

Town of Windsor
FINANCIAL STATEMENTS

June 30, 2020

Town Council

J.F. Hoggard, III, Mayor

Randy Walston
Camille Rascoe

David Overton
Cathy Wilson

Randy Whitaker

Town Administrator

Allen Castelloe



**Cumbee, Taylor
& Shook, PA**
CPAs and Advisors

**Town of Windsor
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**Cumbee, Taylor
& Shook, PA**
CPAs and Advisors

Cumbee, Taylor & Shook, PA
P.O. Box 869 - 127 West Boulevard
Williamston, NC 27892

Phone: (252) 792-6081
Fax: (252) 792-8218

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Windsor, North Carolina as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows 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 Management's Discussion and Analysis on pages 4 through 12, the Other Postemployment Benefits' Schedules of Changes in the Total OPEB Liability and Related Ratios on Page 58, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 59 and 60 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 61 and 62, respectively 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 Town of Windsor, North Carolina's basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance

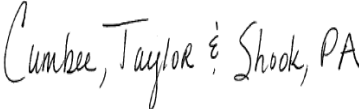
To the Honorable Mayor and
Members of the Town Council
Windsor, North Carolina
Page 3

with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021 on our consideration of the Town of Windsor, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Windsor, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Windsor, North Carolina's internal control over financial reporting and compliance.

CUMBEE, TAYLOR & SHOOK, PA

A handwritten signature in cursive script that reads "Cumbee, Taylor & Shook, PA".

Williamston, North Carolina
January 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Windsor

Management's Discussion and Analysis

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

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$18,974,900 (net position).
- The government's total net position increased by \$482,554, primarily due to increase in net investment in capital assets which resulted in an increase of net position of \$219,175.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,135,212 with a net increase of \$282,579 in fund balance. Approximately 62.1 percent of this total amount, or \$1,946,889, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,188,323 or 41.9 percent of total general fund expenditures for the fiscal year.
- The Town's total debt excluding compensated absences, pensions and other postemployment benefits decreased by \$40,863 or 6.8 percent during the current fiscal year. Total debt, excluding compensated absences and other postemployment benefits was \$564,116 as of June 30, 2020.

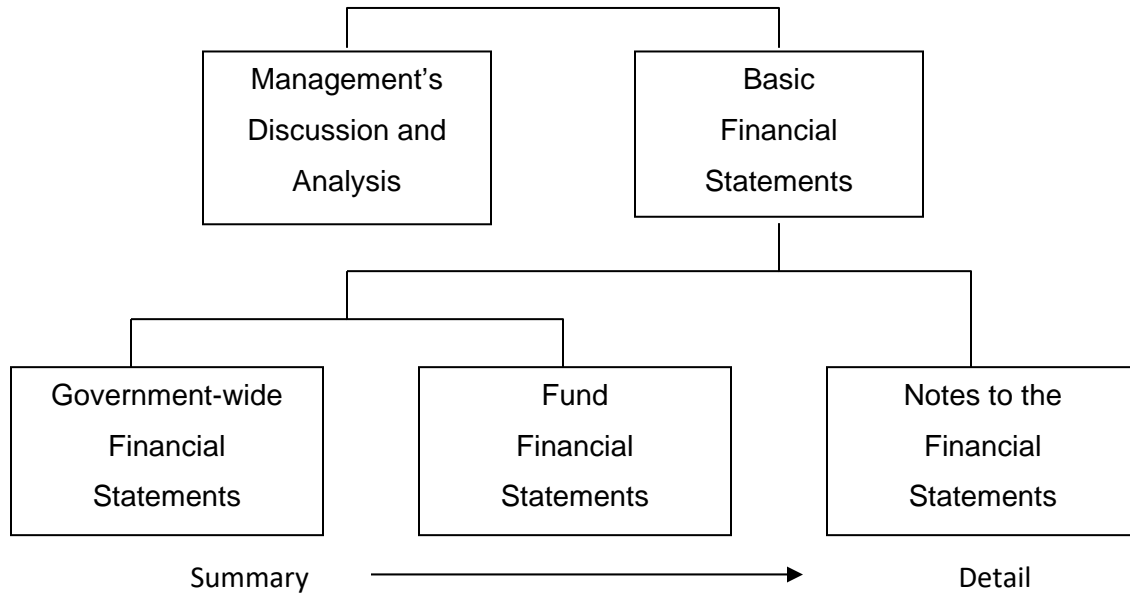
Overview of the Financial Statements

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

Town of Windsor Management's Discussion and Analysis

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's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 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 North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

Town of Windsor Management's Discussion and Analysis

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town 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 adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format,

Town of Windsor Management's Discussion and Analysis

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.

Proprietary Funds – The Town has only one kind of proprietary fund: the Enterprise Fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer activity and for its electric operations. These funds are the same as those functions 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 25 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to employees. Required supplementary information begins on page 58 of this report.

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

Town of Windsor Management's Discussion and Analysis

**The Town of Windsor's Net Position
Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$3,216,125	\$ 2,951,537	\$ 5,802,460	\$ 6,068,637	\$ 9,018,585	\$ 9,020,174
Capital assets	6,231,022	5,963,667	7,850,718	7,939,761	14,081,740	13,903,428
Deferred outflows of resources	254,615	295,849	179,172	201,243	433,787	497,092
Total assets and deferred outflows of resources	9,701,762	9,211,053	13,832,350	14,209,641	23,534,112	23,420,694
Other liabilities	63,644	91,327	404,138	810,338	467,782	901,665
Long-term liabilities outstanding	1,992,849	1,992,696	1,645,634	1,707,388	3,638,483	3,700,084
Deferred inflows of resources	289,369	213,913	163,578	112,686	452,947	326,599
Total liabilities and deferred inflows of resources	2,345,862	2,297,936	2,213,350	2,630,412	4,559,212	4,928,348
Net position:						
Net investment in capital assets	6,231,022	5,963,667	7,286,602	7,334,782	13,517,624	13,298,449
Restricted	1,925,739	1,793,615	-	-	1,925,739	1,793,615
Unrestricted	(800,861)	(844,165)	4,332,398	4,244,447	3,531,537	3,400,282
Total net position	\$7,355,900	\$ 6,913,117	\$11,619,000	\$11,579,229	\$18,974,900	\$18,492,346

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$18,974,900 as of June 30, 2020. The Town's net position increased by \$482,554 for the fiscal year ended June 30, 2020. However, the largest portion (71.2%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Windsor's net position, \$1,925,739, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,531,537 is unrestricted.

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

- Revenues have remained consistent with budget assumptions.
- Expenditures have been managed to ensure revenues are sufficient for the efficient operation of Town services.
- The Town has been successful in securing several grants to enhance quality of life initiatives with little impact on the financial stability of the Town.
- The Town has been successful in obtaining significant reimbursements from FEMA & NC Emergency Management for expenses related to Hurricane Matthew mitigation efforts.

Town of Windsor Management's Discussion and Analysis

The Town of Windsor's Changes in Net Position

Figure 3

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 537,242	\$ 505,862	\$ 6,051,412	\$ 6,500,971	\$ 6,588,654	\$ 7,006,833
Operating grants and contributions	2,224,464	2,653,083	4,949	-	2,229,413	2,653,083
Capital grants and contributions	17,231	238,176	6,637	470,701	23,868	708,877
General revenues:						
Property taxes	199,406	196,901	-	-	199,406	196,901
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	1,047,475	1,008,148	-	-	1,047,475	1,008,148
Other	23,443	151,754	180,694	152,205	204,137	303,959
Total revenues	4,049,261	4,753,924	6,243,692	7,123,877	10,292,953	11,877,801
Expenses:						
General government	444,899	803,432	-	-	444,899	803,432
Public safety	1,090,351	1,050,792	-	-	1,090,351	1,050,792
Highway/Streets	370,321	371,290	-	-	370,321	371,290
Environmental protection	389,984	375,947	-	-	389,984	375,947
Cultural and recreation	350,833	605,550	-	-	350,833	605,550
Economic and physical development	2,025,436	1,847,114	-	-	2,025,436	1,847,114
Interest on long-term debt	-	-	-	-	-	-
Water and Sewer	-	-	1,021,528	1,079,024	1,021,528	1,079,024
Electric	-	-	4,134,393	4,463,040	4,134,393	4,463,040
Total expenses	4,671,824	5,054,125	5,155,921	5,542,064	9,827,745	10,596,189
Increase (decrease) in net position before transfers	(622,563)	(300,201)	1,087,771	1,581,813	465,208	1,281,612
Transfers	1,048,000	1,000,000	(1,048,000)	(1,000,000)	-	-
Increase (decrease) in net position	425,437	699,799	39,771	581,813	465,208	1,281,612
Net position, July 1	6,913,117	6,213,318	11,579,229	10,997,416	18,492,346	17,210,734
Restatement	17,346	-	-	-	17,346	-
Net position, beginning, restated	6,930,463	6,213,318	11,579,229	10,997,416	18,509,692	17,210,734
Net position, June 30	\$ 7,355,900	\$ 6,913,117	\$ 11,619,000	\$ 11,579,229	\$ 18,974,900	\$ 18,492,346

Town of Windsor Management's Discussion and Analysis

Governmental activities. Governmental activities increased the Town's net position by \$442,783.

Business-type activities: Business-type activities increased the Town's net position by \$39,771. During the June 30, 2020 fiscal year, the Town transferred \$1,048,000 from the Electric Fund to the General Fund compared to \$1,000,000 transferred during the June 30, 2019 fiscal year.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, 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. At the end of the current fiscal year, the Town's fund balance unassigned in the General Fund was \$1,188,323, while total fund balance reached \$3,135,212.

At June 30, 2020, the governmental funds of the Town reported a combined fund balance of \$3,135,212 with a net increase in fund balance of \$282,579. Included in this change in fund balance are increases in fund balance for the General Fund.

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

Revenues were more than the originally budgeted amounts primarily because of conservative estimates. Actual revenues covered the slight expenditure increases between the original and final budget.

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 fiscal year amounted to \$1,213,071 and those for the Electric Fund amounted to \$3,119,327. The total change in net position for both funds was \$62,259 and (\$22,488), respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

Town of Windsor Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$14,081,740 (net of accumulated depreciation). These assets include buildings, streets, land, machinery and equipment, park facilities, and vehicles.

**The Town of Windsor's Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,811,716	\$ 1,796,372	\$ 21,025	\$ 21,025	\$ 1,832,741	\$ 1,817,397
Buildings	486,845	512,083	261,735	276,204	748,580	788,287
Improvements	1,268,998	1,328,675	-	-	1,268,998	1,328,675
Machinery and equipment	240,382	254,668	279,105	298,483	519,487	553,151
Vehicles	934,099	726,807	285,084	225,293	1,219,183	952,100
Infrastructure	1,408,609	1,312,392	6,857,894	7,083,225	8,266,503	8,395,617
Construction in progress	80,373	32,670	145,875	35,531	226,248	68,201
Total	\$ 6,231,022	\$ 5,963,667	\$ 7,850,718	\$ 7,939,761	\$ 14,081,740	\$ 13,903,428

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

Long-Term Debt. As of June 30, 2020, the Town had outstanding long-term debt of \$564,116.

**The Town of Windsor's Outstanding Long-Term Liabilities
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Direct borrowings	\$ -	\$ -	\$ 564,116	\$ 604,979	\$ 564,116	\$ 604,979
Compensated absences	154,770	135,167	40,915	33,617	195,685	168,784
OPEB	1,370,468	1,458,879	855,505	911,182	2,225,973	2,370,061
Net pension liability (LGERS)	361,498	314,062	242,037	219,478	603,535	533,540
Total pension liability (LEO)	158,757	135,124	-	-	158,757	135,124
Total	\$ 2,045,493	\$ 2,043,232	\$ 1,702,573	\$ 1,769,256	\$ 3,748,066	\$ 3,812,488

Town of Windsor's Outstanding Debt

The Town's total debt, excluding compensated absences and other postemployment benefits decreased by \$40,863.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$10,890,863.

Additional information regarding the Town's long-term obligations can be found in Note III of this report.

Town of Windsor Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

The following key economic factors related to the growth of the Town.

- The Town continues to implement flood hazard mitigation and redevelopment plans that should be of great benefit to the future.
- The Town's increased commitment to recreation/tourism activities should increase visitors and visitor spending.
- The designation of the US Hwy 17 Corridor as future Interstate 87 from Williamston to Virginia should create growth opportunities for the Town.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The property tax rate was set at \$0.145 per \$100 valuation. Budgeted expenditures in the General Fund are expected to increase 1.04% to \$2,985,200. The largest expenditures are in employee compensation, including funding compensation and benefits adjustments and the maintenance of public buildings.

Business – type Activities: There are anticipated rate increases in curbside residential garbage collection (\$2.50 per household), electric rates (2.9%) and water/sewer rates (10.4%).

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 Administrator, Allen Castelloe, PO Box 508, Windsor, NC 27983. Telephone – 252-794-2331 or Email – windsor.admin@mchsi.com

BASIC FINANCIAL STATEMENTS

Town of Windsor
Statement of Net Position
June 30, 2020
Exhibit 1

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,199,203	\$ 1,934,813	\$ 3,134,016
US Government Treasury notes	-	2,487,281	2,487,281
Taxes receivables (net)	18,658	-	18,658
Accrued interest receivable on taxes	5,616	-	5,616
Accounts receivable (net)	45,639	755,867	801,506
Due from other governments	2,286,093	22,436	2,308,529
Internal balances	(360,234)	360,234	-
Prepaid expenses	21,150	20,157	41,307
Inventories	-	111,067	111,067
Restricted cash and cash equivalents	-	110,605	110,605
Total current assets	3,216,125	5,802,460	9,018,585
Non-current assets:			
Capital assets (Note III. A. 4):			
Land, non-depreciable improvements, and construction in progress	1,892,089	166,900	2,058,989
Other capital assets, net of depreciation	4,338,933	7,683,818	12,022,751
Total capital assets	6,231,022	7,850,718	14,081,740
Total assets	9,447,147	13,653,178	23,100,325
DEFERRED OUTFLOWS OF RESOURCES			
OPEB deferrals	40,556	26,020	66,576
Pension deferrals	214,059	153,152	367,211
Total deferred outflows of resources	254,615	179,172	433,787
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	11,000	236,594	247,594
Current portion of long-term liabilities	52,644	56,939	109,583
Payable from restricted assets	-	110,605	110,605
Total current liabilities	63,644	404,138	467,782
Long-term liabilities:			
Net pension liability	361,498	242,037	603,535
Total pension liability	158,757	-	158,757
Total OPEB liability	1,370,468	855,505	2,225,973
Due in more than one year	102,126	548,092	650,218
Total liabilities	2,056,493	2,049,772	4,106,265
DEFERRED INFLOWS OF RESOURCES			
OPEB deferrals	253,035	158,726	411,761
Pension deferrals	36,334	4,852	41,186
Total deferred inflows of resources	289,369	163,578	452,947
NET POSITION			
Net investment in capital assets	6,231,022	7,286,602	13,517,624
Restricted for:			
Stabilization by State Statute	1,925,739	-	1,925,739
Unrestricted	(800,861)	4,332,398	3,531,537
Total net position	\$ 7,355,900	\$ 11,619,000	\$ 18,974,900

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 444,899	\$ 145,482	\$ 12,264	\$ -
Public safety	1,090,351	287	73,560	-
Transportation	370,321	17,304	96,808	-
Environmental protection	389,984	324,094	4,396	17,231
Cultural and recreation	350,833	50,075	-	-
Economic and physical development	2,025,436	-	2,037,436	-
Interest on long-term debt	-	-	-	-
Total governmental activities (See Note 1)	4,671,824	537,242	2,224,464	17,231
Business-type activities:				
Water and sewer	1,021,528	1,036,716	-	6,637
Electric	4,134,393	5,014,696	4,949	-
Total business-type activities	5,155,921	6,051,412	4,949	6,637
Total primary government	\$ 9,827,745	\$ 6,588,654	\$ 2,229,413	\$ 23,868

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

Town of Windsor
Statement of Activities
For the Fiscal Year Ended June 30, 2020
Exhibit 2

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Functions/Programs	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental Activities:			
General government	\$ (287,153)	\$ -	\$ (287,153)
Public safety	(1,016,504)	-	(1,016,504)
Transportation	(256,209)	-	(256,209)
Environmental protection	(44,263)	-	(44,263)
Cultural and recreation	(300,758)	-	(300,758)
Economic and physical development	12,000	-	12,000
Interest on long-term debt	-	-	-
Total governmental activities			
(See Note 1)	(1,892,887)	-	(1,892,887)
Business-type activities:			
Water and sewer	-	21,825	21,825
Electric	-	885,252	885,252
Total business-type activities	-	907,077	907,077
Total primary government	(1,892,887)	907,077	(985,810)
General revenues:			
Taxes:			
Property taxes, levied for general purpose	199,406	-	199,406
Grants and contributions not restricted to specific programs	1,047,475	-	1,047,475
Unrestricted investment earnings	3,704	121,405	125,109
Miscellaneous	19,739	59,289	79,028
Total general revenues not including transfers	1,270,324	180,694	1,451,018
Transfers	1,048,000	(1,048,000)	-
Total general revenues and transfers	2,318,324	(867,306)	1,451,018
Change in net position	425,437	39,771	465,208
Net position, beginning, previously reported	6,913,117	11,579,229	18,492,346
Restatement	17,346	-	17,346
Net position, beginning	6,930,463	11,579,229	18,509,692
Net position, ending	\$ 7,355,900	\$ 11,619,000	\$ 18,974,900

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

Town of Windsor
Balance Sheet - Governmental Funds
June 30, 2020
Exhibit 3

	Major Funds		Total	Total
	General Fund	Hazard Mitigation	Non-Major Fund	Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,199,203	\$ -	\$ -	\$ 1,199,203
Receivables (net):				
Taxes	18,658	-	-	18,658
Accounts	45,639	-	-	45,639
Due from other governments	666,133	1,581,746	38,214	2,286,093
Due from other funds	1,259,606	-	-	1,259,606
Prepaid expenses	21,150	-	-	21,150
Total assets	\$ 3,210,389	\$ 1,581,746	\$ 38,214	\$ 4,830,349
LIABILITIES				
Accounts payable and accrued liabilities	\$ 10,880	\$ 120	\$ -	\$ 11,000
Due to other funds	-	1,581,626	38,214	1,619,840
Total liabilities	10,880	1,581,746	38,214	1,630,840
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	18,658	-	-	18,658
Assessments receivable	7,177	-	-	7,177
Other accounts receivable	38,462	-	-	38,462
Total deferred inflows of resources	64,297	-	-	64,297
FUND BALANCES				
Nonspendable				
Prepays	21,150	-	-	21,150
Restricted				
Stabilization by State Statute	1,925,739	-	-	1,925,739
Unassigned	1,188,323	-	-	1,188,323
Total fund balances	3,135,212	-	-	3,135,212
Total liabilities, deferred inflows of resources and fund balances	\$ 3,210,389	\$ 1,581,746	\$ 38,214	

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

Town of Windsor
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020
Exhibit 3

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

Total Fund Balance, Governmental Funds		\$ 3,135,212
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	10,395,057	
Accumulated depreciation	(4,164,035)	6,231,022
Deferred outflows of resources related to pensions are not reported in the funds		214,059
Deferred outflows of resources related to OPEB are not reported in the funds		40,556
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds		5,616
Earned revenues considered deferred inflows of resources in fund statements		64,297
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Total pension liability	(158,757)	
Compensated absences	(154,770)	
OPEB liability	(1,370,468)	
Net pension liability	(361,498)	(2,045,493)
Deferred inflows of resources related to pensions are not reported in the funds		(36,334)
Deferred inflows of resources related to OPEB are not reported in the funds		(253,035)
Net position of governmental activities		<u>\$ 7,355,900</u>

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

Town of Windsor
Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2020
Exhibit 4

	Major Funds		Total	Total
	General Fund	Hazard Mitigation	Non-Major Fund	Governmental Funds
Revenues:				
Ad valorem taxes	\$ 198,847	\$ -	\$ -	\$ 198,847
Unrestricted intergovernmental	1,047,475	-	-	1,047,475
Restricted intergovernmental	204,259	2,023,440	13,996	2,241,695
Sales and services	526,001	-	-	526,001
Investment earnings	3,704	-	-	3,704
Miscellaneous	10,129	-	-	10,129
Total revenues	1,990,415	2,023,440	13,996	4,027,851
Expenditures:				
Current:				
General government	415,217	-	-	415,217
Public safety	1,302,892	-	-	1,302,892
Transportation	482,778	-	-	482,778
Environment protection	326,989	-	-	326,989
Cultural and recreation	304,897	-	-	304,897
Economic and physical development	-	2,023,440	13,996	2,037,436
Total expenditures	2,832,773	2,023,440	13,996	4,870,209
Excess (deficiency) of revenues over expenditures	(842,358)	-	-	(842,358)
Other financing sources (uses):				
Transfers from other funds	1,048,000	-	-	1,048,000
Sale of capital assets	76,937	-	-	76,937
Total other financing sources (uses)	1,124,937	-	-	1,124,937
Net change in fund balance	282,579	-	-	282,579
Fund balances, beginning	2,852,633	-	-	2,852,633
Fund balances, ending	\$ 3,135,212	\$ -	\$ -	\$ 3,135,212

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

Town of Windsor

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of the Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2020
Exhibit 4**

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

Net changes in fund balances - total governmental funds		\$ 282,579
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.		
Capital outlay expenditures which were capitalized	739,214	
Depreciation expense for governmental assets	(421,878)	
Asset impairment loss	(70,671)	246,665
<hr/>		
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		88,732
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		38,609
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Amount of donated property		3,344
Change in unavailable revenue for tax revenues	559	
Change in unavailable revenues for garbage revenues	4,064	
Change in unavailable revenues for street assessment revenues	7,177	11,800
<hr/>		
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.		
Compensated absences	(19,603)	
Pension expense	(194,085)	
OPEB plan expense	(32,604)	(246,292)
<hr/>		
Total changes in net position of governmental activities		\$ 425,437
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The accompanying notes are an integral part of these financial statements.

Town of Windsor

**General Fund Statement of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2020
Exhibit 5**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 203,000	\$ 203,000	\$ 198,847	\$ (4,153)
Other taxes and licenses	600	600	-	(600)
Unrestricted intergovernmental	995,700	995,700	1,047,475	51,775
Restricted intergovernmental	165,000	203,100	204,259	1,159
Sales and services	514,300	514,300	526,001	11,701
Investment earnings	2,000	2,000	3,704	1,704
Miscellaneous	13,000	13,000	10,129	(2,871)
Total revenues	1,893,600	1,931,700	1,990,415	58,715
Expenditures:				
Current:				
General government	485,800	527,200	415,217	111,983
Public safety	1,001,200	1,378,100	1,302,892	75,208
Transportation	699,300	516,300	482,778	33,522
Environment protection	373,500	373,500	326,989	46,511
Cultural and recreation	303,200	319,200	304,897	14,303
Total expenditures	2,863,000	3,114,300	2,832,773	281,527
Revenues over (under) expenditures	(969,400)	(1,182,600)	(842,358)	340,242
Other financing sources (uses):				
Transfer from other funds	964,400	1,060,000	1,048,000	(12,000)
Sale of capital assets	5,000	13,500	76,937	63,437
Insurance proceeds	-	47,400	-	(47,400)
Total other financing sources (uses)	969,400	1,120,900	1,124,937	4,037
Fund balance appropriated	-	61,700	-	(61,700)
Net change in fund balance	\$ -	\$ -	282,579	\$ 282,579
Fund balances, beginning			2,852,633	
Fund balances, ending			\$ 3,135,212	

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

Town of Windsor
Statement of Fund Net Position – Proprietary Funds
June 30, 2020
Exhibit 6

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,028,247	\$ 906,566	\$ 1,934,813
Investments	1,921,494	565,787	2,487,281
Accounts receivable (net) - billed	364,078	94,349	458,427
Accounts receivable (net) - unbilled	241,829	55,611	297,440
Due from other governments	9,394	13,042	22,436
Due from other funds	576,290	600,000	1,176,290
Prepaid expenses	10,557	9,600	20,157
Inventories	111,067	-	111,067
Restricted cash and cash equivalents	110,605	-	110,605
Total current assets	4,373,561	2,244,955	6,618,516
Noncurrent assets:			
Capital assets:			
Land and construction in progress	16,525	150,375	166,900
Other capital assets, net of depreciation	2,271,603	5,412,215	7,683,818
Capital assets	2,288,128	5,562,590	7,850,718
Total noncurrent assets	2,288,128	5,562,590	7,850,718
Total assets	\$ 6,661,689	\$ 7,807,545	\$ 14,469,234
DEFERRED OUTFLOWS OF RESOURCES			
OPEB deferrals	\$ 16,532	\$ 9,488	\$ 26,020
Pension deferrals	75,666	77,486	153,152
Total deferred outflows of resources	92,198	86,974	179,172
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	227,537	9,057	236,594
Compensated absences - current	11,584	4,492	16,076
Due to other funds	450,621	365,435	816,056
Direct borrowings - current	-	40,863	40,863
Liabilities payable from restricted assets:			
Customer deposits	110,605	-	110,605
Total current liabilities	800,347	419,847	1,220,194
Noncurrent liabilities:			
Total OPEB liability	323,057	532,448	855,505
Compensated absences	19,401	5,438	24,839
Direct borrowings - noncurrent	-	523,253	523,253
Net pension liability	118,803	123,234	242,037
Total noncurrent liabilities	461,261	1,184,373	1,645,634
Total liabilities	1,261,608	1,604,220	2,865,828
DEFERRED INFLOWS OF RESOURCES			
OPEB deferrals	83,761	74,965	158,726
Pension deferrals	1,063	3,789	4,852
Total deferred inflows of resources	84,824	78,754	163,578
NET POSITION			
Net Investment in capital assets	2,288,128	4,998,474	7,286,602
Unrestricted	3,119,327	1,213,071	4,332,398
Total net position	\$ 5,407,455	\$ 6,211,545	\$ 11,619,000

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

Town of Windsor
Statement of Revenues, Expenses and Changes in Fund Net Position –
Proprietary Funds
For the Fiscal Year Ended June 30, 2020
Exhibit 7

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Operating revenues:			
Charges for services	\$ 5,014,696	\$ 1,032,966	\$ 6,047,662
Water and sewer taps and connection fees	-	3,750	3,750
Total operating revenues	5,014,696	1,036,716	6,051,412
Operating expenses:			
Water and sewer operations	-	787,530	787,530
Electric operations	1,103,718	-	1,103,718
Electric power purchases	2,837,571	-	2,837,571
Depreciation	193,104	233,998	427,102
Total operating expenses	4,134,393	1,021,528	5,155,921
Operating income (loss)	880,303	15,188	895,491
Non-operating revenues (expenses):			
Investment earnings (loss)	99,734	21,671	121,405
Sales tax refunds	9,394	13,042	22,436
Miscellaneous	31,132	5,721	36,853
Total non-operating revenues (expenses)	140,260	40,434	180,694
Income (loss) before contributions and transfers	1,020,563	55,622	1,076,185
Capital contributions	4,949	6,637	11,586
Transfers to other funds	(1,048,000)	-	(1,048,000)
	(1,043,051)	6,637	(1,036,414)
Change in net position	(22,488)	62,259	39,771
Total net position, beginning	5,429,943	6,149,286	11,579,229
Total net position, ending	\$ 5,407,455	\$ 6,211,545	\$ 11,619,000

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

Town of Windsor
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2020
Exhibit 8

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 5,100,282	\$ 1,010,348	\$ 6,110,630
Cash paid for goods and services	(3,847,144)	(608,509)	(4,455,653)
Cash paid to or on behalf of employees for services	(300,603)	(357,829)	(658,432)
Customer deposits received (refunded)	7,350	-	7,350
Net cash provided by operating activities	959,885	44,010	1,003,895
Cash flows from non-capital financing activities:			
Sales tax refunds	10,653	10,915	21,568
Due to (from) other funds	(10)	10	-
Non-operating revenues	31,132	5,721	36,853
Transfers to other funds	(1,048,000)	-	(1,048,000)
Net cash provided (used) by non-capital financing activities	(1,006,225)	16,646	(989,579)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(96,982)	(241,077)	(338,059)
Capital contributions	4,949	503,237	508,186
Principal paid - direct borrowings	-	(40,863)	(40,863)
Net cash provided (used) by capital and related financing activities	(92,033)	221,297	129,264
Cash flows from investing activities:			
Investment earnings (loss)	52,391	12,466	64,857
Proceeds from treasury notes	499,667	297,077	796,744
Purchase of treasury notes	(251,436)	(603,240)	(854,676)
Net cash provided (used) by investing activities	300,622	(293,697)	6,925
Net increase (decrease) in cash and cash equivalents	162,249	(11,744)	150,505
Cash balances, beginning	976,603	918,310	1,894,913
Cash balances, ending	\$ 1,138,852	\$ 906,566	\$ 2,045,418

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

Town of Windsor
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2020
Exhibit 8

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Totals
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ 880,303	\$ 15,188	\$ 895,491
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	193,104	233,998	427,102
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
(Increase) decrease in accounts receivable	85,586	(26,368)	59,218
(Increase) decrease in prepaid expenses	(10,557)	(9,600)	(20,157)
(Increase) decrease in inventory	(3,632)	-	(3,632)
(Increase) decrease in deferred outflows of resources - pensions	10,490	11,253	21,743
(Increase) decrease in deferred outflows of resources - OPEB	212	116	328
Increase (decrease) in net pension liability	10,884	11,675	22,559
Increase (decrease) in OPEB liability	(36,023)	(19,653)	(55,676)
Increase (decrease) in deferred inflows of resources - pensions	(326)	(349)	(675)
Increase (decrease) in deferred inflows of resources - OPEB	33,364	18,203	51,567
Increase (decrease) in accounts payable and accrued liabilities	(217,439)	(191,182)	(408,621)
Increase (decrease) in customer deposits	7,350	-	7,350
Increase (decrease) in accrued vacation pay	6,569	729	7,298
Total adjustments	79,582	28,822	108,404
Net cash provided by operating activities	\$ 959,885	\$ 44,010	\$ 1,003,895

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

Town of Windsor Notes to Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 specific function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

Town of Windsor

Notes to Financial Statements

The Town reports the following major governmental funds:

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

Hazard Mitigation Grant Program Special Revenue Fund. This fund is used to account for grant funds that are restricted for the purpose of mitigating the vulnerability of life and property to future disasters during the recovery and reconstruction process following a disaster.

The Town reports the following non-major governmental fund:

Community Development Block Grant Special Revenue Fund. This fund is used to account for grant funds that are restricted for neighborhood revitalization.

The Town reports the following major enterprise funds:

Electric Fund. This fund is used to account for the Town's electric operations.

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. Water and sewer capital projects funds have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Funds have been included in the supplemental information.

C. Measurement Focus and Basis of Accounting

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

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

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

Town of Windsor

Notes to Financial Statements

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

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

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

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

Town of Windsor

Notes to Financial Statements

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Hazard Mitigation Grant Program and the Community Development Block Grant Special Revenue Funds and the Enterprise Capital Projects Funds. The enterprise fund capital projects are consolidated with their respective operating fund 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 and the 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(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust, (NCCMT). The Town's investments are reported at fair value. The NCCMT- Government Portfolio, a SEC-registered (2a-7) money market fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as in 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 and considers all cash and investments to be 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.

Town of Windsor
Notes to Financial Statements

Town of Windsor Restricted Cash

Business-type Activities

Electric Fund

Customer deposits	\$ 110,605
Total business-type activities	<u>\$ 110,605</u>
Total restricted cash	<u>\$ 110,605</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st, (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements and expensed as the 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 as follows: land, buildings, improvements, substations, lines, and other plant and distribution systems, infrastructure, furniture and equipment, and vehicles, \$2,500. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Town of Windsor Notes to Financial Statements

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

Asset Class	Estimated Useful Lives
Infrastructure	40
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

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 meet this criterion, pension and OPEB deferrals for 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 several items that meet the criterion for this category – property taxes receivable, assessment receivable, other accounts receivable, pension and OPEB 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.

10. Compensated Absences

The vacation policies of the Town provide for the accumulation of up to fifteen (15) days earned vacation leave with such leave being fully vested when earned. When the maximum vacation leave has been accumulated, employees will have until the end of the calendar year to reduce the balance below the maximum. As of December 31, all vacation leave balances in excess of the maximum shall be reduced to fifteen days and carried into the new calendar year. Employees may be paid for the excess accumulated vacation leave at their regular rate of pay. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a last-in, first out method of using accumulated compensated time. 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.

Town of Windsor

Notes to 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 are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are 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, as applicable 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 available for appropriation because it represents the year-end fund balance of ending prepaids, which are not spendable, available 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.

Town of Windsor

Notes to Financial Statements

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

Assigned fund balance – portion of fund balance that Town of Windsor intends to use for specific purposes.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds with notification to the board.

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

The Town of Windsor has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Town Administrator 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 Town Administrator has the authority to deviate from this policy if it is in the best interest of the Town.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LGERS) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Windsor’s employer contributions are recognized when due and the Town of Windsor 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.

13. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Town of Windsor

Notes to Financial Statements

14. Subsequent Events – Date of Management’s Evaluation

Management has evaluated subsequent events through January 29, 2021 the date which the financial statements were available to be issued. See Note VII for subsequent events.

NOTE II – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

One of the Town’s depository accounts related to its investment accounts was not held with a legally allowable official depository institution in accordance with N.C.G.S 159-31. The account was FDIC insured. When the Town’s investment funds matured and/or awaited re-investment they were not transferred directly into a legally allowable account. Upon being brought to the Town’s attention in September 2020, the Town closed the unallowable account and established a money market account with an acceptable financial institution.

NOTE 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 its name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town’s agent in its 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. 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 provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured except as disclosed in Note II above.

At June 30, 2020, the Town’s deposits had a carrying amount of \$3,126,228 and a bank balance of \$3,194,397. Of the bank balance, \$502,183 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2020, the Town’s petty cash fund totaled \$600.

Town of Windsor

Notes to Financial Statements

2. Investments

At June 30, 2020, the Town had \$117,793 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The investment's valuation measurement method is Fair Value – Level 1 and has no maturity. The investment amount is included in cash and cash equivalents. The Town has no formal policy regarding credit risk of its investments.

As of June 30, 2020, the Town had the following investments and maturities.

Investment Type	Valuation Measurement Method	Book Value at 6/30/2020	Maturity	Rating
US Government Treasury Note	Fair Value Level 1	\$ 545,920	2/15/2024	AAA
US Government Treasury Note	Fair Value Level 1	307,917	9/10/2020	AAA
US Government Treasury Note	Fair Value Level 1	365,407	11/30/2022	AAA
US Government Treasury Note	Fair Value Level 1	252,245	11/15/2020	AAA
US Government Treasury Note	Fair Value Level 1	503,065	2/28/2021	AAA
US Government Treasury Note	Fair Value Level 1	257,870	6/30/2022	AAA
US Government Treasury Note	Fair Value Level 1	254,857	11/5/2020	AAA
Total		<u>\$ 2,487,281</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted priced (unadjusted) in active markets for identical assets.

Interest Rate Risk. The Town has no formal policy as a means of limiting its exposure to fair value losses arising from rising interest rates.

Credit Risk. The Town limits investments to the provisions of G.S. 159-30, but has no formal policy regarding credit risk.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's \$2,487,281 investment in US Treasury notes are held by the counterparty, or by its trust department but not in the Town's name. The Town's informal policy indicates that the Town shall utilize a third-party custodial agent for book entry transactions, all of which shall be a bank or trust department authorized to do trust work in North Carolina who has an account with the Federal Reserve.

Concentration of Credit Risk. The Town has no formal policy of maximum exposure in US Government Agencies.

Town of Windsor
Notes to Financial Statements

3. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020, are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 6,474
Accounts receivable	26,262
Total General Fund	32,736
Enterprise Funds	
Electric Fund - accounts receivable	173,162
Water and Sewer Fund - accounts receivable	99,879
Total Enterprise Funds	273,041
Total	\$ 305,777

4. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,796,372	\$ 15,344	\$ -	\$ 1,811,716
Construction in progress	50,016	30,357	-	80,373
Total capital assets not being depreciated:	1,846,388	45,701	-	1,892,089
Capital assets being depreciated:				
Buildings	863,528	-	-	863,528
Improvements	2,172,166	11,179	-	2,183,345
Vehicles	1,940,503	475,368	194,837	2,221,034
Equipment	936,921	35,085	10,882	961,124
Computer equipment	1,000	8,967	-	9,967
Infrastructure	2,097,712	166,258	-	2,263,970
Total capital assets being depreciated:	8,011,830	696,857	205,719	8,502,968
Less accumulated depreciation for:				
Buildings	351,445	25,238	-	376,683
Improvements	843,491	70,856	-	914,347
Vehicles	1,213,696	197,405	124,166	1,286,935
Equipment	682,253	55,847	10,882	727,218
Computer equipment	1,000	2,491	-	3,491
Infrastructure	785,320	70,041	-	855,361
Total accumulated depreciation	3,877,205	421,878	135,048	4,164,035
Total capital assets being depreciated, net	4,134,625			4,338,933
Governmental activity capital assets, net	\$ 5,981,013			\$ 6,231,022

Town of Windsor
Notes to Financial Statements

Increases in primary government assets for the year ended June 30, 2020 include donated land valued at \$3,344. Increases also include land valued at \$12,000 from property buyouts associated with the Hazard Mitigation Grant Program.

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

General Government	\$ 25,458
Public safety	165,229
Transportation	88,354
Environmental protection	75,205
Cultural and recreational	67,632
<u>Total depreciation expense</u>	<u>\$ 421,878</u>

Town of Windsor
Notes to Financial Statements

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
<i>Electric Fund</i>				
Capital assets not being depreciated:				
Land	\$ 16,525	\$ -	\$ -	\$ 16,525
Total capital assets not being depreciated:	16,525	-	-	16,525
Capital assets being depreciated:				
Substation lines	5,218,017	44,582	-	5,262,599
Buildings	552,209	-	-	552,209
Equipment	1,145,510	37,811	24,659	1,158,662
Computer equipment	33,054	8,967	-	42,021
Vehicles	520,086	5,622	-	525,708
Total capital assets being depreciated:	7,468,876	96,982	24,659	7,541,199
Less accumulated depreciation for:				
Substation lines	3,645,932	68,150	-	3,714,082
Buildings	276,005	14,469	-	290,474
Equipment	853,592	61,204	24,659	890,137
Computer equipment	26,489	4,952	-	31,441
Vehicles	299,133	44,329	-	343,462
Total accumulated depreciation	5,101,151	193,104	24,659	5,269,596
Total capital assets being depreciated, net	2,367,725			2,271,603
Electric fund capital assets, net	2,384,250			2,288,128
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 4,500	\$ -	\$ -	\$ 4,500
Construction in progress	35,531	110,344	-	145,875
Total capital assets not being depreciated:	40,031	110,344	-	150,375
Capital assets being depreciated:				
Distribution system	11,050,872	25,729	-	11,076,601
Vehicles	112,428	105,004	-	217,432
Total capital assets being depreciated:	11,163,300	130,733	-	11,294,033
Less accumulated depreciation for:				
Distribution system	5,539,732	227,492	-	5,767,224
Vehicles	108,088	6,506	-	114,594
Total accumulated depreciation	5,647,820	233,998	-	5,881,818
Total capital assets being depreciated, net	5,515,480			5,412,215
Water and Sewer Fund capital assets, net	5,555,511			5,562,590
Business-type activities capital assets, net	\$ 7,939,761			\$ 7,850,718

Town of Windsor

Notes to Financial Statements

5. Cost-sharing commitments

The Town and Bertie County and Bertie County Water District II entered into an agreement on June 10, 2002 to purchase land jointly. The land was purchased in August 2003 and the North Carolina Department of Corrections completed constructing a 1,000 bed detention center on the land in July 2006. The Bertie County Water District II is the exclusive provider of water services to the detention center and the Town provides electric and sewer utility services. Once the prison was completed, the Town and County began deducting monthly 10% of the gross revenue for each utility and equally dividing between the Town and the County. These payments will continue until the purchase price and costs of establishing each utility service is paid in full. For the fiscal year ending June 30, 2019, the Town has suspended payments to Bertie County since the county's cost have been recouped. For the fiscal year ending June 30, 2020, Bertie County paid the Town \$20,682 for water.

After the net purchase price and the net costs as defined have been paid in full, the obligation of the Town and the County to monthly deduct 10% of gross revenue for each utility shall cease. The Town and the County will then monthly deduct 1% of the gross revenue for each utility, which monies will be applied towards an economic development fund to be administered by a joint Town and County board for the benefit of the citizens of the Town and County. The Town is in the process of meeting with County representatives to determine setting up and administering the economic development fund.

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Windsor 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, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of 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

Town of Windsor Notes to Financial Statements

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Windsor employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Windsor'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 and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Windsor were \$130,932 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 right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2020, the Town reported a liability of \$603,535 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

Town of Windsor Notes to Financial Statements

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, 2019 (measurement date), the Town's proportion was 0.02210%, which was an decrease of .00039% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$265,645. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 103,340	\$ -
Changes of assumptions	98,367	-
Net difference between projected and actual earnings on pension plan investments	14,721	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,327	12,066
Town contributions subsequent to the measurement date	130,932	-
Total	<u>\$ 352,687</u>	<u>\$ 12,066</u>

\$130,932 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 104,833
2022	33,501
2023	56,000
2024	15,355
2025	-
Thereafter	-
	<u>\$ 209,689</u>

Town of Windsor Notes to Financial Statements

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

Town of Windsor Notes to Financial Statements

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 1,380,392	\$ 603,535	\$ (42,193)

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

b. Law Enforcement Officers Special Separation Allowance

Plan Description

The Town of Windsor 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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143

Town of Windsor Notes to Financial Statements

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	9
Total	9

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 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 criteria which are outlined in GASB Statement 73.

Actuarial Assumptions

The entry age actuarial cost method was used in 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	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on the Scale AA.

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned 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

Town of Windsor
Notes to Financial Statements

amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 in benefits as they came due for the reporting period.

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 \$158,757. 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 \$13,618.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 20,646
Changes of assumptions and other inputs	14,524	8,474
Town benefit payments and plan administrative expenses made subsequent to the measurement date	-	-
Total	<u>\$ 14,524</u>	<u>\$ 29,120</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ (3,589)
2022	(3,589)
2023	(3,451)
2024	(2,827)
2025	(1,745)
Thereafter	605
	<u>\$ (14,596)</u>

Town of Windsor
Notes to Financial Statements

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated during 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:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 181,089	\$ 158,757	\$ 138,909

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

	2020
Beginning balance	\$ 135,124
Service cost	12,288
Interest on the total pension liability	4,919
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(1,399)
Changes of assumptions or other inputs	7,825
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 158,757</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 Windsor
Notes to Financial Statements

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 265,645	\$ 13,618	\$ 279,263
Pension Liability	603,535	158,757	762,292
Proportionate share of the net pension liability	0.02210%	n/a	

Deferred Outflow of Resources

Differences between expected and actual experience	103,340	-	103,340
Changes of assumptions	98,367	14,524	112,891
Net difference between projected and actual earnings on plan investments	14,721	-	14,721
Changes in proportion and differences between contributions and proportionate share of contributions	5,327	-	5,327
Benefit payments and administrative costs paid subsequent to the measurement date	130,932	-	130,932

Deferred Inflows of Resources

Differences between expected and actual experience	-	20,646	20,646
Changes of assumptions	-	8,474	8,474
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	12,066	-	12,066

c. Supplemental Retirement Income Plan for Law Enforcement Officers and 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 law enforcement officers employed by the Town. The Town has also elected to contribute to the Plan for its general employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Town of Windsor

Notes to Financial Statements

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 and general employee's salaries, and all amounts contributed are vested immediately. Also, the law enforcement officers and general employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$101,361, which consisted of \$21,220 and \$50,460 from the Town for law enforcement officers and general employees, respectively and \$9,830 and \$19,851 from the law enforcement officers and general employees, respectively. No amounts were forfeited.

2. Other Postemployment Benefits

a. Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Council may amend the benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. This plan provides post-employment health care benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least thirty years of service regardless of age at retirement or twenty years of service and attainment of age 62 at retirement. The Town pays the full cost of coverage for these benefits. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2019 the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	9	4
Active plan members	23	9
Total	32	13

Total OPEB Liability

The Town's total OPEB liability of \$2,225,973 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019.

Town of Windsor Notes to Financial Statements

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Real wage growth	1.00%
Salary increases	3.50% - 7.75%
Discount Rate	3.50%
Healthcare cost trend rate	
Pre-Medicare	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026
Medicare	5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021

The discount rate is based on the index published at the last Thursday of June of the Bond Buyer General Obligation 20-year Municipal Bond Index by The Bond Buyer as of the measurement date.

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	\$ 2,370,061
Changes for the year	
Service cost	60,633
Interest	90,635
Changes of benefit items	-
Differences between expected and actual experience	(188,043)
Changes in assumptions or other inputs	(26,209)
Benefit payments	(81,104)
Net Changes	(144,088)
Balance at June 30, 2020	\$ 2,225,973

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were base on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Town of Windsor
Notes to Financial Statements

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 2,620,920	\$ 2,225,973	\$ 1,912,267

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 1,895,513	\$ 2,225,973	\$ 2,648,141

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Town recognized OPEB expense of \$71,232. At June 30, 2020 the Town reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,158	\$ 162,178
Changes of assumptions	-	249,583
Town contributions subsequent to the measurement date	63,418	-
Total	<u>\$ 66,576</u>	<u>\$ 411,761</u>

Town of Windsor
Notes to Financial Statements

\$63,418 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2021	\$ (80,034)
2022	(80,034)
2023	(80,034)
2024	(80,034)
2025	(52,401)
Thereafter	(36,066)
	<u>\$ (408,603)</u>

b. Other Employee Benefits

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

Town of Windsor
Notes to Financial Statements

3. Deferred Outflows and Inflows of Resources

The town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to the pension plan in the current fiscal year	\$ 130,932
Benefit payments for LEOSSA made subsequent to measurement date	-
Benefit payments for OPEB made subsequent to measurement date	63,418
Differences between expected and actual experience	106,498
Changes in assumptions	112,891
Net difference between projected and actual experience	14,721
Changes in proportion and differences between employer contributions	5,327
Total	\$ 433,787

Statement of General Fund
Net Position Balance Sheet

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

Taxes receivable (General Fund)	\$ -	\$ 18,658
Accounts receivable (General Fund)	-	38,462
Other receivable (General Fund)	-	7,177
Unearned revenue	-	-
Differences between expected and actual experience	182,824	-
Changes in assumptions	258,057	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,066	-
Net difference between projected and actual earnings on pension plan investments	-	-
Total	\$ 452,947	\$ 64,297

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 two 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 \$5 million per occurrence, property coverage up to the total insurance values of the property policy, and worker's compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limit of the reinsurance and excess policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the

Town of Windsor

Notes to Financial Statements

NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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.

The Town carries flood insurance through the National Flood Services using Capital Town Insurance Company, a commercial provider. Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage through the National Flood Insurance Plan (NFIP) but has chosen not to do so. The Town has purchased commercial flood insurance for \$675,200 of building coverage and an additional \$204,700 in contents coverage.

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 bonded for \$50,000. Other accounting employees who have access to funds are performance bonded through a \$20,000 blanket bond.

5. Long-Term Obligations

a. Direct Borrowings

The Town's loans were issued to finance the construction of facilities utilized in the operations of the Sewer system and which are being retired by its resources are reported as long-term debt in the Sewer Fund. Principal requirements are appropriated when due.

Loans payable at June 30, 2020 are comprised of the following individual issues:

\$159,176 - State Emergency Loan due in annual installments of \$7,959 through May 2033, interest at 0.0%. Payments began in 2014.	\$ 103,463
\$658,074, net of principal forgiveness of \$548,395 - Clean Water State Revolving Loan Fund due in annual installments of \$32,904 through May 2034, interest at 0.0%. Payments began in 2015.	460,653
	<hr/> \$ 564,116 <hr/>

Town of Windsor
Notes to Financial Statements

Annual debt service requirements to maturity for the loans as of June 30, 2020 are as follows:

Year Ending June 30	Loans Principal
2021	\$ 40,863
2022	40,863
2023	40,863
2024	40,863
2025	40,863
2026-2030	204,310
2031-2034	155,491
	<u>\$ 564,116</u>

At June 30, 2020, the Town of Windsor had a legal debt margin of \$10,890,863.

c. Changes in Long-Term Liabilities

Compensated absences have been liquidated in the General Fund, Water and Sewer Fund and Electric Fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion Of Balance
Governmental Activities:					
Compensated absences	\$ 135,167	\$ 72,247	\$ 52,644	\$ 154,770	\$ 52,644
Total OPEB liability	1,458,879	-	88,411	1,370,468	-
Total pension liability (LEO)	135,124	23,633	-	158,757	-
Net pension liability (LGERS)	314,062	47,436	-	361,498	-
Total Governmental Activities	<u>\$2,043,232</u>	<u>\$143,316</u>	<u>\$141,055</u>	<u>\$ 2,045,493</u>	<u>\$ 52,644</u>
Business-type Activities:					
<u>Water and Sewer Fund</u>					
Direct borrowings	\$ 604,979	\$ -	\$ 40,863	\$ 564,116	\$ 40,863
Compensated absences	9,201	5,221	4,492	9,930	4,492
Total OPEB liability	552,102	-	19,654	532,448	-
Net pension liability (LGERS)	111,559	11,675	-	123,234	-
Total Water and Sewer Fund	1,277,841	16,896	65,009	1,229,728	45,355
<u>Electric Fund</u>					
Compensated absences	24,416	18,153	11,584	30,985	11,584
Total OPEB liability	359,080	-	36,023	323,057	-
Net pension liability (LGERS)	107,919	10,884	-	118,803	-
Total Electric Fund	491,415	29,037	47,607	472,845	11,584
Total Business-type Activities	<u>\$1,769,256</u>	<u>\$ 45,933</u>	<u>\$112,616</u>	<u>\$ 1,702,573</u>	<u>\$ 56,939</u>

Town of Windsor
Notes to Financial Statements

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2020 consist of the following:

Due to the Electric Fund for expenditures paid on behalf of the Water and Sewer Fund	\$ 176,290
Due to the General Fund from the Electric Fund	\$ 450,621
Due to the General Fund from the Water and Sewer Fund	\$ 189,145
Due to the General Fund for expenditures paid on behalf of the CDBG Fund	\$ 38,214
Due to the General Fund for expenditures paid on behalf of the Hazard Mitigation Grant Program Fund	\$ 581,626
Due to the Electric Fund for expenditures paid on behalf of the Hazard Mitigation Grant Program Fund	\$ 400,000
Due to the Water and Sewer Fund for expenditures paid on behalf of the Hazard Mitigation Grant Program Fund	\$ 600,000

The inter-fund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from other funds at June 30, 2020, consist of the following:

From the Electric Fund to the General Fund for general fund operations	\$ 1,048,000
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D. Net Investment in Capital Assets

	Governmental Activities	Business-type Activities
Capital Assets	\$ 6,231,022	\$ 7,850,718
less: long-term debt	-	564,116
Net investment in capital assets	\$ 6,231,022	\$ 7,286,602

Town of Windsor
Notes to Financial Statements

E. 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	\$ 3,135,212
Less:	
Prepays	21,150
Stabilization by State Statute	1,925,739
<u>Remaining Fund Balance</u>	<u>\$ 1,188,323</u>

F. Lease Income

The Town leases office space to the US Fish and Wildlife Service under an operating lease with defined rents including operating costs through August 31, 2023, however the lease may be terminated at any time after January 16, 2019 by providing not less than 90 days written notice. Absent early termination, monthly rents for the office lease range from \$3,822 to \$4,014 during the lease term. The Town has not received notice of early termination. The Town also leases the US Fish and Wildlife Service warehouse space under a separate lease including operating costs that that was renewed in August 2018. The renewed warehouse lease is for five years firm, terminating in August 2023. Monthly rents under the renewed warehouse lease are \$3,020. During the June 30, 2020 fiscal year, the Town in conjunction with Bertie County entered into an operating lease agreement for fifteen years with Duke Energy for land on which a solar farm exists. The Town's 50% annual share is \$7,833. In addition, the Town has short term rentals for the use of fire department facilities, community building, farmers market, campground and related tree houses and other. Total rents received from the US Fish and Wildlife Service and Duke Energy were \$83,678 and \$7,833, respectively and rents received for all other short-term rentals were \$104,046 for the year ended June 30, 2020.

The future minimum rentals on noncancellable leases are as follows:

Year Ending June 30	Lease Income
2021	\$ 89,942
2022	89,942
2023	89,942
2024	21,518
2025	7,833
Thereafter	<u>70,496</u>
	<u>\$ 369,673</u>

Note IV. Jointly Governed Organization

The Town, in conjunction with five counties and forty other municipalities, is a member of the Mid-East Commission. The participating governments established the Commission to coordinate various funding received from Federal and State agencies. Each participating municipality appoints one

Town of Windsor

Notes to Financial Statements

member and each participating county government appoints three members to the Commission's governing board. The Town paid membership fees of \$1,171 to the Commission during the fiscal year ended June 30, 2020.

Note V. Summary Disclosures of Significant Contingencies

Federal and State Assisted Programs

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

Note VI. Major Customers

The Town has one major customer who comprised approximately 16% of total utility billings for electric and 17% of the total utility billings for water/sewer for the fiscal year ending June 30, 2020. This customer is a department of the State of North Carolina and is considered a long-term reliable customer.

Note VII. Subsequent Events

On August 13, 2020, the Town approved the purchase of a new garbage truck for \$183,491, new rollout carts for solid-waste and recycling for \$81,415 and the purchase of a lot for \$60,000.

Note VIII. Grant Commitments

At June 30, 2020, the Town had remaining contract commitments for grant administration/engineering under the following grant programs.

<u>Community Development Block Grant</u>	<u>\$ 49,285</u>
<u>Hazard Mitigation Grant Program</u>	<u>\$ 107,599</u>
<u>Sewer Rehabilitation Grant Program</u>	<u>\$ 269,386</u>

Note IX. Restatement

Prior Period Adjustment

During the fiscal year ended June 30, 2020, the Town determined that costs of \$17,346 paid in the prior year for the construction of an animal relocation shelter was expensed in the government-wide financial statements and not reported as construction in process. A prior year adjustment of \$17,346 was made to properly include as part of construction in process. The adjustment resulted in an increase of \$17,346 to the beginning net position for the governmental activities in the government-wide financial statements.

Town of Windsor
Notes to Financial Statements

Note X. COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Absent any government order or contagion of its workforce, the Town plans to continue its normal operations while taking all reasonable efforts to protect its citizens and employees. The Town's financial position and results of operations as of and for the fiscal year ended June 30, 2020 have not been materially impacted with this pandemic through that date. However, the Town cannot reasonably estimate the length or severity of this pandemic or the extent to which the disruption may materially impact its future financial statements through the distribution of intergovernmental revenues by the State of North Carolina, state and federal grant funding and collection of property and vehicle taxes and customer utility payments. The Town through executive order of the Governor suspended its cut-off policies for non-payment of utilities and extended payment options for its utilities customers. The Town received funds under the Coronavirus Relief Fund (CRF) in the amount of \$12,264 and these funds have been spent on items to facilitate compliance with COVID-19 related public health measures.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

- Schedule of Changes in Total OPEB Liability and Related Ratios
- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Governmental Employees' Retirement System
- Schedule of Contributions to Local Governmental Employees' Retirement System
- Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement Officers' Special Separation Allowance

Town of Windsor
Schedule of Changes in the Total OPEB Liability and Related Ratios
Required Supplementary Information
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 60,633	\$ 64,997	\$ 74,840
Interest	90,635	85,029	76,483
Changes of benefit items	-	-	-
Differences between expected and actual experience	(188,043)	(758)	5,450
Changes of assumptions or other inputs	(26,209)	(128,882)	(231,897)
Benefit payments	(81,104)	(76,893)	(78,101)
Net Changes	(144,088)	(56,507)	(153,225)
Balance at July 1, 2019	2,370,061	2,426,568	2,579,793
Balance at June 30, 2020	\$ 2,225,973	\$ 2,370,061	\$ 2,426,568

Covered Payroll	\$ 1,425,808	\$ 1,291,908	\$ 1,291,908
Total OPEB liability as a percentage of covered payroll	156.12%	183.45%	187.83%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2020	3.50%
2019	3.89%
2018	3.56%

Town of Windsor
Schedule of Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years*

Local Governmental Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Windsor's proportion of the net pension liability (asset)	0.02210%	0.02249%	0.02290%	0.02123%	0.02409%	0.02433%	0.02290%
Windsor's proportion of the net pension liability (asset) (\$)	\$ 603,535	\$ 533,540	\$ 349,850	\$ 452,056	\$ 108,115	\$ (143,485)	276,033
Windsor's covered-employee payroll	\$1,442,348	\$1,408,767	\$1,416,464	\$1,314,602	\$1,430,265	\$1,348,188	\$1,458,885
Windsor's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.84%	37.87%	24.70%	34.39%	7.56%	-10.64%	18.92%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

*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 Windsor
Schedule of Contributions
Required Supplementary Information
Last Seven Fiscal Years**

Local Governmental Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 130,932	\$ 114,696	\$ 108,721	\$ 105,690	\$ 89,456	\$ 102,550	\$ 97,474
Contributions in relation to the contractually required contribution	130,932	114,696	108,721	105,690	89,456	102,550	97,474
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Windsor's covered-employee payroll	\$1,427,380	\$1,442,348	\$1,408,767	\$1,416,464	\$1,314,602	\$1,430,265	\$1,348,188
Contributions as a percentage of covered-employee payroll	9.17%	7.95%	7.72%	7.46%	6.80%	7.17%	7.23%

Town of Windsor
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2020

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 135,124	\$ 131,948	\$ 128,247	\$ 127,386
Service cost	12,288	13,077	11,845	13,827
Interest on the total pension liability	4,919	4,170	4,950	4,332
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(1,399)	(5,371)	(26,144)	-
Changes of assumptions or other inputs	7,825	(8,700)	13,050	(5,196)
Benefit payments	-	-	-	(12,102)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 158,757</u>	<u>\$ 135,124</u>	<u>\$ 131,948</u>	<u>\$ 128,247</u>

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

Town of Windsor

Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 158,757	\$ 135,124	\$ 131,948	\$ 128,247
Covered payroll	\$ 401,004	\$ 415,966	\$ 430,928	\$ 508,683
Total pension liability as a percentage of covered payroll	39.59%	32.48%	30.62%	25.21%

Notes to the schedules:

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

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Windsor

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual – General Fund
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variable Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 197,101	\$
Interest		1,746	
Total	203,000	198,847	(4,153)
Other taxes and licenses:			
Cable franchise fees		-	
Total	600	-	(600)
Unrestricted Intergovernmental:			
Local option sales tax		837,281	
Payment in lieu of taxes - outside sources		2,360	
Telecommunications tax		19,194	
Utilities sales tax		116,774	
Beer and wine tax		15,170	
Sales tax refunds		21,903	
Video franchise fee		33,530	
ABC profit distribution		1,263	
Total	995,700	1,047,475	51,775
Restricted Intergovernmental:			
Powell Bill allocation		96,808	
Fire protection services		46,864	
Police grants		25,566	
Police - drug task		1,130	
Recycling grant		18,958	
Bertie County COVID Relief		12,264	
Solid waste disposal tax		2,669	
Total	203,100	204,259	1,159
Sales and services:			
Street assessments		10,127	
Court fees		287	
Refuse collection		277,430	
Rents		195,557	
Cemetery		42,600	
Total	514,300	526,001	11,701
Investment earnings	2,000	3,704	1,704
Miscellaneous:			
Other		10,129	
Total	13,000	10,129	(2,871)
Total revenues	1,931,700	1,990,415	58,715

Town of Windsor
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual – General Fund
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variable Positive (Negative)
Expenditures:			
General government:			
Governing body:			
Salaries and benefits		65,447	
Other operating expenditures		2,984	
Total	69,200	68,431	769
Administration:			
Salaries and employee benefits		129,546	
Other operating expenditures		112,235	
Equipment < \$2,500		1,960	
Total	300,800	243,741	57,059
Elections:			
Professional services	9,400	6,658	2,742
Public buildings:			
Salaries and employee benefits		24,784	
Utilities		23,704	
Maintenance and repairs		13,384	
Departmental supplies		3,918	
Insurance and bonds		7,500	
Other operating expenditures		14,130	
Capital outlay		8,967	
Total	147,800	96,387	51,413
Total general government	527,200	415,217	111,983
Police:			
Salaries and employee benefits		623,718	
Maintenance and repairs		16,358	
Automotive supplies		17,873	
Departmental supplies		3,554	
Uniforms		2,548	
Insurance and bonds		20,754	
Grant expenditures		31,312	
Other operating expenditures		9,896	
Equipment < \$2,500		2,677	
Capital outlay		107,373	
Total	837,900	836,063	1,837

Town of Windsor
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual – General Fund
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variable Positive (Negative)
Public Safety (continued):			
Fire:			
Salaries and employee benefits		75,353	
Utilities		9,379	
Maintenance and repairs		13,910	
Automotive supplies		2,155	
Departmental supplies		925	
Emergency services - coordinator		2,453	
Insurance and bonds		9,000	
Other operating expenditures		6,602	
Equipment < \$2,500		6,873	
Capital outlay:			
Equipment		11,179	
Vehicles		329,000	
Total	540,200	466,829	73,371
Total public safety	1,378,100	1,302,892	75,208
Transportation:			
Salaries and employee benefits		211,841	
Maintenance and repairs - streets		13,498	
Maintenance and repairs - vehicles		10,317	
Automotive supplies		11,274	
Departmental supplies		7,139	
Insurance and bonds		10,000	
Equipment < \$2,500		396	
Other operating expenditures		3,945	
Capital outlay:			
Street improvements		166,258	
Vehicles		48,110	
Total transportation	516,300	482,778	33,522
Sanitation:			
Salaries and employee benefits		187,207	
Maintenance and repairs		12,672	
Trash pile		4,800	
Automotive supplies		15,234	
Departmental supplies		3,937	
Insurance and bonds		9,000	
Ditching and piping		23,855	
Equipment < \$2,500		24,396	
Other operating expenditures		1,345	
Capital outlay:			
Equipment		22,920	
Total sanitation	348,500	305,366	43,134

Town of Windsor

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual – General Fund
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variable Positive (Negative)
Environmental protection (continued):			
Cemetery:			
Maintenance and repairs		846	
Insurance and bonds		2,000	
Other operating expenditures		18,777	
Total cemetery	25,000	21,623	3,377
Total environmental protection	373,500	326,989	46,511
Cultural and Recreation:			
Salaries and employee benefits		199,050	
Utilities		8,914	
Maintenance and repairs		4,922	
Automotive supplies		5,866	
Departmental supplies		35,062	
Insurance and bonds		5,000	
Other operating expenditures		8,825	
Capital outlay		33,407	
Capital outlay < \$2,500		3,851	
Total cultural and recreation	319,200	304,897	14,303
Total expenditures	3,114,300	2,832,773	281,527
Revenues over (under) expenditures	(1,182,600)	(842,358)	340,242
Other financing sources (uses):			
Transfers from (to) other funds:			
Enterprise funds	1,060,000	1,048,000	(12,000)
Sale of capital assets	13,500	76,937	63,437
Insurance proceeds	47,400	-	(47,400)
Total other financing sources (uses)	1,120,900	1,124,937	4,037
Fund balance appropriated	61,700	-	(61,700)
Net change in fund balance	<u>\$ -</u>	282,579	<u>\$ 282,579</u>
Fund balances, beginning		2,852,633	
Fund balances, ending		<u>\$ 3,135,212</u>	

Town of Windsor
Hazard Mitigation Grant Program - Schedule of Revenues, Expenditures,
And Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted					
Intergovernmental:					
NC Dept of Public Safety					
HMGP - Acquisition	\$ 3,784,229	\$ 1,996,642	\$ 1,399,141	\$ 3,395,783	\$ (388,446)
HMGP - Elevation	1,487,735	94,176	509,711	603,887	(883,848)
State Aquisition Relocation Funds (SARF)	2,057,000	-	114,062	114,062	(1,942,938)
Florence anticipated grant - (local money)	-	-	526	526	526
Total revenues	7,328,964	2,090,818	2,023,440	4,114,258	(3,214,706)
Expenditures:					
Economic and physical development:					
Acquisition	3,784,229	1,996,642	1,399,141	3,395,783	388,446
Elevation	1,487,735	94,176	509,711	603,887	883,848
SARF	2,057,000	-	114,062	114,062	1,942,938
Florence	-	-	526	526	(526)
Total expenditures	7,328,964	2,090,818	2,023,440	4,114,258	3,214,706
Revenues over (under) expenditures/ net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning			-		
Fund balance, ending			\$ -		

Town of Windsor
Combining Balance Sheet
Nonmajor Governmental Fund
June 30, 2020

Assets	<u>Special Revenue Fund</u>			
	Community Development Block Grant		Total Nonmajor Fund	
Cash and cash equivalents	\$	-	\$	-
Due from other governments		38,214		38,214
Total assets	\$	38,214	\$	38,214
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$	-	\$	-
Due to other funds		38,214		38,214
Total liabilities		38,214		38,214
Fund balance		-		-
Total fund balance		-		-
Total liabilities and fund balance	\$	38,214	\$	38,214

Town of Windsor

**Combining Statement of Revenues, Expenditures, and Changes In Fund
Balances – Nonmajor Governmental Fund
For the Fiscal Year Ended June 30, 2020**

	<u>Special Revenue Fund</u>	
	<u>Community Development Block Grant</u>	<u>Total Nonmajor Fund</u>
Revenues:		
Restricted intergovernmental	\$ 13,996	\$ 13,996
Total revenues	13,996	13,996
Expenditures:		
Economic and physical development	13,996	13,996
Total expenditures	13,996	13,996
Revenues over (under) expenditures/ net change in fund balance	-	-
Fund balance, beginning	-	-
Fund balance, ending	\$ -	\$ -

Town of Windsor

**Community Development Block Grant - Schedule of Revenues,
Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted					
Intergovernmental:					
NC Department of Commerce	\$ 750,000	\$ 24,218	\$ 13,996	\$ 38,214	\$ (711,786)
Town of Windsor	35,000	-	-	-	(35,000)
Total revenues	785,000	24,218	13,996	38,214	(746,786)
Expenditures:					
Economic and physical development :					
Design/Construction Admin	785,000	24,218	13,996	38,214	746,786
Total expenditures	785,000	24,218	13,996	38,214	746,786
Revenues over (under) expenditures/ net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning			-		
Fund balance, ending			\$ -		

Town of Windsor
Electric 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:			
Charges for services	\$ 5,542,000	\$ 5,014,696	\$ (527,304)
Non-operating revenues:			
Investment earnings (loss)		99,734	
Underground fees		3,000	
Sales tax refunds		9,394	
Grant - NCLM-RMS		4,949	
Other		28,132	
Total non-operating revenues	78,000	145,209	67,209
Total revenues	5,620,000	5,159,905	(460,095)
Expenditures:			
Operating:			
Salaries and employee benefits		325,773	
Telephone and postage		10,715	
Utilities		20,216	
Travel		138	
Maintenance and repairs		25,693	
Load management - fuel		34,368	
Street lights		42,612	
Special events		2,772	
Special appropriations		111,631	
Automotive supplies		7,852	
Departmental supplies		32,792	
Uniforms		2,194	
Professional fees		2,183	
Contract Services		49,217	
Electric purchases for resale		2,837,571	
Sales tax on electricity		330,887	
Insurance and bonds		28,809	
Capital outlay < \$2,500		5,009	
Other operating expenditures		45,687	
Total operating expenditures	4,400,000	3,916,119	483,881

Town of Windsor
Electric Fund

Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Capital outlay:			
Equipment		46,778	
Improvements		50,204	
Total capital outlay	160,000	96,982	63,018
Total expenditures	4,560,000	4,013,101	546,899
Revenues over (under) expenditures	1,060,000	1,146,804	86,804
Other financing sources (uses):			
Transfers to other funds:			
General Fund	(1,060,000)	(1,048,000)	12,000
Total transfers	(1,060,000)	(1,048,000)	12,000
Revenues and other sources over (under) expenditures and other uses	\$ -	98,804	\$ 98,804
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		96,982	
Depreciation		(193,104)	
(Increase) decrease in accrued vacation pay		(6,569)	
Increase (decrease) in deferred outflows of resources - pensions		(10,490)	
(Increase) decrease in net pension liability		(10,884)	
(Increase) decrease in deferred inflows of resources - pensions		326	
Increase (decrease) in deferred outflows of resources - OPEB		(212)	
(Increase) decrease in deferred inflows of resources - OPEB		(33,364)	
(Increase) decrease in OPEB liability		36,023	
Total		(121,292)	
Change in net position		\$ (22,488)	

Town of Windsor
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:			
Charges for services:			
Water	\$	\$ 356,472	\$
Sewer		676,494	
Total charges for services	1,031,800	1,032,966	1,166
Water and sewer taps and connection fees	5,000	3,750	(1,250)
Total operating revenues	1,036,800	1,036,716	(84)
Non-operating revenues:			
Interest earned		21,671	
Sales tax refunds		13,042	
Other		5,721	
Total non-operating revenues	18,000	40,434	22,434
Total revenues	1,054,800	1,077,150	22,350
Expenditures:			
Operating:			
Water:			
Salaries and employee benefits		187,265	
Utilities		22,593	
Maintenance and repairs		22,104	
Automotive supplies		3,597	
Departmental supplies		30,881	
Uniforms		457	
Contract services		28,795	
Insurance and bonds		10,000	
Capital outlay < \$2,500		5,254	
Other operating expenditures		17,545	
Total water expenditures	363,700	328,491	35,209
Sewer:			
Salaries and employee benefits		198,063	
Utilities		80,604	
Maintenance and repairs		23,194	
Automotive supplies		5,821	
Departmental supplies		45,626	
Uniforms		206	
Contract services		35,640	
Insurance and bonds		20,000	
Telephone and postage		4,351	
Capital outlay < \$2,500		3,726	
Other operating expenditures		19,834	
Total sewer expenditures	494,200	437,065	57,135
Total operating expenditures	857,900	765,556	92,344

Town of Windsor
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)
Debt service:			
Principal retirement		40,863	37
Total debt service	40,900	40,863	37
Capital outlay:			
Improvements		10,316	
Equipment		8,776	
Vehicles		105,004	
Total capital outlay	210,000	124,096	85,904
Total expenditures	1,108,800	930,515	178,285
Revenues over (under) expenditures	(54,000)	146,635	200,635
Other financing sources (uses):			
Transfer to other fund:			
Sewer Rehab Capital Project Fund	(110,000)	(110,000)	-
Fund balance appropriated	164,000	-	(164,000)
Revenues and fund balance appropriated over (under) expenditures and other uses	\$ -	36,635	\$ 36,635

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

Reconciling items:

Transfer to Sewer Rehab Capital Projects Fund	110,000
Capital contribution - Rescue Pump Station	6,637
Principal retirement	40,863
Capital outlay	124,096
Depreciation	(233,998)
(Increase) decrease in accrued vacation pay	(729)
Increase (decrease) in deferred outflows of resources - pensions	(11,253)
(Increase) decrease in net pension liability	(11,675)
(Increase) decrease in deferred inflows of resources - pensions	349
Increase (decrease) in deferred outflows of resources - OPEB	(116)
(Increase) decrease in deferred inflows of resources - OPEB	(18,203)
(Increase) decrease in OPEB liability	19,653
Total	25,624
Change in net position	\$ 62,259

Town of Windsor

Rescue Pump Station Sewer Capital Projects Fund
Schedule of Revenues and Expenditures – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

	Project		Actual		Variance
	Authorization	Prior	Current	Total to	Positive
		Years	Year	Date	(Negative)
Revenues:					
Restricted					
Intergovernmental:					
Golden Leaf Foundation	\$ 508,885	\$496,601	\$ 6,637	\$503,238	\$ (5,647)
Total revenues	508,885	496,601	6,637	503,238	(5,647)
Expenditures:					
Construction	398,987	427,248	6,637	433,885	(34,898)
Contingency	39,898	-	-	-	39,898
Engineering Design	28,600	28,600	-	28,600	-
Construction Admin/Observation	41,400	40,753	-	40,753	647
Total expenditures	508,885	496,601	6,637	503,238	5,647
Revenues over (under)					
expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Windsor

Sewer Rehabilitation Capital Projects Fund

Schedule of Revenues and Expenditures – Budget and Actual

From Inception and For the Fiscal Year Ended June 30, 2020

	Project		Actual		Variance
	Authorization	Prior	Current	Total to	Positive
		Years	Year	Date	(Negative)
Revenues:					
Restricted					
Intergovernmental:					
State Revolving Loan	\$ 1,914,900	\$ -	\$ -	\$ -	\$ (1,914,900)
Total revenues	1,914,900	-	-	-	(1,914,900)
Expenditures:					
Construction > 40 years old	508,750	-	-	-	508,750
Construction > 20 years old	885,000	-	-	-	885,000
Engineering	334,000	-	110,344	110,344	223,656
Administration	86,050	-	-	-	86,050
Contingency	139,400	-	-	-	139,400
Total expenditures	1,953,200	-	110,344	110,344	1,842,856
Revenues over (under)					
expenditures	(38,300)	-	(110,344)	(110,344)	(72,044)
Other financing sources (uses):					
Transfers from other funds:					
Water Fund	38,300	-	110,000	110,000	71,700
Revenues and other sources					
over (under) expenditures	\$ -	\$ -	\$ (344)	\$ (344)	\$ (344)

OTHER SCHEDULES

This section contains additional information on property taxes.

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

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

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections And Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 197,397	\$ 191,873	\$ 5,524
2018-2019	4,231	-	3,113	1,118
2017-2018	2,390	-	1,180	1,210
2016-2017	2,500	-	808	1,692
2015-2016	14,043	-	254	13,789
2014-2015	409	-	154	255
2013-2014	562	-	2	560
2012-2013	373	-	1	372
2011-2012	383	-	-	383
2010-2011	229	-	-	229
2009-2010	235	-	235	-
Total	\$ 25,355	\$ 197,397	\$ 197,620	25,132

Less: allowance for uncollectible accounts:

General fund 6,474

Ad valorem taxes receivable - net \$ 18,658

Reconcilement with Revenues:

Ad valorem taxes - General Fund	\$ 198,847
Reconciling items:	
Interest collected	(1,746)
Taxes written off	235
Releases - prior year taxes	284
<u>Subtotal</u>	<u>(1,227)</u>
 Total collections and credits	 \$ 197,620

Town of Windsor
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 year's rate	\$ 135,626,207	0.145	\$ 196,658	\$ 165,037	\$ 31,621
Discoveries - current year	588,207		853	853	-
Releases	(78,621)		(114)	(114)	-
<u>Total property valuation</u>	<u>\$ 136,135,793</u>				
Net levy			197,397	165,776	31,621
Unpaid (by taxpayer) taxes at June 30, 2020			(5,524)	(5,372)	(152)
Current year's taxes collected			\$ 191,873	\$ 160,404	\$ 31,469
Current levy collection percentage			97.20%	96.76%	99.52%

COMPLIANCE SECTION



**Cumbee, Taylor
& Shook, PA**
CPAs and Advisors

Cumbee, Taylor & Shook, PA
P.O. Box 869 - 127 West Boulevard
Williamston, NC 27892

Phone: (252) 792-6081
Fax: (252) 792-8218

**Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance
and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

To the Honorable Mayor and the Town Council
Town of Windsor, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Windsor, 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 Windsor's basic financial statements, and have issued our report thereon dated January 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Windsor, North Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Windsor's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Windsor's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2020-1 and 2020-2

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. 2020-3

Compliance and Other Matters

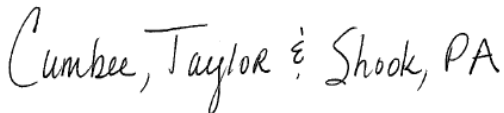
As part of obtaining reasonable assurance about whether the Town of Windsor's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item: 2020-3

Town of Windsor, North Carolina's Response to Findings

The Town of Windsor's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cumbee, Taylor & Shook, PA".

Williamston, North Carolina
January 29, 2021



**Cumbee, Taylor
& Shook, PA**
CPAs and Advisors

Cumbee, Taylor & Shook, PA
P.O. Box 869 - 127 West Boulevard
Williamston, NC 27892

Phone: (252) 792-6081
Fax: (252) 792-8218

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

To the Honorable Mayor and Town Council
Town of Windsor, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Town of Windsor, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Windsor's major federal programs for the year ended June 30, 2020. The Town of Windsor's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Windsor's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Windsor's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Windsor's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Windsor complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

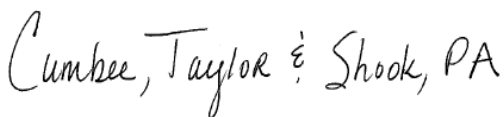
Report on Internal Control Over Compliance

Management of the Town of Windsor is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Windsor's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency *in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Williamston, North Carolina
January 29, 2021



**Cumbee, Taylor
& Shook, PA**
CPAs and Advisors

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P.O. Box 869 - 127 West Boulevard
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Phone: (252) 792-6081
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Independent Auditors' Report on Compliance for Each Major State Program and on Internal Control Over Compliance in accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

To the Honorable Mayor and Town Council
Town of Windsor, North Carolina

Report on Compliance for Each Major State Program

We have audited the Town of Windsor, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Windsor's major state programs for the year ended June 30, 2020. The Town of Windsor's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Windsor's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the *State Single Audit Implementation Act*. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Windsor's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Windsor's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Windsor complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

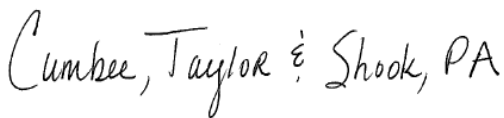
Report on Internal Control Over Compliance

Management of the Town of Windsor is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Windsor's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Williamston, North Carolina
January 29, 2021

**Town of Windsor, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020**

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant Deficiency(s) X yes none reported

Noncompliance material to financial statements noted? ☒ yes ☐ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant Deficiency(s) identified ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

CFDA No(s).	Names of Federal Program or Cluster
97.039	Hazard Mitigation Grant Program - Acquisition

Dollar threshold used to distinguish
between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? yes X no

**Town of Windsor, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020**

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant Deficiency(s) identified ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act

☐ yes ☒ no

Identification of major State programs:

Program Name

Hazard Mitigation Grant Program – Acquisition (State Match of Federal Program)

**Town of Windsor, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020**

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES

2020-1 Accounting for LGERS Pension Liability and related GASB 68 Adjustments and OPEB Liability and related GASB 75 adjustments.

Criteria: GASB 68 requires units of government to record its share of the pension assets or liabilities of the Local Governmental Employees' Retirement System and GASB 75 requires units of government to record its liability for other post employment benefits .

Condition: Due to the small size of the Town, the Town has a limited staff with the technical ability to record adjustments required to its pension or OPEB assets or liabilities, deferred inflows, deferred outflows and pension and OPEB expense under GASB 68 and 75 across the Town's various funds.

Effect: The Town has a material weakness in its internal control over accounting for its pension and OPEB asset or liability according to GASB 68 and 75.

Cause: Due to the small size of the Town, the Town has a limited staff and has not trained its staff to make these entries.

Identification of a report finding: This is a repeat finding from the immediate previous audit, 2019-1.

Recommendation: The Town may consider additional training of its staff to make these entries at year end from the information provided by the Local Government Commission or accept this control deficiency.

View of responsible officials and planned corrective action: The Town agrees with this finding and will adhere to the corrective action plan on page 90-91 in this audit report.

**Town of Windsor, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020**

2020-2 Controls over unrecognized gains or losses on US treasury bonds

Criteria: Investments are required to be reported at fair value.

Condition: Adjustments to record unrecognized gains or losses and to adjust US Treasury investments to fair value at year end resulted in all investment income being recorded in the Electric fund versus being split between the Electric fund and Water & Sewer funds that hold the investments.

Effect: While the investments in the two funds were adjusted to fair value, automatic balancing entries by the Town's software overstated cash and investment income in the Electric Fund by \$18,290 and understated Water & Sewer Fund cash and investment income by the same amount.

Cause: Entries to adjust investments to fair value did not balance by fund, resulting in the software to record automatic balancing entries to cash.

Recommendation: Extra care needs to be taken when recording entries to adjust investments to fair value to make sure each entry balances by fund and that each fund with investments recognizes its share of any unrecognized gain or loss.

View of responsible officials and planned corrective action: The Town agrees with this finding and will adhere to the corrective action plan on page 90-91 in this audit report.

MATERIAL NONCOMPLIANCE / SIGNIFICANT DEFICIENCY

2020-3 Noncompliance with North Carolina General Statutes

Criteria: Deposits must be held in allowable depository institutions in accordance with N.C.G.S. 159-31.

Condition: When the Town's investment funds matured and/or awaited re-investment they were not transferred directly into a legally allowable account, but held in a liquid FDIC insured investment with the Town's brokerage firm. At year end, this investment was \$252,183.

Effect: Noncompliance with N.C.G.S. 159-31.

Cause: Neither the Town or brokerage firm realized the temporary investment was not authorized under N.C.G.S. 159-31.

Recommendation: The noncompliance was discovered by the State Treasurer's office and corrected by the Town subsequent to year end. We recommend the Town continue to monitor its brokerage accounts to ensure proceeds from maturities are deposited in allowable depository institutions in accordance with N.C.G.S. 159-31.

View of responsible officials and planned corrective action: The Town agrees with this finding and will adhere to the corrective action plan on page 90-91 in this audit report.

**Town of Windsor, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE REPORTED

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

NONE REPORTED



TOWN OF WINDSOR

Windsor, North Carolina 27983

128 South King Street
Post Office Box 508
(252) 794-3121
(252) 794-2331
(252) 794-5909 (fax)
www.windsornc.com

MAYOR

James F. Hoggard

COMMISSIONERS

Cathy E. Wilson
Randy Walston
Camille Holmes Rascoe
Randy Whitaker
David O. Overton

TOWN ADMINISTRATOR

L. Allen Castelloe

Corrective Action Plan For the Fiscal Year Ended June 30, 2020

Section II – Financial Statement Findings

MATERIAL WEAKNESSES

2020 – 1 Accounting for LGERS Pension Liability & Related GASB 68 Adjustments and OPEB Liability and related GASB 75 Adjustments

Name of contact person: L. Allen Castelloe, Town Administrator

Corrective Action: Staff will seek training from either the NC Treasurer training programs or from a CPA familiar with the requirements to better equip staff to correctly record these adjustments.

Proposed Completion Date: Staff will enroll in a class as soon as one is found or engage a CPA as soon as possible.

2020 – 2 Controls over Unrecognized Gains or Losses on US Treasury Bonds

Name of contact person: L. Allen Castelloe, Town Administrator

Corrective Action: Staff will take extra care when recording entries to adjust investments to fair market value in the proper funds.

Proposed Completion Date: The Town Administrator will implement the above procedure immediately.

MATERIAL NONCOMPLIANCE / SIGNIFICANT DEFICIENCY

2020 – 3 Controls over Noncompliance with North Carolina General Statutes

Name of contact person: L. Allen Castelloe, Town Administrator

Corrective Action: Staff will work with Infinex (Southern Investments) to ensure deposits are made in an authorized deposit account.

Proposed Completion Date: The Town Administrator implemented the above procedure immediately as soon as informed by the State Treasurer's office of the discrepancy and will continue to monitor.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

**Town of Windsor, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2020**

Finding: 2019-1

Status: This finding was not corrected. See the Schedule of Findings and Questioned Costs Item 2020-1. Due to the COVID-19 Pandemic measures enacted soon after last year's audit, the town was not able to obtain the proper training.

Finding: 2019-2

Status: Controls over receipt of recreational revenues have been improved to monitor collections including having someone review and reconcile collections as they are turned in for deposit. Occasionally the Town administrator will drive through campground noting lots with campers and compare with deposits turned in. The cost/benefit of utilizing an online reservation system to separate duties related to maintaining the reservation calendar and collections has been considered, but not deemed viable at this time.

Town of Windsor, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2020

Grantor/Pass-through	Federal	State/ Pass-through	Fed. (Direct & Pass-through)	State	Local
<u>Grantor/Program Title</u>	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
Federal Grants:					
Cash Programs:					
<u>U. S. Department of Homeland Security</u>					
<u>Federal Emergency Management Agency</u>					
Passed-through N.C. Department of Public Safety					
Hazard Mitigation Grant Program - Acquisition	97.039	HMPG 4285-061-R	\$ 1,049,356	\$ 349,785	\$ -
Hazard Mitigation Grant Program -Elevations	97.039	HMPG 4285-062-R	382,283	127,428	-
<u>U.S. Department of Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce Rural Economic Development Division					
Community Development Block Grants (State Administered Small Cities Prgram)	14.228	14-D-2973	13,996	-	-
<u>U.S. Department of Treasury</u>					
Passed-through N.C. Department of Public Instruction and Bertie County, NC					
Coronavirus Relief Fund	21.019	NA	12,264	-	-
<u>U.S. Department of Justice</u>					
Passed-through N.C. Department of Public Safety Edward Byrne Memorial Justice Assistance Grant Program (JAG)					
	16.738	PROJ012714	25,566	-	5,746
Total assistance - federal programs			1,483,465	477,213	5,746
State Grants:					
Cash Assistance:					
N.C. General Assembly Special Appropriation passed through the Golden Leaf Foundation					
Windsor Rescue Pump Station Improvements		2018-133	-	6,637	-
<u>N.C. Department of Public Safety:</u>					
State Acquisition Relocation Funds		DRA5369-0061	-	114,062	
<u>N.C. Department of Enviromental Quality</u>					
State Reserve Loan		E-SRP-W-19-0180	-	-	110,344
Recycling Grants		7945	-	18,958	5,563
<u>N.C. Department of Transportation:</u>					
Powell Bill		38570	-	96,808	-
Total assistance - State programs			-	236,465	115,907
Total assistance			\$ 1,483,465	\$ 713,678	\$ 121,653

Town of Windsor, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2020

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Windsor under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Windsor, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Windsor.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Town of Windsor has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.