

TOWN OF WHITAKERS,
NORTH CAROLINA
FINANCIAL STATEMENTS
JUNE 30, 2021

TOWN OF WHITAKERS

WHITAKERS, NORTH CAROLINA

TOWN OFFICIALS

Mayor

Sammy Hopkins

Board of Commissioners

Doris Lindsey - Mayor Pro-Term

Doris Howington

Janice Bellamy

Nancy Taylor

Rachel Tillery

Town of Whitakers, North Carolina
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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Whitakers, North Carolina, as of and for the year ended June 30, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Town of Whitakers, North Carolina as of June 30, 2021, and the respective changes in financial position, and cash flows, where appropriate, 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 the management's discussion and analysis on pages 7-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Whitakers, North Carolina. The individual fund statements, budgetary schedule, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The individual fund statements, and budgetary schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards 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 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 individual fund statements, and budgetary schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2023, on our consideration of the Town of Whitakers' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Whitakers' internal control over financial reporting and compliance.



Rebekah Barr, CPA PC

Certified Public Accountant

Wilson, North Carolina

May 31, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Town of Whitakers, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021

As management of the Town of Whitakers (the "Town"), we offer readers of the Town of Whitakers' financial statements this narrative overview and analysis of the financial activities of the Town of Whitakers for the fiscal year ended June 30, 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 and deferred outflows of resources of the Town of Whitakers exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,427,462 (net position).
- The government's total net position decreased by \$112,339. Net position for Governmental Activities decreased by \$155,846, while net position for the Business-Type Activities increased by \$43,507.
- At the close of the current fiscal year, the Town of Whitakers' governmental funds reported combined ending fund balances of \$293,438 with a net decrease of \$93,394 in fund balance. Approximately 66.50 percent of this total amount, or \$195,149, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was a deficit of (\$76,634), or (9.56) percent of total general fund expenditures for the fiscal year.
- Fund balance available in the General Fund was \$218,841 or 27.06 percent of the sum of general fund expenditures and transfers out less loan proceeds.
- The Town of Whitakers' total debt decreased by \$13,910 (1.96%) during the current fiscal year. The key factors in this decrease were debt service principal payments totaling \$13,910 during the current fiscal year.
- The Town received CARES act grant funds of \$24,108 from Nash and Edgecombe Counties. The Town used these funds to pay salaries for police officers and to purchase supplies and personal protective equipment related to preventing the spread of corona virus (COVID-19).

Overview of the Financial Statements

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

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 9) 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.

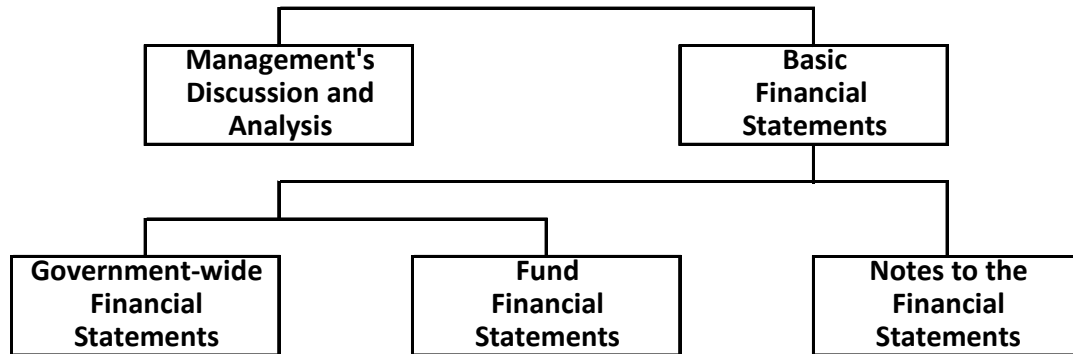
**Town of Whitakers, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Required Components of Annual Financial Report

Figure 1

Figure 1

Required Components of Annual Financial Report



Summary ————— **> Detail**

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, transportation, environmental protection, 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 and storm water services offered by the Town of Whitakers.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Whitakers, like all other governmental

Town of Whitakers, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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 Whitakers can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* 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 Whitakers adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified 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 Whitakers has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Whitakers uses enterprise funds to account for its water, sewer and storm water 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 begin on page 30 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 Whitakers' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 51 of this report.

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

**Town of Whitakers, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

**Town of Whitakers' Net Assets
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 393,327	\$ 564,842	\$ 255,979	\$ 363,738	\$ 649,306	\$ 928,580
Capital assets	284,963	293,533	2,388,597	2,253,141	2,673,560	2,546,674
Total assets	<u>678,290</u>	<u>858,375</u>	<u>2,644,576</u>	<u>2,616,879</u>	<u>3,322,866</u>	<u>3,475,254</u>
Deferred outflows of resources	<u>60,985</u>	<u>32,512</u>	<u>10,763</u>	<u>6,591</u>	<u>71,748</u>	<u>39,103</u>
Long-term liabilities outstanding	104,778	59,830	696,516	703,990	801,294	763,820
Other liabilities	49,614	91,440	103,317	107,358	152,931	198,798
Total liabilities	<u>154,392</u>	<u>151,270</u>	<u>799,833</u>	<u>811,348</u>	<u>954,225</u>	<u>962,618</u>
Deferred inflows of resources	<u>12,326</u>	<u>11,214</u>	<u>601</u>	<u>724</u>	<u>12,927</u>	<u>11,938</u>
Net Position:						
Net investment in						
capital assets	284,963	293,533	1,693,701	1,544,335	1,978,664	1,837,868
Restricted	171,306	161,600	41,225	50,587	212,531	212,187
Unrestricted	<u>116,288</u>	<u>273,270</u>	<u>119,979</u>	<u>216,476</u>	<u>236,267</u>	<u>489,746</u>
Total net position	<u>\$ 572,557</u>	<u>\$ 728,403</u>	<u>\$ 1,854,905</u>	<u>\$ 1,811,398</u>	<u>\$ 2,427,462</u>	<u>\$ 2,539,801</u>

Government-wide Financial Analysis

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 Whitakers exceeded liabilities and deferred inflows by \$2,427,462 as of June 30, 2021. The Town's net position decreased by \$112,339 for the fiscal year ended June 30, 2021. However, the largest portion (81.51%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Whitakers uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Whitakers' 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 Whitakers' net assets \$212,531 (8.76%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$236,267 (9.73%) is unrestricted.

**Town of Whitakers, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 71,259	\$ 69,441	\$ 446,300	\$ 444,765	\$ 517,559	\$ 514,206
Operating grants and contributions	45,741	24,856	-	-	45,741	24,856
Capital grants and contribution	-	-	205,963	22,331	205,963	22,331
General Revenues:						
Property taxes	254,652	251,765	-	-	254,652	251,765
Other taxes and licenses	12	58	-	-	12	58
Unrestricted intergovernmental	238,528	222,511	-	-	238,528	222,511
Investment earnings	603	581	120	335	723	916
Other	<u>60,899</u>	<u>1,028</u>	<u>-</u>	<u>-</u>	<u>60,899</u>	<u>1,028</u>
Total revenues	<u>671,694</u>	<u>570,240</u>	<u>652,383</u>	<u>467,431</u>	<u>1,324,077</u>	<u>1,037,671</u>
Expenses:						
General government	350,909	278,518	-	-	350,909	278,518
Public safety	204,210	161,330	-	-	204,210	161,330
Transportation	162,452	168,873	-	-	162,452	168,873
Environmental protection	104,903	121,950	-	-	104,903	121,950
Cultural and recreation	5,000	5,848	-	-	5,000	5,848
Interest expense	66	-	-	-	66	-
Water and Sewer	<u>-</u>	<u>-</u>	<u>608,876</u>	<u>477,069</u>	<u>608,876</u>	<u>477,069</u>
Total expenses	<u>827,540</u>	<u>736,519</u>	<u>608,876</u>	<u>477,069</u>	<u>1,436,416</u>	<u>1,213,588</u>
Increase (decrease) in net position	(155,846)	(166,279)	43,507	(9,638)	(112,339)	(175,917)
Net position, July 1 as previously reported	728,403	954,941	1,811,398	1,899,446	2,539,801	2,854,387
Prior period adjustment	-	(60,259)	-	(78,410)	-	(138,669)
Cummulative effect of change in accounting principle	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, July 1 as restated	<u>728,403</u>	<u>894,682</u>	<u>1,811,398</u>	<u>1,821,036</u>	<u>2,539,801</u>	<u>2,715,718</u>
Net position, June 30	<u>\$ 572,557</u>	<u>\$ 728,403</u>	<u>\$ 1,854,905</u>	<u>\$ 1,811,398</u>	<u>\$ 2,427,462</u>	<u>\$ 2,539,801</u>

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 95.43%.
- Local option sales tax revenue was \$187,889, an increase of \$16,511 or 9.63% from the previous year.
- The Town received a grant of \$24,108 from Nash and Edgecombe Counties for coronavirus COVID-19 expenditures.
- The Town sold several vacant lots to developers totaling \$49,149 in the current fiscal year.

Town of Whitakers, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Governmental Activities. Governmental activities decreased the Town's net position by \$155,846 compared to a decrease of 166,279 for the previous fiscal year.

Business-type Activities. Business-type activities increased the Town of Whitakers' net position by \$43,507 accounting for 100.00% of the total increase in the Town's net position. The operating income (loss) in the Water and Sewer Fund was (\$134,863). The operating income (loss) for the previous year was (\$4,343) in the Water and Sewer Fund. The operating loss in the Water and Sewer is increased substantially over the previous year due to an increase of \$91,006 (37%) in the cost of water and sewer services purchased from the City of Rocky Mount. The main reason for this increase was due to inflow and infiltration of rain water into the Town's sewer lines.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Whitakers. At the end of the current fiscal year, Town of Whitakers' fund balance available in the General Fund was \$216,841, while total fund balance reached \$293,438. The Town currently has an available fund balance of 27.06% of general fund expenditures and transfers out to other funds less loan proceeds, while total fund balance represents 36.62% of the same amount.

At June 30, 2021, the governmental funds of Town of Whitakers reported a combined fund balance of \$293,438 with a net decrease in fund balance of \$93,394.

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.

Budgeted expenditure appropriations increased during the year by \$275,500 to \$912,191. The largest budget amendment related to General Government expenditures for Salaries, benefits and professional services. The original budget was also amended for public safety and transportation expenditures. Actual expenditures in the General Fund were under budgeted appropriations by \$110,895. Budgeted revenues in the General Fund increased by \$38,100 due to additional grant revenues and increases in sales and miscellaneous revenues.

Proprietary Funds. The Town of Whitakers' 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 \$119,979. The total change in net position for the Water and Sewer Fund was \$43,507. The change in net position in the Water and Sewer Fund is the result of capital contributions of \$205,963 related to the waste water capital project fund.

**Town of Whitakers, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Capital Asset and Debt Administration

Capital Assets. The Town of Whitakers' investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$2,673,560 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Purchase of 2 police vehicles at a cost of \$13,490
- Construction in progress of \$206,731 in waste water capital project fund.

**Town of Whitakers' Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land and construction						
in progress	\$ -	\$ -	\$ 228,731	\$ 22,000	\$ 228,731	\$ 22,000
Distribution and						
treatment systems	-	-	2,159,865	2,231,140	2,159,865	2,231,140
Buildings	263,918	284,566	1	-	263,919	284,566
Infrastructure	-	-	-	-	-	-
Equipment	7,555	8,967	-	-	7,555	8,967
Vehicles	13,490	-	-	-	13,490	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 284,963</u>	<u>\$ 293,533</u>	<u>\$ 2,388,597</u>	<u>\$ 2,253,140</u>	<u>\$ 2,673,560</u>	<u>\$ 2,546,673</u>

Additional information on the Town's capital assets can be found on page 37 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2021, the Town of Whitakers had total bonded debt outstanding of \$564,000. These revenue bonds are secured by the Town's water and sewer revenues. The remainder of the Town's debt represents direct borrowings and placements with the United States Department of Agriculture totaling \$130,896.

Town of Whitakers' Outstanding Debt: The Town of Whitakers' total debt increased by \$37,532 (4.81%) during the current fiscal year. The key factors in this decrease were debt service principal payments of \$13,910; an increase of \$567 in compensation absences; an increase of \$54,179 in the net pension liability for the Local Government Employees Retirement System (LGERS); and a decrease of \$3,304 in the total pension liability for the Law Enforcement Officers Special Separation Allowance (LEOSSA).

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Whitakers is \$2,879,789. Additional information regarding the Town of Whitakers' long-term debt can be found beginning on page 46 of this report.

**Town of Whitakers, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

**Town of Whitakers' Outstanding Debt
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>2020</u>
General obligation bonds	\$ -	\$ -	\$ 564,000	\$ 575,000	\$ 564,000	\$ 575,000
Installment purchases	-	-	130,896	133,806	130,896	133,806
Compensated absences	12,463	11,687	-	209	12,463	11,896
Net pension liability - NCLGERS	89,098	41,428	15,603	9,094	104,701	50,522
Total pension liability - LEOSA	6,333	9,637	-	-	6,333	9,637
Total	<u>\$ 107,894</u>	<u>\$ 62,752</u>	<u>\$ 710,499</u>	<u>\$ 718,109</u>	<u>\$ 818,393</u>	<u>\$ 780,861</u>

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Total budgeted expenditures for the fiscal year ending June 30, 2022 in the General Fund are \$733,906. The property tax rate will increase by \$0.03 to \$0.75 per \$100 of assessed property value. The fiscal year 2022 budget includes an appropriation of restricted Powell Bill fund balance in the amount of \$122,100 for repairs to Town streets and drainage ditches.

Business-type Activities: The budgeted operating revenues and expenditures for the fiscal year 2022 in the Water and Sewer Fund are \$495,350. The budget includes \$296,291 payment to the City of Rocky Mount for the purchase of water and sewer treatment fees.

The Town of Whitakers received \$111,863 from the United States Department of the Treasury from the American Rescue Plan in fiscal year 2022. The Town will receive an equal additional grant in fiscal year 2023. American Rescue Plan grant funds must be obligated by December 31, 2024 and expended by December 31, 2026. The Town plans to use these funds for repairs and improvements to the Town's water and sewer infrastructure, and to pay salaries for Town employees.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Administrator, Town of Whitakers, P. O. Box 727, 302 NW Railroad Street, Whitakers, NC 27891. One can also call (252) 437-4011, visit our website <https://www.townofwhitakers.org/> or send an email to epitt@townofwhitakers.org for more information.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Whitakers, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 144,894	\$ 111,326	\$ 256,220
Taxes receivable, net	53,284	-	53,284
Accounts receivable - net	8,355	58,042	66,397
Due from other governments	44,399	156	44,555
Prepaid expenses	23,843	-	23,843
Restricted cash and cash equivalents	118,552	86,455	205,007
Total Current Assets	393,327	255,979	649,306
<i>Capital Assets</i>			
Land and other nondepreciable assets	-	228,731	228,731
Other capital assets, net of depreciation	284,963	2,159,866	2,444,829
Total Capital Assets	284,963	2,388,597	2,673,560
Total assets	678,290	2,644,576	3,322,866
DEFERRED OUTFLOWS OF RESOURCES	60,985	10,763	71,748
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities	46,605	40,702	87,307
Accrued interest payable	-	3,402	3,402
Customer deposits	-	45,230	45,230
Compensated absences - current	3,116	-	3,116
Current portion of long term liabilities	-	13,983	13,983
Total Current Liabilities	49,721	103,317	153,038
<i>Long-term liabilities:</i>			
Net pension liability - LGERS	89,098	15,603	104,701
Total pension liability - LEO	6,333	-	6,333
Notes payable - noncurrent	-	680,913	680,913
Compensated absences - long-term	9,347	-	9,347
Total Long-Term Liabilities	104,778	696,516	801,294
Total Liabilities	154,499	799,833	954,332
DEFERRED INFLOWS OF RESOURCES	12,219	601	12,820
NET POSITION			
Net investment in capital assets	284,963	1,693,701	1,978,664
<i>Restricted for:</i>			
Stabilization by State Statute	52,754	-	52,754
Streets	118,552	-	118,552
Pursuant to loan requirements	-	41,225	41,225
<i>Unrestricted</i>	116,288	119,979	236,267
Total Net Position	\$ 572,557	\$ 1,854,905	\$ 2,427,462

The accompanying notes are an integral part of this financial statement.

Town of Whitakers, North Carolina
Statement of Activities
For the Fiscal 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	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 350,909	\$ 550	\$ -	\$ -	\$ (350,359)	\$ -	\$ (350,359)
Public safety	204,210	32	24,451	-	(179,727)	-	(179,727)
Transportation	162,452	-	20,901	-	(141,551)	-	(141,551)
Environmental protection	104,903	70,677	-	-	(34,226)	-	(34,226)
Cultural and recreation	5,000	-	389	-	(4,611)	-	(4,611)
Interest on long-term debt	66	-	-	-	(66)	-	(66)
Total governmental activities	827,540	71,259	45,741	-	(710,540)	-	(710,540)
Business-type activities:							
Water and sewer	608,876	446,300	-	205,963	-	43,387	43,387
Total business-type activities	608,876	446,300	-	205,963	-	43,387	43,387
Total primary government	\$ 1,436,416	\$ 517,559	\$ 45,741	\$ 205,963	(710,540)	43,387	(667,153)

General revenues:

Taxes:

Property taxes, levied for general purpose	254,652	-	254,652
Other taxes	12	-	12
Grants and contributions not restricted to specific program:	238,528	-	238,528
Unrestricted investment earnings	603	120	723
Miscellaneous, unrestricted	38,124	-	38,124
Gain (Loss) on sale of assets	22,775	-	22,775
Total general revenues, special items, and transfers	554,694	120	554,814
Change in net position	(155,846)	43,507	(112,339)
Net position-beginning, previously reported	728,403	1,789,067	2,517,470
Prior period adjustment	-	22,331	22,331
Net position-beginning, as restated	728,403	1,811,398	2,539,801
Net position-ending	\$ 572,557	\$ 1,854,905	\$ 2,427,462

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

FUND FINANCIAL STATEMENTS

Town of Whitakers, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	Major Fund General Fund	Total Governmental Fund
ASSETS		
Cash and cash equivalents	\$ 144,894	\$ 144,894
Restricted cash and cash equivalents	118,552	118,552
Taxes receivable, net	53,284	53,284
Accounts receivable - garbage	8,355	8,355
Due from other governments	44,399	44,399
Prepaid expenses	23,843	23,843
Total assets	<u>393,327</u>	<u>393,327</u>
LIABILITIES		
Accounts payable and accrued liabilities	46,605	46,605
Total Liabilities	<u>46,605</u>	<u>46,605</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	53,284	53,284
Unearned revenue	-	-
Total deferred inflows of resources	<u>53,284</u>	<u>53,284</u>
FUND BALANCES		
Restricted:		
Stabilization by State Statute	52,754	52,754
Streets	118,552	118,552
Assigned:		
Subsequent year's expenditures	174,923	174,923
Unassigned	(52,791)	(52,791)
Total Fund Balance	<u>293,438</u>	<u>293,438</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 393,327</u></u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	1,139,274	
Accumulated depreciation	<u>(854,311)</u>	284,963

Deferred outflows of resources related to pensions are not reported in the funds

Earned revenues considered deferred inflows of resources in the fund statements.

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.

Net pension liability	(89,098)	
Total pension liability - LEO	(6,333)	
Compensated absences	<u>(12,463)</u>	(107,894)

Deferred inflows of resources related to pensions are not reported in the funds

Net position of governmental activities		<u><u>\$ 572,557</u></u>
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The accompanying notes are an integral part of this financial statement.

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

	Major Fund	Total Governmental
	General Fund	Fund
Revenues		
Ad valorem taxes	\$ 264,486	\$ 264,486
Other taxes and licenses	12	12
Unrestricted intergovernmental	238,528	238,528
Restricted intergovernmental	45,741	45,741
Sales and services	70,677	70,677
Permits and fees	582	582
Investment earnings	603	603
Miscellaneous Income	38,124	38,124
Total revenues	658,753	658,753
EXPENDITURES		
Current:		
General Government	318,320	318,320
Public Safety	211,195	211,195
Transportation	161,812	161,812
Environmental protection	104,903	104,903
Cultural and recreation	5,000	5,000
Debt Service:		
Interest	66	66
Total Expenditures	801,296	801,296
Excess (deficiency) of revenues over expenditures	(142,543)	(142,543)
Other Financing Sources		
Sale of capital assets	49,149	49,149
Net change in fund balance	(93,394)	(93,394)
Fund balances, beginning	386,832	386,832
Fund balances, ending	\$ 293,438	\$ 293,438

The accompanying notes are an integral part of this financial statement.

Town of Whitakers, North Carolina
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2021

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

Total Net Change in Fund Balances - Governmental Funds	\$	(93,394)
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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 as reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 13,490	
Depreciation expense for governmental assets	<u>(22,060)</u>	(8,570)

Basis of capital assets sold		(26,374)
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		-
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Revenues in the Statements of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		(9,834)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense	(16,898)	
Compensated absences	<u>(776)</u>	(17,674)

Changes in Net Position-Governmental Funds	\$	<u>(155,846)</u>
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The accompanying notes are an integral part of this financial statement.

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

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Ad valorem taxes	\$ 247,372	\$ 247,372	\$ 264,486	\$ 17,114
Other taxes and licenses	-	-	12	12
Unrestricted intergovernmental	218,063	238,063	238,528	465
Restricted intergovernmental	24,645	48,878	45,741	(3,137)
Sales and services	87,880	87,880	70,677	(17,203)
Permits and fees	1,977	2,527	582	(1,945)
Investment earnings	477	477	603	126
Miscellaneous Income	13,584	6,901	38,124	31,223
Total revenues	593,998	632,098	658,753	26,655
EXPENDITURES				
Current:				
General Government	190,676	312,188	318,320	(6,132)
Public Safety	181,835	230,493	211,195	19,298
Transportation	182,245	236,575	161,812	74,763
Environmental protection	76,935	127,835	104,903	22,932
Cultural and recreation	5,000	5,000	5,000	-
Debt Service:				
Interest	-	100	66	34
Total Expenditures	636,691	912,191	801,296	110,895
Excess (deficiency) of revenues over expenditures	(42,693)	(280,093)	(142,543)	137,550
Other Financing Sources				
Sale of capital assets	-	16,400	49,149	32,749
Fund balance appropriated	42,693	263,693	-	(263,693)
Net change in fund balance	\$ -	\$ -	(93,394)	\$ (93,394)
Fund balances, beginning			386,832	
Fund balances, ending			<u>\$ 293,438</u>	

The accompanying notes are an integral part of this financial statement.

Town of Whitakers, North Carolina
Statement of Net Position
Proprietary Fund
June 30, 2021

ASSETS

Current assets:

Cash and cash equivalents	\$ 111,326	\$ 111,326
Restricted cash and cash equivalents	86,455	86,455
Accounts receivable (net) - billed	54,235	54,235
Due from other governments	156	156
Other receivables	3,807	3,807
Total current assets	255,979	255,979

Noncurrent assets:

Capital assets:

Land and other non-depreciable assets	228,731	228,731
Other capital assets, net of depreciation	2,159,866	2,159,866
Total noncurrent assets	2,388,597	2,388,597
Total assets	\$ 2,644,576	\$ 2,644,576

DEFERRED OUTFLOWS OF RESOURCES

10,763	10,763
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LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	\$ 40,702	\$ 40,702
Accrued interest payable	3,402	3,402
Compensated absences - current	-	-
Notes payable - current	13,983	13,983
Liabilities payable from restricted assets:		
Customer deposits	45,230	45,230
Total current liabilities	103,317	103,317

Long-term liabilities:

Compensated absences - noncurrent	-	-
Notes payable - noncurrent	680,913	680,913
Net pension liability	15,603	15,603
Total long-term liabilities	696,516	696,516
Total liabilities	799,833	799,833

DEFERRED INFLOWS OF RESOURCES

601	601
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NET ASSETS

Net investment in capital assets	1,693,701	1,693,701
Restricted pursuant to loan requirements	41,225	41,225
Unrestricted	119,979	119,979
Total net position	\$ 1,854,905	\$ 1,854,905

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

Town of Whitakers, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
June 30, 2021

	Major Enterprise Funds	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 445,208	\$ 445,208
Other operating revenues	1,092	1,092
Total operating revenues	446,300	446,300
OPERATING EXPENSES		
Water treatment and distribution	171,118	171,118
Water purchases	338,770	338,770
Depreciation expense	71,275	71,275
Total operating expenses	581,163	581,163
Operating income (loss)	(134,863)	(134,863)
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	120	120
Interest and other charges	(27,713)	(27,713)
Total nonoperating revenue (expenses)	(27,593)	(27,593)
Income (loss) before contributions and transfers	(162,456)	(162,456)
Capital contributions	205,963	205,963
Transfers (to) from other funds	-	-
Change in net position	43,507	43,507
Total net position - beginning as previously reported	1,789,067	1,789,067
Prior period adjustment	22,331	22,331
Total net position - beginning as restated	1,811,398	1,811,398
Total net position - ending	\$ 1,854,905	\$ 1,854,905

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

Town of Whitakers, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 490,662	\$ 490,662
Cash paid for goods and services	(478,715)	(478,715)
Cash paid to employees	(24,256)	(24,256)
Customer deposits received and returned, net	(8,747)	(8,747)
Net cash provided (used) by operating activities	<u>(21,056)</u>	<u>(21,056)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due from other funds	-	-
Due to other funds	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(206,731)	(206,731)
Capital Contributions - Federal, state and local grants	205,963	205,963
Principal paid on bonds payable	(13,910)	(13,910)
Interest paid on bonds payable	(27,783)	(27,783)
Net cash provided (used) by capital and related financing activities	<u>(42,461)</u>	<u>(42,461)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	120	120
Net cash (used) by investing activities	<u>120</u>	<u>120</u>
Net increase (decrease) in cash and cash equivalents	(63,397)	(63,397)
Balances-beginning of the year	261,178	261,178
Balances-end of the year	<u>\$ 197,781</u>	<u>\$ 197,781</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ (134,863)	\$ (134,863)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	71,275	71,275
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	42,236	42,236
(Increase) decrease in other receivables	2,126	2,126
(Increase) decrease in deferred outflows of resources	(4,172)	(4,172)
Increase (decrease) in accounts payable and accrued liabilities	4,912	4,912
Increase (decrease) in accrued interest payable	-	-
Increase (decrease) in customer prepayments	(8,079)	(8,079)
Increase (decrease) in customer deposits	(668)	(668)
Increase (decrease) in compensated absences	(209)	(209)
Increase (decrease) in deferred inflows of resources	(123)	(123)
Increase (decrease) in net pension liability	6,509	6,509
Total adjustments	113,807	113,807
Net cash provided by operating activities	<u>\$ (21,056)</u>	<u>\$ (21,056)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Town of Whitakers, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

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. Nonoperating revenues, such as subsidies, result from non-exchange transactions. Other nonoperating 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, State grants, and various other taxes and licenses. The primary expenditures are for sanitation, street maintenance, public safety and general government services.

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.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Whitakers because the tax is levied by County and then remitted to and distributed by the State.

Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there 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 and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances when needed are adopted for the Enterprise Fund Capital Projects Fund, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State Law [G.S. 159-30(c)], authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning 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 is a 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 six months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meets 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 statement of net position.

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

10. Compensated Absences

The vacation policies of the Town provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and 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 and proprietary fund 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.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town does not have any nonspendable fund balances for the governmental fund types.

Prepaid items – The portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending prepaid items, which are not expendable, available resources.

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

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal

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

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 unexpected Powell Bill funds.

Restricted for USDA – portion of fund balance that is restricted by revenue source for certain debt related expenditures.

Committed fund balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Whitakers’ 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 otherwise revise the limitation.

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

Subsequent Years’ Expenditures – portion of fund balance that is appropriated in the next years’ budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

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

12. Use of Estimates

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

13. Defined Benefit Cost Sharing Plan

For the 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 to LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Whitakers’s employer contributions are recognized when due and the Town of Whitakers 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.

14. Subsequent Events – Date of Management’s Evaluation

Management has evaluated subsequent events through the date of the independent auditors’ report, the date which the financial statements were available to be issued.

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Noncompliance with North Carolina General Statutes

The Town has expenditures in the General fund that exceeded budget amounts by \$93,394 and the Water and Sewer fund by \$103,156.

B. Significant Violation of Finance-Related Legal and Contractual Provisions

The Town has an outstanding loan with the United States Department of Agriculture for the construction of a wastewater treatment facility which includes a covenant that requires the Town to maintain a debt coverage ratio (operating revenues less operating expenses excluding debt service principal and interest and depreciation) equal to 110% of current year debt service expenditures. For the fiscal year ended June 30, 2021, the Town’s debt coverage ratio in the Water and Sewer Fund was (152.33%), less than the required 110%. Management will more closely monitor their debt coverage ratio.

NOTE III – DETAILS NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town’s agents in these unit’s names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town’s agents in 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 provisions 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 \$461,077 and a bank balance of \$542,106. Of the bank balances, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town’s petty cash fund totaled \$150.

2. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position is net of the allowance for doubtful accounts. As of June 30, 2021, the General Fund's allowance for doubtful accounts was \$59,139, and the Water and Sewer Fund's allowance for doubtful accounts was \$140,575.

3. Capital Assets

Governmental Capital Assets

A summary of changes in the Town's capital assets used in governmental activities follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated:				
Buildings	869,901	-	-	869,901
Equipment	108,442	-	-	108,442
Vehicles	147,441	13,490	-	160,931
Total capital assets being depreciated	1,125,784	13,490	-	1,139,274
Less Accumulated Depreciation				
Buildings	585,335	20,648	-	605,983
Equipment	99,475	1,412	-	100,887
Vehicles	147,441	-	-	147,441
Total Accumulated Depreciable	832,251	\$ 22,060	\$ -	854,311
Total capital assets being depreciated, net	293,533			284,963
Governmental activity capital assets, net	\$ 293,533			\$ 284,963

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

General Government	\$ 16,375
Public Safety	5,045
Transportation	640
Total	\$ 22,060

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 228,731	\$ -	\$ 228,731
Capital assets being depreciated:				
Plant and distribution systems	3,463,983	-	-	3,463,983
Buildings	3,436	-	-	3,436
Total capital assets being depreciated	3,467,419	-	-	3,467,419
Less Accumulated Depreciation				
Plant and distribution systems	1,232,843	71,275	-	1,304,118
Buildings	3,435	-	-	3,435
Total Accumulated Depreciable	1,236,278	\$ 71,275	\$ -	1,307,553
 Total capital assets being depreciated, net	 <u>2,231,141</u>			 <u>2,159,866</u>
 Water and Sewer Fund capital assets, net	 <u><u>\$ 2,231,141</u></u>			 <u><u>\$ 2,388,597</u></u>

B. Liabilities

1. Pension Plan and Postemployment Obligations Local

Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's

contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Whitakers 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 Whitakers' contractually required contribution rate for the year ended June 30, 2021, was 10.15% 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 Whitakers were \$21,714 for the year ended June 30, 2021.

Refunds of Contributions – City 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, 2021, the Town reported a liability of \$104,701 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 liability 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 0.003% which was a decrease of 0.002% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$44,690. At June 30, 2021, 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	\$ 13,222	\$ -
Changes of assumptions	7,792	-
Net difference between projected and actual earnings on pension plan investments	14,734	-
Changes in proportion and differences between City contributions and proportionate share of contributions	13,878	2,999
City contributions subsequent to the measurement date	21,714	-
Total	<u>\$ 71,340</u>	<u>\$ 2,999</u>

\$21,714 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:

2022	\$ 14,229
2023	16,801
2024	11,235
2025	4,362
2026	-
Thereafter	-

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	3.50 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, 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, 2020 are summarized in the following table:

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%
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 2019 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 212,428	\$ 104,701	\$ 15,173

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 (ACFR) for the State of North Carolina.

2. Law Enforcement Officers Special Separation Allowance

Plan Description. The Town 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 worn 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 services.

The Separation Allowance is equal to 0.85 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 Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2021, the Separation Allowance's membership consisted of:

Inactive Members Currently Receiving Benefits	-
Active Plan Members	<u>2</u>
Total	<u>2</u>

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 terms of the plan.

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

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2020, valuation. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods including in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factors
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, 2020.

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

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 as benefits came due for the reporting period.

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

For the year ended June 30, 2022, the Town recognized total pension liability of \$6,333. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of (\$1,092).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13	\$ 8,583
Changes of assumptions	395	1,238
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 408</u>	<u>\$ 9,821</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pension liability will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 2,987
2023	3,185
2024	2,571
2025	670
2026	-
Thereafter	-

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 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total Pension liability	\$ 6,549	\$ 6,333	\$ 6,119

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

	2021
Balance at July 1, 2020	\$ 9,637
Changes for the year	
Service cost	1,592
Interest	314
Changes of benefit terms	-
Differences between expected and actual experience	(3,970)
Changes in assumptions of other inputs	(1,240)
Benefit payments	-
Net changes	<u>(3,304)</u>
Balance at June 30, 2021	<u>\$ 6,333</u>

The plan currently uses mortality tables that vary by age and health status (i.e. disables 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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 17,990	\$ (1,092)	\$ 16,898
Pension Liability	104,701	6,333	111,034
Proportionate share of the net pension liability	0.00293%	N/A	

Deferred Outflows of Resources

Differences between expected and actual experience	13,222	13	13,235
Changes in assumptions	7,792	395	8,187
Net difference between projected and actual earnings on plan investments	14,734	-	14,734
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,878	-	13,878
Benefit payments and administrative costs paid subsequent to the measurement date	21,714	-	21,714

Deferred Inflows of Resources

Differences between expected and actual experience	-	8,583	8,583
Changes in assumptions	-	1,238	1,238
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,999	-	2,999

3. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021, were \$6,052. No amounts were forfeited.

4. Supplemental Retirement Income Plan for General Employees

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees.

The Plan provides retirement benefits to Town employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021, were \$12,408.

5. Other Employment Benefit

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 employees' death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engagement in law enforcements and for law enforcement officers. The Town considers these contributions to be immaterial.

6. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 21,714
Differences between expected and actual experience	13,235
Changes in assumptions	8,187
Net difference between projected and actual earnings on pension plan investments	14,734
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,878
Total	\$ 71,748

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 53,284
Differences between expected and actual experience	8,583	-
Changes in assumptions	1,238	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,999	-
Total	\$ 12,820	\$ 53,284

7. Risk Management

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

8. Long Term Obligations

a. Debt Agreements

Revenue Bonds:

In August 2008, the Town entered into a direct placement agreement for a U.S. Department of Agriculture revenue bond for water and sewer improvements. The agreement requires variable principal payments, due on August 25, beginning in fiscal year 2012 and succeeding through June 1, 2048 with interest at 4.25%. The balance owed on this note was \$564,000 at June 30, 2021. Future maturities of the revenue bond are as follows:

	Principal	Interest	Total
Year ending June 30, 2022	\$ 11,000	\$ 24,438	\$ 35,438
Year ending June 30, 2023	12,000	23,970	35,970
Year ending June 30, 2024	12,000	23,502	35,502
Year ending June 30, 2025	13,000	22,482	35,482
Year ending June 30, 2026	13,000	21,930	34,930
Years ending June 30, 2027-2031	75,000	100,767	175,767
Years ending June 30, 2032-2036	93,000	83,343	176,343
Years ending June 30, 2037-2041	116,000	61,837	177,837
Years ending June 30, 2042-2046	148,000	34,510	182,510
Years ending June 30, 2047-2048	71,000	4,632	75,632
Total	\$ 564,000	\$ 401,411	\$ 965,411

The Town is not in compliance with the covenants as to rates, fees, rentals and charges as required by the bond agreement, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2008, since its adoption in 2008. The debt service coverage ratio for the year ended June 30, 2021 is as follows:

Operating revenues	460,035
Operating expenses (1)	<u>523,772</u>
Operating loss	(63,737)
Non-operating revenues (expenses)	<u>120</u>
Income available for debt service	(63,617)
Debt service, principal and interest paid	<u>41,763</u>
Debt service coverage ratio	<u>(152.33%)</u>

(1) Per rate covenant, operating expenses do not include depreciation expense of \$84,261 or interest expense of \$27,783.

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay the revenue bonds issued in August 2008. Proceeds from the revenue bonds were used to provide water and sewer system improvements. The bonds are payable solely from water and sewer customer net revenues and are payable through 2048. Annual principal and interest payments on the bonds are expected to require less than 110% of net revenues. The total principal and interest remaining to be paid on the bonds is \$965,411. Principal and interest paid for the current year were \$35,437.

Direct Borrowing Agreement

In January 2012, the Town entered into a direct borrowing agreement with the U.S. Department of Agriculture for additional water and sewer improvements. The agreement requires principal and interest payments beginning in fiscal year 2012 and succeeding through January 14, 2052 with interest of 2.50%. The Town has pledged future water and sewer customer revenues, net of specified operating expenses to pay the principal and interest. The balance owed on this note was \$130,896 at June 30, 2021. Future maturities of installment debt are as follows:

	Principal	Interest	Total
Year ending June 30, 2022	\$ 2,983	\$ 3,272	\$ 6,255
Year ending June 30, 2023	3,057	3,198	6,255
Year ending June 30, 2024	3,133	3,122	6,255
Year ending June 30, 2025	3,212	3,043	6,255
Year ending June 30, 2026	3,292	2,963	6,255
Years ending June 30, 2027-2031	17,738	13,537	31,275
Years ending June 30, 2032-2036	20,069	11,206	31,275
Years ending June 30, 2037-2041	22,706	8,569	31,275
Years ending June 30, 2042-2046	25,689	5,586	31,275
Years ending June 30, 2047-2051	29,017	2,258	31,275
Total	<u>\$ 130,896</u>	<u>\$ 56,754</u>	<u>\$ 187,650</u>

At June 30, 2021, Town of Whitakers, North Carolina had a legal debt margin of \$2,879,789.

b. Changes in Long-Term Obligations

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Net pension liability (LGERS)	\$ 41,428	\$ 47,670	\$ -	\$ 89,098	\$ -
Net pension liability (LEO)	9,637	-	3,304	6,333	-
Compensated absences	11,687	776	-	12,463	3,116
Total long-term liabilities	<u>\$ 62,752</u>	<u>\$ 48,446</u>	<u>\$ 3,304</u>	<u>\$ 107,894</u>	<u>\$ 3,116</u>

Business-type Activities:

Water and Sewer Fund

Compensated absences	\$ 209	\$ -	\$ 209	\$ -	\$ -
Net pension liability (LGERS)	9,094	6,509	-	15,603	-
Direct Placement	575,000	-	11,000	564,000	11,000
Direct Borrowing	133,806	-	2,910	130,896	2,983
Total long-term liabilities	<u>\$ 718,109</u>	<u>\$ 6,509</u>	<u>\$ 14,119</u>	<u>\$ 710,499</u>	<u>\$ 13,983</u>

9. Claims, Judgments and Contingent Liabilities

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

C. Fund Balance

The following schedule provides management and citizens with information on the portion of General Fund Balance that is available for appropriations:

Total Fund Balance-General Fund	\$ 293,438
Less:	
Stabilization by State Statute	52,754
Streets-Powell Bill	118,552
Subsequent year's expenditures	174,923
Working Capital/Fund Balance Policy	-
Remaining Fund Balance	<u>\$ (52,791)</u>

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

The Town of Whitakers has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least

equal to or greater than 10% of budgeted expenditures. This amount is reported as assigned fund balance for subsequent year's expenditures.

NOTE 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 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.

NOTE V – COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Absent any government order or contagion of its workforce, the Town plans to continue its normal operations while taking all reasonable efforts to protect its citizens and employees. The Town's financial position and results of operations as of and for the fiscal year ended June 30, 2021 have not been materially impacted with this pandemic through that date. However, the Town cannot reasonably estimate the length or severity of this pandemic or the extent to which the disruption may materially impact its future financial statements through the distribution of intergovernmental revenues by the State of North Carolina and collection of property and vehicle taxes. The Town receive CARES Act funds passed through from Martin County in December 2020 and January 2021 totaling \$7,299.

Required Supplemental Financial Data

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability for Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for Law Enforcement Officers' Special Separation Allowance

Town of Whitakers, North Carolina
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Required Supplementary Information
Last Eight Fiscal Years *

	2021	2020	2019	2018	2017	2016	2015	2014
Board's proportion of the net pension liability (asset)	0.00293%	0.00185%	0.00280%	0.00297%	0.00312%	0.00391%	0.00292%	0.00360%
Board's proportionate share of the net pension liability (asset)	\$ 104,701	\$ 50,522	\$ 66,426	\$ 45,373	\$ 66,217	\$ 17,549	\$ (17,220)	\$ 43,394
Board's covered-employee payroll	\$ 184,523	\$ 247,530	\$ 206,218	\$ 251,755	\$ 266,679	\$ 265,182	\$ 253,154	\$ 241,644
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	56.74%	20.41%	32.21%	18.02%	24.83%	6.62%	-6.80%	17.96%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	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 Whitakers, North Carolina
Schedules of Contributions
Required Supplementary Information
Last Eight Fiscal Years *

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 21,714	\$ 16,894	\$ 19,071	\$ 16,641	\$ 18,842	\$ 18,293	\$ 18,847	\$ 17,955
Contributions in relation to the contractually required contribution	21,714	16,894	19,071	16,641	18,842	18,293	18,847	17,955
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board covered-employee payroll	\$ 208,624	\$ 184,523	\$ 247,530	\$ 206,218	\$ 251,755	\$ 266,679	\$ 265,182	\$ 253,154
Contributions as a percentage of covered-employee payroll	10.41%	9.16%	7.70%	8.07%	7.48%	6.86%	7.11%	7.09%

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

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

	2021	2020	2019	2018
Beginning balance	\$ 9,637	\$ 10,934	\$ 15,973	\$ 12,209
Service cost	1,592	2,029	1,960	1,828
Interest on the total pension liability	314	398	505	471
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(3,970)	(3,837)	(6,968)	49
Changes of assumptions or other inputs	(1,240)	113	(536)	1,416
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 6,333</u>	<u>\$ 9,637</u>	<u>\$ 10,934</u>	<u>\$ 15,973</u>

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

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

	2021	2020	2019	2018	2017
Total pension liability	\$ 6,333	\$ 9,637	\$ 10,934	\$ 15,973	\$ 12,209
Covered payroll	78,121	50,725	47,456	45,145	76,981
Total pension liability as a percentage of covered payroll	8.11%	19.00%	23.04%	35.38%	15.86%

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

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Whitakers, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad Valorem Taxes			
Taxes		262,328	
Interest		2,158	
Total	247,372	264,486	17,114
Other Taxes			
Dog tax		12	
Total	-	12	12
Unrestricted Intergovernmental Revenues			
Local option sales tax		187,889	
Franchise taxes		43,269	
Beer & wine tax		2,886	
ABC distribution		4,484	
Total	238,063	238,528	465
Restricted Intergovernmental Revenues			
Powell Bill allocation		20,901	
Cops grant revenue		343	
Solid waste disposal tax		389	
CARES Act funding		24,108	
Total	48,878	45,741	(3,137)
Sales and services			
Solid waste fees		68,877	
Cemetery lot sales		1,800	
Total	87,880	70,677	(17,203)
Permits and fees			
Zoning and building permits		32	
Court fees		550	
Total	2,527	582	(1,945)
Investment earnings	477	603	126
Miscellaneous revenue	6,901	38,124	31,223
Total Revenues	632,098	658,753	26,655

Continued

Town of Whitakers, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General Government			
Administration			
Salaries and employee benefits		116,126	
Utilities		13,679	
Professional services		110,979	
Insurance		2,483	
Other operating expenditures		41,786	
Governing board		33,267	
Total general government	<u>312,188</u>	<u>318,320</u>	<u>(6,132)</u>
Public safety			
Police			
Salaries and employee benefits		111,100	
Professional services		16,314	
Supplies		4,263	
Uniforms		1,400	
Repairs and maintenance		7,676	
Utilities		-	
Communication services		666	
Insurance		13,721	
Other operating expenditures		18,430	
Total		<u>173,570</u>	
Fire Department			
Total		<u>22,500</u>	
COVID-19 Grant			
Total		<u>15,125</u>	
Total public safety	<u>230,493</u>	<u>211,195</u>	<u>19,298</u>
Transportation			
Streets and highways			
Salaries and employee benefits		99,543	
Professional services		1,448	
Supplies		4,831	
Vehicle maintenance		2,756	
Street lights		21,112	
Repairs and maintenance		2,655	
Insurance		7,574	
Capital outlay		-	
Other expenditures		11,966	
Total		<u>151,885</u>	
Powell Bill			
Repairs and maintenance		<u>6,267</u>	
Railroad Gates		<u>3,660</u>	
Total transportation	<u>236,575</u>	<u>161,812</u>	<u>74,763</u>

Continued

Town of Whitakers, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2021

Environmental protection			
Solid waste			
Salaries and employee benefits		6,622	
Utilities		-	
Repairs and maintenance		1,972	
Supplies		228	
Landfill services		6,226	
Recycling charges		6,495	
Professional services		3,831	
Contracted services		71,395	
Insurance		7,417	
Other expenditures		717	
Total		<u>104,903</u>	
Cemetery:			
Other operating expenditures		<u>-</u>	
Total environmental protection	<u>127,835</u>	<u>104,903</u>	<u>22,932</u>
Cultural and recreation			
Library			
Other operating expenditures	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total cultural and recreation	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Debt Service			
Interest	<u>100</u>	<u>66</u>	<u>(34)</u>
Total debt service	<u>100</u>	<u>66</u>	<u>(34)</u>
Total expenditures	<u>912,191</u>	<u>801,296</u>	<u>110,895</u>
Revenues over (under) expenditures	\$ (280,093)	\$ (142,543)	\$ 137,550
Other financing sources (uses)			
Appropriated fund balance	263,693	-	(263,693)
Gain (loss) on sale of assets	<u>16,400</u>	<u>49,149</u>	<u>32,749</u>
Total	<u>280,093</u>	<u>49,149</u>	<u>(230,944)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>(93,394)</u>	<u>\$ (93,394)</u>
Fund balances, beginning		<u>386,832</u>	
Fund balances, ending		<u>\$ 293,438</u>	

Town of Whitakers, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues			
Charges for services		445,208	
Other operating revenues		1,092	
Total operating revenues	486,230	446,300	(39,930)
Non-operating revenues			
Interest on investments		120	
Total non-operating revenues	-	120	120
Total Revenues	486,230	446,420	(39,810)
Expenditures:			
Water and sewer operations			
Salaries and employee benefits		24,256	
Bad debts		37,323	
Insurance		9,207	
Other operating expenses		2,085	
Professional services		35,723	
Repairs and maintenance		50,165	
Supplies		289	
Utilities		10,065	
Vehicle maintenance		-	
Capital outlay		-	
Total	158,452	169,113	(10,661)
Utility purchases:			
Utility purchases		338,770	
Total	360,000	338,770	21,230
Debt service			
Principal		13,910	
Interest		27,783	
Total	43,778	41,693	2,085
Total expenditures	562,230	549,576	12,654
Revenues over (under) expenditures	(76,000)	(103,156)	(27,156)
Appropriated fund balance	76,000	-	(76,000)
Revenues and appropriated fund balance over (under) expenditures	\$ -	\$ (103,156)	\$ (27,156)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation expense		(71,275)	
Principal retirement		13,910	
(Increase) decrease in deferred outflows of resources		4,172	
Increase (decrease) in accrued interest payable		70	
Increase (decrease) in compensated absences		209	
Increase (decrease) in deferred inflows of resources		123	
Increase (decrease) in net pension liability		(6,509)	
Capital contributions - capital projects fund		205,963	
Total		146,663	
Change in net position		\$ 43,507	

Town of Whitakers, North Carolina
Wastewater Bond Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021 and From Inception

		Actual			Variance
	Project	Prior	Current	Total Project	Favorable
	Authorization	Years	Year	to Date	(Unfavorable)
REVENUES					
NC Department of Environmental Quality	\$ 1,789,530	\$ 22,331	\$ 205,963	\$ 228,294	\$ 1,561,236
Total revenues	1,789,530	22,331	205,963	228,294	1,561,236
EXPENDITURES					
Engineering	114,900	22,000	41,195	63,195	51,705
Grant Administration	135,000	-	102,000	102,000	33,000
Land Surveying Cost	12,755	-	-	-	12,755
Engineering Report	7,500	-	-	-	7,500
Inspection / Construction Observation	126,100	-	59,205	59,205	66,895
As-Built (new Clean Outs and Map)	9,887	-	-	-	9,887
Advertising	1,500	-	4,331	4,331	(2,831)
Reimbursable Expenses	1,500	-	-	-	1,500
Environmental Preparation	12,447	-	-	-	12,447
Legal Costs	10,000	-	-	-	10,000
Construction	1,282,944	-	-	-	1,282,944
Contingency	74,997	-	-	-	74,997
Total expenditures	1,789,530	22,000	206,731	228,731	1,560,799
Revenues over (under) expenditures	-	331	(768)	(437)	437
Revenues over (under) expenditures	\$ -	\$ 331	\$ (768)	\$ (437)	\$ 437

Town of Whitakers, North Carolina
DWSRF Project #1995

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021 and From Inception

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total Project to Date	
REVENUES					
NC Department of Environmental Quality	\$ 750,000	\$ -	\$ -	\$ -	\$ 750,000
Total revenues	750,000	-	-	-	750,000
EXPENDITURES					
Construction	590,500	-	-	-	590,500
Engineering design	60,000	-	-	-	60,000
Closing fee	15,000	-	-	-	15,000
Permitting	1,000	-	-	-	1,000
Land surveying costs	5,000	-	-	-	5,000
Engineering reprot preparation	25,000	-	-	-	25,000
Environmental document prep	15,000	-	-	-	15,000
Legal costs	1,000	-	-	-	1,000
Grant / loan administration	50,000	-	-	-	50,000
Other reimbursables	2,500	-	-	-	2,500
Total expenditures	765,000	-	-	-	765,000
Revenues over (under) expenditures	(15,000)	-	-	-	(15,000)
Revenues over (under) expenditures	(15,000)	-	-	-	(15,000)
OTHER FINANCING SOURCES:					
Transfers to/from other funds:					
Transfer from Water and Sewer Fund	15,000	-	-	-	15,000
Total other financing sources	15,000	-	-	-	15,000
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Whitakers, North Carolina
Sewer Line Rehabilitation Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021 and From Inception

		Actual			Variance
	Project	Prior	Current	Total Project	Favorable
	Authorization	Years	Year	to Date	(Unfavorable)
REVENUES					
Sanitary Sewer Rehab Grant	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
Total revenues	500,000	-	-	-	500,000
EXPENDITURES					
Construction	525,476	-	-	-	525,476
Closing fee	13,000	-	-	-	13,000
Engineering	45,524	-	-	-	45,524
Planning	-	-	-	-	-
Permitting	1,500	-	-	-	1,500
Grant Administration	50,000	-	-	-	50,000
Land surveying costs	3,000	-	-	-	3,000
Engineering report preparation	15,000	-	-	-	15,000
Environmental document prep	7,500	-	-	-	7,500
Legal costs	1,000	-	-	-	1,000
Other reimbursables	1,000	-	-	-	1,000
Contingency	-	-	-	-	-
Total expenditures	663,000	-	-	-	663,000
Revenues over (under) expenditures	(163,000)	-	-	-	(163,000)
Revenues over (under) expenditures	(163,000)	-	-	-	(163,000)
OTHER FINANCING SOURCES:					
Proceeds from long-term debt	150,000	-	-	-	150,000
Transfers to/from other funds:					
Transfer from Water and Sewer Fund	13,000	-	-	-	13,000
Total other financing sources	163,000	-	-	-	163,000
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -

Other Schedules

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

Town of Whitakers, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2021

Fiscal Year	Uncollected Balance 7/1/2020	Additions	Collections and Credits	Uncollected Balance 6/30/2021
2021	\$ -	\$ 259,181	\$ 247,338	\$ 11,843
2020	30,814	-	9,415	21,399
2019	17,049	-	2,888	14,161
2018	15,255	-	1,209	14,046
2017	9,658	-	594	9,064
2016	9,828	-	60	9,768
2015	8,426	-	103	8,323
2014	8,773	-	42	8,731
2013	7,723	-	149	7,574
2012	7,781	-	269	7,512
2011	6,949	-	6,949	-
	<u>\$ 122,256</u>	<u>\$ 259,181</u>	<u>\$ 269,016</u>	<u>\$ 112,421</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>59,137</u>
Ad valorem taxes receivable - net				<u>\$ 53,284</u>
Reconciliation with Revenues				
Taxes - ad valorem - General Fund				264,486
Reconciling items:				
Taxes written off				6,688
Interest collected				(2,158)
Collections - prior year taxes written off				-
Refunds				-
Subtotal				<u>4,530</u>
Total collections and credits				<u>\$ 269,016</u>

Town of Whitakers, North Carolina
General Fund
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2021

	Property Valuation	Rate per \$100	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax at current year's tax rate	\$ 35,997,361	\$ 0.72	\$ 259,181	\$ 225,603	\$ 33,578
Releases	<u>\$ -</u>	<u>\$ 0.72</u>	<u>\$ -</u>	<u>\$ -</u>	
Net Valuation	<u><u>\$ 35,997,361</u></u>				
Net levy			259,181	225,603	33,578
Less uncollected taxes at June 30, 2021			<u>11,843</u>	<u>11,789</u>	<u>54</u>
Current year's taxes collected			<u><u>\$ 247,338</u></u>	<u><u>\$ 213,814</u></u>	<u><u>\$ 33,524</u></u>
Current levy collection percentage			95.43%	94.77%	99.84%

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 Town Council
Town of Whitakers, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of Town of Whitakers as of and for the year ended June 30, 2021, which comprise the statement of financial position and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements, which collectively comprises Town of Whitakers' basic financial statements and have issued our report thereon dated May 31, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Whitakers' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Whitakers' internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Whitakers' 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 Organization'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 the internal control over financial reporting 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Whitakers' financial statements are free of 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 determination of financial statement amounts. 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*.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rebekah Barr, CPA PC". The signature is written in a cursive style and is positioned above a horizontal line.

Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

May 31, 2023

TOWN OF WHITAKERS, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported

TOWN OF WHITAKERS, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported

TOWN OF WHITAKERS, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

There were no prior year audit findings.

TOWN OF WHITAKERS, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL GRANTS:			
<u>U.S. Department of Treasury</u>			
Passed-through the Office of State Budget and Management			
Passed through NC Pandemic Recovery Office:			
Coronavirus Relief Fund	21.027	XXXX	\$ 24,108
STATE GRANTS:			
<u>N.C. Department of Transportation</u>			
Powell Bill		4000029461	20,901
<u>N. C. Department of Environmental Quality</u>			
Community Development Block Grant		E-CDBG-I-2018-00003040-1	<u>205,963</u>
Total State Grants			226,864
TOTAL FEDERAL AND STATE AWARDS			<u><u>\$ 250,972</u></u>

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the Town of Whitakers under the programs of the federal government for the year ended June 30, 2021. The information in this SEFA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Whitakers, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Whitakers.

Note 2: Indirect Costs

The Town has not elected to charge a 10 percent de minimis indirect cost rate to its grants and has not elected to obtain a federal indirect cost rate.

Note 3: Summary of Significant Accounting Policies

Expenditures reported in the schedule of expenditures of federal awards are reported on the accrual basis of accounting.