000 coverage is \$5,000. Additionally, the Chief Financial Officer is bonded for \$250,000. The \$5,000 deductible for flood insurance applies to those properties insured through the NFIP. Because the City has been designated to be in an "A" area (close to a river, lake or stream) by the Federal Emergency Management Agency, the City is eligible to purchase coverage up to \$500,000 per structure through the NFIP. Comprehensive and collision losses for most vehicles are self-insured. The City purchases commercial insurance for claims in excess of coverage provided by the Risk Management Fund. Settled claims have not exceeded insurance coverage in the last three years.

All funds participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to maintain an adequate reserve for catastrophic losses. Accrued liabilities as of June 30, 2020 included \$821,483 for incurred but not reported claims and \$33,351 for reported claims. The reserve as of June 30, 2020 was \$7,039,415 as reported as total net position of the Risk Management Fund.

The claims liability reported at June 30, 2020 for each fund, if any, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in Risk Management Claims Liability amounts for the years ended June 30, 2020 and 2019 were as follows:

<u>Fiscal Year</u>	<u>Group Insurance Benefits Fund</u>	<u>Risk Management Fund</u>
June 30, 2020		
Insurance claims payable, Beginning of year	\$ 1,748,427	\$ 1,134,519
Claims and changes in estimates	11,546,115	1,287,347
Claim payments	<u>(11,885,605)</u>	<u>(1,567,032)</u>
Insurance claims payable, end of year	<u>\$ 1,408,937</u>	<u>\$ 854,834</u>
June 30, 2019		
Insurance claims payable, Beginning of year	\$ 1,444,307	\$ 1,238,491
Claims and changes in estimates	11,289,616	(826,610)
Claim payments	<u>(10,985,496)</u>	<u>722,638</u>
Insurance claims payable, end of year	<u>\$ 1,748,427</u>	<u>\$ 1,134,519</u>

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17. Related Organizations

Wilson Housing Authority

The City Council appoints the five-member board of the Wilson Housing Authority. The City's accountability does not extend beyond making these appointments. The Wilson Housing Authority makes payments in lieu of property taxes to the City. The City recorded revenue of \$11,630 for the year ended June 30, 2020. Complete financial statements for the Housing Authority can be obtained from the Authority's office at 301 East Nash Street, Wilson, North Carolina 27893.

18. Joint Ventures

Wilson Economic Development Council

The City is a participant with the County of Wilson (County) in a joint venture, the Wilson Economic Development Council (the Council), to promote industrial and commercial development of the City and the County of Wilson. A nine-member board composed of four appointees from the City, four appointees from the County, and a chairman from either the City or County, based on election by the board, manages the Council. The by-laws of the Council state that the City and County are to provide funding for the financial requirements and operations of the Council. In accordance with the joint venture agreement, the City contributed \$350,800 to the Council for the year ended June 30, 2020. The participating governments do not have any equity interest in the joint venture. Accordingly, no equity interest has been reflected in the financial statements at June 30, 2020. Complete financial statements for the Council can be obtained from the Council's administrative office at 219 Barnes Street, Wilson, North Carolina 27894-0728.

Rocky Mount - Wilson Airport Authority

The City is a participant with the County of Wilson, City of Rocky Mount, County of Edgecombe and County of Nash in a joint venture to operate the Rocky Mount - Wilson Airport Authority (the Authority) for the joint benefit of all co-sponsors. Upon dissolution of the Authority, the assets would be shared in proportion to each sponsor's original contribution. The city's initial contribution totaled \$200,000, which represents two-sevenths of the total contribution. A seven-member board governs the Authority, two from each City and one from each County. All co-sponsors are obligated by contract to contribute funds on an annual basis, as needed, to enable the Authority to operate the airport. The City contributed \$355,040 to the Authority during the year ended June 30, 2020. The participating governments have an equity interest in the joint venture. The City has a share of 29% in the joint venture, and accordingly, an equity interest has been reflected in the City's financial statements in the Statement of Net Position as a non-current asset in the amount of \$4,264,882 at June 30, 2020. This amount represents 29% of the net position of the Authority shown in their draft audited financial statement report dated June 30, 2019. Complete financial statements for the Authority can be obtained from the Authority's administrative office at 250 Airport Drive, Elm City, North Carolina 27822.

19. Jointly Governed Organizations

North Carolina Eastern Municipal Power Agency

The City, in conjunction with 32 other local governments, is a member of the North Carolina Eastern Municipal Power Agency (the Agency). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency's governing board. The 32 members, who receive power from the Agency, have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement or residual interest. The City's purchases of power for the year ended June 30, 2020 were \$79,610,395.

Upper Coastal Plain Council of Governments

The City, in conjunction with five counties and 35 other municipalities established the Upper Coastal Plain Council of Governments (the 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.

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The City received \$10,001 in grants from the Council and expenditures to the Council for dues and professional services totaled \$22,377 during the fiscal year ended June 30, 2020.

Electricities of North Carolina, Inc.

Electricities of North Carolina, Inc. is a nonprofit organization which provides support to 64 municipally owned electric utilities, and represents member interest in legislative and regulatory matters. The City paid dues and training costs of \$18,355 to Electricities of North Carolina, Inc. during the fiscal year ended June 30, 2020.

20. Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact City revenues. At the current time, we are unable to quantify the potential effects of this pandemic.