

**Town of Wingate
Wingate, North Carolina
For the year ended
June 30, 2020**

**Independent Auditor's Reports
Basic Financial Statements
And
Information Accompanying the
Basic Financial Statements**

**TOWN OF WINGATE
NORTH CAROLINA**

**Audited
Financial Statements
At
June 30, 2020
And
For The Year Then Ended**

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EDDIE CARRICK, CPA, PC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Wingate
Wingate, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Wingate, 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 Wingate, North Carolina'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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. I did not audit the financial statements of the Wingate ABC Board. Those statements were audited by another auditor whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the Wingate ABC Board, is based solely on the report of another auditor. The financial statements of the Town of Wingate Tourism Development Authority were not audited in accordance with *Government Auditing Standards*. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Wingate, 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 of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6-15, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 57-58 and LEO Separation Allowance Schedule of Changes in Pension Liability and Pension Liability as a Percentage of Covered Payroll, on pages 59-60 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budgetary schedules and other schedules 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*, I have also issued my report dated December 15, 2020, on my consideration of the Town of Wingate, North Carolina's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Wingate, North Carolina's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 5 to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. My opinion is not modified with respect to this matter.

Eddie Carrick, CPA, PC

A handwritten signature in black ink, appearing to read "E. Carrick CPA".

Lexington, North Carolina
December 15, 2020

TOWN OF WINGATE, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2020

As management of the Town of Wingate, we offer readers of the Town of Wingate's financial statements this narrative overview and analysis of the financial activities of the Town of Wingate 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 of Wingate's financial statements, which follow this narrative.

Financial Highlights

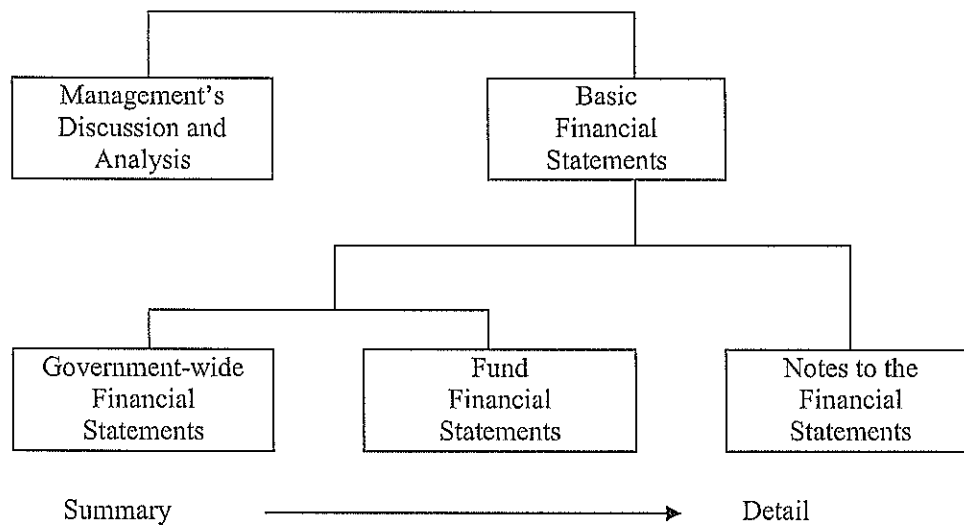
- The assets and deferred outflows of resources of the Town of Wingate exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$10,177,912
- The government's total net position increased by \$607,515
- As of the close of the current fiscal year, the Town of Wingate's governmental funds reported combined ending fund balances of \$1,401,592, with a net change of \$286,605 in fund balance. Approximately 22% of this total amount, or \$305,760, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,081,609, or 81% of total general fund expenditures for the fiscal year. This is an increase of \$161,445 from the previous year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through I) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the 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.

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 three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of

Wingate. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

The government-wide financial statements are Exhibits A and B of this report.

Fund Financial Statements

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

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

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

Proprietary Funds – Town of Wingate has one kind of proprietary fund. The *Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Wingate uses an Enterprise Fund to account for its water and sewer activity. This Fund is 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 are on pages 26 through 56 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Wingate's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 57 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.

Government-Wide Financial Analysis

The Town of Wingate's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,462,133	\$ 1,212,965	\$ 1,295,042	\$ 1,382,262	\$ 2,757,175	\$ 2,595,227
Capital assets	4,662,641	4,435,463	9,214,244	9,419,523	13,876,885	13,854,986
Total assets	6,124,774	5,648,428	10,509,286	10,801,785	16,634,060	16,450,213
Total deferred outflows of resources	116,175	192,075	84,022	63,240	200,197	255,315
Long-term liabilities	2,480,810	2,563,401	3,541,459	3,641,276	6,022,269	6,204,677
Other liabilities	146,211	189,933	427,757	695,758	573,968	885,691
Total liabilities	2,627,021	2,753,334	3,969,216	4,337,034	6,596,237	7,090,368
Total deferred inflows of resources	45,462	37,179	14,646	7,584	60,108	44,763
Net position						
Net investment in capital assets	2,454,511	2,227,333	5,662,624	5,699,972	8,117,135	7,927,305
Restricted	305,760	187,304	-	-	305,760	187,304
Unrestricted	808,195	635,353	946,822	820,435	1,755,017	1,455,788
Total net position	\$ 3,568,466	\$ 3,049,990	\$ 6,609,446	\$ 6,520,407	\$ 10,177,912	\$ 9,570,397

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 of Wingate exceeded liabilities and deferred inflows by \$10,177,912 as of June 30, 2020. The Town's net position increased by \$607,515. However, the largest portion (79.75%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure). The Town of Wingate uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Wingate's 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 Wingate's net position, \$305,760, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,755,017 is unrestricted.

The following aspect of the Town's financial operations influenced the increase in total unrestricted governmental net position:

- Tax collection rate continues to be strong with a collection percentage of 98.96%.
- Increase in fees in lieu of taxes from Wingate University of \$25,000.

Town of Wingate Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 476,782	\$ 424,069	\$ 2,050,192	\$ 2,015,636	\$ 2,526,974	\$ 2,439,705
Powell Bill allocation	98,588	97,298	-	-	98,588	97,298
Operating grants and contributions	8,990	10,648	13,821	-	22,811	10,648
Capital grants and contributions	393,866	278,242	973	477,590	394,839	755,832
General revenues:						
Property taxes	570,462	579,803	-	-	570,462	579,803
Other taxes	406,307	393,993	-	-	406,307	393,993
Other	38,187	4,288	7,580	9,597	45,767	13,885
Total revenues	<u>1,993,182</u>	<u>1,788,341</u>	<u>2,072,566</u>	<u>2,502,823</u>	<u>4,065,748</u>	<u>4,291,164</u>
Expenses:						
General government	324,333	299,726	-	-	324,333	299,276
Public safety	653,873	681,118	-	-	653,873	681,118
Transportation	99,319	231,954	-	-	99,319	231,954
Environmental protection	235,074	248,027	-	-	235,074	248,027
Cultural and recreation	116,786	141,199	-	-	116,786	141,199
Community outreach	-	30,074	-	-	-	30,074
Interest on long-term debt	52,085	52,151	-	-	52,085	52,151
Water and sewer	-	-	1,976,763	2,153,685	1,976,763	2,153,685
Total expenses	<u>1,481,470</u>	<u>1,683,799</u>	<u>1,976,763</u>	<u>2,153,685</u>	<u>3,458,233</u>	<u>3,837,484</u>
Change in net position before transfers and special items	511,712	104,542	95,803	349,138	607,515	453,680
Transfers	6,764	-	(6,764)	-	-	-
Special items	<u>-</u>	<u>(1,452)</u>	<u>-</u>	<u>(17,822)</u>	<u>-</u>	<u>(19,274)</u>
Change in net position after transfers and special items	518,476	103,090	89,039	331,316	607,515	434,406
Net position, beginning	<u>3,049,990</u>	<u>2,946,900</u>	<u>6,520,407</u>	<u>6,189,091</u>	<u>9,570,397</u>	<u>9,135,991</u>
Net position, end of year	<u>\$ 3,568,466</u>	<u>\$ 3,049,990</u>	<u>\$ 6,609,446</u>	<u>\$ 6,520,407</u>	<u>\$ 10,177,912</u>	<u>\$ 9,570,397</u>

Governmental activities. Governmental activities increased the Town of Wingate's net position by \$518,476 which correlates to a 7.95% increase in total net position of the Town of Wingate.

Business-type activities. Business-type activities increased the Town's net position by \$89,039 accounting for 1.37% of the total increase in the total net position of the Town of Wingate.

Financial Analysis of the Town of Wingate's Funds

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

Governmental Funds. The focus of the Town of Wingate'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.

The general fund is the chief operating fund of the Town of Wingate. At the end of the current fiscal year Town of Wingate's unassigned fund balance available in the General Fund was \$1,081,609 while total fund balance reached \$1,401,592.

At June 30, 2020, the governmental funds of the Town of Wingate reported a combined fund balance of \$1,401,592, a 25.70% increase from the previous fiscal year. Included in this change in fund balance is an increase in fund balance from the Capital Project Fund.

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

Several budget amendments were made during the fiscal year ending June 30, 2020. The following summary details the amounts and reasons for making the budget amendments.

- \$14,500 – various line item adjustments
- \$40,000 – increase for contracting with COG Planning consultants for planning and land use development
- \$66,210 – decrease related to one police officer position
- \$23,690 – decrease in water purchases due to repair of leaks
- \$49,770 – decrease in wastewater purchases due to rehabilitation of manholes
- 100,000 – increase in contribution to Diane Street pump station elimination project

Proprietary Funds. The Town of Wingate'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 \$946,822. The total increase in net position for the fund was \$89,039.

Component Unit – Town of Wingate ABC Board. See the separately issued financial statements for the Town of Wingate ABC Board.

Capital Asset and Debt Administration

Capital assets. The Town of Wingate's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$13,879,885 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles, and sewer and water infrastructure.

Major capital asset transactions during the year include the following:

- Donation of land recorded in governmental activities of \$215,000.
- Completion of the East Wilson Street Sidewalk Project recorded in the governmental activities in the amount of \$216,208.

**Town of Wingate's Capital Assets
Net of Accumulated Depreciation
Figure 4**

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 714,468	\$ 714,468	\$ 208,937	\$ 208,937	\$ 923,405	\$ 923,405
Plant and distribution systems	-	-	7,382,686	7,587,132	7,382,686	7,587,132
Buildings and improvements	2,884,634	2,781,539	1,128,349	1,159,670	4,012,983	3,941,209
Infrastructure	912,444	754,253	331,917	25,678	1,224,362	779,931
Office furniture and equipment	60,192	70,285	32,345	37,386	92,537	107,671
Other equipment	19,267	742	54,839	40,624	74,106	41,366
Vehicles	71,396	74,182	117	5,832	71,512	80,014
Construction in progress	240	39,994	75,054	354,264	75,294	394,258
Total	<u>\$ 4,662,641</u>	<u>\$ 4,435,463</u>	<u>\$ 9,214,244</u>	<u>\$ 9,419,523</u>	<u>\$ 13,856,885</u>	<u>\$ 13,854,986</u>

Additional information on the Town's capital assets can be found in Note 3.A.4 of the Basic Financial Statements.

Long-term Debt: As of June 30, 2020, the Town of Wingate had no outstanding bonded debt.

**Town of Wingate's Outstanding Debt
Figure 5**

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Installment debt – direct borrowings and direct placements	\$ 2,162,592	\$ 2,208,130	\$ 2,591,620	\$ 2,742,551	\$ 4,754,212	\$ 4,950,681
Revenue bonds	-	-	960,000	977,000	960,000	977,000
Total	<u>\$ 2,162,592</u>	<u>\$ 2,208,130</u>	<u>\$ 3,551,620</u>	<u>\$ 3,719,551</u>	<u>\$ 5,714,212</u>	<u>\$ 5,927,681</u>

Long-term debt

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Wingate is \$5,865,825.

Additional information regarding the Town of Wingate's long-term debt can be found in Note 3.B.5 of the Basic Financial Statements.

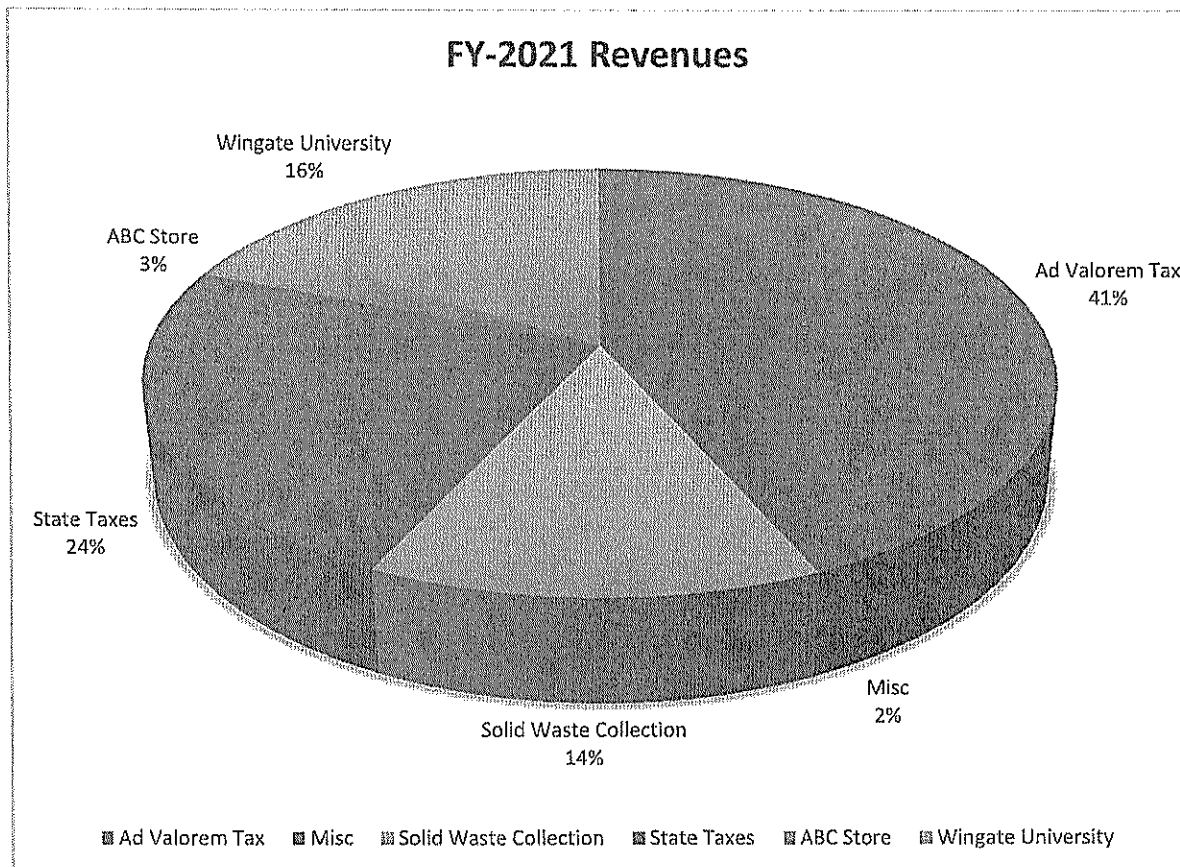
Budget Highlights for the Fiscal Year Ending June 30, 2021

GENERAL FUND

Revenue Highlights

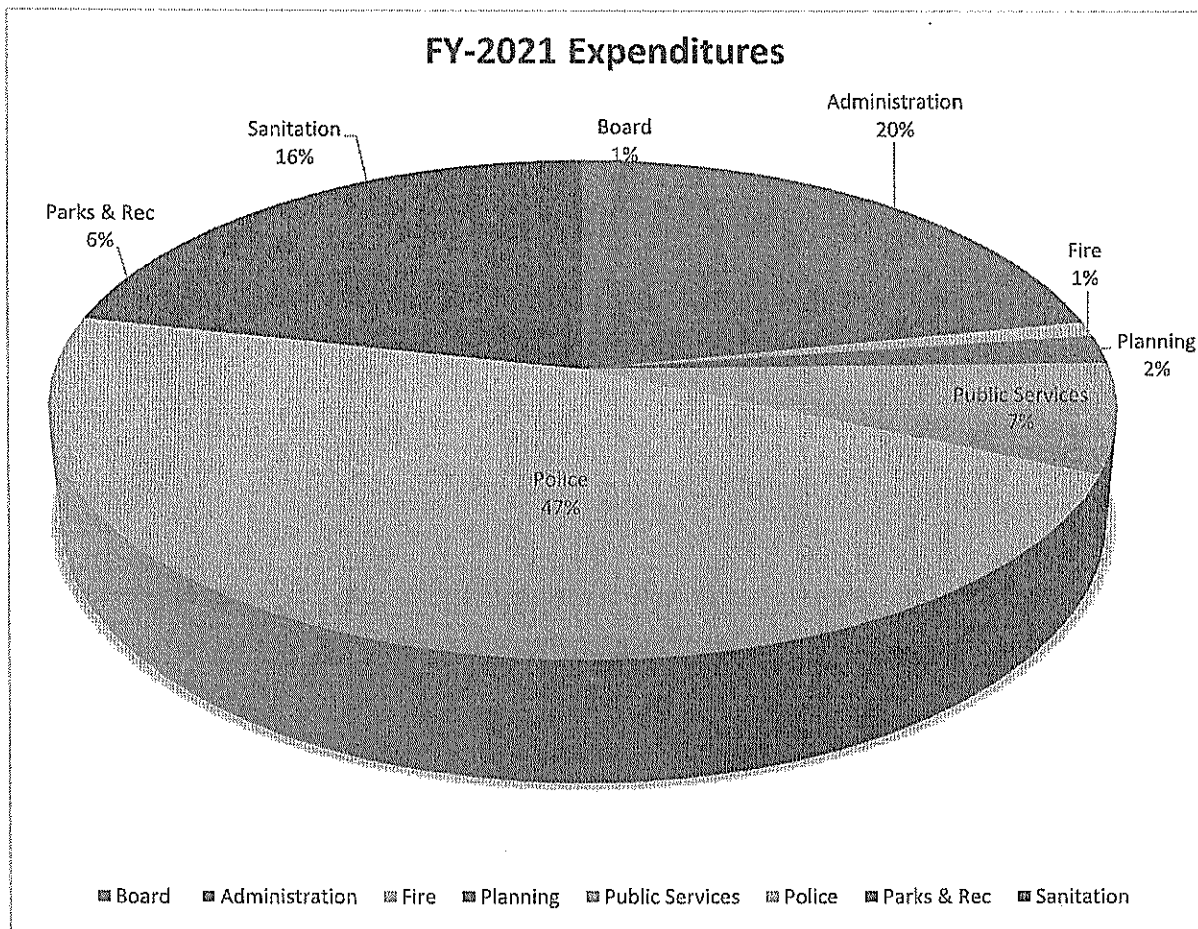
The Town's four largest revenue streams are Property Tax, Sales and Use Tax, Franchise Utility Tax, and a Fee In Lieu of Tax from Wingate University.

- **Ad Valorem Tax:** These are the most controllable revenues in the Town's budget. They include real, personal, business property and motor vehicle taxes. The town has been advised by the Union County Tax Assessment Department that our taxable real and personal property is valued at \$130,313,353. We have recommended that the tax rate remain at forty-three cents (0.43 cents) per \$100.00 tax valuation and are estimating a revenue decrease of 3% due to the COVID-19 pandemic.
- **State Revenues:** Sales Tax, Franchise Utility Tax, Powell Bill, and other state shared revenues are the most vulnerable to impacts from the COVID-19 Pandemic; therefore, we are forecasting a 15% decrease in these shared revenues.
- **Interest Income:** With the decline in the economy, we've seen interest rates drop from an average of 2.25% in FY-20 to 0.75% currently. The predictions within the banking community suggest that these investment rates will drop even further. We anticipate a reduction of approximately \$5,000 in interest income.
- **Fee In Lieu of Tax:** Wingate University provides an annual contribution of \$235,000.
- **Sanitation:** Our garbage contractor, Waste Connections, will not be increasing our fees for FY-2021 except for a small fuel recovery fee. There will be no rate increase to our customers.



Expenditure Highlights

- **Police Department:** The department is being reduced by one full-time officer. We budgeted \$45,000 for the continuation of our part-time officer program. Some of the program benefits are making it easier for officers to use their time off, covering off-duty shifts for the University, and allowing us to fill full-time vacancies faster.
- **Cultural and Recreation:** This is our last year of debt service on the Community Center as the loan will be paid off in April 2021.
- **Fire Department:** The Wingate fire department (WFD) is a separate non-profit organization that provides public safety services to the residents of the Town. As per our 2017 contract, we are budgeting \$13,000 to cover the fire department's portion of the Government Center utilities.
- **Personnel:** Our ability to attract and retain a high-quality workforce is paramount to the Town's success. We have 15 full-time and 4 part-time employees. The proposed budget includes a 3% cost of living increase and a merit of up to 2% based on performance. The budget maintains insurance benefits at current levels.
- **Capital Items:** We have included the purchase of 3 new computers and town entrance signs.



POWELL BILL FUND

North Carolina municipalities can receive financial assistance from the state that is restricted funds to help pay for the construction, maintenance and repair of municipal streets. North Carolina levies motor fuel taxes pursuant to a formula that increases taxes when the wholesale price of motor fuels increases. The state appropriates a certain percentage of this revenue, plus an additional percentage of the net proceeds of the North Carolina Highway Trust Fund, to eligible municipalities across the state. The Town anticipates a 10% decrease in revenues due to the coronavirus pandemic. The Powell Bill Fund Budget total for FY-2021 is \$87,800.

TRANSPORTATION FUND

In FY-20, we implemented a new \$25 fee per registered motor vehicle. These revenues are restricted for constructing, maintaining, repairing, widening, or improving public streets in the town that do not form a part of the State highway system. The Transportation Fund Budget total for FY-2021 is \$40,000.

WATER & SEWER FUND

The Water & Sewer Fund is an enterprise fund, which means it operates as a business. Public enterprises generate funding through user charges and should be self-supporting. Customers pay fees for water consumption and wastewater usage to cover the cost of water distribution and wastewater treatment. The Town is permitted by law to charge higher rates for customers outside their boundaries; this rate differential encourages growth for the Town. The Water & Sewer Fund Budget for FY-2021 is \$2,187,100.

Executive Order 124 was issued by Governor Cooper and extended another 60 days with EO 142. This order requires that we continue to provide service to residential customers regardless of payment until the new order expires on July 29, 2020. We may not charge any fees for delinquent balances after March 31, 2020. The six-month period during which residential customers must bring their accounts current will now begin on July 30, 2020. Staff has estimated this will result in a loss of approximately \$15,000 in FY-2021.

Although we have not budget for a worst-case scenario, there is a possibility that we may see potentially large losses in revenues from EO 124 and/or reduced commercial and educational usage. We will need to look at mid-year rate increases should this occur.

In accordance with the water rate analysis provided by NC Rural Water, the proposed budget includes a 18% increase in rates for all customers. This increase covers the pass-through costs from Union County (supplier and treatment of the Town's water) plus a small portion of inflationary costs to operate the utilities.

System Development Fees: Per NCGS 160A, Article A, we are working with our consultant on this fee structure.

Respectfully submitted,

Brad Sellers, Town Manager

BASIC FINANCIAL STATEMENTS

TOWN OF WINGATE, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2020

Exhibit A
Page 1 of 2

	Primary Government			Town of Wingate ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,099,642	\$ 993,099	\$ 2,092,741	\$ 406,628
Restricted cash	206,059	107,019	313,078	-
Taxes receivable, net	7,941	-	7,941	-
Accounts receivable, net	26,008	200,521	226,529	15,666
Due from other governments	102,663	-	102,663	-
Internal balances	5,597	(5,597)	-	-
Inventory	-	-	-	127,694
Prepaid items	14,223	-	14,223	1,307
Total current assets	<u>1,462,133</u>	<u>1,295,042</u>	<u>2,757,175</u>	<u>551,295</u>
Non-current assets				
Refundable deposit	-	-	-	2,000
Land, non-depreciable improvements, and construction in progress	754,462	283,991	1,038,453	-
Other capital assets, net of depreciation	<u>3,908,179</u>	<u>8,930,253</u>	<u>12,838,432</u>	<u>41,292</u>
Total capital assets	<u>4,662,641</u>	<u>9,214,244</u>	<u>13,876,885</u>	<u>43,292</u>
Total assets	<u>6,124,774</u>	<u>10,509,286</u>	<u>16,634,060</u>	<u>594,587</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	<u>116,175</u>	<u>84,022</u>	<u>200,197</u>	<u>-</u>
Total deferred outflows of resources	<u>116,175</u>	<u>84,022</u>	<u>200,197</u>	<u>-</u>

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

TOWN OF WINGATE, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2020

Exhibit A
Page 2 of 2

	Primary Government			Town of Wingate ABC Board
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities				
Accounts payable	\$ 43,208	\$ 157,683	\$ 200,891	\$ 67,603
Customer deposits	400	49,890	50,290	-
Taxes payable	-	-	-	47,000
Accrued expenses	10,885	13,557	24,442	5,500
Accrued interest	28,743	15,477	44,220	-
Current portion of long-term liabilities	62,975	191,150	254,125	-
Total current liabilities	<u>146,211</u>	<u>427,757</u>	<u>573,968</u>	<u>120,103</u>
Long-term liabilities				
Due in more than one year	<u>2,480,810</u>	<u>3,541,459</u>	<u>6,022,269</u>	<u>-</u>
Total liabilities	<u>2,627,021</u>	<u>3,969,216</u>	<u>6,596,237</u>	<u>120,103</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	<u>45,462</u>	<u>14,646</u>	<u>60,108</u>	<u>-</u>
Total deferred inflows of resources	<u>45,462</u>	<u>14,646</u>	<u>60,108</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	2,454,511	5,662,624	8,117,135	41,292
Restricted for:				
Stabilization by State Statute	136,161	-	136,161	-
Streets - Powell Bill	139,149	-	139,149	-
Streets - Motor Vehicle Fees	30,450	-	30,450	-
Working Capital	-	-	-	46,936
Capital Improvements	-	-	-	226,684
Unrestricted	<u>808,195</u>	<u>946,822</u>	<u>1,755,017</u>	<u>159,572</u>
Total net position	<u>\$ 3,568,466</u>	<u>\$ 6,609,446</u>	<u>\$ 10,177,912</u>	<u>\$ 474,484</u>

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

TOWN OF WINGATE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Town of Wingate ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 324,333	\$ 6,368	\$ 3,634	\$ 393,866	\$ 79,535	\$ -	\$ 79,535	\$ -
Public safety	653,873	235,716	2,254	-	(415,903)	-	(415,903)	-
Transportation	99,319	30,450	98,588	-	29,719	-	29,719	-
Environmental protection	235,074	195,848	3,102	-	(36,124)	-	(36,124)	-
Cultural and recreation	116,786	8,400	-	-	(108,386)	-	(108,386)	-
Interest on long-term debt	52,085	-	-	-	(52,085)	-	(52,085)	-
Total governmental activities	1,481,470	476,782	107,578	393,866	(503,244)	-	(503,244)	-
Business-type activities:								
Water and sewer	1,877,988	2,050,192	13,821	973	-	186,998	186,998	-
Interest on long-term debt	98,775	-	-	-	-	(98,775)	(98,775)	-
Total business-type activities	1,976,763	2,050,192	13,821	973	-	88,223	88,223	-
Total primary government	\$ 3,458,233	\$ 2,526,974	\$ 121,399	\$ 394,839	(503,244)	88,223	(415,021)	-
Component Unit:								
Wingate ABC Board	\$ 1,574,695	\$ 1,574,985	\$ -	\$ -	-	-	-	58,304
Total component units	\$ 1,574,695	\$ 1,574,985	\$ -	\$ -	-	-	-	58,304
General revenues:								
Taxes:								
Property taxes levied for general purposes					570,462	-	570,462	-
Other taxes					406,307	-	406,307	-
Unrestricted investment earnings					9,159	7,580	16,739	-
Restricted investment earnings					977	-	977	-
Miscellaneous					28,051	-	28,051	-
Total general revenues excluding transfers					1,014,956	7,580	1,022,536	-
Transfers					6,764	(6,764)	-	-
Total general revenues and transfers					1,021,720	816	1,022,536	-
Change in net position					518,476	89,039	607,515	58,304
Net position, beginning					3,049,990	6,520,407	9,570,397	416,180
Net position, ending					\$ 3,568,466	\$ 6,609,446	\$ 10,177,912	\$ 474,484

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

TOWN OF WINGATE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

Exhibit C

	<u>Major Fund</u>		<u>Total</u>
	<u>General</u>	<u>Non-major</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,099,642	\$ -	\$ 1,099,642
Restricted cash	206,059	-	206,059
Receivables, net			
Taxes	7,941	-	7,941
Utilities	26,008	-	26,008
Due from other governments	102,665	-	102,665
Due from other funds	5,597		
Prepays	14,223	-	14,223
Total assets	<u>\$ 1,462,135</u>	<u>\$ -</u>	<u>\$ 1,456,538</u>
LIABILITIES			
Accounts payable	\$ 43,208	\$ -	\$ 43,208
Accrued expenses	10,885	-	10,885
Customer deposits	400	-	400
Total liabilities	<u>54,493</u>	<u>-</u>	<u>54,493</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	6,050	-	6,050
Total deferred inflows of resources	<u>6,050</u>	<u>-</u>	<u>6,050</u>
FUND BALANCES			
Non-spendable:			
Prepays	14,223	-	14,223
Restricted:			
Stabilization by State Statute	136,161	-	136,161
Streets - Powell Bill	139,149	-	139,149
Streets - Motor Vehicle Tax	30,450	-	30,450
Unassigned	1,081,609	-	1,081,609
Total fund balances	<u>1,401,592</u>	<u>-</u>	<u>1,401,592</u>
Total liabilities, deferred inflows of resources and fund			
balances	<u>\$ 1,462,135</u>	<u>\$ -</u>	<u>\$ 1,462,135</u>

Amounts reported for governmental activities in the statement of Net Position (Exhibit A) are different because:

Total fund balance, governmental funds	\$ 1,401,592
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	4,662,641
Deferred outflows of resources related to pensions not reported in the funds	116,175
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds	6,050
Long-term liabilities, including accrued interest, are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Installment purchases	(2,176,120)
Compensated absences	(27,824)
Net pension liability	(339,843)
Accrued interest payable	(28,743)
Deferred inflows of resources related to pensions are not reported in the funds	(45,462)
Net position of governmental activities	<u>\$ 3,568,466</u>

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

TOWN OF WINGATE, NORTH CAROLINA *Exhibit D*
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	<u>Major Fund</u>		<u>Total</u>
	<u>General</u>	<u>Non-major</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Funds</u>
REVENUES			
Ad valorem taxes	\$ 570,918	\$ -	\$ 570,918
Unrestricted intergovernmental	406,307	-	406,307
Restricted intergovernmental	107,578	178,866	286,444
Permits and fees	36,534	-	36,534
Sales and services	439,248	-	439,248
Investment earnings	10,137	-	10,137
Miscellaneous	30,908	-	30,908
Total revenues	<u>1,601,630</u>	<u>178,866</u>	<u>1,780,496</u>
EXPENDITURES			
Current:			
General government	247,238	-	247,238
Public safety - police	621,163	-	621,163
Public safety - fire	17,891	-	17,891
Transportation	32,983	-	32,983
Environmental protection	234,949	-	234,949
Cultural and recreation	85,400	-	85,400
Capital outlay	-	176,454	176,454
Debt service:			
Principal	45,538	-	45,538
Interest and other charges	52,568	-	52,568
Total expenditures	<u>1,337,730</u>	<u>176,454</u>	<u>1,514,184</u>
Excess of revenues over expenditures	<u>263,900</u>	<u>2,412</u>	<u>266,312</u>
OTHER FINANCING SOURCES (USES)			
Capital lease obligation issued	13,529	-	13,529
Transfers from (to) other funds:			
General fund	-	(2,375)	(2,375)
Capital project funds	2,375	-	2,375
Water and sewer fund	6,764	-	6,764
Total other financing sources (uses)	<u>22,668</u>	<u>(2,375)</u>	<u>20,293</u>
Net change in fund balance	286,568	37	286,605
Fund balances, beginning	<u>1,115,024</u>	<u>(37)</u>	<u>1,114,987</u>
Fund balances, ending	<u>\$ 1,401,592</u>	<u>\$ -</u>	<u>\$ 1,401,592</u>

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

TOWN OF WINGATE, NORTH CAROLINA *Exhibit E*
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$ 286,605
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay	232,949	
Depreciation	<u>(218,915)</u>	14,034

Cost of capital assets disposed of during the year, not recognized on modified accrual basis	(1,857)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Donated assets	215,000
Change in unavailable revenue for tax revenues	(457)

Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	38,339
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Capital lease obligation issued	(13,529)	
Principal payments on long-term debt	45,538	
Decrease in accrued interest payable	<u>483</u>	32,492

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	1,563	
Pension expenses (LGERS)	(55,202)	
Pension expense (LEOSSA)	<u>(12,041)</u>	<u>(65,680)</u>

Total changes in net position of governmental activities	<u>\$ 518,476</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF WINGATE, NORTH CAROLINA *Exhibit F*
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Ad valorem taxes	\$ 555,587	\$ 558,787	\$ 570,918	\$ 12,131
Unrestricted intergovernmental	386,000	396,980	406,307	9,327
Restricted intergovernmental	101,500	101,250	107,578	6,328
Permits and fees	39,200	33,900	36,534	2,634
Sales and services	453,592	444,592	439,248	(5,344)
Investment earnings	10,800	10,140	10,137	(3)
Miscellaneous	4,700	20,230	30,908	10,678
Total revenues	<u>1,551,379</u>	<u>1,565,879</u>	<u>1,601,630</u>	<u>35,751</u>
Expenditures				
Current:				
General government	191,047	251,007	247,238	3,769
Public safety - police	743,038	702,728	621,163	81,565
Public safety - fire	17,500	19,000	17,891	1,109
Transportation	130,836	130,836	32,983	97,853
Environmental protection	252,153	252,603	234,949	17,654
Cultural and recreation	118,699	110,698	85,400	25,298
Debt service:				
Principal retirement	44,671	45,572	45,538	34
Interest and other charges	53,435	53,435	52,568	867
Total expenditures	<u>1,551,379</u>	<u>1,565,879</u>	<u>1,337,730</u>	<u>228,149</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>263,900</u>	<u>263,900</u>
Other financing sources (uses)				
Capital lease obligation issued	-	-	13,529	13,529
Transfers from other funds	-	-	9,139	9,139
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>22,668</u>	<u>22,668</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>286,568</u>	<u>\$ 286,568</u>
Fund balance - beginning			<u>1,115,024</u>	
Fund balance - ending			<u>\$ 1,401,592</u>	

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

*TOWN OF WINGATE, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2020*

Exhibit G

	Major Enterprise Fund
	Water and Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 993,099
Restricted cash	107,019
Accounts receivable (net)	200,521
Total current assets	1,300,639
Noncurrent assets	
Capital Asset:	
Land and construction in progress	283,991
Other capital assets, net of depreciation	8,930,253
Total capital assets	9,214,244
Total noncurrent assets	9,214,244
Total assets	10,514,883
DEFERRED OUTFLOWS OF RESOURCES	
Contributions to pension plan in current fiscal year	84,022
Total deferred outflows of resources	84,022
LIABILITIES	
Current liabilities	
Accounts payable	157,683
Accrued payroll	13,557
Accrued interest	15,477
Due to other funds	5,597
Customer deposits	49,890
Current portion of compensated absences	19,796
Current portion of long-term debt	171,354
Total current liabilities	433,354
Long-term liabilities	
Net pension liability	147,572
Compensated absences	13,621
Long-term debt	3,380,266
Total long-term liabilities	3,541,459
Total liabilities	3,974,813
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	14,646
Total deferred inflows of resources	14,646
NET POSITION	
Net investment in capital assets	5,662,624
Unrestricted	946,822
Total net position	\$ 6,609,446

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

TOWN OF WINGATE, NORTH CAROLINA *Exhibit H*
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	Enterprise Fund
	Water and Sewer Fund
OPERATING REVENUES	
Water sales	\$ 988,666
Sewer charges	990,109
Water and sewer taps	11,539
Other operating revenues	59,878
Total operating revenues	<u>2,050,192</u>
OPERATING EXPENSES	
Water operations	755,503
Sewer operations	861,942
Depreciation	260,543
Total operating expenses	<u>1,877,988</u>
Operating income	<u>172,204</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	7,580
Grant revenues	14,794
Interest expense	(98,775)
Total nonoperating revenues (expenses)	<u>(76,401)</u>
Income before transfers	95,803
Transfers to other funds	<u>(6,764)</u>
Change in net position	89,039
Total net position, beginning	<u>6,520,407</u>
Total net position, ending	<u>\$ 6,609,446</u>

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

TOWN OF WINGATE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

Exhibit I

	Enterprise Fund Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,033,593
Cash paid for goods and services	(1,346,190)
Cash paid to or on behalf of employees for services	(494,792)
Other operating revenues	59,878
Net cash provided by operating activities	<u>252,489</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Due to other funds	5,597
Transfers to other funds	(6,764)
Net cash used by noncapital financing activities	<u>(1,167)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on long-term debt	(167,931)
Interest paid	(99,035)
Acquisition and construction of capital assets	(55,264)
Capital contributions - Federal grant	973
Net cash used by capital and related financing activities	<u>(321,257)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	7,580
Net cash provided by investing activities	<u>7,580</u>
Net decrease in cash and cash equivalents	(62,355)
Cash balances, beginning	<u>1,162,473</u>
Cash balances, ending	<u>\$ 1,100,118</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 172,204</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	260,543
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	33,089
(Increase) decrease in deferred outflows of resources for pensions	(20,782)
Increase (decrease) in accounts payable	(279,924)
Increase (decrease) in accrued payroll	6,242
Increase (decrease) in compensated absences	(553)
Increase (decrease) in customer deposits	10,190
Increase (decrease) in net pension liability	64,418
Increase (decrease) in deferred inflows of resources for pensions	7,062
Total adjustments	<u>80,285</u>
Net cash provided by operating activities	<u>\$ 252,489</u>

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

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Wingate and its discretely presented component unit 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 Wingate is a municipal corporation that is governed by an elected mayor and a five member commission. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Wingate ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Wingate ABC Board, 4104 Highway 74, Wingate, North Carolina 28174.

B. Basis of Presentation

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

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

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 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.

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental fund:

Sidewalk Capital Project Fund – This fund is used to account for construction of new sidewalks on Wilson Street.

The Town reports the following major enterprise fund:

Water and Sewer Fund – This fund is used to account for the Town's water and sewer operations. The Pipeline Capital Project Fund and the Diane Street Sewer Extension Capital Project Fund have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparisons for the capital project funds have been included in the supplemental schedules.

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.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's 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. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts.

Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the 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 Wingate because the tax is levied by Union 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

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Water and Sewer Fund. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Sidewalk Capital Project Fund, the Pipeline Capital Project Fund, and the Diane Street Sewer Extension Capital Project Fund. The enterprise capital project funds are consolidated with the water and sewer 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 project level for the multi-year funds. The Town Manager may transfer amounts between objects of expenditure within a department without limitation. The Town Manager may transfer amounts up to \$5,000 between departments of the same fund. During the year, several amendments to the original budget were necessary, the effects of which were not material.

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

1. Deposits and Investments

All deposits of the Town and of the ABC Board are made in board-designated official depositories and are secured as required by State Law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board 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 and the ABC Board 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 and the ABC Board's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT – Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT – Term portfolio, a 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 an investment with a maturity of less than 6 months.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Cash

Powell Bill funds are classified as restricted cash because these funds may only be expended for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Unexpended grant funds are classified as restricted cash because these funds may only be used for the purposes defined in the grant agreement. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Funds related to the Debt Service Reserve Account and the Short-Lived Asset Replacement Account required by USDA loans are classified as restricted cash.

Town of Wingate Restricted Cash

Governmental Activities	
General Fund	
Streets	\$ 170,362
Customer deposits	400
Reserve for future USDA debt service	35,297
Total Governmental Activities	<u>206,059</u>
Business-type Activities	
Water and Sewer Fund	
Customer deposits	49,890
Short-lived asset reserve	19,101
Reserve for future USDA debt service	38,028
Total Business-type Activities	<u>107,019</u>
Total restricted cash	\$ <u>313,078</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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

5. Allowance for Doubtful Accounts

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

6. Inventories and Prepaid Items

The inventories of the ABC Board are valued at the lower of cost (first-in, first-out) or market and consist of materials and supplies held for subsequent use. The cost of those 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 items in both government-wide and fund financial statements and are 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, \$5,000; buildings and improvements, \$5,000; furniture and equipment, \$5,000; vehicles and motorized equipment, \$5,000; computer software and computer equipment, \$5,000; and infrastructure, \$100,000. 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 Town has elected not to report major general infrastructure assets retroactively in the Statement of Net Assets as permitted for Phase Three governments under Governmental Auditing Standards Board Statement 34. Thus, any amounts expended for infrastructure prior to July 1, 2003 are not reported as capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	20 - 40
Infrastructure	30 - 50
Equipment and furniture	5 - 15
Vehicles and motorized equipment	5 - 7
Computer equipment and software	5

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Buildings and improvement	40
Store equipment	5 – 10
Office equipment	5 – 10

8. Deferred Outflows /Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then.

The Town has one item that meets this criterion – pension deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable and pension deferrals.

9. Long-Term Obligations

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

In fund financial statements the face amount of debt issued is reported as other financing sources.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. 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 first-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.

The Town's sick leave policy provides 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.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Wingate’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 – The portion of fund balance that the Town of Wingate intends to use for specific purposes.

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

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 Wingate’s employer contributions are recognized when due and the Town of Wingate 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.

NOTE 2- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Significant Violations of Finance-Related Legal and Contractual Provisions

Excess of Expenditures over Appropriations – Water and Sewer Fund

For the fiscal year ended June 30, 2020, transfers to the general fund exceeded budgeted amounts by \$6,764. The transfer was related to acquisition of computer equipment during the COVID-19 pandemic which will be reimbursed by grant funds. Management and the Commission will more closely review the budget reports to ensure compliance in future years.

Excess of Expenditures over Appropriations - Wingate ABC Board

For the fiscal year ended June 30, 2020, the total operating expenditures were under budget; however, three line items in operating expenditures exceeded budgeted amounts as follows: salaries and benefits by \$1,347, insurance by \$1,334 and advertising by \$60. Management and the Board will implement procedures to monitor reports and balances prior to each purchase.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2020, the Town's deposits had a carrying amount of \$1,315,761 and a bank balance of \$1,318,175. Of the bank balance, \$500,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method. The Town had cash on hand of \$30 at June 30, 2020. The ABC Board's deposits had a carrying amount of \$198,574 and a bank balance of \$246,864. All of the ABC Board's bank balance was covered by federal depository insurance. The ABC Board had an additional \$4,934 in the cash drawers and change funds to cover operating needs on a daily basis.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

2. Investments

At June 30, 2020, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value at 6/30/20</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust – Government Portfolio	Fair Value Level 1	\$ 467,537	N/A	AAAm
NC Capital Management Trust – Term Portfolio	Fair Value Level 1	<u>622,490</u>	0.15 years	Unrated
Total		<u>\$ 1,090,027</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 are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. The Town has no formal policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy limits 100% of the Town's investment portfolio to maturities of less than 12 months.

Credit Risk. The Town has no formal policy regarding credit risk but has internal management procedures that limit the Town's investments to the provisions of G.S. 159-30 and restrict the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2020. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

At June 30, 2020, the ABC Board had total investments of \$203,120 in the North Carolina Capital Management Trust's Government Portfolio, which carried a rating of AAAm by Standard and Poor's and the Term Portfolio, which is unrated. The ABC Board has no policy regarding credit risk. Local ABC Boards are allowed to invest idle funds in accordance with G.S. 159-30(c).

3. Receivables-Allowance for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and Statement of Net Position includes no penalties levied and outstanding.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

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

General fund:	
Taxes receivable	\$ 10,000
Accounts receivable	513
Total general fund	<u>10,513</u>
Enterprise fund:	
Accounts receivable	<u>6,528</u>
Total	\$ <u>17,041</u>

4. Capital Assets

Primary Government

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 714,468	\$ -	\$ -	\$ 714,468
Construction in progress	39,994	-	39,754	240
Total capital assets not being depreciated	<u>754,462</u>	<u>-</u>	<u>39,754</u>	<u>714,708</u>
Capital assets being depreciated:				
Buildings and improvements	3,798,691	221,950	-	4,020,641
Infrastructure	1,090,521	216,208	-	1,306,729
Office furniture and equipment	168,666	-	-	168,666
Other equipment	66,401	19,319	-	85,720
Vehicles	696,384	30,227	27,074	699,537
Total capital assets being depreciated	<u>5,820,663</u>	<u>487,704</u>	<u>27,074</u>	<u>6,281,293</u>
Less accumulated depreciation for:				
Building and improvements	1,017,152	118,855	-	1,136,007
Infrastructure	336,268	58,017	-	394,285
Office furniture and equipment	98,381	10,093	-	108,474
Other equipment	65,659	794	-	66,453
Vehicles	622,202	31,156	25,217	628,141
Total accumulated depreciation	<u>2,139,662</u>	<u>218,915</u>	<u>25,217</u>	<u>2,333,360</u>
Total capital assets being depreciated, net	<u>3,681,001</u>			<u>3,947,933</u>
Governmental activity capital assets, net	\$ <u>4,435,463</u>			\$ <u>4,662,641</u>

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

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

General government	\$	78,789
Public safety – police		31,499
Transportation		66,336
Environmental protection		124
Cultural and recreation		42,167
Total depreciation expense	\$	<u>218,915</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 208,937	\$ -	\$ -	\$ 208,937
Construction in progress	<u>354,264</u>	<u>32,764</u>	<u>311,974</u>	<u>75,054</u>
Total capital assets not being depreciated	<u>563,201</u>	<u>32,764</u>	<u>311,974</u>	<u>283,991</u>
Capital assets being depreciated:				
Plant and distribution systems	10,193,237	-	-	10,193,237
Buildings and improvements	1,249,236	-	-	1,249,236
Infrastructure	26,748	311,974	-	338,722
Maintenance equipment	524,138	22,500	-	546,638
Office furniture and equipment	82,070	-	-	82,070
Vehicles	<u>76,308</u>	<u>-</u>	<u>-</u>	<u>76,308</u>
Total capital assets being depreciated	<u>12,151,737</u>	<u>334,474</u>	<u>-</u>	<u>12,486,211</u>
Less accumulated depreciation for:				
Plant and distribution systems	2,606,105	204,446	-	2,810,551
Building and improvements	89,566	31,321	-	120,887
Infrastructure	1,070	5,735	-	6,805
Maintenance equipment	483,514	8,285	-	491,799
Office furniture and equipment	44,684	5,041	-	49,725
Vehicles	<u>70,476</u>	<u>5,715</u>	<u>-</u>	<u>76,191</u>
Total accumulated depreciation	<u>3,295,415</u>	<u>260,543</u>	<u>-</u>	<u>3,555,958</u>
Total capital assets being depreciated, net	<u>8,856,322</u>			<u>8,930,253</u>
Business-type activity capital assets, net	\$ <u>9,419,523</u>			\$ <u>9,214,244</u>

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

Construction and other commitments

The government has active construction and other projects as of June 30, 2020. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Diane Street Sewer Extension - Engineering	\$ 76,259	\$ 20,851
Diane Street Sewer Extension - Construction	-	686,148
Total	\$ 76,259	\$ 706,999

Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Leasehold improvements	\$ 83,782	\$ -	\$ -	\$ 83,782
Store equipment	42,689	-	-	42,689
Office equipment	17,860	-	-	17,860
Total capital assets being depreciated	144,331	-	-	144,331
Less accumulated depreciation for:				
Leasehold improvements	38,029	5,585	-	43,614
Store equipment	42,054	231	-	42,285
Office equipment	14,945	2,195	-	17,140
Total accumulated depreciation	95,028	8,011	-	103,039
ABC Board capital assets, net	\$ 49,303			\$ 41,292

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Wingate and the ABC Board are participating employers 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

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.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 full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and 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 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 Wingate 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 Wingate's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Wingate were \$68,675 for the year ended June 30, 2020.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - **DETAIL NOTES ON ALL FUNDS – Continued**

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 \$329,895 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was .01208%, which was a decrease of .00159% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$136,237. 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	\$ 56,486	\$ -
Changes of assumptions	53,767	-
Net difference between projected and actual earnings on pension plan investments	8,047	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	855	32,741
Town contributions subsequent to the measurement date	68,675	-
Total	\$ 187,830	\$ 32,741

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

\$68,675 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 of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 48,933
2022	7,356
2023	24,405
2024	5,720
2025	-
Thereafter	-
	<u>\$ 86,414</u>

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

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

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:

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

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 change 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:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ <u>754,531</u>	\$ <u>329,895</u>	\$ <u>(23,063)</u>

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

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

b. Law Enforcement Officers' Special Separation Allowance

(1) Plan Description

The Town of Wingate, NC 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 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The plan does not issue a separate financial report.

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:

Inactive members receiving benefits	-
Active plan members	6
Total	<u>6</u>

(2) Summary of Significant Accounting Policies

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

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

(3) Actuarial Assumptions

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

Inflation	2.5 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.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

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. All mortality rates are projected from RP-2014 Total Data Set Mortality Tables using generational improvement with Scale MP-2015.

(4) Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefit 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 amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town has not paid any benefits for this 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 \$157,520. 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 \$12,382.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 19,064
Changes of assumptions	12,367	8,303
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 12,367	\$ 27,367

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

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

Year ended June 30:	
2021	\$ (2,779)
2022	(2,779)
2023	(2,779)
2024	(2,450)
2025	(2,680)
Thereafter	(1,533)

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

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ <u>175,078</u>	\$ <u>157,520</u>	\$ <u>141,763</u>

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

	2020
Beginning balance	\$ 153,977
Service cost	9,215
Interest on the total pension liability	5,605
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(17,468)
Changes of assumptions or other inputs	6,191
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ <u>157,520</u>

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

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

Total Expense, Liabilities, and Deferred Outflows 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	\$ 136,237	\$ 12,382	\$ 148,619
Pension Liability	329,895	157,520	487,415
Proportionate Share of the Net Pension Liability	.001208%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	56,486	-	56,486
Changes of assumptions	53,767	12,367	66,134
Net difference between projected and actual earnings on plan investments	8,047	-	8,047
Changes in proportion and differences between contributions and proportionate share of contributions	855	-	855
Contributions, benefit payments and administrative costs paid subsequent to the measurement date	68,675	-	68,675
Deferred Inflows of Resources			
Differences between expected and actual experience	-	19,064	19,064
Changes of assumptions	-	8,303	8,303
Changes in proportion and differences between contributions and proportionate share of contributions	32,741	-	32,741

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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

The Town made contributions of \$15,809 for the reporting year. No amounts were forfeited.

d. Supplemental Retirement Income Plan for Non-Law Enforcement 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 eligible non-law enforcement employees of the Town.

Funding Policy. The Town contributes to the Plan each month an amount equal to five percent of each eligible employees' salary, and all amounts contributed are vested immediately. Employees may make voluntary contributions to the plan.

The Town made contributions of \$21,728 for the reporting year. No amounts were forfeited.

e. Other Employment Benefits

Other Post Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits.

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because 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. The Town considers these contributions to be immaterial.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at June 30, 2020 are comprised of the following:

Contributions to pension plan in current fiscal year	\$	68,675
Differences between expected and actual experience		56,486
Changes of assumptions		66,134
Net difference between projected and actual earnings on plan investments		8,047
Changes in proportion and differences between employer contributions and proportionate share of contributions		855
Total	\$	<u>200,197</u>

Deferred inflows of resources at June 30, 2020 are comprised of the following:

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 6,050
Differences between expected and actual experience	19,064	-
Changes of assumptions	8,303	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,741	-
Total	\$ <u>60,108</u>	\$ <u>6,050</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability coverage of \$5 million and auto liability coverage of \$3 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims against general liability, auto liability, and property in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

The Town does not carry flood insurance because no significant property of the Town is in an area that has been mapped as a flood zone.

In accordance with G.S. 159-29, the Town's employees who have access to \$100 or more at any given time of Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000 and the remaining employees with access to cash are bonded under a blanket bond of \$10,000.

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.

Town of Wingate ABC Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The ABC Board has commercial property, general liability, workers' compensation and employee health coverage. The ABC Board also has liquor legal liability coverage.

Claims have not exceeded coverage in any of the past three fiscal years and there has been no significant reduction in insurance coverage in the prior year. In accordance with G.S. 18B-700(i) each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000 secured by a corporate surety.

4. Claims, Judgements and Contingent Liabilities

At June 30, 2020, the Town was not a party to any litigation or pending claims. However, from time to time the Town is subject to various claims and legal matters that arise in the ordinary course of its operations. In the opinion of the Town's management and the Town attorney, the ultimate effect of any resulting legal matters will not have a material adverse effect on the Town's financial position.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

5. Long-Term Obligations

a. Installment Purchases – Direct Borrowings and Direct Placements

	Serviced by	
	Governmental Activities	Business-Type Activities
Note payable to a bank for the construction of a new community center; payable in monthly installments of \$778 plus interest at 4.14%; final payment due April 2021; secured by real property.	\$ 7,777	\$ -
Note payable to the USDA for the town hall and fire department in the amount of \$3,480,000; payable in annual installments of \$135,755 including interest at 2.375%; final payment of all principal and accrued and unpaid interest due in December 2056; secured by real property.	2,154,815	1,160,285
Note payable to a bank for improvements to water and sewer lines related to the Dianne Street and Bivens Street projects; payable in monthly installments of \$2,926 including interest at 4.92%; final payment due in November 2029; secured by Deed of Trust on related property, improvements and fixtures.	-	264,175
Note payable to a bank for improvements to water lines related to the Camden Street project; payable in semi-annual installments of \$34,239 including interest at 3.39%; final payment due in May 2027; secured by Deed of Trust on related property, improvements and fixtures.	-	423,549
Note payable to NCDENR for improvements to the Town's water and sewer system; payable in annual installments of \$57,201 with semi-annual interest payments at 2.0%. Additionally, \$1,000,000 of the loan will be forgiven. The remainder of the note is due in May 2033.	-	743,611
Total installment purchases	\$ 2,162,592	\$ 2,591,620

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

Annual debt service payments of the installment purchase contracts as of June 30, 2020, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 44,841	\$ 51,325	\$ 154,354	\$ 68,821
2022	37,944	50,297	157,832	64,199
2023	38,845	49,395	161,444	59,444
2024	39,768	48,473	165,190	54,552
2025	40,712	47,528	169,083	49,516
2026 – 2030	218,533	222,670	674,143	175,765
2031 – 2035	245,746	195,457	303,926	112,110
2036 – 2040	276,348	164,855	148,803	88,768
2041 – 2045	310,761	130,443	167,333	70,238
2046 – 2050	349,459	91,745	188,170	49,401
2051 – 2055	392,976	48,228	211,602	25,969
2056 – 2057	166,659	5,915	89,740	3,185
Totals	\$ 2,162,592	\$ 1,106,331	\$ 2,591,620	\$ 821,968

At June 30, 2020 the Town had a legal debt margin of \$5,865,825.

b. Revenue Bond

Serviced by the Water & Sewer Fund:

\$1,039,000 water and sewer revenue bond, series 2015, issued for water and sewer system improvements with annual principal payments starting at \$15,000 and increasing periodically thereafter. Interest is payable annually at a rate of 2.625%.

Balances at June 30, 2020 are as follows:

Bond	\$ 960,000
Less portion due within one year	(17,000)
Long-term debt	\$ 943,000

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

The future payments of the revenue bond are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 17,000	\$ 25,200
2022	18,000	24,754
2023	18,000	24,281
2024	18,000	23,809
2025	19,000	23,336
2026 – 2030	102,000	109,016
2031 – 2035	117,000	94,841
2036 – 2040	133,000	78,645
2041 – 2045	151,000	60,270
2046 – 2050	171,000	39,401
2051 – 2055	196,000	15,750
Total	\$ 960,000	\$ 519,303

The Town is in compliance with the covenants as to rates, fees and charges in Article VII, of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bond, Series 2015. Section 5.01 of the Bond Order requires the debt service coverage ratio to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2020, is as follows:

Operating revenues	\$ 2,050,192
Operating expenses*	<u>1,617,445</u>
Operating income	432,747
Nonoperating revenues (expenses)**	<u>(50,755)</u>
Income available for debt service	\$ 381,992
Debt service, principal and interest paid (Revenue bond only)	\$ 42,646
Debt service coverage ratio	896%

* Per rate covenants, this does not include the depreciation expense of \$260,543.

** Per rate covenants, this does not include revenue bond interest paid of \$25,646.

The Town has pledged future water and sewer revenues, net of specified operating expenses, to repay the \$1,039,000 water and sewer revenue bond issued in December 2015. Proceeds from the bond provided financing for water and sewer system improvements. The bond is payable solely from water and sewer net revenues and is payable through 2055. Annual principal and interest payments on the bond are expected to require less than 9.5% of net revenues. The total principal and interest remaining to be paid on the bond is \$1,479,303. Principal and interest paid for the current year and total net revenues were \$42,646 and \$2,050,192, respectively.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

c. Capital Leases

The Town has entered into an agreement to lease certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The lease agreement was executed on April 28, 2020 to lease computer equipment, requires 6 payments of \$312 and contains a bargain purchase option at the end of the lease term. At June 30, 2020, the cost of computer equipment under the capital lease included in capital assets amounted to \$13,529 and related accumulated depreciation amounted to \$451. On September 11, 2020, the Town bought out this lease for a total payment of \$19,356.

d. Changes in Long-Term Liabilities

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
Governmental activities:					
Installment purchases – direct borrowings and direct placements	\$ 2,208,130	\$ -	\$ 45,538	\$ 2,162,592	\$ 44,841
Capitalized lease	-	13,529	-	13,529	1,652
Compensated absences	29,384	-	1,562	27,822	16,482
Net pension liability (LGERS)	241,145	-	58,822	182,323	-
Total pension obligation (LEOSSA)	153,977	3,543	-	157,520	-
Governmental activity long-term liabilities	<u>\$ 2,632,636</u>	<u>\$ 17,072</u>	<u>\$ 105,922</u>	<u>\$ 2,543,786</u>	<u>\$ 62,975</u>
Business-type activities:					
Installment purchases – direct borrowings and direct placements	\$ 2,742,551	\$ -	\$ 150,931	\$ 2,591,620	\$ 154,354
Revenue bonds	977,000	-	17,000	960,000	17,000
Net pension liability (LGERS)	83,154	64,418	-	147,572	-
Compensated absences	33,970	-	552	33,418	19,796
Business-type activity long-term debt	<u>\$ 3,836,675</u>	<u>\$ 64,418</u>	<u>\$ 168,483</u>	<u>\$ 3,732,610</u>	<u>\$ 191,150</u>

For governmental activities, compensated absences and the installment purchases are liquidated by the general fund.

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS – Continued

C. Interfund Activity

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

From the Sidewalk Capital Project Fund to the General Fund for unspent funds	\$ <u>2,375</u>
From Pipeline Capital Project Fund to Water & Sewer Fund for unspent funds	\$ <u>2,412</u>
From Water & Sewer Fund to General Fund for funding purchase of computer equipment	\$ <u>6,764</u>
From Water & Sewer Fund to Diane Street Sewer Extension Capital Project Fund to supplement other funding sources	\$ <u>160,000</u>

D. 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	\$ 1,401,592
Less:	
Prepays	14,223
Stabilization by State Statute	136,161
Streets – Powell Bill	139,149
Streets – Motor Vehicle Fees	30,450
Remaining Fund Balance	\$ <u>1,081,609</u>

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

TOWN OF WINGATE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 5 - SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Town’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Government is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year ending June 30, 2021.

The Town’s operations are heavily dependent on property taxes and state revenue distributions. Additionally, access to grants and contracts from federal, state and local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation is expected depress the tax bases and other areas in which the Town received revenue during fiscal year 2020. As such, this may hinder the ability of the Town to meet the needs of its constituents. It may also lead the Town to seek debt forbearance and additional sources of debt. As such, the financial condition and liquidity of the Town may be negatively impacted for the fiscal year 2021.

Management has evaluated subsequent events through the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WINGATE, NORTH CAROLINA
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
*Last Seven Fiscal Years**

Exhibit J

	2020	2019	2018	2017	2016	2015	2014
Wingate's proportion of the net pension liability (asset) %	0.01208%	0.01367%	0.01518%	0.01597%	0.01286%	0.01318%	0.01580%
Wingate's proportion of net pension liability (asset) \$	\$ 329,895	\$ 324,299	\$ 231,908	\$ 338,937	\$ 57,715	\$ (77,729)	\$ 190,451
Wingate's covered payroll	\$ 794,038	\$ 767,974	\$ 797,336	\$ 757,161	\$ 687,332	\$ 643,321	\$ 688,510
Wingate's proportionate share of net pension liability (asset) as a percentage of its covered payroll	41.55%	42.23%	29.09%	44.76%	8.40%	(12.08%)	27.66%
Plan fiduciary net position as a percentage of the total pension liability	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF CONTRIBUTIONS
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
Last Seven Fiscal Years

Exhibit K

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 69,579	\$ 64,179	\$ 60,107	\$ 60,757	\$ 53,747	\$ 47,336	\$ 44,941
Contributions in relation to the contractually required contribution	<u>69,579</u>	<u>64,179</u>	<u>60,107</u>	<u>60,757</u>	<u>53,747</u>	<u>47,336</u>	<u>44,941</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Wingate's covered payroll	\$ 737,417	\$ 794,038	\$ 767,974	\$ 797,336	\$ 757,161	\$ 687,332	\$ 643,321
Contributions as a percentage of covered payroll	9.44%	8.08%	7.83%	7.62%	7.10%	6.89%	6.99%

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit L

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 153,977	\$ 146,847	\$ 126,327	\$ 116,279
Service cost	9,215	12,119	9,430	10,536
Interest on the total pension liability	5,605	4,640	4,876	4,151
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience				
in the measurement of the total pension liability	(17,468)	(1,031)	(5,693)	-
Changes of assumptions or other inputs	6,191	(8,598)	11,907	(4,639)
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 157,520</u>	<u>\$ 153,977</u>	<u>\$ 146,847</u>	<u>\$ 126,327</u>

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

TOWN OF WINGATE, NORTH CAROLINA
TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit M

	2020	2019	2018	2017
Total pension liability	\$ 157,520	\$ 153,977	\$ 146,847	\$ 126,327
Covered payroll	\$ 281,480	\$ 345,742	\$ 329,363	\$ 332,134
Total pension liability as a percentage of covered payroll	55.96%	44.59%	44.59%	38.03%

Notes to the schedules:

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

Changes of assumptions and other inputs:

December 31, 2018 Measurement Date: The Municipal Bond Index Rate decreased from 3.64% to 3.26%.

December 31, 2018 Measurement Date: The Municipal Bond Index Rate increased from 3.16% to 3.64%.

December 31, 2017 Measurement Date: The Municipal Bond Index Rate decreased from 3.86% to 3.16%. The assumed inflation rate has been reduced from 3.00% to 2.5% and assumed wage inflation has been increased from 0.5% to 1.0%.

December 31, 2016 Measurement Date: The Municipal Bond Index Rate increased from 3.57% to 3.86%.

SUPPLEMENTARY INFORMATION

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020

Schedule 1
Page 1 of 3

	2020		Variance
	Budget	Actual	Positive (Negative)
Revenues			
Ad valorem taxes:			
Taxes	\$ 556,737	\$ 568,838	\$ 12,101
Penalties and interest	2,050	2,080	30
Total ad valorem taxes	558,787	570,918	12,131
Unrestricted intergovernmental:			
Local option sales tax	192,280	198,264	5,984
Utility franchise tax	145,700	143,433	(2,267)
Beer and wine tax	17,000	17,652	652
ABC profit distribution	42,000	46,958	4,958
Total unrestricted intergovernmental	396,980	406,307	9,327
Restricted intergovernmental			
Powell Bill allocation	97,000	98,588	1,588
Solid waste disposal tax	2,000	3,102	1,102
Drug tax distribution	250	254	4
ABC revenue for law enforcement	2,000	2,000	-
CARES Grant	-	3,634	3,634
Total restricted intergovernmental	101,250	107,578	6,328
Permits and fees:			
Court fees	700	716	16
Zoning fees	3,000	5,368	2,368
Motor vehicle tag fees	30,200	30,450	250
Total permits and fees	33,900	36,534	2,634
Sales and service:			
Garbage collection	201,592	195,848	(5,744)
Security service	235,000	235,000	-
Park concessions and rents	8,000	8,400	400
Total sales and service	444,592	439,248	(5,344)
Other general revenues:			
Cemetery	1,000	1,000	-
Miscellaneous	19,230	29,908	10,678
Total other general revenues	20,230	30,908	10,678
Investment earnings	10,140	10,137	(3)
Total revenues	1,565,879	1,601,630	35,751

Continued

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
For the Year Ended June 30, 2020

Schedule 1
Page 2 of 3

	2020		Variance
	Budget	Actual	Positive (Negative)
Expenditures			
Elected Officials:			
Salaries and employee benefits	\$ 16,596	\$ 16,379	\$ 217
Operating expenditures	1,500	754	746
Total elected officials	18,096	17,133	963
Administration:			
Salaries and employee benefits	88,426	84,741	3,685
Operating expenditures	77,100	70,224	6,876
Capital Outlay	-	10,147	(10,147)
Total administration	165,526	165,112	414
Planning:			
Salaries and employee benefits	1,225	292	933
Operating expenditures	66,160	64,701	1,459
Total planning	67,385	64,993	2,392
Total general government	251,007	247,238	3,769
Public safety - police			
Salaries and employee benefits	520,828	472,762	48,066
Operating expenditures	145,000	109,003	35,997
Capital outlay	36,900	39,398	(2,498)
Total public safety - police	702,728	621,163	81,565
Public safety - fire			
Operating expenditures	19,000	17,891	1,109
Total public safety - fire	19,000	17,891	1,109
Transportation			
Streets:			
Operating expenditures	129,836	32,983	96,853
Capital outlay	1,000	-	1,000
Total transportation	130,836	32,983	97,853
Environmental Protection			
Public Services:			
Sanitation	201,153	196,403	4,750
Operating expenditures	51,450	38,546	12,904
Total environmental protection	252,603	234,949	17,654

Continued

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
For the Year Ended June 30, 2020

Schedule 1
Page 3 of 3

	2020		Variance
	Budget	Actual	Positive (Negative)
Expenditures (continued)			
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	\$ 39,012	\$ 38,082	\$ 930
Operating expenditures	64,686	40,368	24,318
Capital Outlay	7,000	6,950	50
Total culture and recreation	110,698	85,400	25,298
Debt service:			
Principal retirement	45,572	45,538	34
Interest and other charges	53,435	52,568	867
Total debt service	99,007	98,106	901
Total expenditures	1,565,879	1,337,730	228,149
Revenues over (under) expenditures	-	263,900	263,900
Other financing sources (uses):			
Capital lease obligation issued	-	13,529	13,529
Transfers from other funds			
Transfer from capital projects	-	2,375	2,375
Transfer from water and sewer fund	-	6,764	6,764
Total other financing sources (uses)	-	22,668	22,668
Net change in fund balance	\$ -	286,568	\$ 286,568
Fund balances, beginning		1,115,024	
Fund balances, ending		\$ 1,401,592	

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SIDEWALK CAPITAL PROJECT FUND
From Inception and For the Year Ended June 30, 2020

Schedule 2

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Restricted intergovernmental					
Federal grant	\$ 216,000	\$ 37,342	\$ 178,866	\$ 216,208	\$ 208
EXPENDITURES					
Capital outlay					
Construction	172,000	-	170,786	170,786	1,214
Contracted service	53,500	39,754	5,668	45,422	8,078
Environmental	-	-	-	-	-
Total expenditures	225,500	39,754	176,454	216,208	9,292
REVENUES OVER (UNDER) EXPENDITURES	(9,500)	(2,412)	2,412	-	9,500
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds					
General fund	9,500	2,375	(2,375)	-	(9,500)
Total other financing sources (uses)	9,500	2,375	(2,375)	-	(9,500)
Net change in fund balance	\$ -	\$ (37)	37	\$ -	\$ 19,000
Fund balance, beginning			(37)		
Fund balance, ending			\$ -		

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
WATER AND SEWER FUND
For the Year Ended June 30, 2020

Schedule 3
Page 1 of 2

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Water sales	\$ 963,700	\$ 988,666	\$ 24,966
Sewer charges	991,000	990,109	(891)
Water and sewer taps	11,000	11,539	539
Other operating revenues	58,200	59,878	1,678
Total operating revenues	2,023,900	2,050,192	26,292
Nonoperating revenues			
Investment earnings	7,500	7,580	80
Grant revenues	-	13,821	13,821
Total nonoperating revenues	7,500	21,401	13,901
Total revenues	2,031,400	2,071,593	40,193
Expenditures			
Water operations:			
Salaries and employee benefits	271,079	250,677	20,402
Other operating expenditures	562,964	472,235	90,729
Total	834,043	722,912	111,131
Sewer operations			
Salaries and employees benefits	271,079	250,357	20,722
Other operating expenditures	629,498	586,533	42,965
Total	900,577	836,890	63,687
Debt service			
Interest fees	103,769	99,035	4,734
Principal retirement	168,011	167,931	80
Total	271,780	266,966	4,814
Capital outlay			
Water equipment	2,000	-	2,000
Sewer equipment	23,000	22,500	500
Total	25,000	22,500	2,500
Total expenditures	2,031,400	1,849,268	182,132
Revenues over (under) expenditures	-	222,325	222,325

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
WATER AND SEWER FUND
For the Year Ended June 30, 2020

Schedule 3
Page 2 of 2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses)			
Transfer from pipeline capital project fund	\$ -	\$ 2,412	\$ 2,412
Transfer to Diane Street sewer extension capital project fund	(160,000)	(160,000)	-
Transfer from general fund	-	(6,764)	(6,764)
Total other financing sources (uses)	<u>(160,000)</u>	<u>(164,352)</u>	<u>(4,352)</u>
Revenues and other financing sources (uses) over (under) expenditures	(160,000)	57,973	217,973
Fund balance appropriated	160,000	-	(160,000)
Net change in fund balance	<u>\$ -</u>	<u>\$ 57,973</u>	<u>\$ 57,973</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Net change in fund balance		<u>\$ 57,973</u>	
Principal retirement		167,931	
Capital outlay		22,500	
Depreciation		(260,543)	
Capital contributions in pipeline capital project fund		(6,627)	
Capital contributions in Diane street sewer extension capital project fund		7,600	
Pipeline capital project fund expenditures not capitalized		(7,498)	
Decrease in accrued interest		260	
Decrease in compensated absences		553	
Increase in deferred outflows of resources - pensions		20,782	
Increase in net pension liability		(64,418)	
Increase in deferred inflows of resources - pensions		(7,062)	
Transfer from pipeline capital project fund		(2,412)	
Transfer to Diane street sewer extension capital project fund		<u>160,000</u>	
Total reconciling items		<u>31,066</u>	
Change in net position		<u>\$ 89,039</u>	

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
PIPELINE CAPITAL PROJECT FUND
From Inception and For the Year Ended June 30, 2020

Schedule 4

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Restricted intergovernmental					
Federal grant	\$ 470,895	\$ 477,590	\$ (6,627)	\$ 470,963	\$ 68
EXPENDITURES:					
Engineering	85,250	87,549	2,654	90,203	(4,953)
Non-reimbursable costs	15,000	6,772	-	6,772	8,228
Construction	391,145	385,848	-	385,848	5,297
Total expenditures	491,395	480,169	2,654	482,823	8,572
REVENUES OVER					
(UNDER) EXPENDITURES	<u>(20,500)</u>	<u>(2,579)</u>	<u>(9,281)</u>	<u>(11,860)</u>	<u>8,640</u>
OTHER FINANCING SOURCES (USES)					
Transfer from					
Water and Sewer Fund	<u>20,500</u>	<u>14,272</u>	<u>(2,412)</u>	<u>11,860</u>	<u>(8,640)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 11,693</u>	<u>(11,693)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>11,693</u>		
Fund balance, ending			<u>\$ -</u>		

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
DIANE STREET SEWER EXTENSION CAPITAL PROJECT FUND
From Inception and For the Year Ended June 30, 2020

Schedule 5

	<u>Budget</u>	<u>Prior Year</u>	<u>Actual - Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
REVENUES:					
Restricted intergovernmental					
Federal grant	\$ 656,566	\$ -	\$ 7,600	\$ 7,600	\$ (648,966)
Total revenues	<u>656,566</u>	<u>-</u>	<u>7,600</u>	<u>7,600</u>	<u>(648,966)</u>
EXPENDITURES:					
Capital Outlay:					
Engineering	100,000	30,457	16,338	46,795	53,205
Professional services	56,566	6,988	13,671	20,659	35,907
Construction	<u>700,000</u>	<u>-</u>	<u>7,600</u>	<u>7,600</u>	<u>692,400</u>
Total Capital Outlay	<u>856,566</u>	<u>37,445</u>	<u>37,609</u>	<u>75,054</u>	<u>781,512</u>
Total expenditures	<u>856,566</u>	<u>37,445</u>	<u>37,609</u>	<u>75,054</u>	<u>781,512</u>
REVENUES OVER (UNDER) EXPENDITURES	(200,000)	(37,445)	(30,009)	(67,454)	132,546
OTHER FINANCING SOURCES (USES)					
Transfer from water and sewer fund	<u>200,000</u>	<u>40,000</u>	<u>160,000</u>	<u>200,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,555</u>	129,991	<u>\$ 132,546</u>	<u>\$ 132,546</u>
Fund balance, beginning			<u>2,555</u>		
Fund balance, ending			<u>\$ 132,546</u>		

OTHER SCHEDULES

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF NET POSITION
WATER AND SEWER FUND BY FUNCTION
For the Year Ended June 30, 2020

Schedule 6

	Water	Sewer	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 468,230	\$ 524,869	\$ 993,099
Restricted cash	97,516	9,503	107,019
Accounts receivable (net) - billed	47,666	61,554	109,220
Accounts receivable (net) - unbilled	37,125	40,355	77,480
Grants receivable	1,935	11,886	13,821
Total current assets	<u>652,472</u>	<u>648,167</u>	<u>1,300,639</u>
Non-current assets			
Capital assets:			
Land and construction in progress	113,186	170,805	283,991
Other capital assets, net OF depreciation	4,478,149	4,452,104	8,930,253
Total capital assets	<u>4,591,335</u>	<u>4,622,909</u>	<u>9,214,244</u>
Total non-current assets	<u>4,591,335</u>	<u>4,622,909</u>	<u>9,214,244</u>
Total assets	<u>5,243,807</u>	<u>5,271,076</u>	<u>10,514,883</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	42,046	41,976	84,022
Total deferred outflows of resources	<u>42,046</u>	<u>41,976</u>	<u>84,022</u>
LIABILITIES			
Current liabilities			
Accounts payable	48,689	108,994	157,683
Accrued payroll	6,779	6,778	13,557
Accrued interest	7,738	7,739	15,477
Due to other funds	2,799	2,798	5,597
Customer deposits	49,890	-	49,890
Current portion of compensated absences	9,898	9,898	19,796
Current portion of long-term debt	92,866	78,488	171,354
Total current liabilities	<u>218,659</u>	<u>214,695</u>	<u>433,354</u>
Long-term liabilities			
Net pension liability	73,847	73,725	147,572
Compensated absences	6,811	6,810	13,621
Long-term debt	2,002,913	1,377,353	3,380,266
Total long-term liabilities	<u>2,083,571</u>	<u>1,457,888</u>	<u>3,541,459</u>
Total liabilities	<u>2,302,230</u>	<u>1,672,583</u>	<u>3,974,813</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	7,329	7,317	14,646
Total deferred inflows of resources	<u>7,329</u>	<u>7,317</u>	<u>14,646</u>
NET POSITION			
Net investment in capital assets	2,495,556	3,167,068	5,662,624
Unrestricted	480,738	466,084	946,822
Total net position	<u>\$ 2,976,294</u>	<u>\$ 3,633,152</u>	<u>\$ 6,609,446</u>

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

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
WATER AND SEWER FUND BY FUNCTION
For the Year Ended June 30, 2020

Schedule 7

	Water	Sewer	Total
OPERATING REVENUES			
Charges for service	\$ 988,666	\$ 990,109	\$ 1,978,775
Water and sewer taps	2,800	8,739	11,539
Other operating revenues	59,878	-	59,878
Total operating revenues	<u>1,051,344</u>	<u>998,848</u>	<u>2,050,192</u>
OPERATING EXPENSES			
Salaries	275,770	275,409	551,179
Operations	135,439	114,928	250,367
Water purchases	344,294	-	344,294
Waste collection and treatment	-	471,605	471,605
Depreciation	145,527	115,016	260,543
Total operating expenses	<u>901,030</u>	<u>976,958</u>	<u>1,877,988</u>
Operating income	<u>150,314</u>	<u>21,890</u>	<u>172,204</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	3,891	3,689	7,580
Grant revenues	1,935	12,859	14,794
Interest and other charges	(62,032)	(36,743)	(98,775)
Total nonoperating revenues (expenses)	<u>(56,206)</u>	<u>(20,195)</u>	<u>(76,401)</u>
Income before transfers	94,108	1,695	95,803
Transfers to other funds	<u>(3,382)</u>	<u>(3,382)</u>	<u>(6,764)</u>
Change in net position	90,726	(1,687)	89,039
Total net position, beginning	<u>2,885,568</u>	<u>3,634,839</u>	<u>6,520,407</u>
Total net position, ending	<u>\$ 2,976,294</u>	<u>\$ 3,633,152</u>	<u>\$ 6,609,446</u>

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

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF CASH FLOWS
WATER AND SEWER FUND BY FUNCTION
For the Year Ended June 30, 2020

Schedule 8
Page 1 of 2

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,023,416	\$ 1,010,177	\$ 2,033,593
Cash paid for goods and services	(791,298)	(554,892)	(1,346,190)
Cash paid to or on behalf of employees for services	(247,542)	(247,250)	(494,792)
Other operating revenues	<u>59,878</u>	<u>-</u>	<u>59,878</u>
Net cash provided by operating activities	<u>44,454</u>	<u>208,035</u>	<u>252,489</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Due to other funds	2,799	2,798	5,597
Transfers to other funds	<u>(3,382)</u>	<u>(3,382)</u>	<u>(6,764)</u>
Net cash used by noncapital financing activities	<u>(583)</u>	<u>(584)</u>	<u>(1,167)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(90,253)	(77,678)	(167,931)
Interest paid	(62,162)	(36,873)	(99,035)
Acquisition and construction of capital assets	4,843	(60,107)	(55,264)
Capital contributions - Federal grant	<u>-</u>	<u>973</u>	<u>973</u>
Net cash used by capital and related financing activities	<u>(147,572)</u>	<u>(173,685)</u>	<u>(321,257)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>3,891</u>	<u>3,689</u>	<u>7,580</u>
Net cash provided by investing activities	<u>3,891</u>	<u>3,689</u>	<u>7,580</u>
Net increase in cash and cash equivalents	(99,810)	37,455	(62,355)
Cash balances, beginning	<u>665,556</u>	<u>496,917</u>	<u>1,162,473</u>
Cash balances, ending	<u>\$ 565,746</u>	<u>\$ 534,372</u>	<u>\$ 1,100,118</u>

Continued

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF CASH FLOWS
WATER AND SEWER FUND BY FUNCTION
For the Year Ended June 30, 2020

Schedule 8
Page 2 of 2

	Water	Sewer	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 150,314	\$ 21,890	\$ 172,204
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	145,527	115,016	260,543
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	21,760	11,329	33,089
(Increase) decrease in deferred outflows of resources for pensions	(10,426)	(10,356)	(20,782)
Increase (decrease) in accounts payable	(311,565)	31,641	(279,924)
Increase (decrease) in accrued payroll	3,122	3,120	6,242
Increase (decrease) in compensated absences	(275)	(278)	(553)
Increase (decrease) in customer deposits	10,190	-	10,190
Increase (decrease) in net pension liability	32,270	32,148	64,418
Increase (decrease) in deferred inflows of resources for pensions	3,537	3,525	7,062
Total adjustments	(105,860)	186,145	80,285
Net cash provided by operating activities	\$ 44,454	\$ 208,035	\$ 252,489

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

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
GENERAL FUND
June 30, 2020

Schedule 9

<u>Fiscal Year</u>	Uncollected Balance July 1, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 570,827	\$ 564,912	\$ 5,915
2018-2019	3,917	-	2,562	1,355
2017-2018	2,704	-	915	1,789
2016-2017	1,511	-	15	1,496
2015-2016	952	-	-	952
2014-2015	930	-	-	930
2013-2014	1,814	-	-	1,814
2012-2013	1,282	-	-	1,282
2011-2012	1,402	-	-	1,402
2010-2011	1,006	-	-	1,006
2009-2010	988	-	988	-
	<u>\$ 16,506</u>	<u>\$ 570,827</u>	<u>\$ 569,392</u>	17,941
Less: Allowance for uncollectible accounts Ad valorem taxes receivable				<u>(10,000)</u>
Ad valorem taxes receivable - net				<u>\$ 7,941</u>
Reconciliation with revenues				
Ad valorem taxes collected - General Fund				\$ 570,918
Taxes written off				988
Interest collected				<u>(2,514)</u>
Total collections and credits				<u>\$ 569,392</u>

TOWN OF WINGATE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Year Ended June 30, 2020

Schedule 10

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxes at current year's rate	\$ 152,746,977	0.43	\$ 656,812	\$ 584,004	\$ 72,808
Discoveries - current and prior years	103,023	0.43	443	443	
Releases	<u>(20,099,535)</u>	0.43	<u>(86,428)</u>	<u>(86,428)</u>	<u>-</u>
Total valuation	<u>\$ 132,750,465</u>				
Net levy			570,827	498,019	72,808
Uncollected taxes at June 30, 2020			<u>(5,915)</u>	<u>(5,915)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 564,912</u>	<u>\$ 492,104</u>	<u>\$ 72,808</u>
Current levy collection percentage			<u>98.96%</u>	<u>98.81%</u>	<u>100.00%</u>

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S 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 Members of the Board of Commissioners

Town of Wingate, North Carolina

I 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wingate, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Wingate's basic financial statements, and have issued my report thereon dated November 18, 2020.

Internal Control over Financial Reporting

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

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. 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did identify deficiencies in internal control that I consider to be material weaknesses. The Town was in violation of the Local Government Budgeting Act and NC General Statutes relating to pre-audit certification. See Findings 2020-1, 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Wingate's financial statements are free from material misstatement, I 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The Town was in violation of the Local Government Budgeting Act and NC General Statutes relating to pre-audit certification. See Findings 2020-1, 2.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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 black ink, appearing to read "Eddie Carrick, CPA".

Eddie Carrick, CPA, PC
Lexington, North Carolina

November 18, 2020

TOWN OF WINGATE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2020

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant Deficiency(s) identified that
are not considered to be material
weaknesses _____ yes X no

Noncompliance material to financial
statements noted

_____ yes X no

Federal Awards

N/A – No major federal programs reported.

State Awards

N/A – No major state programs reported.

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

II Financial Statement Findings

Material weakness

2020-1 Violation of State Statutes

Criteria: State Statutes require pre-audit certification for all expenditures

Condition: The Town over expended its departments in both the General and Proprietary Funds

Effect: Material violation of State Statutes - During the COVID-19 pandemic, the Town purchased computer equipment that was to reimbursed with CARES Act monies. The transaction required a transfer to be recognized between the General and Water-Sewer Funds. There was not a budget adjustment made to recognize this transaction. This was was an isolated incident. Management recognizes this type of failure could cause violations of NC General Statutes.

Cause: Pre-audit certification not considered in the budget monitoring process

Recommendation: Pre-audit certification should be done for all expenditures

Management response: See Corrective Action Plan page 79

2020-2 Violation of State Statutes

Criteria: State Statutes require that actual expenditures not to exceed budgeted amounts

Condition: The Town over expended its departments in the General Fund

Effect: Material violation of State Statutes - During the COVID-19 pandemic, the Town purchased computer equipment that was to reimbursed with CARES Act monies. The transaction required a transfer to be recognized between the General and Water-Sewer Funds. There was not a budget adjustment made to recognize this transaction. This was was an isolated incident. Management recognizes this type of failure could cause violations of NC General Statutes.

Cause: Budget to actual expenditures was not considered in the budget monitoring process

Recommendation: The budget versus actual should be monitored monthly.

Management response: See Corrective Action Plan page 79



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Town of Wingate, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2020

I Financial Statement Findings

Material weakness

2020-1,2 Violation of State Statutes

Name of contact person: Karen Wingo, Finance Officer

Corrective Action: The issue was related to the acquisition of computer equipment during the the COVID-19 pandemic which was reimbursed by grant funds. Management and the Commission will more closely review the budget reports to ensure future compliance.

Proposed Completion Date: The Council and management will implement the above procedures immediately.

*TOWN OF WINGATE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2020*

Section VI – Summary Schedule of Prior Year Findings

Finding 2019-1

Status: The Town contracted an accounting firm to assist with preparation of the financial statements and note disclosures.