

FINANCIAL STATEMENTS
TOWN OF WHITAKERS
WHITAKERS, NORTH CAROLINA
JUNE 30, 2019

BOARD OF COMMISSIONERS

Esterine Gary Pitt - Mayor

Doris Howington - Mayor Pro-Tem

Doris Lindsey

Sammy Hopkins

May McCloud

Janice Bellamy

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PETWAY
MILLS &
PEARSON, PA
 CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
 Phyllis M. Pearson

Zebulon Office
 P.O. Box 1036
 806 N. Arendell Ave.
 Zebulon, NC 27597
 919.269.7405
 919.269.8728 Fax

Raleigh Office
 9121 Anson Way
 Raleigh, NC 27615
 919-781-1047

www.pmpcpa.com

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Independent Auditor’s Report

To the Honorable Mayor
 And Members of the Board of Commissioners
 Town of Whitakers
 Whitakers, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Whitakers, North Carolina, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Town of Whitakers’ 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.

Auditors’ Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Whitakers, North Carolina as of June 30, 2019, 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 pages 7 through 16, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 47 and 48, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 49 and 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The budgetary schedules and other schedules are the responsibility of management and were derived from and relate 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. In our opinion, the budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

February 28, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Town of Whitakers

June 30, 2019

As management of the Town of Whitakers, we offer readers of the Town of Whitakers' financial statements this narrative overview and analysis of the financial activities of the Town of Whitakers for the fiscal year ended June 30, 2019. 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 financial position for the Town remained relatively consistent with the prior year, although the General Fund experienced a small operating loss due to several negative budget variances for the fiscal year. The Water and Sewer Fund experienced a net operating income. Other financial highlights include the following:

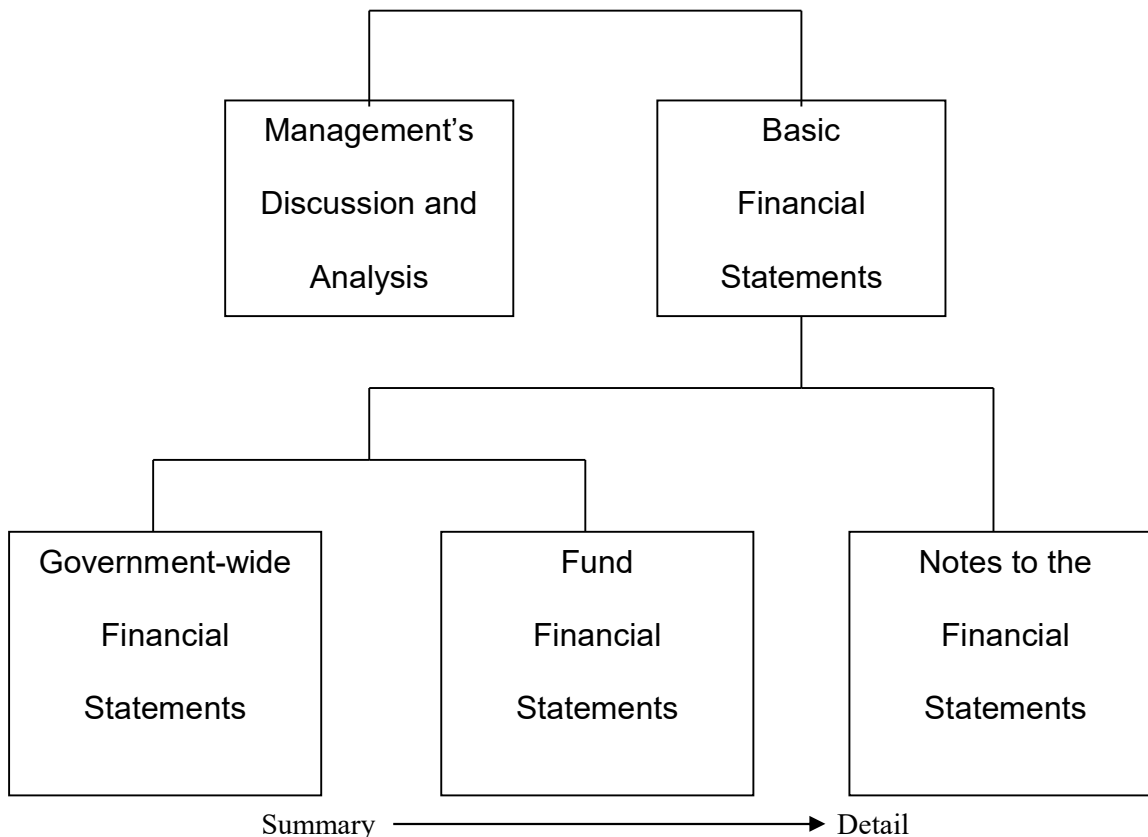
- The assets and deferred outflows of resources of the Town of Whitakers exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,854,387.
- The government's total net position decreased by \$114,865, reflecting a decrease in net position of business-type activities of \$117,021 and an increase of \$2,156 in net position of governmental activities.
- As of the close of the current fiscal year, the Town of Whitakers' governmental funds reported combined ending fund balances of \$555,913; an increase of \$39,201 in comparison with the prior year. Approximately 65.46% of this total amount, or \$363,876, is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$363,876, or 68.07 percent of total general fund expenditures for the fiscal year.
- The Town of Whitakers' total debt decreased by \$12,790 during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town 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 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 deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring Net Position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services 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 Whitakers. The Town had no component units at June 30, 2019.

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

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town of Whitakers' 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 Whitakers, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town budget ordinance. All of the funds of the Town of Whitakers 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 Whitakers adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified

sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The Town of Whitakers 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 Whitakers uses an enterprise fund to account for its water and sewer activity. This fund is the same as the function shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 28 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information.

Government-Wide Financial Analysis

Town of Whitakers' Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 705,367	\$ 666,087	\$ 410,213	\$ 443,307	\$ 1,115,580	\$ 1,109,394
Capital assets	309,136	330,556	2,302,416	2,373,691	2,611,552	2,704,247
Total assets	1,014,503	996,643	2,712,629	2,816,998	3,727,132	3,813,641
Deferred Outflows of Resources	45,556	29,422	17,696	17,696	63,252	47,118
Long-term liabilities outstanding	60,772	44,758	741,900	754,690	802,672	799,448
Other liabilities	38,391	27,363	88,289	62,847	126,680	90,210
Total liabilities	99,163	72,121	830,189	817,537	929,352	889,658
Deferred inflows of resources	5,955	1,159	690	690	6,645	1,849
Net position:						
Invested in capital assets, net of related debt	309,136	330,556	1,580,532	1,639,017	1,889,668	1,969,573
Restricted	124,111	94,361	46,390	42,193	170,501	136,554
Unrestricted	521,694	527,868	272,524	335,257	794,218	863,125
Total net position	\$ 954,941	\$ 952,785	\$ 1,899,446	\$ 2,016,467	\$ 2,854,387	\$ 2,969,252

As noted earlier, Net Position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Whitakers exceeded liabilities by \$2,854,387 as of June 30, 2019. The Town's Net Position decreased by \$114,865 for the fiscal year ended June 30, 2019. The largest portion \$1,889,668 (66.20%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Whitakers uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Whitakers' 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 Whitakers' Net Position, \$170,501 or 5.97% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$794,218 is unrestricted.

Town of Whitakers' Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 86,961	\$ 78,441	\$ 452,153	\$ 524,523	\$ 539,114	602,964
Operating grants and contributions	25,933	29,609	-	-	25,933	29,609
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	231,618	246,947	-	-	231,618	246,947
Investment Earnings	512	50	-	-	512	50
Other taxes	207,196	201,198	-	-	207,196	201,198
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	10,596	6,410	-	-	10,596	6,410
Total revenues	562,816	562,655	452,153	524,523	1,014,969	1,087,178
Expenses:						
General government	186,499	217,203	-	-	186,499	217,203
Public safety	182,533	188,637	-	-	182,533	188,637
Transportation	78,229	96,109	-	-	78,229	96,109
Cemetary	7,729	9,711	-	-	7,729	9,711
Environmental Protection	98,550	84,909	-	-	98,550	84,909
Railroad Gates	7,120	3,660	-	-	7,120	3,660
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	569,174	492,170	569,174	492,170
Total expenses	560,660	600,229	569,174	492,170	1,129,834	1,092,399
Increase (decrease) in net position	2,156	(37,574)	(117,021)	32,353	(114,865)	(5,221)
Net position, beginning, as previously reported	952,785	990,359	2,016,467	1,984,114	2,969,252	2,974,473
Change in accounting principle	-	-	-	-	-	-
Net position, beginning, as restated	952,785	990,359	2,016,467	1,984,114	2,969,252	2,974,473
Net position, ending	\$ 954,941	\$ 952,785	\$ 1,899,446	\$ 2,016,467	2,969,252	\$ 2,969,252

Governmental activities: Governmental activities increased the Town's Net Position by \$2,156.

Business-type activities: Business-type activities decreased the Town's Net Position by \$117,021

Financial Analysis of the Town of Whitakers Funds

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

Governmental Funds: The focus of the Town of Whitakers' 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 Whitakers' financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Whitakers. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$363,876, while total fund balance increased by \$39,201 to \$555,913. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 68.07 percent of total General Fund expenditures and total fund balance is 103.99% percent of total General Fund expenditures.

At June 30, 2019, the governmental funds of Town of Whitakers reported a combined fund balance of \$555,913, a 7.59 percent increase over last year. This compares to a fund balance of \$516,712 as of June 30, 2018 which was a 2.63 percent increase from the June 30, 2018 year.

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

Total revenues were less than the budgeted total amounts due primarily to actual revenues for ad valorem taxes and permits and fees being less than budgeted. Ongoing expenditures were under budget in all departments.

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted Net Position of the Water and Sewer Fund at the end of the current fiscal year amounted to \$272,524 compared to unrestricted Net Position of \$335,257 as of June 30, 2018. The total decrease in Net Position for the Water and Sewer Fund was \$117,021 for the fiscal year ending June 30, 2019 compared to an increase of \$32,353 for the fiscal year ending June 30, 2018.

Proprietary Fund Budgetary Highlights: During the fiscal year, the Town made several revisions to the budget. Generally, the Town's budget amendments would 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; and 3) increases in appropriations that become necessary to maintain services.

Management's Discussion and Analysis
Town of Whitakers
June 30, 2019

Budget amounts exceeded Actual primarily due to Water and Sewer Fund charges being \$15,354 less than budgeted and utility purchases being \$29,720 more than budgeted. The Town's expenditures in the Water and Sewer fund were \$67,926 favorable to actual.

Capital Asset and Debt Administration

Capital assets: The Town of Whitakers' investment in capital assets for its governmental and business-type activities as of June 30, 2018 totals \$1,969,573 (net of accumulated depreciation) as compared to the prior year when the total investment in capital assets totaled \$2,796,942 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, plant and distribution systems, and vehicles.

Town of Whitakers' Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings and Systems	305,214	325,862	2,302,416	2,373,691	2,607,630	2,699,553
Equipment	3,923	4,695	-	-	3,923	4,695
Vehicles	(1)	(1)	-	-	(1)	(1)
Construction in progress	-	-	-	-	-	-
Total	\$ 309,136	\$ 330,556	\$ 2,302,416	\$ 2,373,691	\$ 2,611,552	\$ 2,704,247

Additional information on the Town's capital assets can be found in Note III.A.3 of the Basic Financial Statements.

Long-term Debt: As of June 30, 2019, the Town of Whitakers had \$721,884 in long-term debt outstanding. This debt was for water and sewer repairs. North Carolina general statutes limit the amount of debt for a unit to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Whitakers is \$1,485,286.

Long Term Liabilities
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue Bonds	\$ -	\$ -	\$ 585,000	\$ 595,000	\$ 585,000	\$ 595,000
Notes Payable	-	-	136,884	139,741	136,884	139,741
Total	\$ -	\$ -	\$ 721,884	\$ 734,741	\$ 721,884	\$ 734,741

Additional information regarding the Town's long-term debt can be found in Note III.B.5 of the Basic Financial Statements.

Financial Highlights for the Fiscal Year Ending June 30, 2019

The Town was successful in keeping General Fund expenses under budget but decreased collection of Ad Valorem taxes and permits and fees contributed to an overall annual financial gain of \$39,201 for the year, increasing fund balance. The Water and Sewer Fund had positive revenue and expense budget variances for the year, with the system reporting a net income of (117,021) for the year.

Governmental Activities: The Town held the tax levy steady at 72 cents per \$100 of assessed property valuation for the fiscal year 2018-2019.

Business-type Activities: Revenues and expenditures for fiscal year 2018-2019 were comparable with fiscal year 2017-2018 revenues and expenditures.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: The Town is holding tax levy steady at 72 cents per \$100 for the fiscal year 2018-2019.

Business-type Activities: Revenues and expenditures for fiscal year 2018-2019 are expected to remain comparable with fiscal year 2017-2018 revenues and expenditures.

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 the Town's Mayor, 302 Northwest Railroad Street, Whitakers, North Carolina 27891. The telephone number is (252) 437-4011.

BASIC FINANCIAL STATEMENTS

**Town of Whitakers
Statement of Net Position
June 30, 2019**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 470,209	\$ 250,051	\$ 720,260
Restricted cash	81,106	102,138	183,244
Taxes receivables (net)	84,689	-	84,689
Accounts receivable (net) - trade	21,151	58,024	79,175
Due from other governments	21,838	-	21,838
Available for sale	26,374	-	26,374
Total current assets	<u>705,367</u>	<u>410,213</u>	<u>1,115,580</u>
Noncurrent assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	-	-	-
Other capital assets, net of depreciation	309,136	2,302,416	2,611,552
Total capital assets (net)	<u>309,136</u>	<u>2,302,416</u>	<u>2,611,552</u>
Total noncurrent assets	<u>309,136</u>	<u>2,302,416</u>	<u>2,611,552</u>
Total assets	<u>1,014,503</u>	<u>2,712,629</u>	<u>3,727,132</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to LEO pension plan in current fiscal year	1,893	-	1,893
Contributions to LGERS plan in current fiscal year	12,415	6,656	19,071
LEO pension deferrals	903	-	903
LGERS deferrals	30,345	11,040	41,385
Total deferred outflows of resources	<u>45,556</u>	<u>17,696</u>	<u>63,252</u>
LIABILITIES			
Current liabilities:			
Accounts payable - trade	16,597	4,048	20,645
Customer deposits	-	55,748	55,748
Accrued payroll expense	21,794	28,493	50,287
Long-term liabilities:			
Due within one year	1,561	14,657	16,218
Net pension liability - LGERS	48,277	18,149	66,426
Total pension liability - LEO	10,934	-	10,934
Due in more than one year	-	709,094	709,094
Total liabilities	<u>99,163</u>	<u>830,189</u>	<u>929,352</u>
DEFERRED INFLOWS OF RESOURCES			
LEO Pension deferrals	5,714	-	5,714
LGERS deferrals	241	690	931
NET POSITION			
Net investment in capital assets	309,136	1,580,532	1,889,668
Restricted for:			
Stabilization by State Statute	43,005	-	43,005
Powell Bill	81,106	-	81,106
USDA	-	46,390	46,390
Unrestricted	521,694	272,524	794,218
Total net position	<u>\$ 954,941</u>	<u>\$ 1,899,446</u>	<u>\$ 2,854,387</u>

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

**Town of Whitakers
Statement of Activities
For the Year Ended June 30, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Administration	\$ 186,499	\$ 264	\$ -	\$ -	\$ (186,235)	\$ -	\$ (186,235)
Public safety	182,533	-	3,020	-	(179,513)	-	(179,513)
Transportation	78,229	-	22,913	-	(55,316)	-	(55,316)
Environmental protection	98,550	83,497	-	-	(15,053)	-	(15,053)
Cemetery	7,729	3,200	-	-	(4,529)	-	(4,529)
Railroad gates	7,120	-	-	-	(7,120)	-	(7,120)
Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities	560,660	86,961	25,933	-	(447,766)	-	(447,766)
Business-type activities:							
Water and sewer	569,174	452,153	-	-	-	(117,021)	(117,021)
Total business-type activities	569,174	452,153	-	-	-	(117,021)	(117,021)
Total primary government	\$ 1,129,834	\$ 539,114	\$ 25,933	\$ -	(447,766)	(117,021)	(564,787)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					231,618	-	231,618
Other taxes					207,196	-	207,196
Unrestricted investment earnings					512	-	512
Miscellaneous					10,596	-	10,596
Total general revenues and transfers					449,922	-	449,922
Change in net position					2,156	(117,021)	(114,865)
Net position, beginning,					952,785	2,016,467	2,969,252
Net position, ending					\$ 954,941	\$ 1,899,446	\$ 2,854,387

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

**Town of Whitakers
Balance Sheet
Governmental Funds
June 30, 2019**

	Major Fund General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 470,209	\$ 470,209
Restricted cash	81,106	81,106
Receivables, net:		
Taxes	84,689	84,689
Accounts - trade	21,151	21,151
Due from other governments	21,838	21,838
Total assets	<u>\$ 678,993</u>	<u>\$ 678,993</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 16,597	\$ 16,597
Accrued payroll expense	21,794	21,794
	<u>38,391</u>	<u>38,391</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	<u>84,689</u>	<u>84,689</u>
Fund balances:		
Reserved for:		
Stabilization by State Statute	43,005	43,005
Streets - Powell Bill	81,106	81,106
Assigned for:		
Subsequent year's expenditures	67,926	67,926
Unassigned	363,876	363,876
Total fund balances	<u>555,913</u>	<u>555,913</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 678,993</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	309,136
Assets available for sale properties	26,374
Liabilities for earned but unearned revenues in fund statements.	84,689
Net pension liability	(48,277)
Total LEO pension liability	(10,934)
Contributions to the LEO pension plan in current fiscal year are deferred outflows of resources on the Statement of Net Position	1,893
Contributions to LGERS plan in current fiscal year are deferred outflows of resources on the Statement of Net Position	12,415
Pension related deferrals	25,293
Some liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(1,561)
Net position of governmental activities	<u>\$ 954,941</u>

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

Town of Whitakers
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	Major Funds	Total
	General Fund	Governmental Funds
REVENUES		
Ad valorem taxes	\$ 242,567	\$ 242,567
Other taxes and licenses	1,459	1,459
Unrestricted intergovernmental	205,247	205,247
Restricted intergovernmental	25,933	25,933
Permits and fees	86,961	86,961
Investment earnings	512	512
Miscellaneous	11,087	11,087
Total revenues	573,766	573,766
EXPENDITURES		
Current:		
Administration	159,322	159,322
Public safety	189,464	189,464
Transportation	78,229	78,229
Environmental protection	98,549	98,549
Cemetery	1,881	1,881
Railroad gates	7,120	7,120
Capital outlay	-	-
Debt service:		
Principal	-	-
Interest and other charges	-	-
Total expenditures	534,565	534,565
Excess (deficiency) of revenues over (under) expenditures	39,201	39,201
OTHER FINANCING SOURCES (USES)		
Sale of equipment	-	-
Total other financing sources	-	-
Net change in fund balance	39,201	39,201
Fund balances, beginning	516,712	516,712
Fund balances, ending	\$ 555,913	\$ 555,913

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

**Town of Whitakers
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2019**

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

Net changes in fund balances - total governmental funds	\$	39,201
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(21,420)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(10,949)
Change in unavailable revenue for tax revenues		
Foreclosure revenues in form of properties		
Contributions to pension plan in current fiscal year that are not included on the Statement of Activities		14,308
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long term debt and related items.		-
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Pension expense		(18,984)
Compensated absences		-
		-
Total changes in net position of governmental activities	\$	2,156

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

**Town of Whitakers
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Year Ended June 30, 2019**

General Fund				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 266,440	\$ 266,440	\$ 242,567	\$ (23,873)
Other taxes and licenses	1,300	1,300	1,459	159
Unrestricted intergovernmental	205,810	205,810	205,247	(563)
Restricted intergovernmental	27,615	27,615	25,933	(1,682)
Permits and fees	89,300	89,300	86,961	(2,339)
Investment earnings	545	545	512	(33)
Miscellaneous	22,132	22,132	11,087	(11,045)
Total revenues	613,142	613,142	573,766	(39,376)
Expenditures:				
Current:				
Administration	219,984	219,984	159,322	60,662
Public safety	192,965	192,965	189,464	3,501
Transportation	143,399	143,399	78,229	65,170
Environmental protection	111,840	111,840	98,549	13,291
Cemetery	3,950	3,950	1,881	2,069
Railroad gates	7,120	7,120	7,120	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	679,258	679,258	534,565	144,693
Revenues over (under) expenditures	(66,116)	(66,116)	39,201	105,317
Other financing sources (uses):				
Appropriated fund balance	66,116	66,116	-	(66,116)
Total other financing sources (uses)	66,116	66,116	-	(66,116)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	39,201	\$ 39,201
Fund balances, beginning			516,712	
Fund balances, ending			\$ 555,913	

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

Exhibit 7

Town of Whitakers
Statement of Fund Net Position
Proprietary Fund
June 30, 2019

	Water and Sewer	
	Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 250,051	\$ 250,051
Restricted cash	102,138	102,138
Accounts receivable (net) - billed - trade	58,024	58,024
Due from other governments	-	-
Prepaid items	-	-
Total current assets	<u>410,213</u>	<u>410,213</u>
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets	-	-
Other capital assets, net of depreciation	2,302,416	2,302,416
Capital assets (net)	<u>2,302,416</u>	<u>2,302,416</u>
Total noncurrent assets	<u>2,302,416</u>	<u>2,302,416</u>
Total assets	<u>2,712,629</u>	<u>2,712,629</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan	6,656	6,656
Pension deferrals	11,040	11,040
Total deferred outflows of resources	<u>17,696</u>	<u>17,696</u>
LIABILITIES		
Current liabilities:		
Accounts payable - trade	4,048	4,048
Accrued payroll expense	28,493	28,493
Customer deposits	55,748	55,748
Compensated absences - current	1,867	1,867
Note payable - current	12,790	12,790
Total current liabilities	<u>102,946</u>	<u>102,946</u>
Noncurrent liabilities:		
Note payable - noncurrent	709,094	709,094
Net pension liability	18,149	18,149
Total noncurrent liabilities	<u>727,243</u>	<u>727,243</u>
Total liabilities	<u>830,189</u>	<u>830,189</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	690	690
NET POSITION		
Net investment in capital assets	1,580,532	1,580,532
Restricted - USDA	46,390	46,390
Unrestricted	272,524	272,524
Total net position	<u>\$ 1,899,446</u>	<u>\$ 1,899,446</u>

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

Exhibit 8

Town of Whitakers
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2019

	Water and Sewer		Total
	Fund		
OPERATING REVENUES			
Charges for services	\$ 436,646	\$	436,646
Water taps	530		530
Other operating revenues	14,977		14,977
Total operating revenues	<u>452,153</u>		<u>452,153</u>
OPERATING EXPENSES			
Water treatment and distribution	192,147		192,147
Water purchases	289,720		289,720
Depreciation	71,275		71,275
Total operating expenses	<u>553,142</u>		<u>553,142</u>
Operating income (loss)	<u>(100,989)</u>		<u>(100,989)</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	-		-
Interest and other charges	(16,032)		(16,032)
Total non-operating revenue (expenses)	<u>(16,032)</u>		<u>(16,032)</u>
Income (loss) before contributions and transfers	<u>(117,021)</u>		<u>(117,021)</u>
Transfers from other funds	-		-
Transfers to other funds	-		-
Total income (loss) after contributions and transfers	<u>(117,021)</u>		<u>(117,021)</u>
Change in net position	(117,021)		(117,021)
Total net position, beginning	2,016,467		2,016,467
Total net position, ending	<u>\$ 1,899,446</u>	<u>\$</u>	<u>1,899,446</u>

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

Exhibit 9

**Town of Whitakers
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2019**

Water and Sewer Fund

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$	437,176
Cash paid for goods and services		(378,964)
Cash paid to or on behalf of employees for services		(87,365)
Net customer deposits		11,702
Other operating revenues		14,977
Net cash provided (used) by operating activities		<u>(2,474)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Interfund activity		-
Transfers to other funds		-
Net cash provided (used) by noncapital financing activities		<u>-</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets		-
Proceeds from notes payable		-
Principal paid on notes payable		(14,588)
Interest paid on notes payable		(16,032)
Net cash provided (used) by capital and related financing activities		<u>(30,620)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends		-
Net cash provided by investing activities		<u>-</u>
Net decrease in cash and cash equivalents		(33,094)

Balances, beginning		385,283
Balances, ending	\$	<u><u>352,189</u></u>

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

Exhibit 9

**Town of Whitakers
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2019**

	Water and Sewer Fund
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	\$ (100,989)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	71,275
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	-
Increase (decrease) in accounts payable - trade	(5,216)
Increase (decrease) in accrued payroll liabilities	11,364
Increase in deferred outflows of resources - pensions	10,492
Decrease in net pension liability	-
Decrease in deferred inflows of resources - pensions	(1,102)
Increase (decrease) in customer deposits	11,702
Increase (decrease) in accrued vacation pay	-
Total adjustments	98,515
Net cash provided by operating activities	\$ (2,474)

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

Town of Whitakers, North Carolina
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Whitakers (the Town) 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 Whitakers is a municipal corporation that is governed by an elected mayor and a five-member council. The Town is located in the Coastal Plains of North Carolina and has a population of approximately 800. As required by generally accepted accounting principles, these financial statements present the financial activity of the Town.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, sanitation services, and parks and recreation.

The Town reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations and any related capital projects.

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

Town of Whitakers, North Carolina
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable is materially past due and are not considered to be an available resource to finance the operations of the current year. The Town is responsible for billing and collecting the property taxes on real property on behalf of the Town. 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. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Projects Special Revenue Fund, the Capital Projects Fund, and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. 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 object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All

Town of Whitakers, North Carolina
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30] 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' acceptance and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. In addition, cash has been restricted in accordance with reserve requirements related to U.S. Department of Agriculture notes payable.

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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market when maintained. 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 held for resale rather than when purchased.

Town of Whitakers, North Carolina
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$2,500. Donated capital assets received prior to June 15, 2015 are recorded at their estimated value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. Purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	50
Buildings	50
Improvements	25
Vehicles	5
Computer Equipment	5
Furniture and office equipment	10

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 two items that meets this criterion, deferrals of pension expense and contributions made to the pension plan in the 2019 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 this criterion, property taxes receivable and pension deferrals.

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.

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.

Town of Whitakers, North Carolina
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

10. Compensated Absences

The vacation policies of the Town provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. The Town's sick leave policies 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is 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.

Prepays - portion of fund balance that is not an available resource because it represents the year-end balance of prepaid payroll liabilities, which are not spendable resources.

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

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Restricted for USDA - portion of fund balance that is in required to be set aside in accordance with reserve requirements related to U.S. Department of Agriculture notes payable.

Town of Whitakers, North Carolina
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Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the 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.

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

Subsequent year’s expenditures – portion of fund balance that is appropriated per the minimum fund balance policy for the General Fund. There should be at least 10% of the budgeted expenditures that are assigned for the subsequent year.

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

The Town of Whitakers has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the General Fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget. This amount is reported as assigned fund balance for subsequent year’s expenditures.

12. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pension, 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’s employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

The Town’s books are being maintained in accordance with the modified accrual basis of accounting. The Town’s financial officer is required to pre-authorize expenditure of funds prior to expenditure of those funds.

2. Significant Violation of Finance-Related Legal and Contractual Provisions

The Town’s Finance Officer is only bonded for \$40,000. Per G.S. 159-29(a) the Finance Officer should be bonded for \$50,000.

The Town failed to meet its contractually required debt covenants.

B. Deficit Fund Balance or Net Position of Individual Funds

None.

Town of Whitakers, North Carolina
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C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the Town had expenditures in the Water fund exceed budgeted amounts by \$47,199. These excess expenditures were the result of the Town not properly amending their budget. 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 the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits.

The State Treasurer does not confirm this information with the 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, 2019, the Town's deposits had a carrying amount of \$900,191 and a bank balance of \$882,937. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder of \$632,937 was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$3,238.

At June 30, 2019, the Town had \$17,521 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit risk rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

2. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position is net of the allowance for doubtful accounts. As of June 30, 2019, the General Fund's allowance for doubtful accounts was \$0, and the Water and Sewer Fund's allowance for doubtful accounts was \$38,054.

3. Capital Assets

Primary Government - Capital asset activity for the Primary Government for the year ended June 30, 2019 was as follows:

Town of Whitakers, North Carolina
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	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Buildings	869,901	-	-	869,901
Equipment	102,038	-	-	102,038
Vehicles	147,441	-	-	147,441
Total capital assets being depreciated	1,119,380	-	-	1,119,380
Less accumulated depreciation for				
Buildings	(544,039)	(20,648)	-	(564,687)
Equipment	(97,343)	(772)	-	(98,115)
Vehicles	(147,442)	-	-	(147,442)
Total accumulated depreciation	(788,824)	\$ (21,420)	\$ -	(810,244)
Total capital assets, depreciated, net	330,556			309,136
Governmental activity capital assets, net	\$ 330,556			\$ 309,136

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

Administration	\$ 10,527
Public Safety	5,045
Cemetary	5,848
	<u>\$ 21,420</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated				
Plant and distribution systems	3,463,983	-	-	3,463,983
Buildings	3,436	-	-	3,436
Total capital assets being depreciated	3,467,419	-	-	3,467,419
Less accumulated depreciation for				
Plant and distribution systems	(1,090,293)	(71,275)	-	(1,161,568)
Buildings	(3,435)	-	-	(3,435)
Total accumulated depreciation	(1,093,728)	(71,275)	-	(1,165,003)
Total capital assets, depreciated, net	2,373,691	\$ (71,275)	\$ -	2,302,416
Business-type activities capital asset, net	\$ 2,373,691			\$ 2,302,416

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Whitakers is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees'

Town of Whitakers, North Carolina
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Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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 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 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 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's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general 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 were \$19,071 for the year ended June 30, 2019.

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 rights to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2019, the Town reported a liability of \$66,426 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2019, the Town's proportion was .003%, which was a decrease of .001% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019 the Town recognized pension expense of \$22,585. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,248	\$ 344
Changes of assumptions	17,627	-
Net difference between projected and actual earnings on pension plan investments	9,118	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,392	57
Employer contributions subsequent to the measurement date	19,071	-
Total	\$ 60,456	\$ 401

\$19,071 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Future amortization:

Year Ended June 30:

2020	\$ 20,460
2021	12,309
2022	2,896
2023	5,320
	<u>\$ 40,985</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income 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 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 of June 30, 2018 are summarized in the following table:

Town of Whitakers, North Carolina
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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return 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 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)	\$ 159,560	\$ 66,426	\$ (11,399)

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The Town of Whitakers administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	2
Total	2

Town of Whitakers, North Carolina
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2. Summary of Significant Accounting Policies:

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.50 - 7.35% percent, including inflation and productivity factor
Discount rate	3.64%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions.

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

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

At June 30, 2019, the Town reported a total pension liability of \$10,934. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$1,360.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31	\$ 5,713
Changes of assumptions	872	530
Town benefit payments and plan administrative expense made subsequent to the measurement date	1,893	-
Total	\$ 2,796	\$ 6,243

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Whitakers, North Carolina
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Future amortization:

Year Ended June 30:

2020	\$	(1,105)
2021		(1,105)
2022		(1,094)
2023		(1,292)
2024		(744)
	<u>\$</u>	<u>(5,340)</u>

Sensitivity of the Town's total pension liability to changes in the discount rate. The following represents the Town's total pension liability calculated using the discount rate of 3.86 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Town's proportionate share of the total pension liability (asset)	\$ 12,095	\$ 10,934	\$ 9,932

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

	<u>2019</u>
Beginning balance	\$ 15,973
Service cost	1,960
Interest on the total pension liability	505
Changes of benefit terms	-
Difference between expected and actuarial experience	(6,968)
Changes of assumptions and other inputs	(536)
Benefit payments	-
Other	-
Ending balance of the total pension liability	<u>\$ 10,934</u>

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

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

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

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

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	LGERS	LEOSSA	Total
Pension Expense	\$ 22,585	\$ 1,360	\$ 23,945
Pension Liability	66,426	10,934	77,360
Proportionate share of the net pension liability	0.00280%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	10,248	31	10,279
Changes of assumptions	17,627	872	18,499
Net difference between projected and actual earnings on plan investments	9,118	-	9,118
Changes in proportion and differences between contributions and proportionate share of contributions	4,392	-	4,392
Benefit payments and administrative costs paid subsequent to the measurement date	19,071	1,893	20,964
Deferred Inflows of Resources			
Differences between expected and actual experience	344	5,713	6,057
Changes of assumptions	-	530	530
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	57	-	57

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

The Town made contributions of \$822 for the reporting year. No amounts were forfeited.

d. Supplemental Retirement Income Plan for General Employees

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to Town employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2019 were \$8,878 which consisted of \$6,652 from the Town and \$2,227 from the employees.

Town of Whitakers, North Carolina
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2. Other Employment Benefits

The Town has also 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 \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .09% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$ 20,964
Pension deferrals	<u>42,288</u>
Total	<u>\$ 63,252</u>

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

Pension deferrals	\$ 6,645
Ad valorem taxes – Unearned (General Fund)	<u>84,689</u>
Total	<u>\$ 91,334</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. The Town carries commercial coverage for all other risks of loss. There have 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. Because the Town is not in an area of the State that has been mapped and designated a moderate to low flood zone by the Federal Emergency Management Agency, the Town has chosen not to obtain flood insurance. In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$40,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000. The Town provides commercial group health insurance to its employees.

Town of Whitakers, North Carolina
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5. Long-Term Obligations

a. Debt Agreements

Governmental Fund

None.

Business-Type Fund - Water and Sewer Fund

Revenue Bonds:

In August 2008, the Town entered into a direct placement agreement for a U.S. Department of Agriculture revenue bond for water and sewer improvements. The agreement requires variable principal payments, due on August 25, beginning in fiscal year 2012 and succeeding through June 1, 2048 with interest at 4.25%. The balance owed on this note was \$598,000 at June 30, 2019. Future maturities of the revenue bond are as follows:

June 30	Total	Principal	Interest
2020	\$ 34,863	\$ 10,000	\$ 24,863
2021	35,437	11,000	24,437
2022	34,969	11,000	23,969
2023	35,502	12,000	23,502
2024	34,993	12,000	22,993
2025-2029	175,565	66,000	109,565
2030-2034	176,265	82,000	94,265
2035-2039	176,268	101,000	75,268
2040-2044	179,723	128,000	51,723
2045-2048	185,675	165,000	20,675
	<u>\$ 1,069,260</u>	<u>\$ 598,000</u>	<u>\$ 471,260</u>

The Town is not in compliance with the covenants as to rates, fees, rentals and charges as required by the bond agreement, authorizing the issuance of Water and Sewer Revenue Bonds, Series 2008, since its adoption in 2008. The debt service coverage ratio calculation for the year ended June 30, 2019 is as follows:

Operating revenues	\$ 452,153
Operating expenses*	481,867
Operating loss	<u>(29,714)</u>
Non-operating revenues (expenses)**	-
Income available for debt service	<u>\$ (29,714)</u>
Debt service, principal and interest paid	<u>\$ 34,863</u>
Debt service coverage ratio	-85.23%

*Depreciation of \$71,275 is excluded.

** Interest paid of \$16,032 is excluded.

The Town has pledged future water and sewer customer revenues, net of specified operating expenses to pay the revenue bonds issued in August 2008. Proceeds from the revenue bonds were used to provide water and sewer system improvements. The bonds are payable solely from water and sewer customer net revenues and are payable through 2048. Annual principal and interest payments on the bonds are expected to require less than 110% of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,069,260. Principal and interest paid for the current year were \$34,863.

Town of Whitakers, North Carolina
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Direct Borrowing Agreement:

In January 2012, the Town entered into direct borrowing agreement with the U.S. Department of Agriculture for additional water and sewer improvements. The agreement requires principal and interest payments beginning in fiscal year 2012 and succeeding through January 14, 2052 with interest at 2.50%. The Town has pledged future water and sewer customer revenues, net of specified operating expenses to pay the principal and interest. The balance owed on this note was \$136,884 at June 30, 2019. Future maturities of installment debt are as follows:

June 30	Total	Principal	Interest
2020	\$ 6,255	\$ 2,790	\$ 3,465
2021	6,255	2,861	3,394
2022	6,255	2,933	3,322
2023	6,255	3,007	3,248
2024	6,255	3,083	3,172
2025-2029	31,275	16,625	14,650
2030-2034	31,275	18,836	12,439
2035-2039	31,275	21,341	9,934
2040-2044	31,275	24,180	7,095
2045-2049	31,275	27,396	3,879
2050-2051	14,389	13,832	557
Total	\$ 202,039	\$ 136,884	\$ 65,155

b. Changes in Long-Term Obligations

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Net pension liability (LGERS)	\$ 31,201	\$ 17,076	\$ -	\$ 48,277	\$ -
Total pension liability (LEO)	15,973	-	5,039	10,934	-
Compensated absences	1,561	-	-	1,561	1,561
	<u>\$ 48,735</u>	<u>\$ 17,076</u>	<u>\$ 5,039</u>	<u>\$ 60,772</u>	<u>\$ 1,561</u>
Business-type Activities:					
Compensated absences	\$ 1,867	\$ -	\$ -	\$ 1,867	\$ 1,867
Net pension liability (LGERS)	14,172	3,977	-	18,149	-
Direct Placement	595,000	-	10,000	585,000	10,000
Direct Borrowing	139,674	-	2,790	136,884	2,790
	<u>\$ 750,713</u>	<u>\$ 3,977</u>	<u>\$ 12,790</u>	<u>\$ 741,900</u>	<u>\$ 14,657</u>

At June 30, 2019, the Town had a legal debt margin of \$1,485,286.

6. Claims, Judgments and Contingent Liabilities

The Town is a defendant to lawsuits. In the opinion of the Town's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

C. 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 Whitakers, North Carolina
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Total Fund Balance - General Fund	\$ 555,913
Less:	
Stabilization by State Statute	43,005
Streets	81,106
Subsequent year's expenditures	67,580
Remaining Fund Balance	\$ 364,222

The Town 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.

The Town of Whitakers has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. This amount is reported as assigned fund balance for subsequent year's expenditures.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several 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.

V. Subsequent Events

The Town has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors' report. The Town has not evaluated subsequent events after the report date. There were no subsequent events during this period that require disclosure.

VI. Joint Venture

The Town, in conjunction with Braswell Memorial Public Library, participates in a joint venture to improve Whitakers Public Library. The agreement became effective on June 8, 2016 and will continue until June 30, 2021, unless renewed. Braswell Memorial Library is responsible for the management and operations of Whitakers Public Library. The Town of Whitakers is responsible for providing financial support. The Town has an ongoing financial responsibility of \$5,000 annually for the duration of the contract.

Required Supplemental Financial Data

**This section contains additional statements required by the Local Government Commission
of North Carolina.**

Town of Whitakers
Town of Whitakers' Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years *

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Whitakers' proportion of the net pension liability (asset) (%)	0.00280%	0.00297%	0.00312%	0.00391%	0.00292%	0.00360%
Whitakers' proportion of the net pension liability (asset) (\$)	\$ 66,426	\$ 45,373	\$ 66,217	\$ 17,549	\$ (17,220)	\$ 43,394
Whitakers' covered-employee payroll	\$ 206,218	\$ 251,755	\$ 266,679	\$ 265,182	\$ 253,154	\$ 241,644
Whitakers' proportionate share of the net pension liability (asset as a percentage of its covered-employee payroll)	32.21%	18.02%	24.83%	6.62%	(6.80%)	17.96%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**Town of Whitakers
Town of Whitakers' Contributions
Required Supplementary Information
Last Six Fiscal Years**

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 19,071	\$ 16,641	\$ 18,842	\$ 18,293	\$ 18,847	\$ 17,955
Contributions in relation to the contractually required contribution	<u>19,071</u>	<u>16,641</u>	<u>18,842</u>	<u>18,293</u>	<u>18,847</u>	<u>17,955</u>
Contributoin deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Whitakers' covered-employee payroll	\$ 247,530	\$ 206,218	\$ 251,755	\$ 266,679	\$ 265,182	\$ 253,154
Contributions as a percentage of covered-employee payroll	7.70%	8.07%	7.48%	6.86%	7.11%	7.09%

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

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 15,973	\$ 12,209
Service cost	1,960	1,828
Interest on the total pension liability	505	471
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(6,968)	49
Changes of assumptions or other inputs	(536)	1,416
Benefit payments	-	-
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 10,934</u>	<u>\$ 15,973</u>

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

Town of Whitakers
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 10,934	\$ 15,973	\$ 12,209
Covered payroll	47,456	45,145	76,981
Total pension liability as a percentage of covered payroll	23.04%	35.38%	15.86%

Notes to the schedules:

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

**Town of Whitakers
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes			
Taxes	\$ 260,940	\$ 240,191	
Penalties and interest	5,500	2,376	
Total	<u>266,440</u>	<u>242,567</u>	<u>(23,873)</u>
Other taxes and licenses			
Vehicle licenses	1,000	1,445	
Dog tax	300	14	
Total	<u>1,300</u>	<u>1,459</u>	<u>159</u>
Unrestricted intergovernmental			
Local option sales taxes	152,000	153,666	
Gas tax refund	2,750	-	
Franchise tax	46,000	46,869	
Sales tax refund	2,000	1,691	
Beer and wine tax	3,060	3,021	
Total	<u>205,810</u>	<u>205,247</u>	<u>(563)</u>
Restricted intergovernmental			
ABC revenues	4,500	3,020	
Powell Bill allocation	23,115	22,913	
Total	<u>27,615</u>	<u>25,933</u>	<u>(1,682)</u>
Permits and fees			
Solid waste disposal	86,000	83,497	
Cemetery lots	3,000	3,200	
Zoning and building permits	200	100	
Court fees	100	164	
Total	<u>89,300</u>	<u>86,961</u>	<u>(2,339)</u>
Investment earnings	<u>545</u>	<u>512</u>	<u>(33)</u>
Miscellaneous	<u>22,132</u>	<u>11,087</u>	<u>(11,045)</u>
Total revenues	<u>613,142</u>	<u>573,766</u>	<u>(39,376)</u>

**Town of Whitakers
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Administration			
Salaries and employee benefits	74,511	68,687	
Utilities	9,500	6,362	
Professional services	92,774	45,633	
Insurance	8,100	4,311	
Capital outlay	-	-	
Other operating expenditures	35,099	34,329	
Governing Board	-	-	
Total	<u>219,984</u>	<u>159,322</u>	<u>60,662</u>
Public safety			
Police			
Salaries and employee benefits	102,649	104,670	
Professional services	5,000	5,257	
Supplies	11,841	9,827	
Uniforms	600	351	
Vehicle maintenance	7,500	7,978	
Utilities	6,571	4,044	
Communication services	1,300	2,952	
Insurance	25,725	23,175	
Other operating expenditures	9,279	8,710	
Fire Department	22,500	22,500	
Total	<u>192,965</u>	<u>189,464</u>	<u>3,501</u>
Transportation			
Streets			
Salaries and employee benefits	37,160	34,153	
Professional services	3,500	3,871	
Supplies	2,400	3,290	
Vehicle maintenance	1,856	2,546	
Street lights	20,600	20,557	
Repairs and maintenance	18,576	2,121	
Insurance	11,407	7,722	
Capital outlay	4,000	-	
Powell Bill expenditures	40,000	-	
Other expenditures	3,900	3,969	
Total	<u>143,399</u>	<u>78,229</u>	<u>65,170</u>

**Town of Whitakers
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Environmental Protection			
Solid waste			
Salaries and employee benefits	38,843	28,628	
Utilities	4,520	2,663	
Repairs and maintenance	7,200	5,889	
Supplies	2,500	2,921	
Landfill services	15,500	14,140	
Recycling charges	1,000	2,478	
Professional services	4,200	4,295	
Capital outlay	30,777	30,777	
Insurance	7,300	6,237	
Other expenditures	-	521	
Total	<u>111,840</u>	<u>98,549</u>	<u>13,291</u>
Cemetery			
Salaries and employee benefits	591	591	
Capital outlay	-	-	
Other expenditures	3,359	1,290	
Total	<u>3,950</u>	<u>1,881</u>	<u>2,069</u>
Railroad Gates			
Other expenditures	7,120	7,120	-
Total	<u>7,120</u>	<u>7,120</u>	<u>-</u>
Total expenditures	<u>679,258</u>	<u>534,565</u>	<u>144,693</u>
Revenues over (under) expenditures	<u>(66,116)</u>	<u>39,201</u>	<u>105,317</u>
Appropriated fund balance	66,116	-	(66,116)
Total	<u>66,116</u>	<u>-</u>	<u>(66,116)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	39,201	<u>\$ 39,201</u>
Fund balances, beginning		516,712	
Fund balances, ending		<u>\$ 555,913</u>	

**Town of Whitakers
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water and sewer charges	\$ 452,000	\$ 436,646	\$ (15,354)
Total	452,000	436,646	(15,354)
Water and sewer taps	800	530	(270)
Other operating revenues	20,080	14,977	(5,103)
Total	472,880	452,153	(20,727)
Nonoperating revenues:			
Interest earnings	-	-	-
Total revenues	472,880	452,153	(20,727)
Expenditures:			
Water administration, finance, treatment and distribution:			
Salaries and employee benefits	98,262	125,779	
Other operating expenditures	14,200	21,279	
Utilities	10,600	11,865	
Repairs and maintenance	5,050	26,237	
Vehicle maintenance	2,000	662	
Supplies	8,500	13,101	
Insurance	23,425	15,404	
Debt service	6,300	-	
Capital Outlay	6,743	-	
Bad debt	2,000	-	
Interest	35,800	16,032	
Total	212,880	230,359	(17,479)
Utility purchases	260,000	289,720	(29,720)
Capital outlay:			
Water line	-	-	
Equipment acquisitions	-	-	
Total	-	-	-
Total expenditures	472,880	520,079	(47,199)

**Town of Whitakers
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfer to other fund:			
General Fund	-	-	-
Total	-	-	-
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (67,926)</u>	<u>\$ (67,926)</u>

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Revenues and other sources over expenditures and other uses	\$ (67,926)
Reconciling items:	
Principal retirement	12,790
Increase in deferred outflows of resources - pensions	10,492
Decrease in deferred inflows of resources - pensions	(1,102)
Depreciation	<u>(71,275)</u>
Total reconciling items	<u>(49,095)</u>
Change in net position	<u>\$ (117,021)</u>

Other Schedules

This section contains additional information required on property taxes.

Schedule of Ad Valorem taxes Receivable

Analysis of Current Tax Levy

**Town of Whitakers
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2019**

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 198,645	\$ 189,304	\$ 9,341
2017-2018	11,463	-	2,320	9,143
2016-2017	11,641	-	2,392	9,249
2015-2016	11,495	-	2,368	9,127
2014-2015	10,068	-	2,529	7,539
2013-2014	9,370	-	2,030	7,340
2012-2013	8,247	-	2,412	5,835
2011-2012	7,182	-	1,495	5,687
2010-2011	6,097	-	1,418	4,679
2009-2010	7,617	-	1,461	6,156
2008-2009	7,617	-	1,461	6,156
2007-2008	6,214	-	1,777	4,437
	<u>\$ 97,011</u>	<u>\$ 198,645</u>	<u>\$ 210,967</u>	<u>\$ 84,689</u>
	Ad valorem taxes receivable			\$ 84,689
	Less: allowance for uncollectible accounts: General Fund			<u>-</u>
	Ad valorem taxes receivable - net			<u>\$ 84,689</u>
	<u>Reconciliation with revenues:</u>			
	Ad valorem taxes - General Fund			\$ 242,567
	Reconciling items:			
	Adjustments			(29,165)
	Interest collected			(2,376)
	Total collections and credits			<u>\$ 211,026</u>

**Town of Whitakers
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2019**

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current					
Real and personal property	\$ 23,272,373	0.72	\$ 167,561	\$ 167,561	\$ -
Registered motor vehicles taxed at prior year's rate	4,317,248	0.72	31,084	-	31,084
Releases			-		
Discoveries		0.72	-	-	
Penalties			-		
Total Property Valuation	\$ 27,589,621		\$ 198,645	\$ 167,561	\$ 31,084
Net levy			\$ 198,645	\$ 167,561	\$ 31,084
Uncollected taxes at June 30, 2019			(9,341)	(9,341)	
Current year's taxes collected			\$ 189,304	\$ 158,220	\$ 31,084
Current levy collection percentage			95.30%	94.43%	100.00%