



Town of Washington Park

Washington Park, North Carolina

Financial Statements

**For the Fiscal Year Ended
June 30, 2021**



**Nunn, Brashear
& Uzzell, P.A.**

**Accountants and Consultants
919-778-1000**

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Town of Washington Park
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June 30, 2021

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Financial Section

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Independent Auditors' Report

To the Honorable Mayor
And Members of the Town Council
Washington Park, NC

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Washington Park, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Washington Park, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the Local Government Employee's Retirement System's Schedules of Proportionate Share of the Net Pension Asset and Contributions, on pages 34 through 35, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Washington Park's basic financial statements. The budgetary schedules and other schedules are presented for the purpose 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 themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2021, on our consideration of the Town of Washington Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Washington Park's internal control over financial reporting and compliance.

Nunn, Brashear, & Uzzell, P.A.

Goldsboro, North Carolina
November 8, 2021

Management's Discussion and Analysis

As management of Town of Washington Park, we offer readers of Town of Washington Park's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

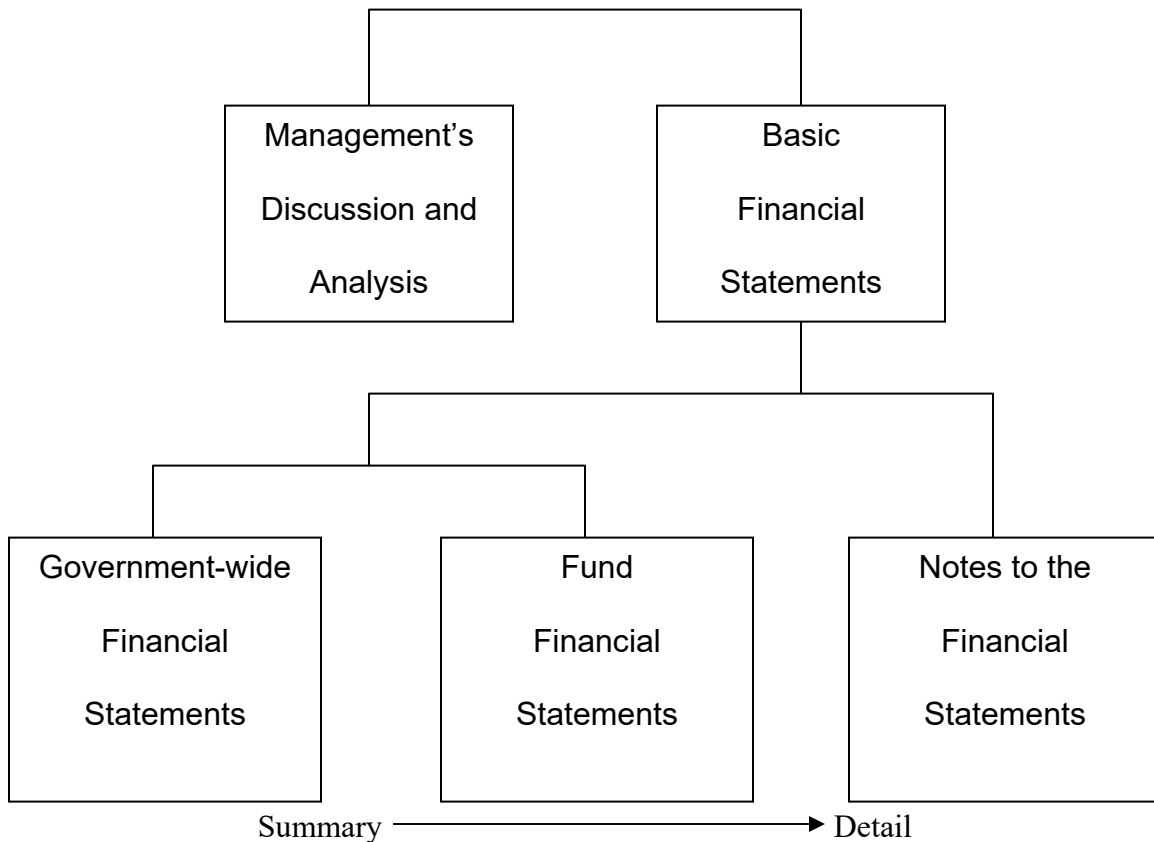
- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$688,013 (*net position*).
- The government's total net position increased by \$100,131, primarily due to an increase in the governmental activities net position. In addition, a prior period adjustment of \$19,382 was needed, see Note V for further information. This adjustment increased fund balance by a total of \$119,513.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$553,777 with a net increase of \$99,365. In addition, a prior period adjustment of \$22,707 was needed, see Note V for further information. This adjustment increased fund balance by a total of \$122,072. Approximately 20.48% of this total amount, or \$113,434, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$427,698, or 152.88% of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Washington Park's basic financial statements. The Town's 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 Town of Washington Park.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 7) 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 and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Supplemental Information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes 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 have one category: governmental activities. 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 government-wide financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 18 of this report.

Government-Wide Financial Analysis

**Town of Washington Park's Net Position
Figure 2**

	Governmental Activities	
	2021	2020
Current and other assets	\$ 563,314	\$ 441,703
Capital assets	152,452	145,003
Total assets	<u>715,766</u>	<u>586,706</u>
Total deferred outflow s of resources	28,906	25,790
Current liabilities	8,198	5,218
Long-term liabilities	47,527	37,687
Total liabilities	<u>55,725</u>	<u>42,905</u>
Total deferred inflow s of resources	934	1,091
Net position:		
Net investment in capital assets	152,452	145,003
Restricted	106,801	73,035
Unrestricted	428,760	350,462
Total net position	<u>\$ 688,013</u>	<u>\$ 568,500</u>

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 Washington Park exceeded liabilities and deferred inflows by \$688,013 as of June 30, 2021. The Town's net position increased by \$100,131 for the fiscal year ended June 30, 2021. See Note V for details on a prior period adjustment. However, a large portion \$152,452 (22.16%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Washington Park uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Washington Park's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Washington Park's net position, \$106,801 (15.52%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$428,760 (62.32%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.01%, which is less than the statewide average of 99%.

Town of Washington Park's Changes in Net Position
Figure 3

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 515	\$ 495
Operating grants/contributions	30,981	15,907
General revenues:		
Property taxes	159,802	152,597
Unrestricted intergovernmental	184,674	145,051
Investment earnings	1,103	2,744
Other	1,718	14,262
Total revenue	<u>378,793</u>	<u>331,056</u>
Expenses:		
General government	114,774	152,207
Public safety	42,352	41,522
Transportation	13,250	12,946
Environmental protection	103,630	71,297
Cultural and recreation	4,656	2,788
Total expenses	<u>278,662</u>	<u>280,760</u>
Increase (decrease) in net position	100,131	50,296
Net position, July 1	568,500	518,204
Restatement	19,382	-
Net position, restated	<u>587,882</u>	<u>518,204</u>
Net position, June 30	<u>\$ 688,013</u>	<u>\$ 568,500</u>

Governmental activities. Governmental activities increased the Town's net position by \$100,131.

Financial Analysis of the Town's Fund

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

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

The general fund is the chief operating fund of the Town of Washington Park. At the end of the current fiscal year, fund balance available in the General Fund was \$553,777. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 152.88 percent of total General Fund expenditures, while total fund balances represents 197.95 percent of that same amount.

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

Revenues were greater than the budgeted amounts primarily due to intergovernmental revenues.

Expenditures were lower than the budgeted amounts in General Government, Public Safety, Environmental Protection, and Cultural and Recreation functions, but exceeded the budget in the Transportation function.

Capital Asset Administration

Capital assets: Town of Washington Park's investment in capital assets for its governmental type activities as of June 30, 2021, totals \$152,452 (net of accumulated depreciation). These assets include buildings, improvements, land, equipment, furniture and vehicles.

**Town of Washington Park's Capital Assets
(net of depreciation and amortization)
Figure 4**

		Governmental Activities	
		2021	2020
Land	\$	18,200	\$ 18,200
Buildings and system		25,000	25,000
Improvements		81,821	70,571
Equipment		22,040	55,897
Furniture		-	632
Vehicles		97,080	150,506
Total	\$	244,141	\$ 320,806

Additional information on the Town's capital assets can be found in Notes to the Basic Financial Statements.

Long-term Liability: As of June 30, 2021, the Town of Washington Park had total debt outstanding of \$47,527. This debt is backed by the full faith and credit of the Town.

Town of Washington Park's Outstanding Long-term Liability

Figure 5

		Governmental Activities	
		2021	2020
Net pension liability	\$	47,527	\$ 37,687

Town of Washing Park's Outstanding Long-Term Liabilities. The Town of Washing Park's total long-term liabilities increased \$9,840 (26.11%) during the past fiscal year, due to the increase in net pension liability.

Additional information on the Town's long-term liabilities can be found in Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Property taxes and other revenues are expected to be consistent with the prior year. The Town did not budget for any COVID-19 relief funds as they are unsure whether they will receive any. The total revenues budgeted, \$277,657, is a small increase of 0.83 percent compared to prior year final budget.

Overall expenses were budgeted at \$290,302, which is a decrease of 13.39 percent compared to prior year final budget.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Washington Park, P. O. Box 632, Washington Park, NC 27889.

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Town of Washington Park

Town Officials

June 30, 2021

Thomas B. Richter, Mayor

Jeff Peacock, Mayor pro tem

Lee Bowen, Commissioner

Belinda Cowell, Commissioner

Wade Dale, Commissioner

Patrick Nash, Commissioner

Dennie Dale, Town Clerk

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Basic Financial Statements

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Town of Washington Park
Statement of Net Position
June 30, 2021

	Primary Government
	Governmental
	Activities
<hr/>	
ASSETS	
Current assets:	
Cash and cash equivalents	446,987
Due from other governments	36,681
Prepaid Expenses	6,633
Restricted cash and cash equivalents	73,013
Total current assets	<u>563,314</u>
Noncurrent assets:	
Capital assets:	
Land and non-depreciable improvements, and construction in progress	18,200
Other capital assets, net of depreciation	134,252
Total capital assets	<u>152,452</u>
Total assets	<u>715,766</u>
<hr/>	
Deferred Outflows of Resources	
Pension deferrals	<u>28,906</u>
<hr/>	
LIABILITIES	
Current liabilities:	
Accounts payable	1,664
Accrued liabilities	4,980
Accrued compensated absences	1,554
Total current liabilities	<u>8,198</u>
Long-term liabilities:	
Net pension liability	47,527
Total liabilities	<u>55,725</u>
<hr/>	
Deferred Inflows of Resources	
Pension deferrals	<u>934</u>
<hr/>	
NET POSITION	
Net investment in capital assets	152,452
Restricted for:	
Stabilization by State Statute	33,788
Transportation	73,013
Unrestricted	428,760
Total net position	<u><u>\$ 688,013</u></u>

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

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Town of Washington Park
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government
				Governmental Activities
Primary government:				
Governmental Activities:				
General government	\$ 114,774	\$ -	\$ -	\$ (114,774)
Public safety	42,352	-	-	(42,352)
Transportation	13,250	-	13,766	516
Environmental protection	103,630	-	15,595	(88,035)
Cultural and recreation	4,656	515	1,620	(2,521)
Total governmental activities	278,662	515	30,981	(247,166)
Total primary government	\$ 278,662	\$ 515	\$ 30,981	(247,166)
General revenues:				
Taxes:				
Property taxes, levied for general purpose				159,802
Unrestricted intergovernmental				184,674
Unrestricted investment earnings				1,103
Gain on disposal of assets				1,000
Miscellaneous				718
Total general revenues and transfers				347,297
Change in net position				100,131
Net position, beginning				568,500
Prior Period Adjustment (V)				19,382
Net position, beginning as restated				587,882
Net position, ending				\$ 688,013

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

Town of Washington Park
Balance Sheet
Governmental Funds
June 30, 2021

	<u>General</u>
ASSETS	
Cash and cash equivalents	446,987
Restricted cash and cash equivalents	73,013
Due from other governments	35,807
Prepaid expenses	6,633
Total assets	<u><u>562,440</u></u>
LIABILITIES	
Accounts payable	1,664
Accrued liabilities	4,980
Total liabilities	<u>6,644</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes receivable	<u>2,019</u>
FUND BALANCES	
Non Spendable	
Prepaid Expenses	6,633
Restricted	
Stabilization by State Statute	33,788
Transportation	73,013
Assigned	
Subsequent Year's Expenditures	12,645
Unassigned	427,698
Total fund balances	<u>553,777</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 562,440</u></u>

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

Town of Washington Park
Balance Sheet
Governmental Funds
June 30, 2021

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$	553,777
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	244,141	
Accumulated depreciation	<u>(91,689)</u>	152,452
Deferred outflows of resources related to pensions are not reported in the funds		28,906
Earned revenues considered deferred inflows of resources in fund statements		2,019
Long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures		874
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Net pension liability		(47,527)
Accrued Compensated Absences		(1,554)
Deferred inflows of resources related to pensions are not reported in the funds		(934)
Net position of governmental activities	<u>\$</u>	<u>688,013</u>

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

Town of Washington Park
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	<u>Major Fund</u>
	<u>General Fund</u>
REVENUES	
Ad valorem taxes	\$ 160,127
Unrestricted intergovernmental	164,255
Restricted intergovernmental -	
FEMA	20,419
CARES Act	15,595
Powell Bill	13,766
County Recreation	1,620
Investment earnings	1,103
Sale of Assets	1,000
Miscellaneous	1,233
Total revenues	<u>379,118</u>
EXPENDITURES	
Current:	
General government	107,036
Public safety	42,352
Transportation	32,642
Environmental protection	93,567
Culture and recreation	4,156
Total expenditures	<u>279,753</u>
Net change in fund balance	99,365
Fund balances, beginning	431,705
Prior period adjustment (Note V)	22,707
Fund balances, beginning as	
restated	454,412
Fund balances, ending	<u>\$ 553,777</u>

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

Town of Washington Park
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	\$	99,365
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay expenditures which were capitalized	\$ 19,392	
Depreciation expense for governmental assets	<u>(11,943)</u>	7,449

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		10,674
--	--	--------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in accrued interest receivable on taxes	50	
Change in unavailable revenue for tax revenues	<u>(375)</u>	(325)

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.

Accrued Compensated absences	209	
Pension expense	<u>(17,241)</u>	(17,032)

Total changes in net position of governmental activities	\$	<u>100,131</u>
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The notes to the financial statements are an integral part of this statement.

Town of Washington Park
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ 160,127	\$ -
Unrestricted intergovernmental	-	-	164,255	-
Restricted intergovernmental	-	-	51,400	-
Sales and services	-	-	-	-
Investment earnings	-	-	1,103	-
Sale of Assets	-	-	1,000	-
Miscellaneous	-	-	1,233	-
Total revenues	271,610	275,360	379,118	103,758
Expenditures:				
Current:				
General government	116,489	120,239	107,036	13,203
Public safety	42,352	42,352	42,352	-
Transportation	20,500	30,812	32,642	(1,830)
Environmental protection	97,078	134,978	93,567	41,411
Cultural and recreation	6,800	6,800	4,156	2,644
Total expenditures	283,219	335,181	279,753	55,428
Revenues over (under) expenditures	(11,609)	(59,821)	99,365	159,186
Fund balance appropriated	11,609	59,821	-	59,821
Net change in fund balance	\$ -	\$ -	99,365	\$ 99,365
Fund balances, beginning as previously reported			431,705	
Prior period adjustment			22,707	
Fund balances, beginning as restated			454,412	
Fund balances, ending			\$553,777	

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

Town of Washington Park

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Washington Park is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town and all of its operations for which it is financially accountable.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on the major governmental fund. The Town has no other funds.

The Town reports one major governmental fund:

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

Town of Washington Park

Notes to the Financial Statements

C. Measurement Focus and Basis of Accounting

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

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable 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.

Town of Washington Park

Notes to the Financial Statements

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 Washington Park because the tax is levied by Beaufort County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. 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 any multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, 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 Washington Park

Notes to the Financial Statements

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpended grant funds in the General Fund are restricted to the purpose for which the grants were issued. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Cash reflected in the accompanying financial statements includes cash is as follows:

Town of Washington Park Restricted Cash

Governmental Activities:

Transportation	\$ <u>73,013</u>
Total restricted cash	\$ <u>73,013</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. The Town does not have any items that need an allowance for doubtful accounts.

6. Prepaid Items

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 expensed as the items are used.

Town of Washington Park

Notes to the Financial Statements

7. Capital Assets

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

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

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

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan. In 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, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

Town of Washington Park

Notes to the Financial Statements

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation with such leave being fully vested when earned. For the Town's government-wide fund, 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 a carryover amount of up to two years of accrual. Sick leave does not vest, but unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

a. Net Position

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

b. Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Prepaid expenses – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses, 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

Town of Washington Park

Notes to the Financial Statements

(RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as “restricted by State statute”. *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

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

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

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation. There were no amounts classified as assigned fund balance at fiscal year end June 30, 2021.

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 Government Employees’ Retirement System (LGERS) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town’s employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Town of Washington Park

Notes to the Financial Statements

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2021, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for Transportation \$1,830. These over-expenditures occurred due to costs exceeding the approved budget.

Management and Town Officials will more closely review the budget reports to ensure compliance in future years.

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's 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 or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provision of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$520,000 and a bank balance of \$528,068. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

Town of Washington Park

Notes to the Financial Statements

2. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 18,200	\$ -	\$ -	\$ 18,200
Capital assets being depreciated:				
Buildings	25,000	-	-	25,000
Improvements	70,571	11,250	-	81,821
Equipment	55,897	-	33,857	22,040
Furniture	632	-	632	-
Vehicles and motorized equipment	150,506	8,142	61,568	97,080
Total capital assets being depreciated	302,606	19,392	96,057	225,941
Less Accumulated depreciation:				
Buildings	25,000	-	-	25,000
Improvements	2,352	5,080	-	7,432
Equipment	52,603	500	33,857	19,246
Furniture	632	-	632	-
Vehicles and motorized equipment	95,216	6,363	61,568	40,011
Total accumulated depreciation	175,803	\$ 11,943	\$ 96,057	91,689
Total capital assets being depreciated, net	126,803			134,252
Total capital assets, net	\$ 145,003			\$ 152,452

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

General government	\$ 5,080
Environmental	6,363
Cultural and recreational	500
Total depreciation expense	<u>\$ 11,943</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and

Town of Washington Park

Notes to the Financial Statements

amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919)981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation is calculated as the average of a 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. Survivors 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 a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2021, was 10.22%, for general employees, which includes a death benefit of 0.70%, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$10,674 for the year ended June 30, 2021.

Town of Washington Park

Notes to the Financial Statements

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 income, and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

At June 30, 2021, the Town reported a liability of \$47,527, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was .00138%, which was an decrease of .00014% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$17,241. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,002	\$ -
Changes in assumption	3,537	-
Net difference between projected and actual earnings on pension plan investments	6,688	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,005	934
Town contributions subsequent to measurement date	10,674	-
Total	<u>\$ 28,906</u>	<u>\$ 934</u>

\$10,674 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, 2022.

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

Town of Washington Park Notes to the Financial Statements

Years Ended June 30,		
2022	\$	5,236
2023		6,801
2024		3,282
2025		1,979
2026		-
Thereafter		-
	<u>\$</u>	<u>17,298</u>

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.1 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan actuary 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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

Town of Washington Park Notes to the Financial Statements

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternative	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30 years expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study of the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic 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 benefits payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 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 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of net pension liability (asset)	\$ 96,426	\$ 47,527	\$ 6,888

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

Town of Washington Park

Notes to the Financial Statements

2. 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 contract laborers; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. 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.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not carry flood insurance as there has been no prior history of flooding on municipal property and the risk of flood related damage is minimal.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The mayor and the Town Clerk are each bonded for \$50,000.

3. Deferred Outflows and Inflows of Resources

The Town's deferred outflows and inflows of resources on the Statement of Net Position are all related to the LGERS deferrals and described above in Note B, 1, a.

The Town's deferred inflows of resources on the General Fund Balance Sheet is all related to taxes receivable for the General Fund.

3. Long-term Obligations

The Town has no long-term debt

C. Net Investment in Capital Assets

	Governmental Activities
Capital Assets	\$ 152,452
Less: Long-term debt	-
Net investment in capital assets	<u>\$ 152,452</u>

Town of Washington Park

Notes to the Financial Statements

D. Fund Balance

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

Total fund balance - General Fund	\$ 553,777
Less:	
Stabilization by State Statute	34,890
Streets - Powell Bill	73,013
Prepaid Expenses	6,633
Appropriated Fund Balance in 2022 budget	12,645
Remaining Fund Balance	<u>\$ 426,596</u>

IV. – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

V. – RESTATEMENTS

A. Fund Level - During the fiscal year ended June 30, 2021, the Town determined that the fund balance of the General Fund needed restatement as follows:

Restatements:	
Increase in prepaid expenses	\$ 627
Increase in due from other governments	23,542
Increase in accrued liabilities	(3,848)
Decrease in Deferred Taxes Receivable	2,386
Total Restatement - Fund Level	<u>\$ 22,707</u>

B. Government-Wide – During the fiscal year ended June 30, 2021, the Town determined that the net assets of its governmental activities needed restatement as follows:

Restatements:	
Increase in prepaid expenses	\$ 627
Increase in due from other governments	23,542
Increase in accrued interest from taxes	824
Increase in accrued liabilities	(3,848)
Increase in accrued compensated absences	(1,763)
Total Restatement - Government Wide Level	<u>\$ 19,382</u>

Town of Washington Park

Notes to the Financial Statements

VI. – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 8, 2021, the date on which the financial statements were available to be issued. Significant subsequent events are noted below:

COVID 19

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of various businesses. During the fiscal year ending June 30, 2021, the Governor of North Carolina issued executive order 124/142. The order prohibited utility providers from disconnecting customers unable to pay during the COVID-19 pandemic and from collecting fees, penalties, or interest for late payments. The order expired at 11:59 p.m. on July 29, 2020. The order gives customers at least six months to pay outstanding bills. The uncertainty and disruption is expected to be temporary; however, the related financial impact and duration cannot be reasonably estimated at this time.

American Rescue Plan Funding

The Town has been awarded \$68,201 in American Rescue Plan Funding that will be passed through Beaufort County for the fiscal year ending June 30, 2022. The funds will assist with the effects of COVID 19.

Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability (Asset)
Local Government Employees' Retirement System

Schedule of Contributions
Local Government Employees' Retirement System

Town of Washington Park
Schedule of the Town's Proportionate Share of the Net Pension Liability (Asset)
 Local Governmental Employees' Retirement System
 Last Eight Fiscal Years *

	<u>2021</u>	<u>2020</u>
Town's proportion of the net pension liability (asset) %	0.00133%	0.00138%
Town's proportionate share of the net pension liability (asset) \$	\$ 47,527	\$ 25,790
Town's covered employee payroll	\$ 100,307	\$ 97,483
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	47.38%	26.46%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%

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

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

Note: Town implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015; therefore, ten years of data is not yet available.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.00152%	0.00091%	0.00121%	0.00128%	0.00111%	0.00160%
\$ 36,060	\$ 13,902	\$ 25,680	\$ 5,745	\$ (6,546)	\$ 19,286
\$ 93,460	\$ 88,853	\$ 101,418	\$ 105,352	\$ 92,476	\$ 97,037
38.58%	15.65%	25.32%	5.45%	-7.08%	19.87%
91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

Town of Washington Park
Schedule of Town Contributions
Local Governmental Employees' Retirement System
Last Eight Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 10,674	\$ 9,039	\$ 7,555
Contributions in relation to the contractually required contribution	<u>10,674</u>	<u>9,039</u>	<u>7,555</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 100,307	\$ 100,990	\$ 97,483
Contributions as a percentage of covered-employee payroll	10.64%	8.95%	7.75%

Note: Town implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015; therefore, ten years of data is not yet available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 7,010	\$ 6,442	\$ 6,766	\$ 7,449	\$ 6,538
<u>7,010</u>	<u>6,442</u>	<u>6,766</u>	<u>7,449</u>	<u>6,538</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 93,460	\$ 88,853	\$ 101,418	\$ 105,352	\$ 92,476
7.50%	7.25%	6.67%	7.07%	7.07%

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Town of Washington Park
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes		\$ 160,127	
Total		<u>160,127</u>	
Unrestricted intergovernmental:			
Local option sales taxes		146,316	
Utilities sales tax		13,185	
State Sales Tax Refund		2,646	
Beer and wine tax		1,788	
Solid Waste Tax		320	
Total		<u>164,255</u>	
Restricted intergovernmental:			
Powell Bill allocation		13,766	
Recreation Beaufort County		1,620	
FEMA		20,419	
CARES Act Grant		15,595	
Total		<u>51,400</u>	
Investment earnings		<u>1,103</u>	
Other Revenues:			
Sale of Assets		1,000	
Miscellaneous		1,233	
Total		<u>2,233</u>	
Total revenues	\$ 275,360	379,118	\$ 103,758
Expenditures:			
General government:			
Salaries and employee benefits		55,374	
Professional Services		7,567	
Repair & Maintenance		11,272	
Insurance & Bonds		10,240	
Utilities		12,997	
Other operating expenses		9,586	
Total general government	<u>120,239</u>	<u>107,036</u>	<u>13,203</u>
Public safety:			
Contracted Services		42,352	
Total public safety	<u>42,352</u>	<u>42,352</u>	<u>-</u>

Town of Washington Park
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Transportation:			
Drainage and storm sewer		12,300	
Other operating expenses		20,342	
Total Transportation	30,812	32,642	(1,830)
Environmental protection:			
Salaries and employee benefits		93,567	
Total	134,978	93,567	41,411
Culture and recreation:			
Other operating expenses		4,156	
Total	6,800	4,156	(2,644)
Total expenditures	335,181	279,753	50,140
Revenues over (under) expenditures	(59,821)	99,365	153,898
Fund balance appropriated	59,821	-	59,821
Net change in fund balance	\$ -	99,365	\$ 213,719
Fund balances, beginning as previously reported		431,705	
Prior period adjustment (See Note V)		22,707	
Fund balances, beginning as restated		454,412	
Fund balances, ending		\$ 553,777	

Other Schedules

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy - Town-wide Levy

Town of Washington Park
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 161,070 (a)	\$ 157,858 (b)	\$ 3,212 (c)
2019-2020	1,837	-	1,128	709
2018-2019	1,931	-	1,748	183
2017-2018	200	-	-	200
2016-2017	202	-	-	202
2015-2016	19	-	-	19
2014-2015	200	-	-	200
2013-2014	248	-	-	248
2012-2013	36	-	-	36
2012-prior	206	-	-	206
	<u>\$ 4,879</u>	<u>\$ 161,070</u>	<u>\$ 160,734 (d)</u>	<u>5,215</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>-</u>
Ad valorem taxes receivable - net				<u>\$ 5,215</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 160,127
Reconciling items:				
Interest collected				607
Subtotal				<u>607</u>
Total collections and credits				<u>\$ 160,734 (d)</u>

Town of Washington Park
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2021

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 55,541,379	0.29	\$ 161,070	\$ 145,557	\$ 15,513
Total property valuation	<u>\$ 55,541,379</u>				
Net levy			161,070 (a)	145,557	15,513
Unpaid (by taxpayer) taxes at June 30, 2021			<u>(3,212) (c)</u>	<u>(3,209)</u>	<u>(3)</u>
Current year's taxes collected			\$ <u>157,858</u> (b)	\$ <u>142,348</u>	\$ <u>15,510</u>
Current levy collection percentage			<u>98.01%</u>	<u>97.80%</u>	<u>99.98%</u>

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**Independent Auditor's Report 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 Town Council
Washington Park, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Washington Park, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Washington Park's basic financial statements, and have issued our report thereon dated November 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Washington Park's internal control over financial reporting (internal control) as a basis for determining audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Washington Park's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Washington Park'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.

Our 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Washington Park's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Washington Park, North Carolina's Response to Findings

The Town of Washington Park's response to the findings identified in our audit is described previously. The Town of Washington Park's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Nunn, Brashear, & Uzzell, P.A.

Goldsboro, North Carolina
November 8, 2021

Town of Washington Park
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021

I. Summary of Auditors' Results

Financial Statement

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

Internal control over financial reporting:

Material weakness identified? Yes X No

Significant deficiency identified that is not considered to be a material weakness?	X	Yes	No
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Noncompliance material to financial statements noted Yes **X** No

Federal Awards

None

State Awards

None

Town of Washington Park
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021

II. Financial Statement Findings

Finding 2021-001 Segregation of Duties

Criteria: The assignment of responsibilities should be segregated so that one person is not responsible for the authorization and recording of a transaction and the custody of the related asset. There needs to be a reconciliation or control activity to provide reasonable assurance that transactions are handled appropriately.

Condition: Key duties and functions are not segregated among Town personnel. This is especially a concern in the cash management, account receivable, purchasing, and payroll functions.

Effect: Transactions could be mishandled, due to errors or fraud that could lead to loss of assets or the reporting of misleading financial information.

Cause: There are a limited number of personnel for certain functions and lack of board oversight.

Recommendation: The duties should be separated as much as possible, by possibly training and utilizing non-financial personnel and utilizing alternative controls. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will take appropriate action to segregate duties to the amount economically feasible.

Finding 2021-02 Budget Violation

Criteria: NC General Statute 159-8(a) states that all monies received or expended by a local government or public authority should be included in the budget ordinance.

Condition: The district failed to properly budget for all expenditures within the transportation functional area.

Effect: Town funds were received that were not properly budgeted for and funds were spent that were not properly appropriated.

Cause: The Town adopted a budget, but maintained their general ledger on a cash basis of accounting. This caused significant items to be missed when reviewed for amendments.

Recommendation: The Town needs to maintain their general ledger on the modified accrual basis of accounting and properly monitor the budget to help ensure no material items are missed when reviewing for budget amendments.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will maintain the general ledger on the modified accrual basis of accounting and properly review and amend the budget as necessary.

III. Federal Awards Findings and Responses

None Reported

IV. State Awards Findings and Responses

None Reported

TOWN OF WASHINGTON PARK
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252-946-3157

COMMISSIONERS

Lee Bowen
Belinda Cowell
Wade Dale
Patrick Nash
Jeff Peacock

Corrective Action Plan
For the Fiscal Year Ended June 30, 2021

Section II-Financial Statement Findings

SIGNIFICANT DEFICIENCIES

2021-001 Segregation of Duties

Name of contact person: Denise D. Dale, Town Clerk

Corrective action: Duties and functions will be reviewed to determine where segregation needs to occur. The duties will be separated as much as possible and alternative controls will be implemented to compensate for lack of segregation. However, the risk of not segregated certain duties are not worth the additional costs. Nonfinancial employees will be trained and provide some assistance.

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

2021-002 Budgetary Violation

Name of contact person: Denise D. Dale, Town Clerk

Corrective action: The Town will maintain their general ledger on the modified accrual basis of accounting, not on a cash basis of accounting.

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

Section III-Federal Award Findings and Responses

None reported.

Section IV-State Award Findings and Responses

None reported.

Town of Washington Park
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021

None