
Town of Winfall

Winfall, North Carolina

Audit Report

June 30, 2019

TOWN OF WINFALL

WINFALL, NORTH CAROLINA

TOWN OFFICIALS

Mayor

Frederick Yates

Town Commissioners

Kenneth Rominger, Mayor Pro Team

Steav Congdon

Preston T. White

Arnetta Ormond

Town Clerk

Brenda Dillard

Town of Winfall, North Carolina
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 June 30, 2019

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LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winfall, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Member:

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

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Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds of Town of Winfall, 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 of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 4 through 10 and the Local Government Employees' Retirement System's Schedule of the Proportionate Share of the Net Pension Asset and Contributions on page 46 and 47 respectively, as well as the Firefighters, and Rescue Squad Worker's Pension on page 48, 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.

Other Information

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

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

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

Larry E. Carpenter, CPA, PA

Greenville, NC
May 26, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

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

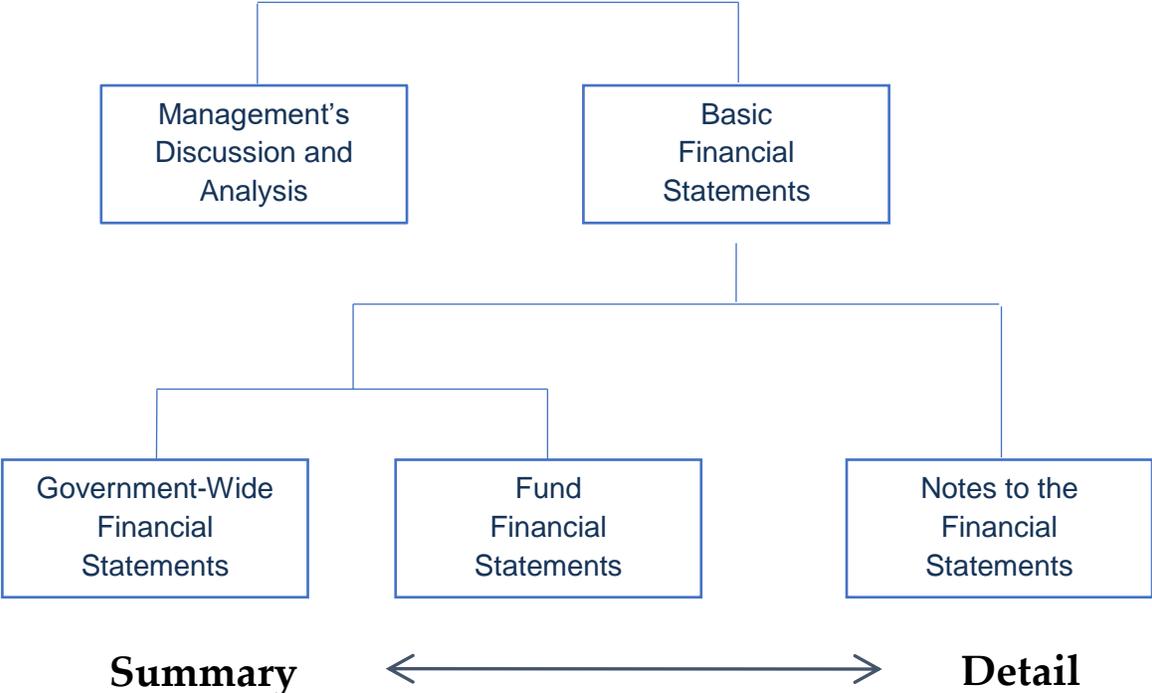
- The assets and deferred outflows of resources of the Town of Winfall exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,193,351 (*net position*).
- The government's total net position decreased by \$61,501, primarily due to an increase in both the governmental and the business-type activities net position.
- As of the close of the current fiscal year, the Town of Winfall's governmental funds reported combined ending fund balances of \$285,990 with a net change of \$69,998 in fund balance. Approximately 72.18% percent of this total amount, or \$206,437, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$206,437, or 40.82% percent of total general fund expenditures for the fiscal year.
- At the end of the current fiscal year, the Town of Winfall had Restricted Reserves of \$3,194.
- The Town of Winfall's total debt decreased by \$51,235 during the current fiscal year.

Overview of the Financial Statements

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

Components of the Annual Financial Report

Figure 1:



Basic Financial Statements

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

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

Government-wide financial statements

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

The two government-wide statements report the Town's net position and how it has changed. Net position

is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

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

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

Fund Financial Statements

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

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

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

Proprietary Funds. Town of Winfall has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town

of Winfall uses enterprise funds to account for its water and sewer activity. This fund is the same function as shown in the business-type activities in the *Statement of Net Position* and the *Statement of Activities*

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

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

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

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 319,238	\$ 308,762	\$ 138,206	\$ 125,520	\$ 457,444	\$ 434,282
Pension assets	-	-	-	-	-	-
Capital assets	710,984	725,468	4,998,811	5,152,169	5,709,795	5,877,637
Deferred outflows of resources	17,948	19,658	-	-	17,948	19,658
Total assets and deferred outflows of resources	1,048,170	1,053,888	5,137,017	5,277,689	6,185,187	6,331,577
Current liabilities	32,803	56,926	91,510	83,768	124,313	140,694
Noncurrent liabilities	9,489	300,541	-	635,180	9,489	935,721
Deferred inflows of resources	49	311	-	-	49	311
Total liabilities and deferred inflow of resources	42,341	357,778	91,510	718,948	133,851	1,076,726
Net investment in capital assets	421,808	409,409	4,363,302	4,475,871	4,785,110	4,885,280
Restricted	79,553	75,403	-	-	79,553	75,403
Unrestricted	239,992	211,298	88,696	82,871	328,688	294,169
Total net position	\$ 741,353	\$ 696,110	\$ 4,451,998	\$ 4,558,742	\$ 5,193,351	\$ 5,254,852

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Winfall exceeded liabilities by \$5,193,351 as of June 30, 2019. The

Town's net position decreased by \$61,501 for the fiscal year ended June 30, 2019. However, the largest portion, \$4,785,110 or 92.14% reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Winfall uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Winfall's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Winfall's net position, \$53,211 or 0.07% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$328,688 or 73.02% is unrestricted.

Town of Winfall's Changes in Net Position

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 40,590	\$ 36,040	\$ 216,421	\$ 212,270	\$ 257,011	\$ 248,310
Operating grants and contributions	94,555	94,351	-	-	94,555	94,351
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	205,363	242,780	-	-	205,363	242,780
Other taxes	2,148	1,501	-	-	2,148	1,501
Grants and Contributions not Restricted to Specific Programs	-	182,655	-	-	-	182,655
Investment earnings	-	-	-	-	-	-
Other	194,344	979	-	101	194,344	1,080
Total revenues	<u>537,000</u>	<u>558,306</u>	<u>216,421</u>	<u>212,371</u>	<u>753,421</u>	<u>770,677</u>
Expenses:						
General government	216,097	252,271	-	-	252,271	252,271
Public safety	131,820	124,525	-	-	124,525	124,525
Transportation	91,227	100,567	-	-	100,567	100,567
Economic and physical development	-	-	-	-	-	-
Environmental protection	41,244	28,984	-	-	28,984	28,984
Culture and recreation	-	-	-	-	-	-
Interest on long-term debt	11,369	13,646	-	-	13,646	13,646
Sewer	-	-	323,165	320,551	323,165	320,551
Total expenses	<u>491,757</u>	<u>519,993</u>	<u>323,165</u>	<u>320,551</u>	<u>814,922</u>	<u>840,544</u>
Increase (decrease) in Net Position	45,243	38,313	(106,744)	(108,180)	(61,501)	(69,867)
Transfers	-	-	-	-	-	-
Increase (decrease) in Net Position	<u>45,243</u>	<u>38,313</u>	<u>(106,744)</u>	<u>(108,180)</u>	<u>(61,501)</u>	<u>(69,867)</u>
Net Position, July 1	696,110	657,797	4,558,742	4,666,922	5,254,852	5,324,719
Net Position, restated	-	-	-	-	-	-
Net Position, June 30	<u>\$ 741,353</u>	<u>\$ 696,110</u>	<u>\$ 4,451,998</u>	<u>\$4,558,742</u>	<u>\$5,193,351</u>	<u>\$5,254,852</u>

Governmental activities: Governmental activities increased the Town net assets by \$45,243. Key elements of the increase are as follows:

- Tax Revenues remained steady

Business-type activities: Business-type activities decreased the Town of Winfall's net position by

\$106,744, accounting for -2.36% of the increase in the government's net assets.

Proprietary Funds. The Town of Winfall proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer at the end of the fiscal year amounted to \$88,696. The total decrease in net position was \$106,744.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Winfall. At the end of the current fiscal year, the Town of Winfall's fund balance available in the General Fund was \$206,437, while total fund balance reached \$285,990. The Town currently has an available fund balance of 40.82% of general fund expenditures, while total fund balance represents 56.55% of the same amount.

At June 30, 2019, the governmental funds of the Town of Winfall reported a combined fund balance of \$285,990 with a net increase in fund balance of \$69,998.

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

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Capital Assets. The Town of Winfall's Investment in Capital Assets for Its Governmental and Business—Type Activities as of June 30, 2019, totaled \$710,984 (*Net of Accumulated Depreciation*). These Assets Include Buildings, Roads and Bridges, Land, Machinery and Equipment, Park facilities, and vehicles.

Town of Winfall's Capital Assets
(Net of Accumulated Depreciation)
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 197,300	\$ 197,300	\$ -	\$ -	\$ 197,300	\$ 197,300
Buildings	429,551	442,804	-	-	429,551	442,804
Plant and Distribution System	-	-	-	5,152,169	-	5,152,169
Equipment	35,509	29,913	4,998,811	-	5,034,320	29,913
Vehicles	48,624	55,451	-	-	48,624	55,451
Total	\$ 710,984	\$ 725,468	\$4,998,811	\$5,152,169	\$ 5,709,795	\$5,877,637

Long-term Debt. The Town's total debt decreased by \$51,235 during the past fiscal year.

North Carolina general statutes limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the Town of Winfall is \$2,555,871. The Town has no bonds authorized but un-issued at June 30, 2019.

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

Town of Winfall's Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ -	\$ -	\$ 319,000	\$ 328,000	\$ 319,000	\$ 328,000
Installment Purchases	289,176	312,972	316,509	348,298	605,685	661,270
Pensions related debt (LGERS)	9,489	11,000	-	-	9,489	11,000
Deferred outflows of resources	17,948	-	-	-	17,948	-
Capital leases	-	3,087	-	-	-	3,087
Total	316,613	327,059	635,509	676,298	952,122	1,003,357

Economic Factors and Next Year's Budget and Rates

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

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

Budget Highlights for the Fiscal Year Ending June 30, 2020

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

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Winfall, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 210,928	\$ 59,010	\$ 269,938
Taxes receivable, net	28,757	--	28,757
Accounts receivable, net	12,270	38,506	50,776
Due from other governments	37,747	--	37,747
Restricted cash and cash equivalents	29,536	40,690	70,226
Total Current Assets	319,238	138,206	457,444
<i>Noncurrent Assets</i>			
Land and other nondepreciable assets	197,300	--	197,300
Other capital assets, net of depreciation	513,684	4,998,811	5,512,495
Total Assets	1,030,222	5,137,017	6,167,239
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	17,948	--	17,948
Total Deferred Outflows of Resources	17,948	--	17,948
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities	4,491	8,820	13,311
Customer deposits	--	40,690	40,690
Accrued interest payable	3,612	--	3,612
Current portion of long-term debt	24,700	42,000	66,700
Total Current Liabilities	32,803	91,510	124,313
<i>Noncurrent Liabilities</i>			
Due in more than one year	264,476	593,509	857,985
Net pension liability	9,489	--	9,489
Total Liabilities	306,768	685,019	991,787
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	49	--	49
Total Deferred Inflows of Resources	49	--	49
NET POSITION			
Net investment in capital assets	421,808	4,363,302	4,785,110
<i>Restricted for:</i>			
Stabilization by State Statute	50,017	--	50,017
Streets	3,194	--	3,194
USDA Reserve	26,342	--	26,342
<i>Unrestricted</i>	239,992	88,696	328,688
Total Net Position	\$ 741,353	\$ 4,451,998	\$ 5,193,351

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

**Town of Winfall, North Carolina
Statement of Activities
For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General government	216,097	1,650	--	--	(214,447)	--	(214,447)
Public safety	\$ 131,820	\$ 6,715	\$ 75,627	\$ --	\$ (49,478)	\$ --	\$ (49,478)
Transportation	91,227	720	18,928	--	(71,579)	--	(71,579)
Environmental protection	41,244	31,505	--	--	(9,739)	--	(9,739)
Interest and other charges	11,369	--	--	--	(11,369)	--	(11,369)
Total Governmental Activities	491,757	40,590	94,555	--	(356,612)	--	(356,612)
Business-type Activities:							
Sewer	323,165	216,421	--	--	--	(106,744)	(106,744)
Total Business-type Activities	323,165	216,421	--	--	--	(106,744)	(106,744)
Total Primary Government	\$ 814,922	\$ 257,011	\$ 94,555	\$ --	\$ (356,612)	\$ (106,744)	\$ (463,356)
General Purpose Revenues and Transfers:							
Revenues							
Ad valorem taxes					205,363	--	205,363
Unrestricted intergovernmental					193,016	--	193,016
Other taxes					2,148	--	2,148
Miscellaneous Income					1,328	--	1,328
Transfers					--	--	--
Total General Revenues and Transfers					401,855	--	401,855
Change in Net Position					45,243	(106,744)	(61,501)
<i>Net Position at Beginning of Period</i>					696,110	4,558,742	5,254,852
Net Position at End of Period					\$ 741,353	\$ 4,451,998	\$ 5,193,351

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

Fund Financial Statement

**Town of Winfall, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019**

	Major Fund
	General Fund
ASSETS	
Cash and cash equivalents	\$ 210,928
Taxes receivable, net	28,757
Accounts receivable, net	12,270
Due from other governments	37,747
Restricted cash and cash equivalents	29,536
<i>Total Assets</i>	319,238
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
<i>Total Assets and Deferred Outflows of Resources</i>	\$ 319,238
LIABILITIES	
Accounts payable and accrued liabilities	\$ 4,491
<i>Total Liabilities</i>	4,491
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	28,757
<i>Total Liabilities and Deferred Inflows of Resources</i>	33,248
FUND BALANCE	
Restricted	
Stabilization by State Statute	50,017
Streets	3,194
USDA Reserve	26,342
Unassigned	206,437
<i>Total Fund Balance</i>	285,990
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 319,238

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

Town of Winfall, North Carolina
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds	\$	285,990
Some liabilities, including accrued interest payable not paid in the current period and therefore are not reported in the funds.		(5,078)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		710,984
Other long-term assets (accrued interest receivable from taxes) are not available to pay current-period expenditures and therefore are deferred in the funds.		10,277
Net Pension Liability		(9,489)
Long-term liabilities used in governmental activities are not financial uses and, therefore are not reported in the funds.		(289,176)
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. (change in earned vacation pay, change in accrued interest expense)		1,466
Deferred outflows of resources related to pensions are not reported in the funds		17,948
Deferred inflows of resources related to pensions are not reported in the funds		(49)
Earned revenues considered deferred inflows of resources in fund statements.		18,480
Total Net Position-Governmental Funds	\$	<u>741,353</u>

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

Town of Winfall, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	<u>Major Fund</u>
	<u>General Fund</u>
Revenues	
Ad valorem taxes	\$ 244,046
Unrestricted intergovernmental	193,016
Restricted intergovernmental	126,060
Other taxes	2,148
Sales and services	9,085
Miscellaneous Income	1,328
Total Revenues	<u>575,683</u>
Expenditures	
General government	206,936
Public safety	132,079
Transportation	88,794
Environmental protection	41,244
Principal	23,797
Interest and other charges	12,835
Total Expenditures	<u>505,685</u>
Net Change in Fund Balance	69,998
<i>Fund Balance at Beginning of Period</i>	215,992
Fund Balance at End of Period	<u>\$ 285,990</u>

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

**Town of Winfall, North Carolina
 Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
 Changes in Fund Balance with Statement of Activities
 For the Year Ended June 30, 2019**

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

Total Net Change in Fund Balances - Governmental Funds	\$	69,998
Some liabilities, including accrued interest payable not paid in the current period and therefore are not reported in the funds.		1,466
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		26,883
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.		(14,484)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(38,683)
Pension expense		63
Changes in Net Position-Governmental Funds	\$	<u>45,243</u>

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

Exhibit A-7

Town of Winfall, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
Revenues				
Ad valorem taxes	\$ 238,000	\$ 257,300	\$ 244,046	\$ (13,254)
Unrestricted intergovernmental	179,900	180,200	193,016	12,816
Restricted intergovernmental	127,730	127,730	126,060	(1,670)
Other taxes	2,750	2,750	2,148	(602)
Sales and services	13,550	14,250	9,085	(5,165)
Miscellaneous Income	1,250	1,250	1,328	78
Total Revenues	<u>563,180</u>	<u>583,480</u>	<u>575,683</u>	<u>(7,797)</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>563,180</u>	<u>583,480</u>	<u>575,683</u>	<u>(7,797)</u>
Expenditures				
General government	222,690	241,990	206,936	35,054
Public safety	169,825	158,203	132,079	26,124
Transportation	102,600	102,600	88,794	13,806
Environmental protection	38,600	42,600	41,244	1,356
Principal	23,797	23,797	23,797	--
Interest and other charges	5,668	14,290	12,835	1,455
Total Expenditures	<u>563,180</u>	<u>583,480</u>	<u>505,685</u>	<u>77,795</u>
Net Change in Fund Balance	<u>\$ --</u>	<u>\$ --</u>	<u>69,998</u>	<u>\$ 69,998</u>
<i>Fund Balance at Beginning of Period</i>			215,992	
Fund Balance at End of Period			<u>\$ 285,990</u>	

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

Town of Winfall, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities - Enterprise Funds
	Sewer Fund
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 59,010
Accounts receivable, net	38,506
Restricted cash and cash equivalents	40,690
Total Current Assets	138,206
<i>Noncurrent Assets</i>	
Other capital assets, net of depreciation	4,998,811
Total Assets	5,137,017
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Deferred Outflows of Resources	--
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable and accrued liabilities	8,820
Customer deposits	40,690
Current portion of long-term debt	42,000
Total Current Liabilities	91,510
<i>Noncurrent Liabilities</i>	
Due in more than one year	593,509
Total Liabilities	685,019
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
Total Deferred Inflows of Resources	--
NET POSITION	
Net investment in capital assets	4,363,302
<i>Unrestricted</i>	88,696
Total Net Position	\$ 4,451,998

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

Town of Winfall, North Carolina
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds
	Sewer Fund
Operating Revenues	
Sales and services	\$ 216,421
<i>Total Operating Revenues</i>	216,421
Operating Expenses	
Water and sewer operations	149,088
Depreciation	154,072
<i>Total Operating Expenses</i>	303,160
<i>Operating Income (Loss)</i>	(86,739)
Non-Operating Revenues (Expenses)	
Interest and other charges	(20,005)
<i>Net Non-Operating Revenues (Expenses)</i>	(20,005)
<i>Change In Net Position</i>	(106,744)
<i>Net Position at Beginning of Period</i>	4,558,742
<i>Net Position at End of Period</i>	\$ 4,451,998

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

Town of Winfall, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Major Enterprise Funds
	Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 211,136
Cash paid for goods and services	(144,092)
Customer deposits collected	1,151
Net cash provided (used) by operating activities	68,195
Cash Flows from Noncapital Financing Activities:	
Increase in Due to (from) other funds	
Cash Flows From Capital and Related Financing Activities	
Principal Paid on bond maturities and equipment contracts	(40,789)
Interest expense	(20,005)
Net cash provided (used) by capital and related financing activities	(60,794)
Cash Flows from Investing Activities:	
Investment income received	-
Net increase (decrease) in cash and cash equivalents	7,401
Balances, beginning	92,299
Balances, ending	\$ 99,700
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (86,739)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	154,072
Change in assets and liabilities:	
(Increase) decrease in accounts receivables	(5,285)
Increase (decrease) in accounts payable and accrued liabilities	4,996
Increase (decrease) in customer deposits	1,151
Total Adjustments	154,934
Net cash provided by operating activities	\$ 68,195

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

Notes To The Financial Statements

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

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. The Town Manager has the authority to amend appropriations within departments. All other amendments must be approved by the governing board.

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

1. Deposits and Investments

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

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019**

certificates of deposit.

State law [G.S. 159-30(c)], authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Governmental Activities:	
General Fund	
Streets	\$ 3,194
USDA reserve	26,342
Total governmental activities	\$ 29,536
 Business-type activities:	
Sewer Fund	\$ 40,690
Total Business-type Activities	40,690
Total Restricted Cash	\$ 70,226

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019**

5. Allowances for Doubtful Accounts

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

6. Inventory & Prepaid Items

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

7. Capital Assets

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

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

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

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

8. *Deferred Outflows/Inflows of Resources*

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

9. *Long-Term Obligations*

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

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

10. *Compensated Absences*

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

The Town's sick leave policy provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any

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

obligations for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

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

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

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

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

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

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

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

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019**

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

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

12. Pensions

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

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

NOTE II—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

North Carolina State Statute [G.S. 159-34(a)] stipulates that each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year. The Town's current audit was delayed due to their prior year audit being completed and issued in late January 2020. The Town subsequently retained a new audit firm in March 2020 to perform their June 30, 2019 year end audit. The Town did deliver their accounting records in a timely manner as requested.

2. Contractual Violations

NONE

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

NONE

4. Excess of Expenditures over Appropriations

NONE

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019**

NOTE III — DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2019, the Town's deposits had a carrying amount of \$335,519 and a bank balance of \$336,359. Of the bank balance \$336,359 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Petty cash was \$200.

2. Investments

At June 30, 2019, the Town of Winfall had \$4,445 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019**

3. Receivables — Allowance for Doubtful Accounts

General Fund:	
Taxes receivable	\$ 28,757
Accounts receivable	12,270
Enterprise Fund:	
Accounts receivables	<u>38,506</u>
Total	<u>38,506</u>
Grand Total	<u><u>\$ 79,533</u></u>

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019**

4. Capital Assets

Governmental Capital Assets

General Fund Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 197,300	\$ -	\$ -	\$ 197,300
Total capital assets not being depreciated	197,300	-	-	197,300
Capital assets being depreciated:				
Buildings	757,856	-	-	757,856
Equipment	216,000	19,367	-	235,367
Vehicles	932,314	-	-	932,314
Total capital assets being depreciated	1,906,170	19,367	-	1,925,537
Less accumulated depreciation for:				
Buildings	315,052	13,253	-	328,305
Equipment	186,087	13,771	-	199,858
Vehicles	876,863	6,827	-	883,690
Total accumulated depreciation	1,378,002	<u>\$ 33,851</u>	<u>\$ -</u>	1,411,853
Total capital assets being depreciated, net	528,168			513,684
Governmental activity capital assets, net	<u>\$ 725,468</u>			<u>\$ 710,984</u>

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

Governmental Activities:	
General government	\$ 12,065
Public Safety	17,999
Transportation	2,433
Total	<u>\$ 32,498</u>

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019**

Enterprise Fund Capital Assets.

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets being depreciated:				
Plant and distribution systems	7,788,988	-	-	7,788,988
Equipment and Furniture	15,700	-	-	15,700
Vehicles	11,890	-	-	11,890
Total capital assets being depreciated	<u>7,816,578</u>	<u>-</u>	<u>-</u>	<u>7,816,578</u>
Less accumulated depreciation for:				
Plant and distribution systems	2,636,819	154,072	714	2,790,177
Equipment and Furniture	15,700	-	-	15,700
Vehicles	11,890	-	-	11,890
Total accumulated depreciation	<u>2,664,409</u>	<u>\$ 154,072</u>	<u>\$ 714.44</u>	<u>2,817,767</u>
Total capital assets being depreciated, net	<u>5,152,169</u>			<u>4,998,811</u>
Sewer Capital Assets, Net	<u>\$5,152,169</u>			<u>\$ 4,998,811</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

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

creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Winfall employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Winfall's contractually required contribution rate for the year ended June 30, 2019, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Winfall were \$6,586 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 right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2019, the Town reported a liability of \$9,489 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

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019**

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 0.0004% which was a decrease of 0.00032% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Town recognized pension expense of \$6,526. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,464	\$ 49
Changes of assumptions	2,518	-
Net difference between projected and actual earnings on pension plan investments	1,303	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,077	-
Employer contributions subsequent to the measurement date	6,586	-
Total	\$ 17,948	\$ 49

\$6,586 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 4,952
2020	3,692
2021	1,638
2022	1,032
2023	-
Thereafter	-
	\$ 11,314

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

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019**

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income returns projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.00%	2.5
Global Equity	40.50%	6.1
Real Estate	8.00%	5.7
Alternative	6.50%	10.5
Credit	4.50%	6.8
Inflation Protection	4.50%	3.7
Total	<u>100.00%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019**

annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	22,794	9,489	(1,628)

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

b. 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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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 amount contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$X, which consisted of \$X from the Town and

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019**

\$X from the law enforcement officers. During the year ended June 30, 2019 there were no law enforcement officers employed by the Town that were eligible for this plan.

c. Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Winfall, to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighter's and Rescue Squad Workers' Pension Fund 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 the Firefighter's and Rescue Squad Workers' Pension Fund. 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. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. Total contributions from the Town for the year ended June 30, 2019 was \$3,210. For the fiscal year ending June 30, 2018, the State contributed \$17,602,000 to the plan. The Town of Winfall's proportionate share of the State's contribution is \$900.

Refunds of Contributions- Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2019, the Town reported no liability for its proportionate share of the net pension liability, as

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019**

the State provides 100% pension support to the Town through its appropriations to the FRSQPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$20,573. The net pension liability was measured as of June 30, 2018. The total pension liability sure to calculate the the net pension liability was determine by an actuarial valuation as of December 31, 2016. 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 employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2019 and at June 30, 2018 was 0%.

For the year ended June 30, 2019, the Town recognized pension expense of \$900 and revenue of \$900 for support provided by the State. At June 30, 2019, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experice study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumption for the LGERS plan in Section a. of this note.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. 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.

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

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019**

d. Other Employment Benefits

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

2. Deferred Outflows and Inflows of Resources

The Town has several deferred inflows/outflows of resources.

Source	Amount
<i>Deferred outflows of resources is comprised of the following:</i>	
Differences between expected and actual experience	1,464
Changes of assumptions	2,518
Net difference between projected and actual earnings on pension plan investments	1,303
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,077
Town contributions subsequent to the measurement date	6,586
Total	<u>\$ 17,948</u>

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019**

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

	Unavailable Revenue	Unearned Revenue
Taxes Recievable	\$ 28,757	\$ -
Pension deferrals	49	-
Total	\$ 28,806	\$ -

3. Fund Balance

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

Total Fund Balance-General Fund	\$ 285,990
Less:	
Stabilization by State Statute	50,017
Streets-Powell Bill	3,194
USDA reserve	26,342
Working Capital / Fund Balance Policy	-
Remaining Fund Balance	206,437

4. Risk Management

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

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

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

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

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

5. Long-Term Obligations

a. Installment Purchases- Governmental Activities

Serviced by the General Fund:

In August 2017, the Town entered into an USDA installment purchase contract for \$55,000 to finance a police car and equipment the USDA financing contract requires 7 annual payments of \$8,622 beginning August 8, 2018 with an interest rate of 2.375%. The outstanding balance at June 30, 2019 was \$47,684.

In May 2002, the Town entered into an installment purchase contract for \$175,000 to finance the construction of a municipal building. The USDA financing contract requires annual payments of \$11,239 beginning in fiscal year 2004 with an interest rate of 4.75%. The outstanding balance at June 30, 2019 was 107,156.

On December 12, 2008, the Town entered into a USDA installment purchase contract for \$222,950 to finance a fire truck. The USDA financing contract requires annual payments of \$16,771 beginning in fiscal year 2010 with an interest rate of 4.25%. The outstanding balance at June 30, 2019 was \$134,336.

Service by the Sewer Fund:

On June 9, 2008, the Town entered into an installment purchase contract to finance improvements to its sewer system. The PNC bank financing contract requires 180 monthly payments of \$1,728 beginning July 2008 with an interest rate of 4.23%. The outstanding balance at June 30, 2019 was \$76,509.

In June 1, 2015, the Town agreed to pay \$300,000 as its portion of the sewer system to the Town of Hertford. The agreement requires 240 monthly payments of \$1,250 beginning July 2015. The outstanding balance at June 30, 2019 was \$240,000. Interest has been forgiven.

Annual debt service payments of the Town's installment purchases as of June 30, 2019 including of \$83,565 interest are as follows:

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019**

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 24,700	\$ 11,932	\$ 32,500	\$ 3,236
2021	25,640	10,992	33,240	2,496
2022	26,619	10,013	34,011	1,725
2023	27,636	8,996	34,816	920
2024	28,696	7,936	16,942	82
2025-2028	115,838	20,883	60,000	-
2029-2032	40,046	4,355	60,000	-
Thereafter	-	-	60,000	-
Total	<u>\$ 289,176</u>	<u>\$ 75,106</u>	<u>\$ 331,509</u>	<u>\$ 8,459</u>

b. General Obligation Indebtness

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

Bonds payable at June 30, 2019 are comprised of the following individual issue:

General Obligation Bonds

Service by the Sewer Fund:

USDA- Sanitary Sewer Bonds issued August 27, 2001 for \$420,000. Annual installments of \$5,000 to \$20,000 plus interest from June 1, 2002 through June 1, 2041; interest is at 4.875%. Outstanding balance at June 30, 2019 was \$319,000.

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019**

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

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2020	\$ 9,500	\$ 15,551
2021	9,500	15,088
2022	10,000	14,625
2023	10,000	14,138
2024	11,000	13,650
2025-2029	60,500	59,889
2030-2034	74,500	43,924
2035-2040	114,000	25,838
2041-2043	20,000	975
Total	\$ 319,000	\$ 203,678

c. Changes in Long-Term Liabilities

	<i>Beginning</i>			<i>Ending</i>	
	Balance	Increases	Decreases	Balance	Current Portion
Governmental Activities:					
Installment purchases	\$ 312,972	\$ -	\$ 23,797	\$ 289,175	\$ 24,700
Net pension liability (LGERS)	11,000	-	1,511	9,489	-
Capital Leases	3,087	-	3,087	-	-
Governmental activity long-term liabilities	\$ 327,059	\$ -	\$ 28,395	\$ 298,664	\$ 24,700
Business-type activities:					
Installment purchases	\$ 348,298	\$ -	\$ 31,789	\$ 316,509	\$ 32,500
General obligation bonds	328,000	-	9,000	319,000	9,000
Business-type activity long-term liabilities	\$ 676,298	\$ -	\$ 40,789	\$ 635,509	\$ 41,500

**Town of Winfall, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019**

NOTE IV —SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE V —SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 26, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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

**Town of Winfall, North Carolina
Town of Winfall's 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 contributions	\$ 6,586	\$ 6,673	\$ 7,851	\$ 6,673	\$ 5,549	\$ 5,396
Contributions in relation to the contractually required contributions	<u>6,586</u>	<u>6,673</u>	<u>7,851</u>	<u>6,673</u>	<u>5,549</u>	<u>5,396</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u></u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Winfall's covered payroll	\$ 81,244	\$ 81,009	\$ 103,643	\$ 91,879	\$ 76,744	\$ 75,791
Contributions as a percentage of covered-employee payroll	8.11%	8.24%	7.58%	7.26%	7.23%	7.12%

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

Firefighters' and Rescue Squad Worker's Pension

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Winfall's proportionate share of the net pension liability (%)	0%	0%	0%	0%
Winfall's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with Town of Winfall	900	4,502	1,280	1,950
Total	<u>\$ 900</u>	<u>\$ 4,502</u>	<u>\$ 1,280</u>	<u>\$ 1,950</u>
Winfall's covered payroll	\$ -	\$ -	\$ -	\$ -
Winfall's proportionate share of net pension liability as a percentage of its covered payroll	0%	0%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	89.35%	84.94%	91.40%	93.42%

*The amounts presented are for the prior fiscal year.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Winfall, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad Valorem Taxes			
Taxes		\$ 235,182	
Penalties and Interest		8,864	
Total	<u>257,300</u>	<u>244,046</u>	<u>(13,254)</u>
Other taxes and licenses			
Town tags		1,835	
Solid waste disposal tax		313	
Total	<u>2,750</u>	<u>2,148</u>	<u>(602)</u>
Unrestricted Intergovernmental			
Local option sales tax		156,345	
Utility franchise tax		34,048	
Beer & wine tax		2,623	
Total	<u>180,200</u>	<u>193,016</u>	<u>12,816</u>
Restricted Intergovernmental			
Powell Bill allocation		18,928	
Fire district tax		72,500	
Solid waste fees		31,505	
Federal and State grants		3,127	
Total	<u>127,730</u>	<u>126,060</u>	<u>(1,670)</u>
Sales and Services			
Police receipts		6,715	
Mowing		720	
Zoning permits		350	
Facility use charges		1,300	
Total	<u>14,250</u>	<u>9,085</u>	<u>(5,165)</u>

Town of Winfall, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous		1,328	
Total	1,250	1,328	78
Total Revenue	\$ 583,480	\$ 575,683	\$ (7,797)
Expenditures			
General Government			
Governing board fees			
Governing body		\$ 15,401	
Council fees and expenditures		3,317	
Administration			
Salaries and employee benefits		98,802	
Travel		4,689	
Elections		-	
Professional services		20,163	
Other operating expenditures		8,823	
Insurance		23,659	
Office supplies		8,852	
Utilities		15,060	
Miscellaneous		8,170	
Total General Government	241,990	206,936	35,054

Town of Winfall, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety			
Repairs and maintenance		14,062	
Salaries and employee benefits		63,786	
Vehicle Maintenance		7,142	
Office supplies		942	
Utilities		9,205	
Equipment		239	
Miscellaneous		1,175	
Other operating expenditures		35,528	
Total Public Safety	<u>158,203</u>	<u>132,079</u>	<u>26,124</u>
Transportation			
Repairs and maintenance		9,565	
Street lights		16,075	
Beautification expenditures		6,502	
Operating expenditures		12,150	
Powell Bill expenditures		17,787	
Outside labor		26,715	
Total	<u>102,600</u>	<u>88,794</u>	<u>13,806</u>
Environmental Protection			
Sanitation		41,244	
Contracted Services	<u>42,600</u>	<u>41,244</u>	<u>1,356</u>
Debt Service			
Principal		23,797	
Interest		12,835	
Total debt service	<u>38,087</u>	<u>36,632</u>	<u>1,455</u>

Town of Winfall, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Total Expenditures	583,480	505,685	77,795
Revenues over (under) expenditures	-	69,998	(85,592)
Total Revenue over Expenditures and Other Uses		69,998	69,998
Net change in fund balance	\$ -		\$ 69,998
Fund balance - Beginning		215,992	
Fund balance - Ending		\$ 285,990	

Town of Winfall, North Carolina
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>	Variance Positive (Negative)
Revenues			
Operating Revenue			
Charges for services		216,421	
Total operating revenues	\$ 219,500	<u>216,421</u>	<u>\$ (3,079)</u>
Expenditures			
Repairs and Maintenance		26,940	
Other operating expenditures		<u>122,148</u>	
Total operating expenditures	<u>158,700</u>	<u>149,088</u>	<u>9,612</u>

Town of Winfall, North Carolina
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
Budget and Actual (Non - GAAP)

	Budget	Actual	Variance Positive (Negative)
Debt services			
Interest and other charges		20,005	
Principal retirement		40,789	
Total	60,800	60,794	6
Total expenditures	219,500	209,882	9,618
Revenues over expenditures	-	6,539	2,865
 Reconciliation from budgetary basis			
(modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		40,789	
Depreciation expense		(154,072)	
Depreciation		(113,283)	
Changes in Net Position		\$ (106,744)	

OTHER SCHEDULES

Town of Winfall, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2019

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2019	\$ -	\$ 207,482	\$ 197,745	\$ 9,737
2018	14,969		10,060	4,909
2017	6,230		2,578	3,652
2016	4,383		337	4,046
2015	2,904		488	2,416
2014	2,160		517	1,643
2013	2,431		1,199	1,232
2012	2,018		514	1,504
2011	1,718		741	977
2010	874		567	307
	<u>37,687</u>	<u>207,482</u>	<u>214,745</u>	<u>30,423</u>

Less: Allowance for Uncollectible Accounts	<u>833</u>
Ad Valorem Taxes Receivables, Net	<u>\$ 29,590</u>

Reconciliation with Revenues:

Ad Valorem Tax - General Fund	244,046
Reconciling items:	
Interest collected	(8,864)
Releases and adjustments	<u>(20,436)</u>
Total Collections and Credits	<u>214,746</u>

**Town of Winfall, North Carolina
General Fund
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2019**

	Property Valuation	Rate per \$100	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax at current year's tax rate					
Net Valuation	<u>\$ 38,422,593</u>	\$ 0.54	\$ 207,482	\$ 187,688	\$ 19,794
Net levy					
Less uncollected taxes at June 30, 2019			<u>9,737</u>	<u>9,737</u>	<u>-</u>
Current year's taxes collected			<u>\$ 197,745</u>	<u>\$ 177,951</u>	<u>\$ 19,794</u>
Current levy collection percentage			<u>95.31%</u>	<u>94.81%</u>	<u>100.00%</u>