



Town of Webster, North Carolina

**Financial Statements
For the Year Ended June 30, 2020**

Town of Webster, North Carolina

Mayor

Tracy Rodes

Commission Members

LeighAnne Young – Vice Mayor

Allen Davis

Kelly Donaldson

Alan Grant

Danell Moses

Town Clerk/Finance Officer

Debbie Coffey

Town of Webster, North Carolina

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BURLESON & EARLEY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
and Members of the Board of Commissioners
Town of Webster
Webster, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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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 and the major fund of the Town of Webster, North Carolina as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Burleson & Earley, P.A.

Certified Public Accountants

January 27, 2021

Management's Discussion and Analysis

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

Financial Highlights

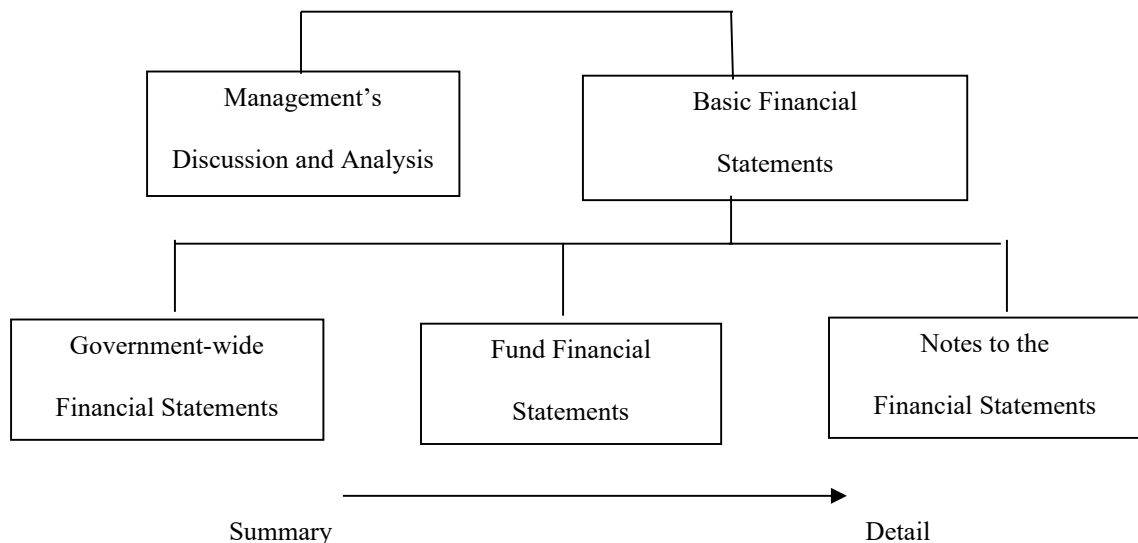
- The assets and deferred outflows of resources of the Town of Webster *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$324,830.
- The government's total net position *decreased* by \$20,747, due to *decreases* in the *governmental* activities net position.
- As of the close of the current fiscal year, the Town's reported ending general fund balance of \$138,996 represents a *decrease* of \$9,765 in comparison with the prior year. Approximately 90% of this total amount, or \$125,567, is available for spending at the government's discretion (**unassigned fund balance**).

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison 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 financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, 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. The Town has one governmental fund.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Town's basic services are accounted for in one governmental fund. The fund focuses 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. The governmental fund is 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 adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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 are on pages 13-21 of this report.

Government-Wide Financial Analysis

The Town of Webster's Net Position
Figure 2

	Government Activities	
	2020	2019
Current and other assets	\$ 142,397	\$ 152,995
Capital assets	185,029	196,239
Total assets	327,426	349,234
Deferred outflows of resources	-	-
Current liabilities	2,596	3,657
Total liabilities	2,596	3,657
Deferred inflows of resources	-	-
Net position:		
Net investment in capital assets	185,029	196,239
Restricted	13,429	11,485
Unrestricted	126,372	137,853
Total net position	\$ 324,830	\$ 345,577

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows by \$324,830 as of June 30, 2020. The Town's net position *decreased* by \$20,747 for the fiscal year ended June 30, 2020.

One particular aspect of the Town's financial operations which positively influenced the total unrestricted governmental net position is its diligence in the collection of property taxes by maintaining a tax collection percentage of 98.24%, which is comparable to the 2019 statewide average for municipalities with populations less than 500 of 98.52%.

Town of Webster Changes in Net Position

Figure 3

	Government Activities	
	2020	2019
Revenues:		
Program Revenues:		
Charges for services	\$ 8,950	\$ 8,750
Operating grants and contributions	5,000	2,700
General Revenues:		
Property taxes	28,448	28,107
Unrestricted intergovernmental revenue	42,811	44,051
Unrestricted investment earnings	1,402	794
Total Revenues	<u>86,611</u>	<u>84,402</u>
Expenses:		
General government	61,250	47,464
Public safety	26,862	27,213
Transportation	19,246	16,874
Total Expenses	<u>107,358</u>	<u>91,551</u>
Change in net position	(20,747)	(7,149)
Net position, July 1	<u>345,577</u>	<u>352,726</u>
Net position, June 30	<u>\$ 324,830</u>	<u>\$ 345,577</u>

Financial Analysis of the Town Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's fund balance available in the General Fund was \$125,567, while total fund balance reached \$138,996. As a measure of the general fund's liquidity, it may be useful to compare both available fund

balance and total fund balance to total fund expenditures. Available fund balance represents 131% of total General Fund expenditures and total fund balance represents 145% of the same.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental activities as of June 30, 2020, totals \$185,029 (net of accumulated depreciation). These assets include buildings, land, and sidewalks. There were no capital asset transactions during the year.

**Town of Webster’s Capital Assets
(net of depreciation)
Figure 4**

	Government Activities	
	2020	2019
Land	\$ 3,240	\$ 3,240
Buildings	84,020	89,341
Furniture and fixtures	-	211
Computer equipment	-	-
Sidewalks	97,769	103,447
	<u>\$ 185,029</u>	<u>\$ 196,239</u>

Additional information on the Town’s capital assets can be found in Note 2 of the Basic Financial Statements.

Long-term Debt

As of June 30, 2020, the Town has no outstanding debt.

North Carolina general statutes limit 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 that government’s boundaries. The legal debt margin for the Town is \$4,547,360.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities – Property taxes are expected to increase by approximately \$50,000 due to an increase in the tax rate from \$0.05 to \$0.15 per \$100 of valuation. Sales and use taxes are budgeted with a 25% decrease due to economic downturn due to the pandemic. The fiscal year 2021 budget is \$127,750.

Requests for Information

This report is designed to provide an overview of the Town finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of Webster, PO Box 1, Webster, North Carolina 28788.

BASIC FINANCIAL STATEMENTS

Town of Webster, North Carolina
Statement of Net Position
June 30, 2020

Exhibit 1

	<u>Primary Government Governmental Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 128,163
Taxes receivable (net)	805
Due from other governments	13,429
Total current assets	<u>142,397</u>
Capital assets (Note 3):	
Land and other non-depreciable assets	3,240
Other capital assets, net of depreciation	181,789
Total capital assets	<u>185,029</u>
Total assets	<u>327,426</u>
Deferred Outflows of Resources	<u>-</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	2,596
Total liabilities	<u>2,596</u>
Deferred Inflows of Resources	<u>-</u>
Net Position	
Net investment in capital assets	185,029
Restricted for:	
Stabilization by state statute	13,429
Unrestricted	126,372
Total net position	<u><u>\$ 324,830</u></u>

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

Town of Webster, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental Activities:				
General government	\$ 61,250	\$ 8,950	\$ 5,000	\$ (47,300)
Public safety	26,862	-	-	(26,862)
Transportation	19,246	-	-	(19,246)
Total primary government	<u>\$ 107,358</u>	<u>\$ 8,950</u>	<u>\$ 5,000</u>	<u>(93,408)</u>
General revenues:				
Property taxes, levied for general purpose				28,448
Unrestricted intergovernmental revenues				42,811
Unrestricted investment earnings				1,402
Total general revenues				<u>72,661</u>
Change in net position				(20,747)
Net position, beginning				345,577
Net position, ending				<u>\$ 324,830</u>

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

Balance Sheet
Governmental Fund
June 30, 2020

	Major Fund
	General Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 128,163
Receivables, net:	
Taxes	805
Due from other governments	13,429
	<hr/>
Total assets	\$ 142,397
	<hr/> <hr/>
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	2,596
	<hr/>
Deferred Inflows of Resources	
Property taxes receivable	805
	<hr/>
Fund Balances	
Restricted	
Stabilization by state statute	13,429
Unassigned	125,567
	<hr/>
Total fund balances	138,996
	<hr/>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds.	185,029
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	805
	<hr/>
	\$ 324,830
	<hr/> <hr/>

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

Town of Webster, North Carolina
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2020

Exhibit 4

	<u>Major Fund</u> <u>General Fund</u>
Revenues:	
Ad valorem taxes	\$ 28,220
Unrestricted intergovernmental revenues	42,811
Restricted intergovernmental revenues	5,000
Sales and services	8,950
Investment earnings	1,402
Total revenues	<u>86,383</u>
Expenditures	
Current:	
General government	55,719
Public safety	26,862
Transportation	13,567
Total expenditures	<u>96,148</u>
Net change in fund balance	(9,765)
Fund balances	
Beginning of year, July 1	<u>148,761</u>
End of year, June 30	<u>\$ 138,996</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	\$ (9,765)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimate useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(11,208)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	<u>226</u>
Total change in net position of governmental activities	<u>\$ (20,747)</u>

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

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

Exhibit 5

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 27,000	\$ 27,000	\$ 28,220	\$ 1,220
Unrestricted intergovernmental revenues	42,500	42,500	42,811	311
Restricted intergovernmental revenues	-	5,000	5,000	-
Sales and services	9,000	9,000	8,950	(50)
Investment earnings	500	500	1,402	902
Total revenues	<u>79,000</u>	<u>84,000</u>	<u>86,383</u>	<u>2,383</u>
Expenditures:				
General government	57,000	59,950	55,719	4,231
Public safety	28,000	30,000	26,862	3,138
Transportation	12,500	12,550	13,567	(1,017)
Total expenditures	<u>97,500</u>	<u>102,500</u>	<u>96,148</u>	<u>6,352</u>
Revenues over (under) expenditures	(18,500)	(18,500)	(9,765)	8,735
Other financing sources (uses):				
Appropriated fund balance	<u>18,500</u>	<u>18,500</u>	<u>-</u>	<u>(18,500)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	(9,765)	<u>\$ (9,765)</u>
Fund balances				
Beginning of year, July 1			<u>148,761</u>	
End of year, June 30			<u>\$ 138,996</u>	

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

Town of Webster, North Carolina
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Town of Webster, North Carolina (the Town) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation, which is governed by an elected mayor and a five-member Board of Commissioners. There are no component units of the Town.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Town. These statements include the financial activities of the Town. These statements present governmental activities that generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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. 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 fund.

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 and State-shared revenues including sales tax and utility franchise tax. The primary expenditures are for public safety, transportation, and general government services.

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 Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and 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.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a 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 because the tax is levied by Jackson 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 is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Town's budget is adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. 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. The governing board must approve any revision of the original budget. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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 saving association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Cash Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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.

Ad Valorem Taxes Receivable

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

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.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is \$1,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building	30
Sidewalks	30
Furniture & fixtures	7
Equipment	5

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 does not have any items that meet this criterion. 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 one item that meets the criterion for this category – property taxes receivable.

Net Position / Fund Balances

Net position

Net position in government-wide 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.

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

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

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

Assigned fund balance: portion of fund balance that Town of Webster intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing council 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.

Note 2 – Stewardship, Compliance and Accountability

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2020, the expenditures in the Town's transportation department exceeded the authorized appropriations made by the governing board by \$1,017. The Board will more closely review the budget reports to ensure compliance in future years.

Note 3 – Detail Notes on All Funds

A. Assets

Deposits

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

On June 30, 2020, the Town's deposits had a carrying amount of \$128,113 and bank balance of \$135,666. All of the bank balance was covered by federal depository insurance.

The Town maintains \$50 in petty cash on hand.

Receivables – Allowances for Doubtful Accounts

The amounts in the Balance Sheet and the Statement of Net Position for receivables are net of the following allowances for doubtful accounts:

	<u>June 30, 2020</u>
Taxes receivable	<u>\$ 100</u>

Capital Assets

Capital asset activity for the Town for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,240	\$ -	\$ -	\$ 3,240
Total capital assets not being depreciated	3,240	-	-	3,240
Capital assets being depreciated:				
Buildings	159,605	-	-	159,605
Furniture and fixtures	9,024	-	-	9,024
Computer equipment	1,178	-	-	1,178
Sidewalks	170,361	-	-	170,361
Less accumulated depreciation for:				
Buildings	(70,263)	(5,322)	-	(75,585)
Furniture and fixtures	(8,815)	(209)	-	(9,024)
Computer equipment	(1,178)	-	-	(1,178)
Sidewalks	(66,913)	(5,679)	-	(72,592)
Total capital assets being depreciated, net	192,999	(11,210)	-	181,789
Governmental activity capital assets, net	<u>\$ 196,239</u>			<u>\$ 185,029</u>

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

General government	\$ 5,531
Transportation	<u>5,679</u>
	<u>\$ 11,210</u>

B. Liabilities

Pension Plan Obligations

The Town does not employ anyone on a full-time basis and, accordingly, does not participate in any of the retirement plans provided through the State of North Carolina.

Deferred Inflows of Resources

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

Source	Amount
Property taxes receivable	\$ 805

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in a self-funded risk financing pool administered by the North Carolina League of Municipalities. Through this pool, the Town obtains general liability coverage of \$5 million per occurrence, public officials coverage of \$5 million per claim and in the annual aggregate limit, computer equipment and media of \$50,000, and building and personal property coverage up to the total insurance replacement values of the property. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

Settled claims have not exceeded coverage in any of the last three fiscal years. The Town does not carry flood insurance.

The Town's finance officer and mayor are each performance bonded through commercial surety bonds of \$50,000 and \$10,000, respectively.

C. Fund Balance

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

Total fund balance-General Fund	<u>\$ 138,996</u>
Less:	
Stabilization by State Statute	<u>13,429</u>
Remaining Fund Balance	<u><u>\$ 125,567</u></u>

D. Leasing Activities

The Town leases an apartment above town hall under an operating lease with monthly payments of \$750 and a one year term expiring on July 31, 2020. At expiration, the lease was extended to expire in May 2021. The apartment is approximately fifty percent of the total square footage of the town hall building with a carrying value of \$159,605 and accumulated depreciation of \$75,583. For the year ended June 30, 2020, the Town recognized \$8,950 in rental income.

E. The Coronavirus Pandemic Emergency

In response to the coronavirus pandemic emergency, actions were taken by the Town in March 2020, to reduce the spread of the coronavirus disease (COVID-19) and to provide for the health and safety of residents and staff.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act included various relief and recovery aid programs to address COVID-19 expenses and the costs incurred and revenue lost due to the actions taken to reduce the spread of COVID-19. For the Town, funding will be passed through the State of North Carolina to Jackson County from the Coronavirus Relief Fund (CRF) administered by the U.S. Department of Treasury.

Subsequent to year end, the Town was notified by Jackson County that the Town can apply for funds from the County's receipt of CRF funds from the North Carolina Coronavirus Relief Fund. The Town applied for and was awarded \$6,323. Revenues from this program should be recognized when the qualifying expenditures are incurred. All of the expenditures are in fiscal year 2021. The Town submitted its final report to the County, reporting the expenditure of the funds, on August 24, 2020. The Town received the reimbursement from the County in early December 2020.

The complete future financial impact to the Town from the pandemic cannot be estimated at this time with any reasonable accuracy.

F. Subsequent Events

Subsequent events have been reviewed through January 27, 2021, which is the date the financial statements were available to be issued.

OTHER SCHEDULES

Town of Webster, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

Fiscal year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 28,421	\$ 27,920	\$ 501
2018-2019	358		130	\$ 228
2017-2018	143	-	67	76
2016-2017	76	-	-	76
2015-2016	-	-	-	-
2014-2015	-	-	-	-
2013-2014	3	-	-	3
2012-2013	4	-	-	4
2011-2012	7	-	-	7
2010-2011	10	-	-	10
2009-2010	7	-	7	-
	<u>\$ 608</u>	<u>\$ 28,421</u>	<u>\$ 28,124</u>	<u>\$ 905</u>
Less: allowance for uncollectible accounts - general fund				<u>100</u>
Ad valorem taxes receivable - net				<u>\$ 805</u>
Reconcilement with revenues				
Ad valorem taxes - general fund				\$ 28,220
Less: Interest collected				<u>(96)</u>
Total collections and credits				<u>\$ 28,124</u>

**Town of Webster, North Carolina
Analysis of Current Tax Levy
For the Year Ended June 30, 2020**

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy	\$ 56,842,000	\$ 0.05	\$ 28,421	\$ 26,217	\$ 2,204
Abatements	-		-	-	-
Total property valuation	<u>\$ 56,842,000</u>		28,421	26,217	2,204
Uncollected taxes at June 30, 2020 \ Current year's taxes collected			<u>(501)</u> <u>\$ 27,920</u>	<u>(501)</u> <u>\$ 25,716</u>	<u>-</u> <u>\$ 2,204</u>
Current levy collection percentage			<u>98.24%</u>	<u>98.09%</u>	<u>100.00%</u>