

TOWN OF WINFALL, NORTH CAROLINA

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2021

GREGORY T. REDMAN, CPA
TARBORO, NORTH CAROLINA

Financial Statements

Town of Winfall, North Carolina

June 30, 2021

Board of Commissioners

Frederick Yates, Mayor
Kenneth Rominger, Mayor Pro Tem
Carol Cooper
Virginia Harvey
Arnetta Ormond

Administrative Staff

Valerie Jackson, Town Clerk

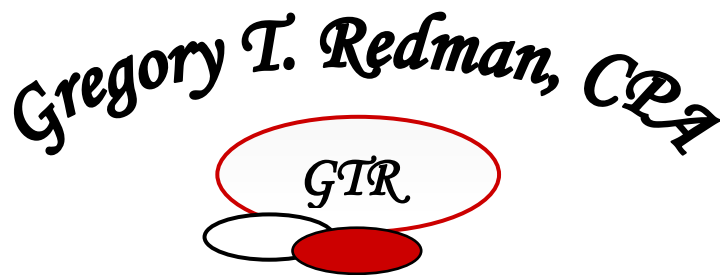
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Financial Section



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Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Winfall, as of and for the year ended June 30, 2021, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 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, I 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 financial statement presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my 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 and each major fund of the Town of Winfall as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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

My audit was conducted for the purpose of forming an opinion 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by me. In my opinion, based on my audit, the procedures performed as described above, 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 information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, I do not express an opinion or provide assurance on them.

A handwritten signature in black ink that reads "Gregory T. Redman, CPA". The signature is written in a cursive style with a large initial 'G' and 'R'.

Gregory T. Redman, CPA
Tarboro, North Carolina
November 29, 2021

Management's Discussion and Analysis

Town of Winfall, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021

As management of the Town of Winfall, North Carolina, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Winfall for the fiscal year ended June 30, 2021. 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

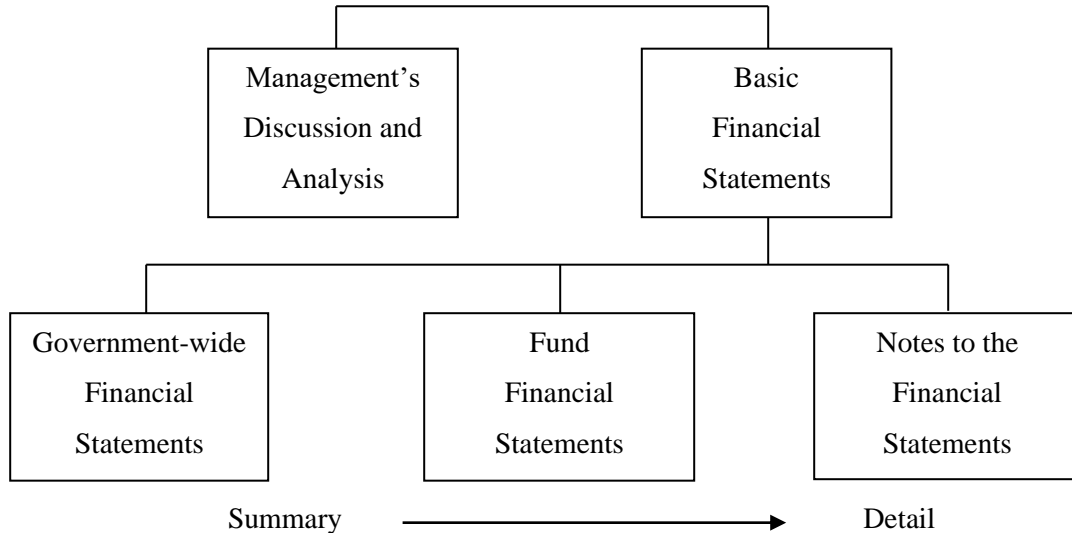
- The assets and deferred outflows of resources of the Town of Winfall exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,924,903 (net position).
- The government's total net position decreased by \$88,721 primarily due to decreases in the business-type activities net position.
- At the close of the current fiscal year, the Town of Winfall's governmental funds combined reported ending fund balances of \$297,548, with a net increase of \$44,973 in fund balance. Approximately 74% of this total amount, or \$221,375 is unrestricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$221,375 or 35% of total general fund expenditures for the fiscal year.
- At the end of the current fiscal year, the Town had Restricted Net Position of \$76,173.
- The Town's total debt decreased by \$109,801 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of 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. 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.

**Town of Winfall, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Required Components of Annual Financial Report



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

Town of Winfall, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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 service such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Winfall.

Fund Financial Statements

The fund financial statements 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 government 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's, 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 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 an enterprise fund 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.

Town of Winfall, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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

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.

Government-wide Financial Analysis

The Town of Winfall's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 342,726	\$ 302,379	\$ 126,360	\$ 104,990	\$ 469,086	\$ 407,369
Capital assets	655,070	683,027	4,690,665	4,844,737	5,345,735	5,527,764
Deferred outflows of resources	18,918	31,421	-	-	18,918	31,421
Total Assets and Deferred Outflows of Resources	<u>\$ 1,016,714</u>	<u>\$ 1,016,827</u>	<u>\$ 4,817,025</u>	<u>\$ 4,949,727</u>	<u>\$ 5,833,739</u>	<u>\$ 5,966,554</u>
Current liabilities	\$ 33,125	\$ 43,967	\$ 109,697	\$ 85,755	\$ 142,822	\$ 129,722
Noncurrent liabilities	220,070	33,863	537,957	-	758,027	33,863
Deferred inflows of resources	7,987	-	-	-	7,987	-
Total Liabilities and Deferred Inflows of Resources	<u>\$ 261,182</u>	<u>\$ 77,830</u>	<u>\$ 647,654</u>	<u>\$ 85,755</u>	<u>\$ 908,836</u>	<u>\$ 163,585</u>
Net Position:						
Net investment in capital assets	\$ 416,253	\$ 418,551	\$ 4,096,983	\$ 4,251,228	\$ 4,513,236	\$ 4,669,779
Restricted	102,515	81,669	-	-	102,515	81,669
Unrestricted	236,764	199,941	72,388	62,235	309,152	262,176
Total Net Position	<u>\$ 755,532</u>	<u>\$ 700,161</u>	<u>\$ 4,169,371</u>	<u>\$ 4,313,463</u>	<u>\$ 4,924,903</u>	<u>\$ 5,013,624</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Winfall exceeded liabilities and deferred inflows by \$4,924,903 as of June 30, 2021. The Town's net position decreased by \$88,721 for the fiscal year ended June 30, 2021. However, the largest portion \$4,513,236 or 92% 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 its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Winfall's net position \$102,515 (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$309,152 (6%) is unrestricted.

**Town of Winfall, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

The decrease in net position is due to the decrease in capital grants and contributions for business type activities as well as depreciation expense.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.03%, which is below the statewide collection rate of 99%. The Town of Winfall contracts with Halifax County to collect their taxes. The Town's rate may stem from the fact that Winfall is one of the most economically distressed locations in Halifax County and there are many absentee property owners.

	Town of Winfall Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 35,408	\$ 38,677	\$ 216,098	\$ 211,064	\$ 251,506	\$ 249,741
Operating grants and contributions	143,374	41,321	-	-	143,374	41,321
Capital grants and contributions	-	75,461	-	-	-	75,461
General revenues:						
Property taxes	259,423	244,510	-	-	259,423	244,510
Other taxes	1,725	205,239	-	-	1,725	205,239
Grants and contributions not restricted to specific programs	233,017	-	-	-	-	-
Investment earnings	548	473	-	-	548	473
Other	793	7,500	-	-	793	7,500
Total Revenues	<u>\$ 674,288</u>	<u>\$ 613,181</u>	<u>\$ 216,098</u>	<u>\$ 211,064</u>	<u>\$ 657,369</u>	<u>\$ 824,245</u>
Expenses:						
General government	\$ 294,210	\$ 296,499	\$ -	\$ -	\$ 294,210	\$ 296,499
Public safety	127,889	199,358	-	-	127,889	199,358
Transportation	103,398	107,190	-	-	103,398	107,190
Economic and physical development	-	-	-	-	-	-
Environmental protection	38,648	38,350	-	-	38,648	38,350
Culture and recreation	-	-	-	-	-	-
Interest on long-term debt	54,772	12,976	17,584	-	72,356	12,976
Sewer	-	-	309,226	349,599	309,226	349,599
Total Expenses	<u>\$ 618,917</u>	<u>\$ 654,373</u>	<u>\$ 326,810</u>	<u>\$ 349,599</u>	<u>\$ 945,727</u>	<u>\$ 1,003,972</u>
Increase(decrease) in net position	<u>\$ 55,371</u>	<u>\$ (41,192)</u>	<u>\$ (110,712)</u>	<u>\$ (138,535)</u>	<u>\$ (55,341)</u>	<u>\$ (179,727)</u>
Transfers	-	-	-	-	-	-
Increase(decrease) in net position	<u>\$ 55,371</u>	<u>\$ (41,192)</u>	<u>\$ (110,712)</u>	<u>\$ (138,535)</u>	<u>\$ (55,341)</u>	<u>\$ (179,727)</u>
Net position, July 1	700,161	741,353	4,313,463	4,451,998	5,013,624	5,193,351
Prior period adjustment	-	-	(33,380)	-	(33,380)	-
Net position, June 30	<u><u>\$ 755,532</u></u>	<u><u>\$ 700,161</u></u>	<u><u>\$ 4,169,371</u></u>	<u><u>\$ 4,313,463</u></u>	<u><u>\$ 4,924,903</u></u>	<u><u>\$ 5,013,624</u></u>

**Town of Winfall, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Governmental Activities. Governmental activities increased the Town's net position by \$55,371. Key elements of this decrease are as follows:

- Tax Revenues remained steady and increased local option sales tax.

Business-type Activities. Business-type activities decreased the Town of Winfall's net position by \$144,092.

Proprietary Funds. The Town of Winfall's 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 \$4,169,371. The total decrease in net position was \$144,092.

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, Town of Winfall's fund balance available in the General Fund was \$221,375, while total fund balance reached \$297,548. The Town currently has an available fund balance of 35% of general fund expenditures, while total fund balance represents 48% of the same amount.

At June 30, 2021, the governmental fund of Town of Winfall reported a combined fund balance of \$297,548 with a net increase in fund balance of \$44,973.

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 became necessary to maintain/increase services.

Capital Asset and Debt Administration

Capital Assets: The Town of Winfall's investments in capital assets for its governmental and business-type activities as of June 30, 2021 total \$5,345,735 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

**Town of Winfall, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

**Town of Winfall's Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 197,300	\$ 197,300	\$ -	\$ -	\$ 197,300	\$ 197,300
Buildings and systems	403,047	416,299	4,690,665	4,844,737	5,093,712	5,261,036
Equipment and vehicles	54,723	69,428	-	-	54,723	69,428
Total	\$ 655,070	\$ 683,027	\$ 4,690,665	\$ 4,844,737	\$ 5,345,735	\$ 5,527,764

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

Long-term Debt: As of June 30, 2021 the Town of Winfall had \$832,499 debt outstanding. The Town's total debt decreased by \$109,801 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 \$2,365,871. 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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ -	\$ -	\$ 300,000	\$ 309,500	\$ 300,000	\$ 309,500
Installment purchases	238,817	264,476	293,682	284,009	532,499	548,485
Net pension liability	7,862	-	-	-	7,862	-
Total	246,679	264,476	593,682	593,509	840,361	857,985

Economic Factors and Next Year's Budgets 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.

**Town of Winfall, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Budget Highlights for the Fiscal Year Ending June 30, 2022

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. Electric revenues and expenditures are expected to remain constant so no increase or decrease in rate is being considered at this time.

Governmental Activities: Property taxes will remain constant in revenues and permits and fees are expected to be very modest. The Town will use these revenues to cover costs of expenses in material, supplies, and labor. These revenues will also be used to finance programs currently in place.

Budgeted revenues in the General Fund are expected to increase by 15% to \$686,500 This increase is due to a varying increase in sanitation charges, county sales tax refund, ARPA funding, and miscellaneous revenue. Budgeted expenditures will increase accordingly.

Business-Type Activities: The Water/Sewer Fund budget will increase to \$359,000.

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

Financial Section

Basic Financial Statements

Town of Winfall, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 198,881	\$ 42,702	\$ 241,583
Taxes receivables (net)	31,492	-	31,492
Accounts receivable (net)	33,300	38,506	71,806
Accrued interest receivable	9,838	-	9,838
Due from other governments	41,943	-	41,943
Restricted cash and cash equivalents	27,272	45,152	72,424
Total Current Assets	\$ 342,726	\$ 126,360	\$ 469,086
Non-current Assets:			
Capital assets:			
Land and other non-depreciable assets	\$ 197,300	\$ -	\$ 197,300
Other capital assets, net of depreciation	457,770	4,690,665	5,148,435
Total Capital Assets	\$ 655,070	\$ 4,690,665	\$ 5,345,735
Total Assets	\$ 997,796	\$ 4,817,025	\$ 5,814,821
Deferred Outflows of Resources			
Pension deferrals	\$ 18,918	\$ -	\$ 18,918
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 3,848	\$ 8,820	\$ 12,668
Compensated absences	2,668	-	2,668
Accrued salaries and employees payroll taxes	-	-	-
Customer deposits	-	45,152	45,152
Current portion of long-term liabilities	26,609	55,725	82,334
Total Current Liabilities	\$ 33,125	\$ 109,697	\$ 142,822
Non-current liabilities:			
Due in more than one year	\$ 212,208	\$ 537,957	\$ 750,165
Net pension liability	7,862	-	7,862
Total Long-term liabilities	\$ 220,070	\$ 537,957	\$ 758,027
Total Liabilities	\$ 253,195	\$ 647,654	\$ 900,849
Deferred Inflows of Resources			
Pension deferrals	\$ 7,987	\$ -	\$ 7,987
Net Position			
Net investment in capital assets	\$ 416,253	\$ 4,096,983	\$ 4,513,236
Restricted for:			
Stabilization by State Statute	75,243	-	75,243
Streets	930	-	930
USDA reserve	26,342	-	26,342
Unrestricted	236,764	72,388	309,152
Total Net Position	\$ 755,532	\$ 4,169,371	\$ 4,924,903

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

Town of Winfall, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Primary Government							
Governmental Activities:							
General government	\$ 294,210	\$ -	\$ 50,324	\$ -	\$ (243,886)	\$ -	\$ (243,886)
Public safety	127,889	-	75,000	-	(52,889)	-	(52,889)
Transportation	103,398	800	17,707	-	(84,891)	-	(84,891)
Environmental protection	38,648	34,608	343	-	(3,697)	-	(3,697)
Cultural and recreation	-	-	-	-	-	-	-
Interest and other charges	54,772	-	-	-	(54,772)	(17,584)	(72,356)
Total Governmental Activities	<u>\$ 618,917</u>	<u>\$ 35,408</u>	<u>\$ 143,374</u>	<u>\$ -</u>	<u>\$ (440,135)</u>	<u>\$ (17,584)</u>	<u>\$ (457,719)</u>
Business-type activities:							
Sewer	309,226	216,098	-	-	-	(93,128)	(93,128)
Total business-type activities	<u>\$ 309,226</u>	<u>\$ 216,098</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (93,128)</u>	<u>\$ (93,128)</u>
Total Primary Government	<u>\$ 928,143</u>	<u>\$ 251,506</u>	<u>\$ 143,374</u>	<u>\$ -</u>	<u>\$ (440,135)</u>	<u>\$ (110,712)</u>	<u>\$ (550,847)</u>
General Revenues							
Revenues:							
Ad valorem taxes					\$ 259,423	\$ -	\$ 259,423
Unrestricted intergovernmental					233,017	-	233,017
Other taxes					1,725	-	1,725
Investment earnings					548	-	548
Miscellaneous income					793	-	793
Total General Revenues, not including transfers					<u>\$ 495,506</u>	<u>\$ -</u>	<u>\$ 495,506</u>
Transfers					-	-	-
Change in Net Position					\$ 55,371	\$ (110,712)	\$ (55,341)
Net Position, beginning					700,161	4,313,463	5,013,624
Prior period adjustments					-	(33,380)	(33,380)
Net Position, ending					<u>\$ 755,532</u>	<u>\$ 4,169,371</u>	<u>\$ 4,924,903</u>

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

Town of Winfall, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	Major Funds
	General
Assets	
Cash and cash equivalents	\$ 198,881
Restricted cash	27,272
Receivables, net:	
Taxes	31,492
Accounts	33,300
Due from other governments	41,943
Total Assets	\$ 332,888
 Liabilities	
Liabilities:	
Accounts payable and accrued liabilities	\$ 3,198
Accrued salaries and employees payroll taxes	650
Total Liabilities	\$ 3,848
 Deferred Inflows of Resources	
Property taxes receivable	\$ 31,492
Total Deferred Inflows of Resources	\$ 31,492
 Fund Balances	
Restricted	
Stabilization by State Statute	75,243
Streets	930
Unassigned	221,375
Total Fund Balance	\$ 297,548
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 332,888

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

Town of Winfall, North Carolina
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

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

Ending Fund Balance - Governmental Funds	\$ 297,548
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	655,070
Deferred outflows of resources related to pensions are not reported in the funds.	18,918
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures.	9,838
Liabilities for earned but deferred revenues in fund statements.	31,492
Deferred inflows of resources related to pensions are not reported in the funds.	(7,987)
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.	
Net pension liability	(7,862)
Long-term debt	(238,817)
Compensated absences	(2,668)
	(249,347)
Net Position of Governmental Activities	\$ 755,532

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

Town of Winfall, North Carolina
Statement of Revenues, Expenditures And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	Major Funds
	General
Revenues:	
Ad valorem taxes	\$ 254,297
Other taxes and licenses	1,725
Unrestricted intergovernmental	233,017
Restricted intergovernmental	143,374
Sales and services	35,408
Miscellaneous income	863
Investment earnings	548
Total Revenues	\$ 669,232
Expenditures:	
Current:	
General government	\$ 290,124
Public safety	114,021
Transportation	100,965
Environmental protection	38,648
Cultural and Recreation	-
Principal	25,659
Interest and other charges	54,772
Total Expenditures	\$ 624,189
Revenues Over (Under) Expenditures	\$ 45,043
Other Financing Sources (Uses):	
Transfers from Other Funds	-
Net Change in Fund Balance	\$ 45,043
Fund Balances	
Beginning of year	252,505
End of year	\$ 297,548

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

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

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

Net Change in Fund Balance - Governmental Funds	\$	45,043
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimate useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Depreciation expense		(27,957)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.</p>		
		9,276
<p>Change in unavailable revenue for tax revenues.</p>		
		5,126
<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 effected of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt		25,659
<p>Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Pension expense		(1,608)
Compensated absences		(168)
		(1,776)
Total Changes in Net Position of Governmental Activities	\$	55,371

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

Town of Winfall, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	General Fund			Variance with
	Original	Final	Actual	Final Budget
			Amounts	Positive
				(Negative)
Revenues:				
Ad valorem taxes	\$ 235,000	\$ 235,000	\$ 254,297	\$ 19,297
Other taxes and licenses	3,300	3,300	1,725	(1,575)
Unrestricted intergovernmental	189,900	189,900	233,017	43,117
Restricted intergovernmental	121,630	121,630	143,374	21,744
Sales and services	42,150	42,150	35,408	(6,742)
Miscellaneous	2,550	2,550	1,411	(1,139)
Total Revenues	<u>\$ 594,530</u>	<u>\$ 594,530</u>	<u>\$ 669,232</u>	<u>\$ 74,702</u>
Expenditures:				
Current				
General government	\$ 252,030	\$ 252,030	\$ 290,124	\$ (38,094)
Public safety	116,000	116,000	114,021	1,979
Transportation	106,500	106,500	100,965	5,535
Environmental protection	39,000	39,000	38,648	352
Cultural and recreation	-	-	-	-
Principal	26,000	26,000	25,659	341
Interest and other charges	55,000	55,000	54,772	228
Total Expenditures	<u>\$ 594,530</u>	<u>\$ 594,530</u>	<u>\$ 624,189</u>	<u>\$ (29,659)</u>
Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 45,043	\$ 45,043
Other Financing Sources (Uses):				
Loan issuance	\$ -	\$ -	\$ -	\$ -
Transfers from other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	45,043	<u>\$ 45,043</u>
Fund Balances				
Beginning of year			252,505	
End of year			<u>\$ 297,548</u>	

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

Town of Winfall, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2021

	Enterprise Fund
	Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 42,702
Accounts receivable (net)	38,506
Restricted cash and cash equivalents	45,152
Total Current Assets	\$ 126,360
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	\$ -
Other capital assets, net of depreciation	4,690,665
Capital assets	\$ 4,690,665
Total Noncurrent Assets	\$ 4,690,665
Total Assets	\$ 4,817,025
Deferred Outflows of Resources	
Pension deferrals	\$ -
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 8,820
Compensated absences	-
Current portion of long-term debt	55,725
Customer deposits	45,152
Total Current Liabilities	\$ 109,697
Noncurrent liabilities:	
Long-term debt	\$ 537,957
Total noncurrent liabilities	\$ 537,957
Total Liabilities	\$ 647,654
Deferred Inflows of Resources	
Pension deferrals	\$ -
Net Position	
Net investment in capital assets	\$ 4,096,983
Unrestricted	72,388
Total Net Position	\$ 4,169,371

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

Town of Winfall, North Carolina
Statement of Revenues, Expenses, And Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Enterprise Fund
	Sewer Fund
Operating Revenues	
Charges for sales & services	\$ 213,404
Miscellaneous	2,694
Total Operating Revenues	\$ 216,098
Operating Expenses	
Water and sewer operations	\$ 155,154
Depreciation	154,072
Total Operating Expenses	\$ 309,226
Income (Loss) Before Contributions and Transfers	\$ (93,128)
Non-operating revenues (expenses)	
Interest and other charges	\$ (17,584)
Transfers to other funds	-
Total Other Financing Sources (Uses)	\$ (17,584)
Change in Net Position	\$ (110,712)
Net Position, beginning	4,313,463
Prior period adjustment	(33,380)
Net Position, ending	\$ 4,169,371

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

Town of Winfall, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Enterprise Funds
	Sewer Fund
Cash Flows From Operating Activities:	
Cash received from customers	\$ 213,404
Cash paid for goods and services	(90,244)
Cash paid to or on behalf of employees for services	(2,930)
Other operating revenues	2,694
Net Cash Provided (used) by Operating Activities	\$ 122,924
Cash Flows From Noncapital Financing Activities:	
Transfers to other funds	\$ -
Capital contributions	-
Net Cash Provided by Noncapital Financing Activities	\$ -
Cash Flows From Capital and Related Financing Activities:	
Principal paid on long-term debt	\$ (84,142)
Interest paid	(17,584)
Net Cash Provided (used) by Capital and Related Financing Activities	\$ (101,726)
Cash Flows From Investing Activities:	
Investment income received	\$ -
Net Increase (decrease) in Cash and Cash Equivalents	\$ 21,198
Balances - Beginning of year	66,656
Balances - End of year	\$ 87,854
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ (93,128)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	\$ 154,072
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	50,035
(Increase) decrease in prepaid expenses	1,728
Increase (decrease) in accounts payable and accrued liabilities	7,210
Increase (decrease) in accrued vacation pay	-
Increase (decrease) in customer deposits	3,007
Increase (decrease) in net pension liabilities	-
Increase (decrease) in deferred inflows of resources	-
Total adjustments	\$ 216,052
Net Cash Provided by Operating Activities	\$ 122,924

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

Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of 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 five-member council. As required by generally accepted accounting principles, these financial statements present the Town of Winfall, North Carolina.

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 Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. There are no remaining governmental and enterprise funds 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, 2021

The Town reports the following major governmental funds:

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 funds:

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 funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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

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

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

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021**

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, and bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and Super NOW 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 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) external investment pool, is measured at amortized cost, money market mutual fund is 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 are classified as restricted cash because they must be returned to the customer at the conclusion of service.

Governmental Activities	
General Fund:	
Streets	\$ 930
USDA reserve	26,342
Total Government Activities	\$ 27,272
Business-type Activities	
Sewer Fund:	
Customer deposits	\$ 45,162
Total Business-type Activities	\$ 45,162
Total Restricted Cash	\$ 72,434

Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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, 2020. 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

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:

Asset Class	Estimated Useful Lives
Buildings	30 years
Improvements	25 years
Infrastructure	20 years
Furniture and equipment	7-10 years
Vehicles	5 years
Computer software	5 years
Computer equipment	3 years

Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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 meet this criterion, contributions made to the pension plan in the 2021 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 receivables, 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

The 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.

Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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 has no nonspendable fund balance.

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

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

The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by the law through constitutional provisions or enabling legislation". RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-89a)].

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 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 revise the limitation. Any changes or removal of specific purpose requires majority action by the governing body.

Assigned Fund Balance – portion of fund balance that Town of Winfall intends to use for specific purposes. The Town has not assigned fund balance.

Subsequent Year’s Expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

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

12. 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.

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021**

II. Stewardship, Compliance, and Accountability

A. Material Violations of Finance-related Legal and Contractual Provisions

There were no violations of N.C. General Statutes reported for the year ended June 30, 2021.

B. Excess of Expenditures over Appropriation

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 \$38,094. This over-expenditure in the general government occurred due to additional cost for payroll, professional fees, and supplies. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2021, the Town's deposits had a carrying amount of \$308,240 and a bank balance of \$326,543. Of the bank balance, \$261,965 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021**

2. Investments

At June 30, 2021, the Town's deposits had \$5,767 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.

At June 30, 2021, the Town's investment balances were as follows:

Investment by Type	Valuation Measurement Method	Book Value at 6/30/2021	Maturity	Rating
NC Capital Management Trust Government Portfolio	Fair Value Level 1	\$ 5,767	N/A	AAAm
Total		\$ 5,767		

Interest Rate Risk

The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy limits at least half of the Town's investment portfolio to maturities of less than 12 months. Also, the Town's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Credit Risk

The Town has adopted a formal policy regarding credit risk and has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's and AAAM-mf by Moody's Investors Service as of June 30, 2021.

3. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts:

General Fund:	
Accounts receivables	\$ 4,163
Enterprise Fund:	
Accounts receivables	33,380
Total	<u>\$ 37,543</u>

Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 197,300	\$ -	\$ -	\$ 197,300
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>\$ 197,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,300</u>
Capital assets being depreciated:				
Buildings and other improvements	\$ 757,856	\$ -	\$ -	\$ 757,856
Equipment and vehicles	1,167,681	-	-	1,167,681
Total capital assets being depreciated	<u>\$1,925,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,925,537</u>
Less accumulated depreciation for:				
Buildings and other improvements	\$ 341,557	\$ 13,252	\$ -	\$ 354,809
Equipment and vehicles	1,098,253	14,705	-	1,112,958
Total accumulated depreciation	<u>\$1,439,810</u>	<u>\$ 27,957</u>	<u>\$ -</u>	<u>\$1,467,767</u>
Total capital assets being depreciated, net	<u>\$ 485,727</u>			<u>\$ 457,770</u>
Governmental activity capital assets, net	<u><u>\$ 683,027</u></u>			<u><u>\$ 655,070</u></u>

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

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

Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

Capital asset activity for the Town’s Enterprise Fund for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Capital Assets Being Depreciated:				
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>
Less Accumulated Depreciation For:				
Plant and distribution systems	\$2,944,251	\$154,072	\$ -	\$3,098,323
Equipment and furniture	15,700	-	-	15,700
Vehicles	11,890	-	-	11,890
Total Accumulated Depreciation	<u>\$2,971,841</u>	<u>\$154,072</u>	<u>\$ -</u>	<u>\$3,125,913</u>
Sewer Capital Assets, Net	<u><u>\$4,844,737</u></u>			<u><u>\$4,690,665</u></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 consist 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age 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. The 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 10.40% of compensation for employees, 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 \$9,276 for the year ended June 30, 2021.

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.

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021**

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 \$7,628 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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 0.00022%, which was 0.00102% less than its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Town recognized pension expense of \$4,141. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 993	\$ -
Changes of assumptions	585	-
Net difference between projected and actual earnings on pension plan investments	1,106	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,958	7,987
Town contributions subsequent to the measurement date	9,276	-
Total	\$ 18,918	\$ 7,987

\$9,276 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 liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2022	\$ 1,215
2023	403
2024	(290)
2025	327
2026	-
Thereafter	-
	\$ 1,655

Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021**

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 15,950	\$ 7,862	\$ 1,139

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

b. 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

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021**

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.

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end are composed of the following elements:

Contributions to pension plan in current fiscal year	\$ 9,276
Differences between expected and actual experience	993
Changes of assumptions	585
Net difference between projected and actual earnings	1,106
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,958
Total	\$ 18,918

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivables, less penalties (General Fund)	\$ -	\$ 31,492
Differences between expected and actual experience	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,987	-
	\$ 7,987	\$ 31,492

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to 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.

Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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.

4. Long-term Obligations

a. Installment Obligations

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.

The note contains provision that an event of default would result in: (1) declare the unpaid principal components of the Installment Payments immediately due and payable, (2) proceed by appropriate court action to enforce the Town's performance of the applicable covenants of this Agreement or to recover for the breach thereof, (3) as provided in the Project Fund Agreement, pay over any balance remaining in the Project Fund to be applied against outstanding Required Payments in any manner DEQ may reasonably deem appropriate, and (4) avail itself of all available remedies under the Agreement, including execution and foreclosure and recovery of attorney's fees and other expenses.

Serviced by the Sewer Fund:

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.

Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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.

a. Installment Obligations

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 26,608	\$ 10,330	\$ 45,725	\$ 1,305
2023	27,626	9,326	46,965	2,635
2024	28,673	8,283	27,113	2,234
2025	29,776	7,216	23,879	1,817
2026	22,310	6,068	15,000	1,387
2027-2031	93,033	15,598	75,000	-
Thereafter	10,791	1,539	60,000	-
	<u>\$ 238,817</u>	<u>\$ 58,360</u>	<u>\$ 293,682</u>	<u>\$ 9,378</u>

b. General Obligations Indebtedness

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, 2021 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 \$300,000.

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, 2021

Business-type Activities			
Year Ending June 30,	Principal	Interest	Total
2022	\$ 10,000	\$ 14,625	\$ 24,625
2023	10,000	14,138	24,138
2024	11,000	13,650	24,650
2025	11,000	13,114	24,114
2026	12,000	12,578	24,578
2027-2031	65,000	53,868	118,868
2032-2036	82,000	36,490	118,490
2037-2041	99,000	14,576	113,576
	<u>\$ 300,000</u>	<u>\$ 173,039</u>	<u>\$ 473,039</u>

c. Changes in Long-Term Liabilities

The following is a summary of charges in the Town's business-type activities in long-term debt:

	Balance 07/01/20	Additions	Retirements	Balance 06/30/21	Current Maturities
Governmental activities:					
Direct Placement Notes:					
USDA police car	\$ 40,195	\$ -	\$ 7,668	\$ 32,527	\$ 7,850
Municipal building	101,007	-	6,459	94,548	6,740
USDA firetruck	123,274	-	11,532	111,742	12,019
Net pension liability	33,863	-	26,001	7,862	-
Total Long-term Liabilities	<u>\$ 298,339</u>	<u>\$ -</u>	<u>\$ 51,660</u>	<u>\$ 246,679</u>	<u>\$26,609</u>
Business-type activities:					
Direct Borrowing Notes:					
USDA Sewer	\$ 85,000	\$ -	\$ 41,016	\$ 43,984	\$11,295
PNC Sewer	58,324	-	18,626	39,698	19,430
Town Hertford Sewer	225,000	-	15,000	210,000	15,000
General Obligation Bond	309,500	-	9,500	300,000	10,000
Total Long-term Liabilities	<u>677,824</u>	<u>-</u>	<u>84,142</u>	<u>593,682</u>	<u>55,725</u>

5. Claims, Judgements, and Contingent Liabilities

No claims or judgements existed at June 30, 2021.

6. Fund Balance

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

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021**

Total fund balance - General Fund	\$ 297,548
Less:	
Stabilization by State Statute	75,243
Streets-Powell Bill	930
Working Capital/Fund Balance Policy	-
Remaining Fund Balance	221,375

7. Prior Period Adjustments

The beginning net position of the Water and Sewer Fund, and the General Fund had to be adjusted due to the prior year accounting errors.

Sewer Fund - adjustment due to prior year error in posting accruals	\$(33,380)
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IV. Related Party Transaction

The Town has participated in no related party transactions for the year ended June 30, 2021.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Subsequent Events

As of November 29, 2021, the date of the completion of the financial statements, there were no material subsequent events that were required to be reported.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contribution to Local Government Employees' Retirement System

**Town of Winfall's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years**

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Town of Winfall's proportion of the net pension liability (asset) (%)	0.00022%	0.00124%	0.00040%	0.00072%	0.00062%	0.00053%	0.00079%	0.00060%
Town of Winfall's proportion of the net pension liability (asset) (\$)	\$ 7,862	\$ 33,863	\$ 9,489	\$ 11,000	\$ 13,158	\$ 2,827	\$ (4,659)	\$ 7,232
Town of Winfall's covered-employee payroll	\$ 90,263	\$ 81,244	\$ 81,009	\$ 103,643	\$ 91,879	\$ 76,744	\$ 75,791	\$ 64,524
Town of Winfall's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.71%	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	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

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

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 9,276	\$ 8,496	\$ 6,586	\$ 6,673	\$ 7,851	\$ 6,673	\$ 5,549	\$ 5,396
Contributions in relation to the contractually required contributions	9,276	8,496	6,586	6,673	7,851	6,673	5,549	5,396
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Winfall's covered-employee payroll	\$ 89,171	\$ 90,263	\$ 81,244	\$ 81,009	\$ 103,643	\$ 91,879	\$ 76,744	\$ 75,791
Contributions as a percentage of covered-employee payroll	10.40%	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 Revenues, Expenditures, And Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes:			
Taxes	\$ -	\$ 254,064	\$ -
Interest	-	233	-
Total	<u>\$ 235,000</u>	<u>\$ 254,297</u>	<u>\$ 19,297</u>
Other taxes and licenses:			
Town tags	\$ -	\$ 825	\$ -
Zoning permits	-	900	-
Total	<u>\$ 3,300</u>	<u>\$ 1,725</u>	<u>\$ (1,575)</u>
Unrestricted intergovernmental:			
Local option sales taxes	\$ 150,000	\$ 187,601	\$ -
Tax refunds	3,000	11,424	-
Utilities franchise tax	34,500	31,444	-
Beer and wine tax	2,400	2,548	-
Total	<u>\$ 189,900</u>	<u>\$ 233,017</u>	<u>\$ 43,117</u>
Restricted intergovernmental:			
Solid waste disposal tax	\$ 350	\$ 343	\$ -
Fire district tax	75,000	75,000	-
Various grants	26,780	50,324	-
Powell Bill allocation	19,500	17,707	-
Total	<u>\$ 121,630</u>	<u>\$ 143,374</u>	<u>\$ 21,744</u>
Sales and services:			
Police fees	\$ 10,150	\$ -	\$ -
Cemetery fees	-	-	-
Garbage services	30,000	34,608	-
Mowing	2,000	800	-
Total	<u>\$ 42,150</u>	<u>\$ 35,408</u>	<u>\$ (6,742)</u>
Investment earnings	<u>\$ -</u>	<u>\$ 548</u>	<u>\$ 548</u>
Miscellaneous:			
Rent	\$ 1,300	\$ -	\$ -
Other miscellaneous	1,250	863	-
Total	<u>\$ 2,550</u>	<u>\$ 863</u>	<u>\$ (1,687)</u>
Total Revenues	<u>\$ 594,530</u>	<u>\$ 669,232</u>	<u>\$ 74,702</u>

Town of Winfall, North Carolina
General Fund
Schedule of Revenues, Expenditures, And Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General Government:			
Governing Body:			
Salaries and employee benefits	\$ -	\$ 21,030	\$ -
Professional services	-	46,781	-
Other operating expenditures	-	788	-
Total	<u>\$ 69,000</u>	<u>\$ 68,599</u>	<u>\$ 401</u>
Administration:			
Salaries and employee benefits	\$ -	\$ 115,022	\$ -
Other operating expenditures	-	106,503	-
Capital outlay	-	-	-
Total	<u>\$ 183,030</u>	<u>\$ 221,525</u>	<u>\$ (38,495)</u>
Elections:			
Other operating expenditures	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Zoning:			
Other operating expenditures	\$ -	-	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total General Government	<u>\$ 252,030</u>	<u>\$ 290,124</u>	<u>\$ (38,094)</u>
Public Safety:			
Police:			
Salaries and employee benefits	\$ -	\$ 54,999	\$ -
Other operating expenditures	-	20,578	-
Capital outlay	-	-	-
Total	<u>\$ 76,000</u>	<u>\$ 75,577</u>	<u>\$ 423</u>
Fire:			
Operating expenditures	\$ 40,000	\$ 38,444	\$ -
Total Public Safety	<u>\$ 116,000</u>	<u>\$ 114,021</u>	<u>\$ 1,979</u>
Transportation:			
Streets and Highways:			
Salaries and employee benefits	\$ -	\$ 29,295	\$ -
Powell Bill street expenditures	-	16,214	-
Other operating expenditures	-	55,456	-
Capital outlay	-	-	-
Total Transportation	<u>\$ 106,500</u>	<u>\$ 100,965</u>	<u>\$ 5,535</u>

Town of Winfall, North Carolina
General Fund
Schedule of Revenues, Expenditures, And Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Environmental Protection:			
Solid Waste:			
Contract services	\$ -	\$ 38,648	\$ -
Other operating expenditures	-		-
Capital outlay	-	-	-
Total Environmental Protection	<u>\$ 39,000</u>	<u>\$ 38,648</u>	<u>\$ 352</u>
Cultural and Recreational:			
Operating expenditures	\$ -		\$ -
Total Cultural and Recreational	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service:			
Principal		\$ 25,659	
Interest		\$ 54,772	
Total Debt Service	<u>\$ 81,000</u>	<u>\$ 80,431</u>	<u>\$ 569</u>
Total Expenditures	<u>\$ 594,530</u>	<u>\$ 624,189</u>	<u>\$ (29,659)</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 44,973</u>	<u>\$ 44,973</u>
Other Financing Sources (uses):			
Loan issuance	\$ -		\$ -
Transfers from other funds			
Electric Fund	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance appropriated		<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 45,043</u>	<u>\$ 44,973</u>
Fund Balances			
Beginning of year		252,505	
End of year		<u>\$ 297,548</u>	

Town of Winfall, North Carolina
Sewer Fund
Schedule of Revenues And Expenditures - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating Revenues:			
Water sales		\$ 213,404	
Penalties		2,694	
Miscellaneous revenues		-	
Total Operating Revenues	<u>\$ 198,500</u>	<u>\$ 216,098</u>	<u>\$ 17,598</u>
Nonoperating Revenues:			
Interest earnings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Revenues	<u>\$ 214,500</u>	<u>\$ 216,098</u>	<u>\$ 1,598</u>
Expenditures			
Electrical Operations:			
Salaries and employee benefits		\$ 2,930	
Sewage treatment fee		83,349	
Other operating expenditures		47,420	
Contracted services		21,455	
Total	<u>\$ 214,500</u>	<u>\$ 155,154</u>	<u>\$ 59,346</u>
Debt Service:			
Interest and other charges	<u>\$ -</u>	<u>\$ 17,584</u>	<u>\$ (17,584)</u>
Principal retirement	<u>-</u>	<u>84,142</u>	<u>(84,142)</u>
Total Debt Service	<u>\$ -</u>	<u>\$ 101,726</u>	<u>\$ 101,726</u>
Capital Outlay:			
Equipment	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Total Expenditures	<u>\$ 214,500</u>	<u>\$ 256,880</u>	<u>\$ (42,380)</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (40,782)</u>	<u>\$ (40,782)</u>
Other Financing Sources (Uses)			
Fund balance appropriated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (40,782)</u>	<u>\$ (40,782)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(154,072)	
Principal paid on debt		84,142	
Total		<u>\$ (69,930)</u>	
Change in Net Position		<u>\$ (110,712)</u>	

Other Schedules

This section contains additional information on property taxes.

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

Town of Winfall, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 215,890	\$ 207,314	\$ 8,576
2019-2020	13,286	-	9,122	4,164
2018-2019	5,352	-	1,601	3,751
2017-2018	4,081	-	921	3,160
2016-2017	3,435	-	835	2,600
2015-2016	3,190	-	350	2,840
2014-2015	2,332	-	322	2,010
2013-2014	1,343	-	107	1,236
2012-2013	1,232	-	2	1,230
2011-2012	1,504	-	39	1,465
2010-2011	977	-	517	460
2009-2010	307	-	307	-
Total	<u>\$ 37,039</u>	<u>\$ 215,890</u>	<u>\$ 221,437</u>	<u>\$ 31,492</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 254,297
Reconciling items:	
Interest collected	(233)
Discounts, write-offs and adjustments	<u>(32,627)</u>
Total collections and credits	<u>\$ 221,437</u>

Town of Winfall, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2021

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 39,979,630	0.54	\$ 215,890	\$ 190,094	\$ 25,796
Releases	<u>-</u>	0.54	<u>-</u>	<u>-</u>	<u>-</u>
Total Property Valuation	<u><u>\$ 39,979,630</u></u>				
Net levy			\$ 215,890	\$ 190,094	\$ 25,796
Uncollected taxes at June 30, 2021			<u>8,576</u>	<u>8,576</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 207,314</u></u>	<u><u>\$ 181,518</u></u>	<u><u>\$ 25,796</u></u>
Current levy collection percentage			<u><u>96.03%</u></u>	<u><u>95.49%</u></u>	<u><u>100.00%</u></u>