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**Town of Winfall**

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**Winfall, North Carolina**

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**Audit Report**

**June 30, 2020**

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# **TOWN OF WINFALL**

## **WINFALL, NORTH CAROLINA**

### **TOWN OFFICIALS**

#### **Mayor**

Frederick Yates

#### **Town Commissioners**

Kenneth Rominger- Mayor Pro Team

Virginia Harvey

Carol Cooper

Arnetta Ormond

#### **Town Clerk**

Valerie Jackson

Town of Winfall, North Carolina  
Table of Contents  
June 30, 2020

	<u>Exhibit/ Schedule Number</u>	<u>Page</u>
<b>Financial Section:</b>		
<b>Independent Auditor's Report</b>		1
<b>Management's Discussion and Analysis</b>		3
<b>Basic Financial Statements:</b>		
I. Government-Wide Financial Statements:		
Statement of Net Position	A-1	10
Statement of Activities	A-2	11
II. Fund Financial Statements:		
Balance Sheet - Governmental Funds	A-3	12
Reconciliation of Governmental Funds Balance Sheet with Statement of Net Position	A-4	13
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	A-5	14
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities	A-6	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	A-7	16
Statement of Net Position - Proprietary Funds	A-8	17
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	A-9	18
Statement of Cash Flows - Proprietary Funds	A-10	19
III. Notes to the Financial Statements		20

Town of Winfall, North Carolina  
Table of Contents  
June 30, 2020

	<u>Exhibit/ Schedule Number</u>	<u>Page</u>
<b>Required Supplemental Financial Data:</b>		
Schedule of Proportionate Share Net Position Liability Assets - Local Government Employees' Retirement System	1	39
Schedule of Contributions - Local Government Employees' Retirement System	2	40
<b>Individual Fund Statements and Schedules:</b>		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	3	41
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP) - Water & Sewer Fund	4	45
<b>Other Schedules:</b>		
Schedule of Ad Valorem Taxes Receivable	5	47
Analysis of Current Year Levy - General Fund Property Tax	6	48

# LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winfall, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each

*Member:*

American Institute of Certified Public Accountants, NC Association of Certified Public Accountants  
AICPA – Governmental Audit Quality Center

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major fund, and the aggregate remaining funds of Town of Winfall, North Carolina as of June 30, 2020, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 41 and 42, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

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

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Larry E. Carpenter, CPA, PA*

Greenville, NC  
September 9, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the Town of Winfall, we offer readers of the Town of Winfall's financial statements this narrative overview and analysis of the financial activities of the Town of Winfall for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### ***Financial Highlights***

- The assets and deferred outflows of resources of the Town of Winfall exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,013,624 (*net position*).
- The government's total net position decreased by \$179,727, primarily due to an increase in both the governmental and the business-type activities net position.
- As of the close of the current fiscal year, the Town of Winfall's governmental funds reported combined ending fund balances of \$252,505 with a net change decrease of \$33,485 in fund balance. Approximately 67.66% percent of this total amount, or \$170,836, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$170,836, or 26.73% percent of total general fund expenditures for the fiscal year.
- At the end of the current fiscal year, the Town of Winfall had Restricted Reserves of \$17.
- The Town's total debt decreased by \$69,700 during the current fiscal year.

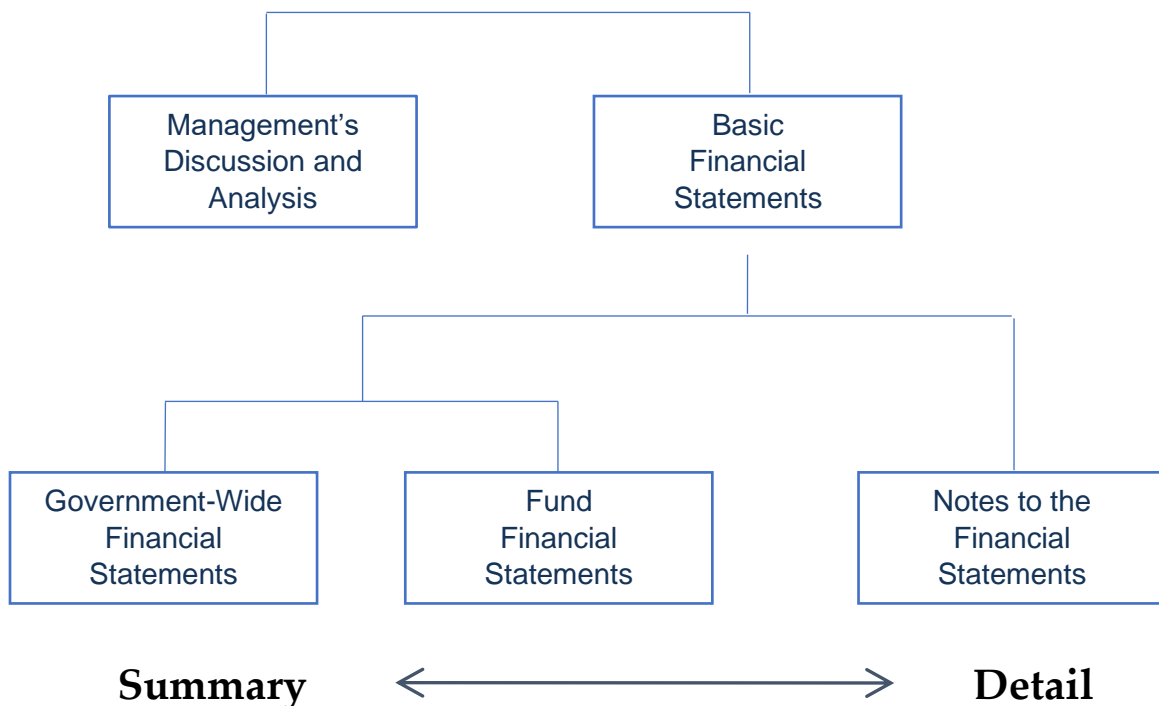
### ***Overview of the Financial Statements***

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



## Components of the Annual Financial Report

Figure 1:



### **Basic Financial Statements**

The first two statements (Exhibits A-1 and A-2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status. The next statements (Exhibits A-3 through A-9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

### **Government-wide financial statements**

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, cultural and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Winfall.

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

### **Fund Financial Statements**

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

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

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

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

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Winfall's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 41 of this report.

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

**Town of Winfall's Net Position  
 Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 302,379	\$ 319,238	\$ 104,990	\$ 138,206	\$ 407,369	\$ 457,444
Pension assets	-	-	-	-	-	-
Capital assets	683,027	710,984	4,844,737	4,998,811	5,527,764	5,709,795
Deferred outflows of resources	31,421	17,948	-	-	31,421	17,948
Total assets and deferred outflows of resources	1,016,827	1,048,170	4,949,727	5,137,017	5,966,554	6,185,187
Current liabilities	43,967	32,803	85,755	91,510	129,722	124,313
Noncurrent liabilities	33,863	9,489	-	-	33,863	9,489
Deferred inflows of resources	-	49	-	-	-	49
Total liabilities and deferred inflow of resources	77,830	42,341	85,755	91,510	163,585	133,851
Net investment in capital assets	418,551	421,808	4,251,228	4,363,302	4,669,779	4,785,110
Restricted	81,669	79,553	-	-	81,669	79,553
Unrestricted	199,941	239,992	62,235	88,696	262,176	328,688
Total net position	\$ 700,161	\$ 741,353	\$ 4,313,463	\$ 4,451,998	\$ 5,013,624	\$ 5,193,351

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Winfall exceeded liabilities by \$5,013,624 as of June 30, 2020. The Town's net position decreased by \$179,727 for the fiscal year ended June 30, 2020. However, the largest portion, \$4,669,779 or 93.14% reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Winfall uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Winfall's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Winfall's net position, \$51,923 or 0.07% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$262,176 or 76.26% is unrestricted.

**Town of Winfall's Changes in Net Position**

**Figure 3**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 38,677	\$ 40,590	\$ 211,064	\$ 216,421	\$ 249,741	\$ 257,011
Operating grants and contributions	41,321	94,555	-	-	41,321	94,555
Capital grants and contributions	75,461	-	-	-	75,461	-
General revenues:						
Property taxes	244,510	205,363	-	-	244,510	205,363
Other taxes	205,239	2,148	-	-	205,239	2,148
Grants and Contributions not Restricted to Specific Programs	-	-	-	-	-	-
Investment earnings	473	-	-	-	473	-
Other	7,500	194,344	-	-	7,500	194,344
Total revenues	613,181	537,000	211,064	216,421	824,245	753,421
<b>Expenses:</b>						
General government	296,499	216,097	-	-	216,097	216,097
Public safety	199,358	131,820	-	-	131,820	131,820
Transportation	107,190	91,227	-	-	91,227	91,227
Economic and physical development	-	-	-	-	-	-
Environmental protection	38,350	41,244	-	-	41,244	41,244
Culture and recreation	-	-	-	-	-	-
Interest on long-term debt	12,976	11,369	-	-	11,369	11,369
Sewer	-	-	349,599	323,165	349,599	323,165
Total expenses	654,373	491,757	349,599	323,165	1,003,972	814,922
Increase (decrease) in Net Position	(41,192)	45,243	(138,535)	(106,744)	(179,727)	(61,501)
Transfers	-	-	-	-	-	-
Increase (decrease) in Net Position	(41,192)	45,243	(138,535)	(106,744)	(179,727)	(61,501)
Net Position, July 1	741,353	696,110	4,451,998	4,558,742	5,193,351	5,254,852
Net Position, restated	-	-	-	-	-	-
Net Position, June 30	\$ 700,161	\$ 741,353	\$ 4,313,463	\$ 4,451,998	\$ 5,013,624	\$ 5,193,351

**Governmental activities:** Governmental activities decreased the Town net assets by \$41,192. Key elements of the increase are as follows:

- Tax Revenues remained steady

**Business-type activities:** Business-type activities decreased the Town of Winfall's net position by \$138,535, accounting for 3.35% of the decrease in the government's net assets.

**Proprietary Funds.** The Town of Winfall proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer at the end of the fiscal year amounted to \$4,313,463. The total decrease in net position was \$138,535.

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

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

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

The general fund is the chief operating fund of the Town of Winfall. At the end of the current fiscal year, the Town of Winfall's fund balance available in the General Fund was \$170,836, while total fund balance reached \$252,505. The Town currently has an available fund balance of 26.73% of general fund expenditures, while total fund balance represents 39.50% of the same amount.

At June 30, 2020, the governmental funds of the Town of Winfall reported a combined fund balance of \$252,505 with a net decrease in fund balance of \$33,485.

The North Carolina Local Government Commission strongly recommends that local governments maintain an undesignated fund balance of at least 8% of general fund expenditures. Undesignated fund balance is a sub classification of unassigned fund balance after consideration for management's policy designations.

### General Fund Budgetary Highlights

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

### Capital Asset and Debt Administration

**Capital Assets.** The Town of Winfall's Investment in Capital Assets for Its Governmental and Business—Type Activities as of June 30, 2020, totaled \$683,027 (*Net of Accumulated Depreciation*). These Assets Include Buildings, Roads and Bridges, Land, Machinery and Equipment, Park facilities, and vehicles.

### Town of Winfall's Capital Assets (Net of Accumulated Depreciation)

Figure 4

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Land	\$ 197,300	\$ 197,300	\$ -	\$ -	\$ 197,300	\$ 197,300
Buildings	416,299	429,551	-	-	416,299	429,551
Equipment	27,631	35,509	4,844,737	4,998,811	4,872,368	5,034,320
Vehicles	41,797	48,624	-	-	41,797	48,624
Total	\$ 683,027	\$ 710,984	\$ 4,844,737	\$ 4,998,811	\$ 5,527,764	\$ 5,709,795

**Long-term Debt.** The Town's total debt decreased by \$69,700 during the past fiscal year.

North Carolina general statutes limits the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the Town of Winfall is \$2,313,111. The Town has not bond authorized but unissued at June 30, 2020.

Additional information regarding the Town of Winfall's long-term debt can be found in note III on page 42 of this report.

**Town of Winfall's Outstanding Debt**  
**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ -	\$ -	\$ 309,500	\$ 319,000	\$ 309,500	\$ 319,000
Installment Purchases	264,476	289,176	284,009	316,509	548,485	605,685
Pensions related debt (LGERS)	33,863	9,489	-	-	33,863	9,489
Capital leases	-	-	-	-	-	-
Total	298,339	298,665	593,509	635,509	891,848	934,174

**Economic Factors and Next Year's Budget and Rates**

The following key economic indicators reflect the general condition of the Town. The economic crisis of prior years continues to contribute to the factors below:

- High unemployment, an aged population, no industrial development, and very little retail business help to create a situation where the Town's customer base is eroded. The resulting ratio of expense versus revenue creates a difficult situation in keeping rates and fees low while maintaining an adequate level of service. In addition, most residents are on fixed income.

**Budget Highlights for the Fiscal Year Ending June 30, 2020**

Tax revenues along with other general fund revenues are expected to remain constant and no property tax rate increase is being considered at this time. Water and Sewer and expenditures are expected to remain constant so no increase or decrease in rate is being considered at this time.

**Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

**Finance Officer**  
**Town of Winfall**  
**100 Parkview Lane**  
**Winfall, North Carolina 27985**

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**Town of Winfall, North Carolina**  
**Statement of Net Position**  
**June 30, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 184,506	\$ 24,511	\$ 209,017
Taxes receivable, net	36,204	--	36,204
Accounts receivable, net	12,274	37,606	49,880
Due from other governments	39,632	--	39,632
Prepaid	--	1,728	1,728
Restricted cash and cash equivalents	29,763	42,145	71,908
<b>Total Current Assets</b>	<b>302,379</b>	<b>105,990</b>	<b>408,369</b>
<i>Noncurrent Assets</i>			
Land and other nondepreciable assets	197,300	--	197,300
Other capital assets, net of depreciation	485,727	4,844,737	5,330,464
<b>Total Assets</b>	<b>985,406</b>	<b>4,950,727</b>	<b>5,936,133</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Aggregated deferred outflows	31,421	--	31,421
<b>Total Deferred Outflows of Resources</b>	<b>31,421</b>	<b>--</b>	<b>31,421</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities	13,670	1,610	15,280
Customer deposits	--	42,145	42,145
Accrued interest payable	4,657	--	4,657
Current portion of long-term debt	25,640	42,000	67,640
<b>Total Current Liabilities</b>	<b>43,967</b>	<b>85,755</b>	<b>129,722</b>
<i>Noncurrent Liabilities</i>			
Due in more than one year	238,836	551,509	790,345
Net pension liability	33,863	--	33,863
<b>Total Liabilities</b>	<b>316,666</b>	<b>637,264</b>	<b>953,930</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Aggregated deferred inflows	--	--	--
<b>Total Deferred Inflows of Resources</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>NET POSITION</b>			
Net investment in capital assets	418,551	4,251,228	4,669,779
<i>Restricted for:</i>			
Stabilization by State Statute	51,906	--	51,906
Streets	17	--	17
USDA Reserve	29,746	--	29,746
<i>Unrestricted</i>	199,941	62,235	262,176
<b>Total Net Position</b>	<b>\$ 700,161</b>	<b>\$ 4,313,463</b>	<b>\$ 5,013,624</b>

*The accompanying notes are an integral part of the financial statements.*

**Statement of Activities  
For the Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
General government	296,499	775	7,050	--	(288,674)	--	(288,674)
Public safety	\$ 199,358	\$ 2,700	\$ 15,548	\$ --	\$ (181,110)	\$ --	\$ (181,110)
Transportation	107,190	2,118	18,723	--	(86,349)	--	(86,349)
Environmental protection	38,350	33,084	--	--	(5,266)	--	(5,266)
Interest and other charges	12,976	--	--	--	(12,976)	--	(12,976)
<b>Total Governmental Activities</b>	<b>654,373</b>	<b>38,677</b>	<b>41,321</b>	<b>--</b>	<b>(574,375)</b>	<b>--</b>	<b>(574,375)</b>
<b>Business-type Activities:</b>							
Sewer	349,599	211,064	--	--	--	(138,535)	(138,535)
<b>Total Business-type Activities</b>	<b>349,599</b>	<b>211,064</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(138,535)</b>	<b>(138,535)</b>
<b>Total Primary Government</b>	<b>\$ 1,003,972</b>	<b>\$ 249,741</b>	<b>\$ 41,321</b>	<b>\$ --</b>	<b>\$ (574,375)</b>	<b>\$ (138,535)</b>	<b>\$ (712,910)</b>
<b>General Purpose Revenues and Transfers:</b>							
<b>Revenues</b>							
Ad valorem taxes					244,510	--	244,510
Unrestricted intergovernmental					203,514	--	203,514
Restricted intergovernmental					75,461	--	75,461
Other taxes					1,725	--	1,725
Investment earnings					473	--	473
Miscellaneous Income					7,500	--	7,500
<b>Transfers</b>					<b>--</b>	<b>--</b>	<b>--</b>
<b>Total General Revenues and Transfers</b>					<b>533,183</b>	<b>--</b>	<b>533,183</b>
<b>Change in Net Position</b>					<b>(41,192)</b>	<b>(138,535)</b>	<b>(179,727)</b>
<i>Net Position at Beginning of Period</i>					741,353	4,451,998	5,193,351
<b>Net Position at End of Period</b>					<b>\$ 700,161</b>	<b>\$ 4,313,463</b>	<b>\$ 5,013,624</b>

The accompanying notes are an integral part of the financial statements.

## **Fund Financial Statement**

**Town of Winfall, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2020**

	<b>Major Fund</b>
	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 184,506
Taxes receivable, net	36,204
Accounts receivable, net	12,274
Due from other governments	39,632
Restricted cash and cash equivalents	29,763
<b>Total Assets</b>	<b>302,379</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Aggregated deferred outflows	--
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 302,379</b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 13,670
<b>Total Liabilities</b>	13,670
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Aggregated deferred inflows	36,204
<b>Total Liabilities and Deferred Inflows of Resources</b>	49,874
<b>FUND BALANCE</b>	
Restricted	
Stabilization by State Statute	51,906
Streets	17
USDA Reserve	29,746
Unassigned	170,836
<b>Total Fund Balance</b>	252,505
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 302,379</b>

*The accompanying notes are an integral part of the financial statements.*

**Town of Winfall, North Carolina**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2020**

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total Fund Balance - Governmental Funds	\$	252,505
Some liabilities, including accrued interest payable not paid in the current period and therefore are not reported in the funds.		(4,657)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		711,783
Net Pension Liability		(33,863)
Long-term liabilities used in governmental activities are not financial uses and, therefore are not reported in the funds.		(264,476)
Deferred outflows of resources related to pensions are not reported in the funds		31,421
Earned revenues considered deferred inflows of resources in fund statements.		7,447
<b>Total Net Position-Governmental Funds</b>	<b>\$</b>	<b><u>700,161</u></b>

*The accompanying notes are an integral part of the financial statements.*

**Town of Winfall, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

	<b>Major Fund</b>
	<b>General Fund</b>
<b>Revenues</b>	
Ad valorem taxes	\$ 237,063
Unrestricted intergovernmental	203,514
Restricted intergovernmental	116,782
Other taxes	1,725
Sales and services	38,677
Miscellaneous Income	7,500
Investment earnings	473
<b>Total Revenues</b>	<b>605,734</b>
<b>Expenditures</b>	
General government	273,990
Public safety	185,490
Transportation	104,757
Environmental protection	38,350
Principal	24,700
Interest and other charges	11,932
<b>Total Expenditures</b>	<b>639,219</b>
<b>Net Change in Fund Balance</b>	<b>(33,485)</b>
<i>Fund Balance at Beginning of Period</i>	285,990
<b>Fund Balance at End of Period</b>	<b>\$ 252,505</b>

*The accompanying notes are an integral part of the financial statements.*

**Town of Winfall, North Carolina**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended June 30, 2020**

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

Total Net Change in Fund Balances - Governmental Funds	\$	(33,485)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		23,656
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
		(27,957)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		7,446
Pension expense		(10,852)
<b>Changes in Net Position-Governmental Funds</b>	<b>\$</b>	<b><u>(41,192)</u></b>

*The accompanying notes are an integral part of the financial statements.*

**Town of Winfall, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Ad valorem taxes	\$ 235,250	\$ 235,000	\$ 237,063	\$ 2,063
Unrestricted intergovernmental	186,900	186,900	203,514	16,614
Restricted intergovernmental	114,580	121,630	116,782	(4,848)
Other taxes	2,400	2,400	1,725	(675)
Sales and services	44,350	44,350	38,677	(5,673)
Miscellaneous Income	4,000	4,250	7,500	3,250
Investment earnings	--	--	473	473
<b>Total Revenues</b>	587,480	594,530	605,734	11,204
<b>Other Financing Sources</b>				
<b>Total Revenues and Other Financing Sources</b>	587,480	594,530	605,734	11,204
<b>Expenditures</b>				
General government	217,040	224,090	273,990	(49,900)
Public safety	190,450	190,000	185,490	4,510
Transportation	106,500	106,500	104,757	1,743
Environmental protection	37,000	37,000	38,350	(1,350)
Principal	24,490	24,940	24,700	240
Interest and other charges	12,000	12,000	11,932	68
<b>Total Expenditures</b>	587,480	594,530	639,219	(44,689)
<b>Other Financing Uses</b>				
<b>Total Expenditures and Other Financing Uses</b>	587,480	594,530	639,219	(44,689)
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	--	--	(33,485)	(33,485)
<b>Net Change in Fund Balance</b>	\$ --	\$ --	(33,485)	\$ (33,485)
<i>Fund Balance at Beginning of Period</i>			285,990	
<b>Fund Balance at End of Period</b>			\$ 252,505	

The accompanying notes are an integral part of the financial statements.



**Town of Winfall, North Carolina**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**

Exhibit A-8

	<b>Business-type Activities - Enterprise Funds</b>
	<b>Sewer Fund</b>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 24,511
Accounts receivable, net	37,606
Prepaid	1,728
Restricted cash and cash equivalents	42,145
<b>Total Current Assets</b>	<b>105,990</b>
<i>Noncurrent Assets</i>	
Other capital assets, net of depreciation	4,844,737
<b>Total Assets</b>	<b>4,950,727</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Aggregated deferred outflows	--
<b>Total Deferred Outflows of Resources</b>	<b>--</b>
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Accounts payable and accrued liabilities	1,610
Customer deposits	42,145
Current portion of long-term debt	42,000
<b>Total Current Liabilities</b>	<b>85,755</b>
<i>Noncurrent Liabilities</i>	
Due in more than one year	551,509
<b>Total Liabilities</b>	<b>637,264</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Aggregated deferred inflows	--
<b>Total Deferred Inflows of Resources</b>	<b>--</b>
<b>NET POSITION</b>	
Net investment in capital assets	4,251,228
<i>Unrestricted</i>	62,235
<b>Total Net Position</b>	<b>\$ 4,313,463</b>

The accompanying notes are an integral part of the financial statements.

**Town of Winfall, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

	<b>Business-type Activities - Enterprise Funds</b>
	<b>Sewer Fund</b>
<b>Operating Revenues</b>	
Sales and services	\$ 211,064
<b><i>Total Operating Revenues</i></b>	<b>211,064</b>
<b>Operating Expenses</b>	
Water and sewer operations	176,741
Depreciation	154,072
<b><i>Total Operating Expenses</i></b>	<b>330,813</b>
<b><i>Operating Income (Loss)</i></b>	<b>(119,749)</b>
<b>Non-Operating Revenues (Expenses)</b>	
Interest and other charges	(18,786)
<b><i>Net Non-Operating Revenues (Expenses)</i></b>	<b>(18,786)</b>
<b><i>Change In Net Position</i></b>	<b>(138,535)</b>
<i>Net Position at Beginning of Period</i>	4,451,998
<b><i>Net Position at End of Period</i></b>	<b>\$ 4,313,463</b>

The accompanying notes are an integral part of the financial statements.

**Town of Winfall  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2020**

	<b>Enterprise Funds</b>
	<b>Water &amp; Sewer Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 211,964
Cash paid for goods and services	( 160,550 )
Cash paid to/on behalf of employees	( 23,401 )
Customer deposits, net	1,455
Net cash provided (used) by operating activities	29,468
<b>Cash Flows from Noncapital Financing Activities:</b>	
Transfers to (from) other funds	-
<b>Cash Flows From Capital and Related Financing Activities</b>	
Principal paid on bond maturities and equipment contracts	( 42,000 )
Intgerest expense	( 20,512 )
Net cash provided (used) by capital and related financing activities	( 62,512 )
<b>Cash Flows from Investing Activities:</b>	
Investment income received	-
Net increase (decrease) in cash and cash equivalents	( 33,044 )
<b>Cash and Cash Equivalents - Beginning of Year</b>	99,700
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 66,656</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ (119,749)
Depreciation	154,072
Change in assets and liabilities:	
(Increase) decrease in accounts receivables	900
Increase (decrease) in accounts payable and accrued liabilities	( 7,210 )
Increase (decrease) in customer deposits	1,455
Net cash provided (used) by operating activities	<b>\$ 29,468</b>

*The accompanying notes are an integral part of the financial statements.*

## **Notes to The Financial Statements**

**Town of Winfall, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Winfall conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The Town of Winfall is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the financial information of the Town.

**B. Basis of Presentation**

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

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

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

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

**Town of Winfall, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

The Town reports the following major governmental fund:

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses.

The Town reports the following major enterprise fund:

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

***C. Measurement Focus and Basis of Accounting***

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

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

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

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

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

**Town of Winfall, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

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

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

***D. Budgetary Data***

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. 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 fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. The Town Manager has the authority to amend appropriations within departments. All other amendments must be approved by the governing board.

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

***1. Deposits and Investments***

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

State law [G.S. 159-30(c)], authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper

**Town of Winfall, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

**2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**3. Restricted Assets**

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening local streets per G.S. 136-41.1 through 136-41.4. Customer deposits within the Sewer Fund are classified as restricted cash because they must be returned to the customer at the conclusion of service.

<b>Governmental Activities:</b>	
General Fund	
Streets	\$ 17
USDA reserve	29,746
Total governmental activities	\$ 29,763
 <b>Business-type activities:</b>	
Sewer Fund	\$ 42,145
Total Business-type Activities	42,145
Total Restricted Cash	\$ 71,908

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**5. Allowances for Doubtful Accounts**

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

**6. Inventory & Prepaid Items**



**Town of Winfall, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20
Buildings	30
Improvements	25
Vehicles	5
Furniture and equipment	7-10
Computer equipment	3
Computer software	5

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category—property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

**9. Long-Term Obligations**

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

**Town of Winfall, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

over the life of the debt.

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

**10. *Compensated Absences***

The vacation policies of the Town states that vacation leave accumulated during the year shall not be carried over from one year to the next. However, the Town's policy also states that no employee shall lose leave based on previous leave accrual programs but shall maintain that annual accrual rate until they retire or leave the Town or qualify for additional leave based on this accrual rate. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a last-in, first-out method of using accumulated compensated time. No portion of this liability has been designated as a current liability in the government-wide statements based on the Town's vacation policies.

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

**11. *Net Position/Fund Balances***

*Net Position*

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

*Fund Balances*

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

*Nonspendable Fund Balance* — This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town does not have any nonspendable fund balances for the governmental fund types.

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

**Town of Winfall, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

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

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

*USDA Reserve*- USDA debt covenants require that the Town restrict the amount equal to one year of debt payments for each loan with the USDA over a ten-year period. This amount represents the balance of three loan payments due with the USDA.

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

*Assigned Fund Balance* — portion of fund balance that the Town of Winfall intends to use for specific purposes.

*Subsequent years' expenditures*— portion of fund balance that is appropriated in the next years' budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

## **12. Pensions**

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

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSQPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Town of Winfall, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

**NOTE II—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

**1. Noncompliance with North Carolina General Statutes**

NONE

**2. Contractual Violations**

NONE

**3. Deficit in Fund Balance or Net Position of Individual Funds**

NONE

**4. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2020, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for general government activities by \$49,900 and environmental protection by \$1,350, respectively. This over-expenditure in the general government occurred due to additional cost for payroll, professional fees, and supplies. The over-expenditures in environmental protection was due to an increase in costs. Management and the Board will more closely review the budget reports to ensure compliance in future years.

**NOTE III — DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits**

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City these deposits are considered to be held by the City's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The 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. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

**Town of Winfall, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

At June 30, 2020, the Town's deposits had a carrying amount of \$275,815 and a bank balance of \$284,444. Of the bank balance \$250,00 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Petty cash was \$200.

**2. Investments**

At June 30, 2020, the Town of Winfall had \$4,910 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

**3. Receivables — Allowance for Doubtful Accounts**

General Fund:	
Taxes receivable	\$ 833
Accounts receivable	4,163
Enterprise Fund:	
Accounts receivables	-
Total	-
Grand Total	<u>\$ 4,996</u>

**Town of Winfall, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

**4. Capital Assets**

**Governmental Capital Assets**

**General Fund Capital Assets**

A summary of changes in the Town's capital assets used in governmental activities follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 197,300	\$ -	\$ -	\$ 197,300
Total capital assets not being depreciated	197,300	-	-	197,300
<b>Capital assets being depreciated:</b>				
Buildings	757,856	-	-	757,856
Equipment	235,367	-	-	235,367
Vehicles	932,314	-	-	932,314
Total capital assets being depreciated	1,925,537	-	-	1,925,537
<b>Less accumulated depreciation for:</b>				
Buildings	328,305	13,252	-	341,557
Equipment	199,858	7,878	-	207,736
Vehicles	883,690	6,827	-	890,517
Total accumulated depreciation	1,411,853	<u>\$ 27,957</u>	<u>\$ -</u>	1,439,810
Total capital assets being depreciated, net	513,684			485,727
<b>Governmental activity capital assets, net</b>	<u>\$ 710,984</u>			<u>\$ 683,027</u>

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

<b>Governmental Activities:</b>	
General government	\$ 11,656
Public Safety	13,868
Transportation	2,433
Total	<u>\$ 27,957</u>

**Enterprise Fund Capital Assets.**

A summary of changes in the Town's capital assets used in business-type activities follows:

**Town of Winfall, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	7,788,988	-	-	7,788,988
Equipment and Furniture	15,700	-	-	15,700
Vehicles	11,890	-	-	11,890
Total capital assets being depreciated	<u>7,816,578</u>	<u>-</u>	<u>-</u>	<u>7,816,578</u>
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	2,790,177	154,072	-	2,944,249
Equipment and Furniture	15,700	-	-	15,700
Vehicles	11,892	-	-	11,892
Total accumulated depreciation	<u>2,817,769</u>	<u>\$ 154,072</u>	<u>\$ -</u>	<u>2,971,841</u>
Total capital assets being depreciated, net	<u>4,998,809</u>			<u>4,844,737</u>
<b>Sewer Capital Assets, Net</b>	<u>\$4,998,809</u>			<u>\$ 4,844,737</u>

**B. Liabilities**

**1. Pension Plan Obligations**

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

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

**Town of Winfall, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Winfall employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Winfall's contractually required contribution rate for the year ended June 30, 2020, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Winfall were \$8,041 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$33,863 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, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.00124% which was an increase of 0.00084% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Town recognized pension expense of \$19,347. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to



**Town of Winfall, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 5,798	\$ -
Changes of assumptions	5,519	-
Net difference between projected and actual earnings on pension plan investments	826	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,782	-
Employer contributions subsequent to the measurement date	8,496	-
Total	<u>\$ 31,421</u>	<u>\$ -</u>

\$31,421 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2020	\$ 9,876
2021	4,991
2022	5,340
2023	2,719
2024	-
Thereafter	-
	<u>\$ 22,926</u>

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

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 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.

**Town of Winfall, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income returns 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	36.00%	2.5
Global Equity	40.50%	6.1
Real Estate	8.00%	5.7
Alternative	6.50%	10.5
Credit	4.50%	6.8
Inflation Protection	4.50%	3.7
Total	100.00%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00%, as well as what the Town's proportionate share of the net pension asset or

**Town of Winfall, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

net pension liability would be if it were calculated using a discount rate that is one percentage point

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	77,452	33,863	(2,367)

lower (6.00%) or one percentage point higher (8.00%) than the current rate:

*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.

**c. Other Employment Benefits**

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

**Town of Winfall, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

**2. Deferred Outflows and Inflows of Resources**

The Town has several deferred inflows/outflows of resources.

Source	Amount
<i>Deferred outflows of resources is comprised of the following:</i>	
Differences between expected and actual experience	5,798
Changes of assumptions	5,519
Net difference between projected and actual earnings on pension plan investments	826
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,782
Town contributions subsequent to the measurement date	8,496
Total	<b>\$ 31,421</b>

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

	Unavailable Revenue	Unearned Revenue
Taxes Receivable	\$ 36,204	\$ -
Pension deferrals	-	-
Total	<b>\$ 36,204</b>	<b>\$ -</b>

**3. Fund Balance**

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

<b>Total Fund Balance-General Fund</b>	<b>\$ 252,040</b>
Less:	
Stabilization by State Statute	51,906
Streets-Powell Bill	17
USDA reserve	29,746
Working Capital / Fund Balance Policy	-
Remaining Fund Balance	170,371

**Town of Winfall, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**4. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to a \$3,701,212 limit, workers' compensation coverage up to \$3 million, employee benefits liability coverage up to \$1 million, public officials liability coverage up to \$3 million, police professional liability coverage up to \$3 million. The pools are reinsured through commercial companies for single occurrence claims against general liability and auto liability in excess of \$1 million, property liability in excess of \$500,000, public officials' liability in excess of \$1 million, police professional liability in excess of \$1 million, and workmen's compensation liability in excess of \$1 million.

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

The Town has inland marine flood insurance coverage amounts: municipal equipment of \$25,000; computer equipment and media of \$77,500; and fine arts of \$50,000.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$75,000.

**5. Long-Term Obligations**

a. Installment Purchases

Serviced by the General Fund:

In August 2017, the Town entered into a USDA installment purchase contract for \$55,000 to finance a police car and equipment. The USDA financing contract requires 7 annual payments of \$8,622 beginning August 8, 2018 with an interest rate of 2.375%. The outstanding balance at June 30, 2020 was \$40,195.

In May 2002, the Town entered into an installment purchase contract for \$175,000 to finance the construction of a municipal building. The USDA financing contract requires annual payments of \$11,239 beginning in fiscal year 2004 with an interest rate of 4.75%. The outstanding balance at June 30, 2020 was \$101,006.

In December 12, 2008, the Town entered into a USDA installment purchase contract for \$222,950 to finance a fire truck. The USDA financing contract requires annual payments of \$16,771 beginning in fiscal year 2010 with an interest rate of 4.25%. The outstanding balance at June 30, 2020 was \$123,274.

Serviced by the Sewer Fund:

**Town of Winfall, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

In June 9, 2008, the Town entered into an installment purchase contract to finance improvements to its sewer system. The PNC bank financing contract requires 180 monthly payments of \$1,728 beginning July 2008 with an interest rate of 4.23%. The outstanding balance at June 30, 2020 was \$59,009.

In June 1, 2015, the Town agreed to pay \$300,000 as its portion of the sewer system to the Town of Hertford. The agreement requires 240 monthly payments of \$1,250 beginning July 2015. The outstanding balance at June 30, 2020 was \$225,000. Interest has been forgiven.

Annual debt service payments of the Town's installment purchases as of June 30, 2020 including interest of \$68,398 are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	25,640	10,992	33,240	2,496
2022	26,619	10,013	34,011	1,725
2023	27,636	8,996	34,816	920
2024	28,696	7,936	16,942	82
2025-2028	115,838	20,883	60,000	-
2029-2032	29,362	4,355	60,000	-
Thereafter	-	-	45,000	-
<b>Total</b>	<b>\$ 253,791</b>	<b>\$ 63,175</b>	<b>\$ 284,009</b>	<b>\$ 5,223</b>

b. General Obligation Indebtness

The Town's general obligation bonds issued to finance the construction of facilities utilized in the operations of the sewer system and which are being retired by its resources are reported as long-term debt in the Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2020 are comprised of the following:

Serviced by the Sewer Fund:

USDA- Sanitary Sewer Bonds issued August 27, 2001 for \$420,000. Annual installments of \$5,000 to \$20,000 plus interest from June 1, 2002 through June 1, 2041; interest is at 4.875%. Outstanding balance at June 30, 2020 was \$309,500.

Annual debt service requirements to maturity for long-term obligations are as follows:

**Town of Winfall, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2021	9,500	15,088
2022	10,000	14,625
2023	10,000	14,138
2024	11,000	13,650
2025-2029	60,500	59,889
2030-2034	74,500	43,924
2035-2040	114,000	25,838
2041-2043	20,000	975
Total	\$ 309,500	\$ 188,126

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

**Governmental Activities:**

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
USDA police car	47,684		7,489	40,195	7,667
Municipal Building	107,156		6,149	101,007	6,441
USDA firetruck	134,336		11,062	123,274	11,532
Net Pension Liability	9,489	24,374	-	33,863	-
Total	298,665	24,374	24,700	298,339	25,640

**Business-Type Activities:**

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
PNC Sewer	76,509		17,500	59,009	18,240
Town Hertford Sewer	240,000		15,000	225,000	15,000
General Obligation Bond	319,000		9,500	309,500	9,500
Total	635,509	-	42,000	593,509	42,740

**NOTE IV —SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

***Federal and State Assisted Programs***

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

**NOTE V —SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 29, 2020, the date the financial statements were available to be issued

**REQUIRED SUPPLEMENTAL FINANCIAL DATA**



**Town of Winfall Proportionate Share of Net Pension Liability (Assets)  
Required Supplementary Information  
Last Seven Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Winfall's proportion of the net pension liability (asset) (%)	0.00124%	0.00040%	0.00072%	0.00062%	0.00053%	0.00079%	0.00060%
Winfall's proportion of the net pension liability (asset) (\$)	\$ 33,863	\$ 9,489	\$ 11,000	\$ 13,158	\$ 2,827	\$ (4,659)	\$ 7,232
Winfall's covered-employee payroll	\$ 81,244	\$ 81,009	\$ 103,643	\$ 91,879	\$ 76,744	\$ 75,791	\$ 64,524
Winfall's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	41.68%	11.71%	10.61%	14.32%	3.68%	-6.15%	11.21%
Plan fiduciary net position as a percentage of the total pension liability	93.41%	94.58%	94.18%	91.47%	98.09%	102.64%	94.35%

**Schedule 2**

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

**Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 8,496	\$ 6,586	\$ 6,673	\$ 7,851	\$ 6,673	\$ 5,549	\$ 5,396
Contributions in relation to the contractually required contributions	<u>8,496</u>	<u>6,586</u>	<u>6,673</u>	<u>7,851</u>	<u>6,673</u>	<u>5,549</u>	<u>5,396</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Winfall's covered payroll	\$ 90,263	\$ 81,244	\$ 81,009	\$ 103,643	\$ 91,879	\$ 76,744	\$ 75,791
Contributions as a percentage of covered-employee payroll	9.41%	8.11%	8.24%	7.58%	7.26%	7.23%	7.12%

## **INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

**Town of Winfall, North Carolina**  
**General Fund**  
**Schedule of Revenue, Expenditures, and Changes**  
**In Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
<b>Ad Valorem Taxes</b>			
Taxes		\$ 236,957	
Penalties and Interest		106	
Total	<u>235,000</u>	<u>237,063</u>	<u>2,063</u>
<b>Other taxes and licenses</b>			
Town tags		1,725	
Total	<u>2,400</u>	<u>1,725</u>	<u>(675)</u>
<b>Unrestricted Intergovernmental</b>			
Local option sales tax		166,086	
Utility franchise tax		34,826	
Beer & wine tax		2,602	
Total	<u>186,900</u>	<u>203,514</u>	<u>16,614</u>
<b>Restricted Intergovernmental</b>			
Powell Bill allocation		18,723	
Fire district tax		75,000	
Solid waste fees		461	
Grants		22,598	
Total	<u>121,630</u>	<u>116,782</u>	<u>(4,848)</u>
<b>Sales and Services</b>			
Police receipts		2,700	
Solid waste fees		33,084	
Mowing		2,118	
Zoning permits		450	
Facility use charges		325	
Total	<u>14,350</u>	<u>38,677</u>	<u>24,327</u>

**Town of Winfall, North Carolina**  
**General Fund**  
**Schedule of Revenue, Expenditures, and Changes**  
**In Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Investment Earnings</b>			
Interest	-	473	-
Total	-	473	473
<b>Other Revenues</b>			
Miscellaneous		7,500	
Total	4,250	7,500	3,250
<b>Total Revenue</b>	<b>\$ 564,530</b>	<b>\$ 605,734</b>	<b>\$ 40,731</b>
<b>Expenditures</b>			
<b>General Government</b>			
Governing board fees			
Governing body		\$ 17,586	
Council fees and expenditures		3,540	
Administration			
Salaries and employee benefits		119,678	
Travel		3,722	
Elections		3,494	
Professional services		55,599	
Insurance		25,963	
Office supplies		12,828	
Utilities		14,737	
Miscellaneous		16,843	
<b>Total General Government</b>	<b>224,090</b>	<b>273,990</b>	<b>(49,900)</b>

**Town of Winfall, North Carolina**  
**General Fund**  
**Schedule of Revenue, Expenditures, and Changes**  
**In Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Public Safety</b>			
Salaries and employee benefits		65,865	
Repairs and maintenance		4,778	
Vehicle Maintenance		9,077	
Office supplies		408	
Telephone & internet		1,948	
Utilities		7,683	
Dispatch		20,200	
Equipment		73,136	
Miscellaneous		2,395	
Total Public Safety	<u>190,000</u>	<u>185,490</u>	<u>4,510</u>
<b>Transportation</b>			
Salaries and employee benefits		21,844	
Repairs and maintenance		54,661	
Street lights		14,747	
Beautification expenditures		6,371	
Fuel		5,245	
Miscellaneous		1,889	
Total	<u>106,500</u>	<u>104,757</u>	<u>1,743</u>
<b>Environmental Protection</b>			
Sanitation		38,350	
Contracted Services	<u>37,000</u>	<u>38,350</u>	<u>(1,350)</u>
<b>Debt Service</b>			
Principal		24,700	
Interest		11,932	
Total debt service	<u>36,940</u>	<u>36,632</u>	<u>308</u>

**Town of Winfall, North Carolina**  
**General Fund**  
**Schedule of Revenue, Expenditures, and Changes**  
**In Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Total Expenditures</b>	594,530	639,219	(44,689)
Revenues over (under) expenditures	(30,000)	(33,485)	85,420
Total Revenue over Expenditures and Other Uses		(33,485)	(33,485)
Net change in fund balance	\$ -		\$ (33,485)
Fund balance - Beginning		285,990	
Fund balance - Ending		\$ 252,505	

**Town of Winfall, North Carolina**  
**Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Operating Revenue			
Charges for services		211,064	
Total operating revenues	<u>\$ 214,500</u>	<u>211,064</u>	<u>\$ (3,436)</u>
<b>Expenditures</b>			
Water & Sewer administration			
Salaries and employee benefits		24,981	
Outside labor coss		7,948	
Utilities		19,082	
Sewer Treatment Charges		71,703	
Repairs and Mainteance		41,842	
Office Supplies		4,815	
Telephone		5,311	
Other operating expenditures		1,059	
Total operating expenditures	<u>153,700</u>	<u>176,741</u>	<u>(23,041)</u>



**Town of Winfall, North Carolina  
Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2020**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Debt services			
Interest and other charges		18,786	
Principal retirement		32,500	
Total	60,800	51,286	9,514
Total expenditures	214,500	228,027	(13,527)
Revenues over expenditures	-	(16,963)	2,865
 <b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Principal retirement		32,500	
Depreciation expense		(154,072)	
Depreciation		(121,572)	
Changes in Net Position		\$ (138,535)	

## **OTHER SCHEDULES**

Schedule 5

**Town of Winfall, North Carolina  
General Fund  
Schedule of Ad Valorem Taxes Receivable  
For the Fiscal Year Ended June 30, 2010**

Fiscal Year	Uncollected Balance July 1, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2020	\$ -	\$ 214,049	\$ 200,763	\$ 13,286
2019	9,737		4,385	5,352
2018	4,909		829	4,081
2017	3,652		217	3,435
2016	4,046		856	3,190
2015	2,416		85	2,332
2014	1,643		300	1,343
2013	1,232		-	1,232
2012	1,504		-	1,504
2011	977		-	977
2010	307		-	307
	<u>30,423</u>	<u>214,049</u>	<u>207,435</u>	<u>37,037</u>

Less: Allowance for Uncollectible Accounts 833

Ad Valorem Taxes Receivables, Net \$ 36,204

**Reconciliation with Revenues:**

Ad Valorem Tax - General Fund	\$ 237,063
Reconciling items:	
Interest collected	(8,864)
Releases and adjustments	<u>(20,764)</u>
Total Collections and Credits	<u>207,435</u>

**Town of Winfall, North Carolina  
General Fund  
Analysis of Current Tax Levy  
For the Fiscal Year Ended June 30, 2010**

	Property Valuation	Rate per \$100	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property tax at current year's tax rate					
Net Valuation	<u>\$ 39,638,704</u>	\$ 0.54	\$ 214,049	\$ 187,668	\$ 26,381
Net levy					
Less uncollected taxes at June 30, 2019			<u>13,286</u>	<u>13,286</u>	<u>-</u>
Current year's taxes collected			<u>\$ 200,763</u>	<u>\$ 174,382</u>	<u>\$ 26,381</u>
Current levy collection percentage			<u>93.79%</u>	<u>92.92%</u>	<u>100.00%</u>