

**REVIEWED**

*By SLGFD at 9:26 am, Dec 08, 2021*

**FINANCIAL STATEMENTS**

**TOWN OF WHITAKERS**

**WHITAKERS, NORTH CAROLINA**

**JUNE 30, 2020**

**BOARD OF COMMISSIONERS**

**Sammy Hopkins - Mayor Pro-Tem**

**Doris Howington**

**Doris Lindsey**

**Janice Bellamy**

**Nancy Taylor**

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JUNE 30, 2020**

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**Independent Auditor's Report**

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

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

**Opinions**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Whitakers, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis pages 7 through 16, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 47 and 48, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 49 and 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

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

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

*Petway Mills & Pearson, PA*

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

October 18, 2021

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

Management's Discussion and Analysis  
**Town of Whitakers**  
**June 30, 2020**

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

- The assets and deferred outflows of resources of the Town of Whitakers exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,539,801.
- The government's total net position decreased by \$175,917, reflecting a decrease in net position of business-type activities of \$9,638 and a decrease of \$166,279 in net position of governmental activities.
- As of the close of the current fiscal year, the Town of Whitakers' governmental funds reported combined ending fund balances of \$386,832; a decrease of \$169,081 in comparison with the prior year. Approximately 42.71 percent of this total amount, or \$165,203, is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$165,203, or 23.57 percent of total general fund expenditures for the fiscal year.
- The Town of Whitakers' total debt decreased by \$13,078 during the current fiscal year.

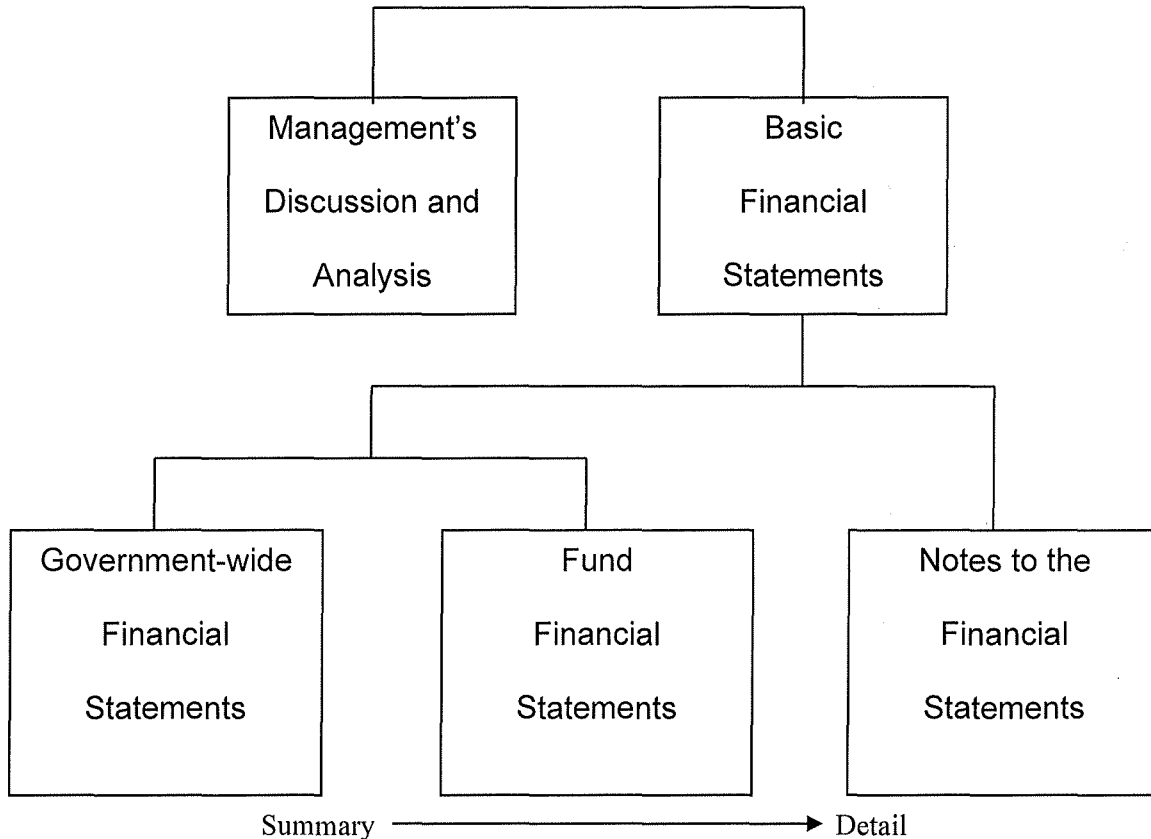
**Overview of the Financial Statements**

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



**Required Components of Annual Financial Report**

**Figure 1**



**Basic Financial Statements**

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

The next statements (Exhibits 3 through 8) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

### **Government-wide Financial Statements**

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and Federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Whitakers. The Town had no component units at June 30, 2020.

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

### **Fund Financial Statements**

The fund financial statements (see Figure 2) provide a more detailed look at the Town of Whitakers' most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Whitakers, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town budget ordinance. All of the funds of the Town of Whitakers can be divided into two categories: governmental funds and proprietary funds.

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

The Town of Whitakers adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified

Management's Discussion and Analysis  
**Town of Whitakers**  
**June 30, 2020**

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

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

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

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

**Government-Wide Financial Analysis**

**Town of Whitakers' Net Position**

**Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Current and other assets	\$ 564,842	\$ 705,367	\$ 363,738	\$ 410,213	\$ 928,580	\$ 1,115,580
Capital assets	293,533	309,136	2,253,141	2,302,416	2,546,674	2,611,552
Total assets	<u>858,375</u>	<u>1,014,503</u>	<u>2,616,879</u>	<u>2,712,629</u>	<u>3,475,254</u>	<u>3,727,132</u>
Deferred outflows of resources	<u>32,512</u>	<u>45,556</u>	<u>6,591</u>	<u>17,696</u>	<u>39,103</u>	<u>63,252</u>
Long-term liabilities outstanding	59,830	60,772	703,990	741,900	763,820	802,672
Other liabilities	91,440	38,391	107,358	88,289	198,798	126,680
Total liabilities	<u>151,270</u>	<u>99,163</u>	<u>811,348</u>	<u>830,189</u>	<u>962,618</u>	<u>929,352</u>
Deferred inflows of resources	<u>11,214</u>	<u>5,955</u>	<u>724</u>	<u>690</u>	<u>11,938</u>	<u>6,645</u>
<b>Net Position:</b>						
Net investment in capital assets	293,533	309,136	1,544,335	1,580,532	1,837,868	1,889,668
Restricted	161,600	124,111	50,587	46,390	212,187	170,501
Unrestricted	<u>273,270</u>	<u>521,694</u>	<u>216,476</u>	<u>272,524</u>	<u>489,746</u>	<u>794,218</u>
Total net position	<u>\$ 728,403</u>	<u>\$ 954,941</u>	<u>\$ 1,811,398</u>	<u>\$ 1,899,446</u>	<u>\$ 2,539,801</u>	<u>\$ 2,854,387</u>

As noted earlier, Net Position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Whitakers exceeded liabilities by \$2,539,801 as of June 30, 2020. The Town's Net Position decreased by \$314,586 for the fiscal year ended June 30, 2020. The largest portion \$1,837,868 (72.36%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Whitakers uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Whitakers' investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Whitakers' Net Position, \$212,187 or 8.35% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$489,746 is unrestricted.

**Town of Whitakers' Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 69,441	\$ 86,961	\$ 444,765	\$ 452,153	\$ 514,206	\$ 539,114
Operating grants and contributions	24,856	25,933	-	-	24,856	25,933
Capital grants and contribution	-	-	22,331	-	22,331	-
<b>General Revenues:</b>						
Property taxes	251,765	231,618	-	-	251,765	231,618
Other taxes and licenses	58	512	-	-	58	512
Unrestricted intergovernmental	222,511	207,196	-	-	222,511	207,196
Investment earnings	581	-	335	-	916	-
Other	1,028	10,596	-	-	1,028	10,596
<b>Total revenues</b>	<b>570,240</b>	<b>562,816</b>	<b>467,431</b>	<b>452,153</b>	<b>1,037,671</b>	<b>1,014,969</b>
<b>Expenses:</b>						
General government	278,518	186,499	-	-	278,518	186,499
Public safety	161,330	182,533	-	-	161,330	182,533
Transportation	168,873	85,349	-	-	168,873	85,349
Environmental protection	121,950	106,279	-	-	121,950	106,279
Cultural and recreation	5,848	-	-	-	5,848	-
Interest expense	-	-	-	-	-	-
Water and Sewer	-	-	477,069	569,174	477,069	569,174
<b>Total expenses</b>	<b>736,519</b>	<b>560,660</b>	<b>477,069</b>	<b>569,174</b>	<b>1,213,588</b>	<b>1,129,834</b>
<b>Increase (decrease) in net position before transfers</b>	<b>(166,279)</b>	<b>2,156</b>	<b>(9,638)</b>	<b>(117,021)</b>	<b>(175,917)</b>	<b>(114,865)</b>
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net position</b>	<b>(166,279)</b>	<b>2,156</b>	<b>(9,638)</b>	<b>(117,021)</b>	<b>(175,917)</b>	<b>(114,865)</b>
<b>Net position, July 1 as previously reported</b>	<b>954,941</b>	<b>952,785</b>	<b>1,899,446</b>	<b>2,016,467</b>	<b>2,854,387</b>	<b>2,969,252</b>
<b>Prior period adjustment</b>	<b>(60,259)</b>	<b>-</b>	<b>(78,410)</b>	<b>-</b>	<b>(138,669)</b>	<b>-</b>
<b>Cummulative effect of change in accounting principle</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position, July 1 as restated</b>	<b>894,682</b>	<b>952,785</b>	<b>1,821,036</b>	<b>2,016,467</b>	<b>2,715,718</b>	<b>2,969,252</b>
<b>Net position, June 30</b>	<b>\$ 728,403</b>	<b>\$ 954,941</b>	<b>\$ 1,811,398</b>	<b>\$ 1,899,446</b>	<b>\$ 2,539,801</b>	<b>\$ 2,854,387</b>

**Governmental activities:** Governmental activities decreased the Town's Net Position by \$166,279. Key elements of this decrease are the increase in general government and transportation costs.

**Business-type activities:** Business-type activities decreased the Town's Net Position by \$9,638. Key elements of this decrease are the decrease in revenues from services.

### **Financial Analysis of the Town of Whitakers Funds**

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

**Governmental Funds:** The focus of the Town of Whitakers' governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Whitakers' financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Whitakers. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$165,203, while total fund balance decreased by \$169,081 to \$386,832. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 42.71 percent of total General Fund expenditures and total fund balance is 55.21 percent of total General Fund expenditures.

At June 30, 2020, the governmental funds of Town of Whitakers reported a combined fund balance of \$386,832, a 30.42 percent decrease over last year. This compares to a fund balance of \$516,712 as of June 30, 2019 which was a 2.63 percent increase from the June 30, 2018 year.

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

Total revenues were less than the budgeted total amounts due primarily to actual revenues for sales and services, and permits and fees being less than budgeted. Ongoing expenditures were over budget in almost all departments. The Town's expenditures in the General Fund were (\$100,344) unfavorable to actual.

**Proprietary Funds:** The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted Net Position of the Water and Sewer Fund at the end of the current fiscal year amounted to \$216,476 compared to unrestricted Net Position of \$272,524 as of June 30, 2019. The total decrease in Net Position for the Water and Sewer Fund was \$88,048 for the fiscal year ending June 30, 2020 compared to a decrease of \$117,021 for the fiscal year ending June 30, 2019.

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

Management's Discussion and Analysis  
**Town of Whitakers**  
**June 30, 2020**

Budget amounts exceeded Actual primarily due to Water and Sewer Fund charges being \$10,735 less than budgeted and utility purchases being \$12,236 more than budgeted. The Town's expenditures in the Water and Sewer fund were \$24,557 favorable to actual.

**Capital Asset and Debt Administration**

**Capital assets:** The Town of Whitakers' investment in capital assets for its governmental and business-type activities as of June 30, 2020 totals \$1,837,868 (net of accumulated depreciation) as compared to the prior year when the total investment in capital assets totaled \$1,889,668 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, plant and distribution systems, and vehicles.

**Town of Whitakers' Capital Assets**

**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land and construction						
in progress	\$ -	\$ -	\$ 22,000	\$ -	\$ 22,000	\$ -
Distribution and treatment systems	-	-	2,231,140	2,302,415	2,231,140	2,302,415
Buildings	284,566	305,214	-	-	284,566	305,214
Infrastructure	-	-	-	-	-	-
Equipment	8,967	3,922	-	-	8,967	3,922
Vehicles	-	-	-	-	-	-
Total	<u>\$ 293,533</u>	<u>\$ 309,136</u>	<u>\$ 2,253,140</u>	<u>\$ 2,302,415</u>	<u>\$ 2,546,673</u>	<u>\$ 2,611,551</u>

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

**Long-term Debt:** As of June 30, 2020, the Town of Whitakers had \$708,806 in long-term debt outstanding. This debt was for water and sewer repairs. North Carolina general statutes limit the amount of debt for a unit to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Whitakers is \$2,112,350.

**Long Term Liabilities**  
**Figure 5**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
General obligation bonds	\$ -	\$ -	\$ 575,000	\$ 585,000	\$ 575,000	\$ 585,000
Notes payable	-	-	133,806	136,884	133,806	136,884
Compensated absences	11,687	1,561	209	1,867	11,896	3,428
Net pension liability - NCLGERS	41,428	48,277	9,094	18,149	50,522	66,426
Total pension liability - LEOSSA	9,637	10,934	-	-	9,637	10,934
<b>Total</b>	<u>\$ 62,752</u>	<u>\$ 60,772</u>	<u>\$ 718,109</u>	<u>\$ 741,900</u>	<u>\$ 780,861</u>	<u>\$ 802,672</u>

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

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

The Town was not successful in keeping General Fund expenses under budget and also decreased collection of Ad Valorem taxes and permits and fees contributed to an overall annual financial loss of (\$166,279) for the year, decreasing fund balance. The Water and Sewer Fund had positive revenue and expense budget variances for the year, with the system reporting a net loss of (\$9,638) for the year.

**Governmental Activities:** The Town held the tax levy steady at 72 cents per \$100 of assessed property valuation for the fiscal year 2019-2020.

**Business-type Activities:** Revenues and expenditures for fiscal year 2019-2020 were comparable with fiscal year 2018-2019 revenues and expenditures.

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

**Governmental Activities:** The Town is holding tax levy steady at 72 cents per \$100 for the fiscal year 2019-2020.

**Business-type Activities:** Revenues and expenditures for fiscal year 2019-2020 are expected to remain comparable with fiscal year 2018-2019 revenues and expenditures.

**Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town's Mayor, 302 Northwest Railroad Street, Whitakers, North Carolina 27891. The telephone number is (252) 437-4011.



## **BASIC FINANCIAL STATEMENTS**

**Town of Whitakers  
Statement of Net Position  
June 30, 2020**

Exhibit 1

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 313,750	\$ 164,362	\$ 478,112
Restricted cash	103,467	96,816	200,283
Taxes receivables (net)	63,118	-	63,118
Accounts receivable (net) - trade	15,140	100,278	115,418
Due from other governments	42,993	156	43,149
Other receivables	-	2,126	2,126
Available for sale	26,374	-	26,374
Total current assets	<u>564,842</u>	<u>363,738</u>	<u>928,580</u>
Noncurrent assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	-	22,000	22,000
Other capital assets, net of depreciation	293,533	2,231,141	2,524,674
Total capital assets (net)	<u>293,533</u>	<u>2,253,141</u>	<u>2,546,674</u>
Total noncurrent assets	<u>293,533</u>	<u>2,253,141</u>	<u>2,546,674</u>
Total assets	<u>858,375</u>	<u>2,616,879</u>	<u>3,475,254</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to LEO pension plan in current fiscal year	1,776	-	1,776
Contributions to LGERS plan in current fiscal year	13,853	3,041	16,894
LEO pension deferrals	712	-	712
LGERS deferrals	16,171	3,550	19,721
Total deferred outflows of resources	<u>32,512</u>	<u>6,591</u>	<u>39,103</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	18,460	39,262	57,722
Accrued payroll expense	70,058	-	70,058
Customer prepayments	-	8,079	8,079
Compensated absences	2,922	209	3,131
Current portion of long-term liabilities	-	13,910	13,910
Liabilities payable from restricted assets:			
Customer deposits	-	45,898	45,898
Long-term liabilities:			
Net pension liability - LGERS	41,428	9,094	50,522
Total pension liability - LEO	9,637	-	9,637
Compensated absences	8,765	-	8,765
Due in more than one year	-	694,896	694,896
Total liabilities	<u>151,270</u>	<u>811,348</u>	<u>959,487</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
LEO Pension deferrals	7,913	-	7,913
LGERS deferrals	3,301	724	4,025
<b>NET POSITION</b>			
Net investment in capital assets	293,533	1,544,335	1,837,868
Restricted for:			
Stabilization by State Statute	58,133	-	58,133
Streets	103,467	-	103,467
USDA	-	50,587	50,587
Unrestricted	273,270	216,476	489,746
Total net position	<u>\$ 728,403</u>	<u>\$ 1,811,398</u>	<u>\$ 2,539,801</u>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	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	\$ 278,518	\$ 100	\$ -	\$ -	\$ (278,418)	\$ -	\$ (278,418)
Public safety	161,330	-	1,968	-	(159,362)	-	(159,362)
Transportation	168,873	-	22,361	-	(146,512)	-	(146,512)
Environmental protection	121,950	69,341	527	-	(52,082)	-	(52,082)
Cultural and recreation	5,848	-	-	-	(5,848)	-	(5,848)
Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities	736,519	69,441	24,856	-	(642,222)	-	(642,222)
Business-type activities:							
Water and sewer	477,069	444,765	-	22,331	-	(9,973)	(9,973)
Total business-type activities	477,069	444,765	-	22,331	-	(9,973)	(9,973)
Total primary government	\$ 1,213,588	\$ 514,206	\$ 24,856	\$ 22,331	(642,222)	(9,973)	(652,195)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					251,765	-	251,765
Other taxes					58	-	58
Grants and contributions not restricted to specific programs							
Unrestricted investment earnings					222,511	-	222,511
Miscellaneous					581	335	916
Total general revenues and transfers					1,028	-	1,028
Change in net position					475,943	335	476,278
Net position, beginning, as previously stated					(166,279)	(9,638)	(175,917)
Prior year adjustment					954,941	1,899,446	2,854,387
Net position, beginning, restated					(60,259)	(78,410)	(138,669)
Net position, ending					894,682	1,821,036	2,715,718
					\$ 728,403	\$ 1,811,398	\$ 2,539,801

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

## Exhibit 3

**Town of Whitakers  
Balance Sheet  
Governmental Funds  
June 30, 2020**

	<b>Major Fund General</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 313,750	\$ 313,750
Restricted cash	103,467	103,467
Receivables, net:		
Taxes	63,118	63,118
Accounts - trade	15,140	15,140
Due from other governments	42,993	42,993
Total assets	<u>\$ 538,468</u>	<u>\$ 538,468</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ 18,460	\$ 18,460
Accrued payroll expense	70,058	70,058
	<u>88,518</u>	<u>88,518</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes receivable	<u>63,118</u>	<u>63,118</u>
Fund balances:		
Reserved for:		
Stabilization by State Statute	58,133	58,133
Streets - Powell Bill	103,467	103,467
Assigned for:		
Subsequent year's expenditures	60,029	60,029
Unassigned	165,203	165,203
Total fund balances	<u>386,832</u>	<u>386,832</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 538,468</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	293,533
Assets available for sale properties	26,374
Liabilities for earned but unearned revenues in fund statements.	63,118
Net pension liability	(41,428)
Total LEO pension liability	(9,637)
Contributions to the LEO pension plan in current fiscal year are deferred outflows of resources on the Statement of Net Position	1,776
Contributions to LGERS plan in current fiscal year are deferred outflows of resources on the Statement of Net Position	13,853
Pension related deferrals	5,669
Some liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(11,687)
Net position of governmental activities	<u>\$ 728,403</u>

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

**Town of Whitakers**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

	<b>Major Funds</b>	<b>Total</b>
	<b>General Fund</b>	<b>Governmental Funds</b>
<b>REVENUES</b>		
Ad valorem taxes	\$ 238,506	\$ 238,506
Other taxes and licenses	58	58
Unrestricted intergovernmental	222,511	222,511
Restricted intergovernmental	24,856	24,856
Sales and services	69,341	
Permits and fees	100	100
Investment earnings	581	581
Miscellaneous	1,028	1,028
Total revenues	<u>556,981</u>	<u>556,981</u>
<b>EXPENDITURES</b>		
Current:		
General government	256,618	256,618
Public safety	147,545	147,545
Transportation	174,565	174,565
Environmental protection	121,905	121,905
Cultural and recreation	-	-
Capital outlay	-	-
Debt service:		
Principal	-	-
Interest and other charges	-	-
Total expenditures	<u>700,633</u>	<u>700,633</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(143,652)</u>	<u>(143,652)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Sale of equipment	-	-
Total other financing sources	<u>-</u>	<u>-</u>
Net change in fund balance	(143,652)	(143,652)
Fund balances, beginning as previously stated	555,913	555,913
Prior period adjustment	(25,429)	(25,429)
Fund balances, beginning as restated	530,484	530,484
Fund balances, ending	<u>\$ 386,832</u>	<u>\$ 386,832</u>

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

**Exhibit 5**

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

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

Net changes in fund balances - total governmental funds	\$ (143,652)
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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.	(15,603)
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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	13,259
--	--------

Contributions to pension plan in current fiscal year that are not included on the Statement of Activities	15,629
---	--------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long term debt and related items.

-

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Pension expense	(25,786)
Compensated absences	(10,126)

Total changes in net position of governmental activities	<u>\$ (166,279)</u>
--	---------------------

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

**Town of Whitakers  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual  
For the Year Ended June 30, 2020**

	<b>General Fund</b>			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 233,370	\$ 233,370	\$ 238,506	\$ 5,136
Other taxes and licenses	1,515	1,515	58	(1,457)
Unrestricted intergovernmental	205,720	205,720	222,511	16,791
Restricted intergovernmental	23,250	23,250	24,856	1,606
Permits and fees	150	150	100	(50)
Sales and services	82,906	82,906	69,341	(13,565)
Investment earnings	450	450	581	131
Miscellaneous	13,015	13,015	1,028	(11,987)
Total revenues	<u>560,376</u>	<u>560,376</u>	<u>556,981</u>	<u>(3,395)</u>
Expenditures:				
Current:				
General government	179,397	179,397	256,618	(77,221)
Public safety	172,866	172,866	147,545	25,321
Transportation	170,446	170,446	174,565	(4,119)
Environmental protection	72,580	72,580	121,905	(49,325)
Cultural and recreation	5,000	5,000	-	5,000
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>600,289</u>	<u>600,289</u>	<u>700,633</u>	<u>(100,344)</u>
Revenues over (under) expenditures	<u>(39,913)</u>	<u>(39,913)</u>	<u>(143,652)</u>	<u>(103,739)</u>
Other financing sources (uses):				
Appropriated fund balance	39,913	39,913	-	(39,913)
Total other financing sources (uses)	<u>39,913</u>	<u>39,913</u>	<u>-</u>	<u>(39,913)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(143,652)</u>	<u>\$ (143,652)</u>
Fund balances, beginning as previously stated			555,913	
Prior period adjustments			(25,429)	
Fund balances, beginning as restated			530,484	
Fund balances, ending			<u>\$ 386,832</u>	

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

**Town of Whitakers  
Statement of Fund Net Position  
Proprietary Fund  
June 30, 2020**

	<b>Water and Sewer</b>	
	<b>Fund</b>	<b>Total</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 164,362	\$ 164,362
Restricted cash	96,816	96,816
Accounts receivable (net) - billed - trade	100,278	100,278
Due from other governments	156	156
Other receivables	2,126	2,126
Total current assets	363,738	363,738
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets	22,000	22,000
Other capital assets, net of depreciation	2,231,141	2,231,141
Capital assets (net)	2,253,141	2,253,141
Total noncurrent assets	2,253,141	2,253,141
Total assets	2,616,879	2,616,879
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Contributions to pension plan	3,041	3,041
Pension deferrals	3,550	3,550
Total deferred outflows of resources	6,591	6,591
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	35,790	35,790
Accrued payroll expense	-	-
Customer prepayments	8,079	8,079
Accrued interest payable	3,472	3,472
Compensated absences - current	209	209
Note payable - current	13,910	13,910
Liabilities payable from restricted assets		
Customer deposits	45,898	45,898
Total current liabilities	107,358	107,358
Noncurrent liabilities:		
Note payable - noncurrent	694,896	694,896
Net pension liability	9,094	9,094
Total noncurrent liabilities	703,990	703,990
Total liabilities	811,348	811,348
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals	724	724
<b>NET POSITION</b>		
Net investment in capital assets	1,544,335	1,544,335
Restricted - USDA	50,587	50,587
Unrestricted	216,476	216,476
Total net position	\$ 1,811,398	\$ 1,811,398

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



Exhibit 8

**Town of Whitakers**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2020**

	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 444,203	\$ 444,203
Other operating revenues	562	562
<b>Total operating revenues</b>	<u>444,765</u>	<u>444,765</u>
<b>OPERATING EXPENSES</b>		
Water treatment and distribution	130,069	130,069
Water purchases	247,764	247,764
Depreciation	71,275	71,275
<b>Total operating expenses</b>	<u>449,108</u>	<u>449,108</u>
<b>Operating income (loss)</b>	<u>(4,343)</u>	<u>(4,343)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment earnings	335	335
Interest and other charges	(27,961)	(27,961)
<b>Total non-operating revenue (expenses)</b>	<u>(27,626)</u>	<u>(27,626)</u>
<b>Income (loss) before contributions and transfers</b>	(31,969)	(31,969)
Transfers (to) from other funds	-	-
Capital contributions	22,331	22,331
<b>Total income (loss) after contributions and transfers</b>	<u>(9,638)</u>	<u>(9,638)</u>
<b>Change in net position</b>	(9,638)	(9,638)
<b>Total net position, beginning, as previously stated</b>	1,899,446	1,899,446
<b>Prior year adjustment</b>	(78,410)	(78,410)
<b>Total net position, beginning, as restated</b>	<u>1,821,036</u>	<u>1,821,036</u>
<b>Total net position, ending</b>	<u>\$ 1,811,398</u>	<u>\$ 1,811,398</u>

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

Exhibit 9

**Town of Whitakers  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2020**

**Water and Sewer Fund**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 400,229
Cash paid for goods and services	(318,331)
Cash paid to or on behalf of employees for services	(55,827)
Net customer deposits	(1,771)
Other operating revenues	
Net cash provided (used) by operating activities	<u>24,300</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

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

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition of capital assets	(22,000)
Capital contributions - Federal, state, and local grants	22,331
Principal paid on notes payable	(13,078)
Interest paid on notes payable	(28,039)
Net cash provided (used) by capital and related financing activities	<u>(40,786)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest and dividends	335
Net cash provided by investing activities	<u>335</u>
Net decrease in cash and cash equivalents	(16,151)
Cash balances, beginning, as previously stated	352,189
Prior period adjustment	(74,860)
Cash balances, beginning, restated	277,329
Balances, ending	<u>\$ 261,178</u>

Reconciliation of cash balances - ending	
Cash	\$ 164,362
Restricted cash	96,816
Total cash	<u>\$ 261,178</u>

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

Exhibit 9

**Town of Whitakers  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2020**

	<u>Water and Sewer Fund</u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	\$ (4,343)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	71,275
Prior period adjustments - cash flows	
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	(44,536)
Increase (decrease) in accounts payable - trade	31,742
Increase (decrease) in accrued payroll liabilities	(28,493)
Increase (decrease) in customer deposits	(1,771)
Increase (decrease) in accrued interest	
Increase (decrease) in deferred outflows of resources - pensions	11,105
Decrease (increase) in accrued interest	-
Decrease (increase) in deferred inflows of resources - pensions	34
Decrease in net pension liability	(9,055)
Decrease (increase) in accrued vacation pay	(1,658)
Total adjustments	<u>28,643</u>
Net cash provided by operating activities	<u>\$ 24,300</u>

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

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

**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

**B. Basis of Presentation**

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

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

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

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

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

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

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

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

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

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

#### D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are

**Town of Whitakers, North Carolina**  
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adopted for the Grant Projects Special Revenue Fund, the Capital Projects Fund, and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptance and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 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.

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**6. Inventory and Prepaid Items**

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

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

**7. Capital Assets**

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

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

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

**8. Deferred outflows/inflows of resources**

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

**9. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

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**10. Compensated Absences**

The vacation policies of the Town provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. The Town's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**11. Net Position/Fund Balances**

**Net Position**

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

**Fund Balances**

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

**Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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

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

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

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



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

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

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

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

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

## **12. Pensions**

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

## **II. Stewardship, Compliance, and Accountability**

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

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

The Town's financial officer is required to pre-authorize expenditure of funds prior to expenditure of those funds.

The Town did not have daily deposits required when amounts of money on hand exceeded the required amount.

The Town had expenditures in the General fund that exceeded budgeted amounts by \$100,344.

The Town's audit report was submitted late.

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

The Town failed to meet its contractually required debt covenants.

### **B. Deficit Fund Balance or Net Position of Individual Funds**

None.

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C. Excess of Expenditures over Appropriations

None.

**III. Detail Notes on All Funds**

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits.

The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$720,925 and a bank balance of \$766,710. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder of \$516,710 was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$150.

At June 30, 2020, the Town had \$326 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit risk rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

2. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position is net of the allowance for doubtful accounts. As of June 30, 2020, the General Fund's allowance for doubtful accounts was \$59,139, and the Water and Sewer Fund's allowance for doubtful accounts was \$39,742.

3. Capital Assets

**Primary Government** - Capital asset activity for the Primary Government for the year ended June 30, 2020 was as follows:

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	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Buildings	869,901	-	-	869,901
Equipment	102,038	6,404	-	108,442
Vehicles	147,441	-	-	147,441
Total capital assets being depreciated	1,119,380	6,404	-	1,125,784
Less accumulated depreciation for				
Buildings	(564,687)	(20,648)	-	(585,335)
Equipment	(98,116)	(1,359)	-	(99,475)
Vehicles	(147,441)	-	-	(147,441)
Total accumulated depreciation	(810,244)	\$ (22,007)	\$ -	(832,251)
Total capital assets, depreciated, net	309,136			293,533
Governmental activity capital assets, net	<u>\$ 309,136</u>			<u>\$ 293,533</u>

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

Administration	\$ 10,527
Public Safety	5,045
Transportation	587
Cultural & Recreational	5,848
	<u>\$ 22,007</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated				
Plant and distribution systems	3,463,983	-	-	3,463,983
Buildings	3,436	-	-	3,436
Total capital assets being depreciated	3,467,419	-	-	3,467,419
Less accumulated depreciation for				
Plant and distribution systems	(1,161,568)	(71,275)	-	(1,232,843)
Buildings	(3,435)	-	-	(3,435)
Total accumulated depreciation	(1,165,003)	(71,275)	-	(1,236,278)
Total capital assets, depreciated, net	2,302,416	\$ (71,275)	\$ -	2,231,141
Business-type activities capital asset, net	<u>\$ 2,302,416</u>			<u>\$ 2,231,141</u>

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**B. Liabilities**

**1. Pension Plan Obligations**

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

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

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$16,894 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$50,522 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was .002%, which was a decrease of .001% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020 the Town recognized pension expense of \$24,262. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 8,651	\$ -
Changes of assumptions	8,234	-
Net difference between projected and actual earnings on pension plan investments	1,232	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,604	4,025
Employer contributions subsequent to the measurement date	16,894	-
Total	<u>\$ 36,615</u>	<u>\$ 4,025</u>

\$16,894 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Future amortization:

**Year Ended June 30:**

2020	\$ 8,790
2021	2,580
2022	3,924
2023	401
	<u>\$ 15,695</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 percent, net pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
<b>Town's proportionate share of the net pension liability (asset)</b>	<b>\$ 115,553</b>	<b>\$ 50,522</b>	<b>\$ (3,532)</b>

**b. Law Enforcement Officers Special Separation Allowance**

**1. *Plan Description.***

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

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Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>3</u>
Total	<u><u>3</u></u>

**2. Summary of Significant Accounting Policies:**

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

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

**3. Actuarial Assumptions**

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.50 - 7.35% percent, including inflation and productivity factor
Discount rate	3.26%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

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

**4. Contributions.**

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

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

At June 30, 2020, the Town reported a total pension liability of \$9,637. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$564.

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	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 22	\$ 7,514
Changes of assumptions	690	399
Employer contributions made subsequent to measurement date	1,776	-
Total	<u>\$ 2,488</u>	<u>\$ 7,913</u>

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

Future amortization:

**Year Ended June 30:**

2021	\$ (1,863)
2022	(1,852)
2023	(2,050)
2024	(1,436)
2025	0
	<u>\$ (7,201)</u>

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following represents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	<b>1% Decrease (2.26%)</b>	<b>Discount Rate (3.26%)</b>	<b>1% Increase (4.26%)</b>
Town's proportionate share of the total pension liability (asset)	\$ 9,939	\$ 9,637	\$ 9,342

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

	<b>2020</b>
Beginning balance	\$ 10,934
Service cost	2,029
Interest on the total pension liability	398
Changes of benefit terms	-
Difference between expected and actuarial experience	(3,837)
Changes of assumptions and other inputs	113
Benefit payments	-
Other	-
Ending balance of the total pension liability	<u>\$ 9,637</u>

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.



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

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 24,262	\$ 564	\$ 24,826
Pension Liability	50,522	9,637	60,159
Proportionate share of the net pension liability	0.00185%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	8,651	22	8,673
Changes of assumptions	8,234	690	8,924
Net difference between projected and actual earnings on plan investments	1,232	-	1,232
Changes in proportion and differences between contributions and proportionate share of contributions	1,604	-	1,604
Employer contributions made subsequent to the measurement date	16,894	1,776	18,670
Deferred Inflows of Resources			
Differences between expected and actual experience	-	7,514	7,514
Changes of assumptions	-	399	399
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	4,025	-	4,025

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

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

The Town made contributions of \$2,780 for the reporting year. No amounts were forfeited.

**d. Supplemental Retirement Income Plan for General Employees**

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2020 were \$8,923 which consisted of \$8,703 from the Town and \$220 from the employees.

**2. Other Employment Benefits**

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-

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

administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .09% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

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

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

Contributions to pension plan in current fiscal year	\$ 18,670
Pension deferrals	20,433
Total	<u>\$ 39,103</u>

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

Pension deferrals	\$ 11,548
Ad valorem taxes – Unearned (General Fund)	63,118
Total	<u>\$ 74,666</u>

**4. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. Because the Town is not in an area of the State that has been mapped and designated a moderate to low flood zone by the Federal Emergency Management Agency, the Town has chosen not to obtain flood insurance. In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$40,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000. The Town provides commercial group health insurance to its employees.

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

5. Long-Term Obligations

a. Debt Agreements

Governmental Fund

None.

Business-Type Fund - Water and Sewer Fund

Revenue Bonds:

In August 2008, the Town entered into a direct placement agreement for a U.S. Department of Agriculture revenue bond for water and sewer improvements. The agreement requires variable principal payments, due on August 25, beginning in fiscal year 2012 and succeeding through June 1, 2048 with interest at 4.25%. The balance owed on this note was \$575,000 at June 30, 2020. Future maturities of the revenue bond are as follows:

June 30	Total	Principal	Interest
2021	\$ 35,436	\$ 11,000	\$ 24,436
2022	34,970	11,000	23,970
2023	35,503	12,000	23,503
2024	34,993	12,000	22,993
2025	35,483	13,000	22,483
2026-2030	175,826	72,000	103,826
2031-2035	176,126	89,000	87,126
2036-2040	176,514	110,000	66,514
2041-2045	182,545	142,000	40,545
2046-2048	112,009	103,000	9,009
	<u>\$ 999,405</u>	<u>\$ 575,000</u>	<u>\$ 424,405</u>

The Town is not in compliance with the covenants as to rates, fees, rentals and charges as required by the bond agreement, authorizing the issuance of Water and Sewer Revenue Bonds, Series 2008, since its adoption in 2008. The debt service coverage ratio calculation for the year ended June 30, 2020 is as follows:

Operating revenues	\$ 445,100
Operating expenses*	410,266
Operating loss	<u>34,834</u>
Non-operating revenues (expenses)**	<u>-</u>
Income available for debt service	<u>\$ 34,834</u>
Debt service, principal and interest paid	<u>\$ 34,427</u>
Debt service coverage ratio	101.18%

\*Depreciation of \$71,275 is excluded.

\*\* Interest paid of \$24,863 is excluded.

The Town has pledged future water and sewer customer revenues, net of specified operating expenses to pay the revenue bonds issued in August 2008. Proceeds from the revenue bonds were used to provide water and sewer system improvements. The bonds are payable solely from water and sewer customer net revenues and are payable through 2048. Annual principal and interest payments on the bonds are expected to require less than 110% of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,069,260. Principal and interest paid for the current year were \$34,427.

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

Direct Borrowing Agreement:

In January 2012, the Town entered into direct borrowing agreement with the U.S. Department of Agriculture for additional water and sewer improvements. The agreement requires principal and interest payments beginning in fiscal year 2012 and succeeding through January 14, 2052 with interest at 2.50%. The Town has pledged future water and sewer customer revenues, net of specified operating expenses to pay the principal and interest. The balance owed on this note was \$133,806 at June 30, 2020. Future maturities of installment debt are as follows:

June 30	Total	Principal	Interest
2021	\$ 6,255	\$ 2,910	\$ 3,345
2022	6,255	2,983	3,272
2023	6,255	3,057	3,198
2024	6,255	3,133	3,122
2025	6,255	3,212	3,043
2026-2030	31,275	17,304	13,971
2031-2035	31,275	19,578	11,697
2036-2040	31,275	22,154	9,121
2041-2045	31,275	25,062	6,213
2046-2050	31,275	28,357	2,918
2051	6,255	6,056	199
<b>Total</b>	<b>\$ 193,905</b>	<b>\$ 133,806</b>	<b>\$ 60,099</b>

**b. Changes in Long-Term Obligations**

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
<b>Governmental Activities:</b>					
Net pension liability (LGERS)	\$ 48,277	\$ -	\$ 6,849	\$ 41,428	\$ -
Total pension liability (LEO)	10,934	-	1,297	9,637	-
Compensated absences	1,561	10,126	-	11,687	2,922
	<u>\$ 60,772</u>	<u>\$ 10,126</u>	<u>\$ 8,146</u>	<u>\$ 62,752</u>	<u>\$ 2,922</u>
<b>Business-type Activities:</b>					
Compensated absences	\$ 1,867	\$ -	\$ 1,658	\$ 209	\$ 209
Net pension liability (LGERS)	18,149	-	9,055	9,094	-
Direct Placement	585,000	-	10,000	575,000	11,000
Direct Borrowing	136,884	-	3,078	133,806	2,790
	<u>\$ 741,900</u>	<u>\$ -</u>	<u>\$ 23,791</u>	<u>\$ 718,109</u>	<u>\$ 13,999</u>

At June 30, 2020, the Town had a legal debt margin of \$2,112,350.

**6. Claims, Judgments and Contingent Liabilities**

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

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

**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	\$ 386,832
Less:	
Stabilization by State Statute	58,133
Streets	103,467
Subsequent year's expenditures	60,029
Remaining Fund Balance	\$ 165,203

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

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

**IV. Summary Disclosure of Significant Contingencies**

**Federal and State Assisted Programs**

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

**V. Subsequent Events**

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

**VI. Joint Venture**

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

**Required Supplemental Financial Data**

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

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

**Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Whitakers' proportion of the net pension liability (asset) (%)	0.00185%	0.00280%	0.00297%	0.00312%	0.00391%	0.00292%	0.00360%
Whitakers' proportion of the net pension liability (asset) (\$)	\$ 50,522	\$ 66,426	\$ 45,373	\$ 66,217	\$ 17,549	\$ (17,220)	\$ 43,394
Whitakers' covered-employee payroll	\$ 247,530	\$ 206,218	\$ 251,755	\$ 266,679	\$ 265,182	\$ 253,154	\$ 241,644
Whitakers' proportionate share of the net pension liability (asset as a percentage of its covered-	20.41%	32.21%	18.02%	24.83%	6.62%	(6.80%)	17.96%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

**Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 16,894	\$ 19,071	\$ 16,641	\$ 18,842	\$ 18,293	\$ 18,847	\$ 17,955
Contributions in relation to the contractually required contribution	<u>16,894</u>	<u>19,071</u>	<u>16,641</u>	<u>18,842</u>	<u>18,293</u>	<u>18,847</u>	<u>17,955</u>
Contributoin deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Whitakers' covered-employee payroll	\$ 184,523	\$ 247,530	\$ 206,218	\$ 251,755	\$ 266,679	\$ 265,182	\$ 253,154
Contributions as a percentage of covered-employee payroll	9.16%	7.70%	8.07%	7.48%	6.86%	7.11%	7.09%



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

	<u>2020</u>		<u>2019</u>		<u>2018</u>
Beginning balance	\$ 10,934	\$	15,973	\$	12,209
Service cost	2,029		1,960		1,828
Interest on the total pension liability	398		505		471
Changes of benefit terms	-		-		-
Differences between expected and actual experience in the measurement of the total pension liability	(3,837)		(6,968)		49
Changes of assumptions or other inputs	113		(536)		1,416
Benefit payments	-		-		-
Other changes	-		-		-
Ending balance of the total pension liability	<u>\$ 9,637</u>	\$	<u>10,934</u>	\$	<u>15,973</u>

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 9,637	\$ 10,934	\$ 15,973	\$ 12,209
Covered payroll	50,725	47,456	45,145	76,981
Total pension liability as a percentage of covered payroll	19.00%	23.04%	35.38%	15.86%

Notes to the schedules:

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

**Town of Whitakers  
General Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes			
Taxes	\$ 231,170	\$ 237,552	\$ 6,382
Penalties and interest	2,200	954	(1,246)
Total	<u>233,370</u>	<u>238,506</u>	<u>5,136</u>
Other taxes and licenses			
Vehicle licenses	1,500	30	(1,470)
Dog tax	15	28	13
Total	<u>1,515</u>	<u>58</u>	<u>(1,457)</u>
Unrestricted intergovernmental			
Local option sales taxes	150,000	171,378	21,378
Gas tax refund	1,000	-	(1,000)
Franchise tax	46,000	43,360	(2,640)
Sales tax refund	1,500	2,151	651
Beer and wine tax	3,020	2,994	(26)
ABC profit distribution	4,200	2,628	(1,572)
Total	<u>205,720</u>	<u>222,511</u>	<u>16,791</u>
Restricted intergovernmental			
Solid waste disposal tax	350	527	177
Police grant revenues	-	1,968	1,968
Powell Bill allocation	22,900	22,361	(539)
Total	<u>23,250</u>	<u>24,856</u>	<u>1,606</u>
Permits and fees			
Zoning and building permits	50	100	50
Court fees	100	-	(100)
Total	<u>150</u>	<u>100</u>	<u>(50)</u>
Sales and services			
Solid waste fees	80,106	64,741	(15,365)
Cemetery lots	2,800	4,600	1,800
Total	<u>82,906</u>	<u>69,341</u>	<u>(13,565)</u>
Investment earnings	450	581	131
Miscellaneous	13,015	1,028	(11,987)
Total revenues	<u>560,376</u>	<u>556,981</u>	<u>(3,395)</u>

**Town of Whitakers  
General Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
<b>Expenditures:</b>			
General government			
Salaries and employee benefits	80,715	71,478	9,237
Utilities	5,000	4,332	668
Professional services	41,740	112,799	(71,059)
Insurance	4,342	5,850	(1,508)
Other operating expenditures	21,500	31,627	(10,127)
Governing Board	26,100	30,532	(4,432)
Total	<u>179,397</u>	<u>256,618</u>	<u>(77,221)</u>
Total general government	<u>179,397</u>	<u>256,618</u>	<u>(77,221)</u>
Public safety			
Police			
Salaries and employee benefits	89,687	69,641	20,046
Professional services	20,200	20,864	(664)
Supplies	961	4,174	(3,213)
Uniforms	1,000	-	1,000
Vehicle maintenance	5,217	1,226	3,991
Utilities	5,000	2,052	2,948
Communication services	2,000	1,898	102
Insurance	25,751	23,517	2,234
Other operating expenditures	550	1,673	(1,123)
Total	<u>150,366</u>	<u>125,045</u>	<u>25,321</u>
Fire Department	<u>22,500</u>	<u>22,500</u>	<u>-</u>
Total	<u>22,500</u>	<u>22,500</u>	<u>-</u>
Total public safety	<u>172,866</u>	<u>147,545</u>	<u>25,321</u>
Transportation			
Streets			
Salaries and employee benefits	50,503	60,867	(10,364)
Professional services	3,000	748	2,252
Supplies	2,500	2,217	283
Vehicle maintenance	2,000	4,425	(2,425)
Street lights	22,933	23,105	(172)
Repairs and maintenance	10,200	13,148	(2,948)
Insurance	10,520	13,972	(3,452)
Capital outlay	-	6,404	(6,404)
Other expenditures	2,217	14,581	(12,364)
Total	<u>103,873</u>	<u>139,467</u>	<u>(35,594)</u>

**Town of Whitakers  
General Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Powell Bill			
Repairs and maintenance	-	14,248	(14,248)
Paving, curbs, and gutter	23,000	20,850	2,150
Drainage	39,913	-	39,913
Total	62,913	35,098	27,815
Railroad gates	3,660	-	3,660
Total transportation	170,446	174,565	(4,119)
Environmental Protection			
Solid waste			
Salaries and employee benefits	25,478	28,194	(2,716)
Utilities	3,000	1,635	1,365
Repairs and maintenance	5,200	3,643	1,557
Supplies	2,500	1,690	810
Landfill services	18,118	6,657	11,461
Recycling charges	1,682	68,750	(67,068)
Professional services	4,300	1,651	2,649
Capital outlay	-	-	-
Insurance	8,352	8,244	108
Other expenditures	-	241	(241)
Total	68,630	120,705	(52,075)
Cemetery			
Other expenditures	3,950	1,200	2,750
Total	3,950	1,200	2,750
Total environmental protection	72,580	121,905	(49,325)
Cultural and Recreation			
Library	-	-	-
Other expenditures	5,000	-	5,000
Total	5,000	-	5,000
Total cultural and recreation	5,000	-	5,000
Total expenditures	600,289	700,633	(100,344)
Revenues over (under) expenditures	(39,913)	(143,652)	(103,739)
Appropriated fund balance	39,913	-	(39,913)
Total	39,913	-	(39,913)
Revenues and other financing sources over expenditures and other financing uses	\$ -	(143,652)	\$ (143,652)
Fund balances, beginning as previously stated		555,913	
Prior period adjustment		(25,429)	
Fund balances, beginning as restated		530,484	
Fund balances, ending		<u>\$ 386,832</u>	

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales	\$ 430,000	\$ 274,818	\$ (155,182)
Sewer charges	-	144,304	144,304
Storm water fees	10,000	11,271	1,271
Late charges	15,000	13,810	(1,190)
Connection fees	500	-	(500)
Other operating revenues	-	562	562
Total operating revenues	455,500	444,765	(10,735)
Non-operating revenues			
Investment earning	-	335	335
Total non-operating revenues	-	335	335
Total revenues	455,500	445,100	(10,400)
Expenditures:			
Water administration, finance, treatment and distribution:			
Salaries and employee benefits	92,962	55,827	37,135
Other operating expenditures	14,769	22,939	(8,170)
Utilities	11,000	14,498	(3,498)
Repairs and maintenance	6,050	19,849	(13,799)
Vehicle maintenance	1,000	1,010	(10)
Supplies	8,000	2,097	5,903
Insurance	16,419	11,017	5,402
Capital Outlay	4,000	718	3,282
Bad debt	-	1,688	(1,688)
Total	154,200	129,643	24,557
Utility purchases	260,000	247,764	12,236
Debt service:			
Principal retirement	6,300	13,078	(6,778)
Interest	35,000	28,039	6,961
Total	41,300	41,117	183
Total expenditures	455,500	418,524	36,976

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

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfer to other fund:			
General Fund	-	-	-
Total	-	-	-
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 26,576	\$ 26,576

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

Revenues and other sources over  
    expenditures and other uses

\$ 26,576

Reconciling items:

Principal retirement	13,078
Depreciation	(71,275)
(Decrease) increase in deferred outflows of resources - pensions	(11,105)
(Increase) decrease in deferred inflows of resources - pensions	(34)
(Increase) decrease in accrued interest	78
(Increase) decrease in net pension liability	9,055
(Increase) decrease in accrued vacation pay	1,658
Capital project fund	
Capital contributions	22,331
Total reconciling items	(36,214)

Change in net position

\$ (9,638)

**Town of Whitakers, North Carolina**  
**Wastewater Bond Capital Project Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
From Inception and For the Fiscal Year Ended June 30, 2020

	Project Authorization			Prior	Actual	Total to	Variance
	June 30, 2020	Amendments	June 30, 2020	Years	Current Year	Date	Positive (Negative)
<b>Revenues:</b>							
Restricted							
Intergovernmental:							
Community Development Block Grant	\$ 1,789,000	\$ -	\$ 1,789,000	\$ -	\$ 22,331	\$ 22,331	\$ (1,766,669)
Total revenues	<u>1,789,000</u>	<u>-</u>	<u>1,789,000</u>	<u>-</u>	<u>22,331</u>	<u>22,331</u>	<u>(1,766,669)</u>
<b>Expenditures:</b>							
Engineering	-	-	-	-	-	-	-
Grant Administration	-	-	-	-	22,000	22,000	(22,000)
Construction	-	-	-	-	-	-	-
Contingency	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,000</u>	<u>22,000</u>	<u>(22,000)</u>
Revenues over (under) expenditures	<u>1,789,000</u>	<u>-</u>	<u>1,789,000</u>	<u>-</u>	<u>331</u>	<u>331</u>	<u>(1,788,669)</u>
<b>Other financing sources (uses):</b>							
Transfers to / from other funds:							
Transfer from Water and Sewer Fund	-	-	-	-	-	-	-
Transfer to Water and Sewer Fund	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance Appropriation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 1,789,000</u>	<u>\$ -</u>	<u>\$ 1,789,000</u>	<u>\$ -</u>	<u>331</u>	<u>\$ 331</u>	<u>\$ (1,788,669)</u>
Fund balance, beginning, as previously reported					-		
Prior period adjustment					-		
Fund balance, beginning					<u>-</u>		
Fund balance, ending					<u>\$ 331</u>		



## **Other Schedules**

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**This section contains additional information required on property taxes.**

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**Schedule of Ad Valorem taxes Receivable**

**Analysis of Current Tax Levy**

**Town of Whitakers  
General Fund  
Schedule of Ad Valorem Taxes Receivable  
June 30, 2020**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 253,904	\$ 223,090	\$ 30,814
2018-2019	21,758	-	4,709	17,049
2017-2018	17,938	-	2,683	15,255
2016-2017	10,162	-	504	9,658
2015-2016	9,828	-	-	9,828
2014-2015	8,426	-	-	8,426
2013-2014	9,106	-	333	8,773
2012-2013	7,744	-	21	7,723
2011-2012	7,832	-	51	7,781
2010-2011	6,949	-	-	6,949
2009-2010	6,755	-	6,755	-
	<u>\$ 106,498</u>	<u>\$ 253,904</u>	<u>\$ 238,146</u>	<u>\$ 122,256</u>
Ad valorem taxes receivable				\$ 122,256
Less: allowance for uncollectible accounts: General Fund				<u>(59,138)</u>
Ad valorem taxes receivable - net				<u>\$ 63,118</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 238,506
Reconciling items:				
Interest collected				(954)
Taxes written off				6,755
Releases (prior years) and other adjustments				<u>(6,161)</u>
Total collections and credits				<u>\$ 238,146</u>

**Town of Whitakers  
Analysis of Current Tax Levy  
Town - Wide Levy  
For the Fiscal Year Ended June 30, 2020**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current					
Real and personal property	\$ 31,365,403	0.72	\$ 225,831	\$ 225,831	\$ -
Registered motor vehicles taxed at prior year's rate	3,899,041	0.72	28,073	-	28,073
Releases			-		
Discoveries	-	0.72	-	-	-
Penalties			-		
Total Property Valuation	<u>\$ 35,264,444</u>		<u>\$ 253,904</u>	<u>\$ 225,831</u>	<u>\$ 28,073</u>
Net levy			\$ 253,904	\$ 225,831	\$ 28,073
Uncollected taxes at June 30, 2020			(30,814)	(30,814)	-
Current year's taxes collected			<u>\$ 223,090</u>	<u>\$ 195,017</u>	<u>\$ 28,073</u>
Current levy collection percentage			<u>87.86%</u>	<u>86.36%</u>	<u>100.00%</u>