

# **Town of Winton, North Carolina**

## **FINANCIAL STATEMENTS**

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

**PT CPAs, PLLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**RALEIGH, NORTH CAROLINA**

**TOWN OFFICIALS**

**MAYOR**

Evans Heath

**TOWN  
COMMISSIONERS**

Joseph Blythe

WJ Boone

Aislinn Branch

James Manley

Emily Winstead

**FINANCE OFFICER /  
TOWN CLERK**

Willieta Edwards

**Town of Winton, North Carolina**  
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**FINANCIAL  
SECTION**



James J. Pappalardo, CPA  
Joseph V. Turchetti, CPA

### **Independent Auditor's Report**

To the Honorable Mayor and  
Town Commissioners  
Town of Winton, 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 Winton, North Carolina (the Town), 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. 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.

PT CPAs PLLC

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110 Iowa Lane • Cary, North Carolina 27511 | Tel 919.476.2050

### ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Lake Winton, 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 for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages XX-XX and the Local Government Employee's Retirement System's Schedule of the Proportionate Share of the Net Pension Asset and Contributions on page XX and XX 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 Winton, North Carolina. The individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

PT CPAs, PLLC

Raleigh, North Carolina  
January 15, 2022

## **Town of Winton, North Carolina Management's Discussion and Analysis**

As management of the Town of Winton (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 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**

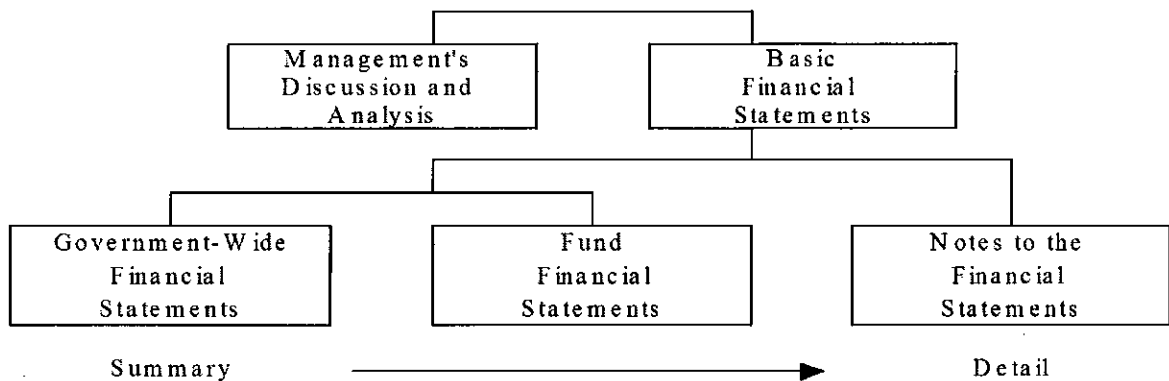
- The assets and deferred outflows of resources of the Town exceeded its liabilities at the close of the fiscal year by \$5,550,367. (*net position*).
- The government's total net position decreased by (\$91,859), primarily due to depreciation expense.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,191,205 with a net change of (\$183,048) in fund balance, primarily due to the forgiving the Water and Sewer fund from repaying the amount it owed to the General Fund. Approximately 90% of this total ending fund balance, or \$1,073,470 is available for spending for budgeted and unforeseen expenditures at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,073,470, or 151% of total general fund expenditures
- At the end of the current fiscal year, the Town's proprietary fund reported an ending net position of \$4,135,994 with a net change of \$92,466, primarily due to the forgiveness of its amount owed to the General Fund. Fund balance available for spending at the government's discretion (*unreserved/unrestricted fund balance*) was \$1,022,159. For the fiscal year, the total proprietary fund operating expenditures were \$529,366, including depreciation of \$132,459.

### **Overview of the Financial Statements**

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



**Required Components of Annual Financial Statements**  
**Figure 1**



### **Basic Financial Statements**

The first two statements (Exhibits A-1 and A-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 A-3 through A-10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements.

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

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

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

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

The government-wide statements are divided into 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, and general administration. Property taxes and the county sales tax allocation finances most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town.

## **Fund Financial Statements**

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

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, 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 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 Town Council 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** – The Town 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. The Town uses an enterprise fund to account for its 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 24 of this report.

## Government-wide Financial Analysis

**Town of Winton' s Net Position**  
**Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,210,625	\$ 1,445,750	\$ 1,211,554	\$ 1,076,224	\$ 2,422,179	\$ 2,521,974
Capital assets	572,254	603,070	3,118,314	3,250,773	3,690,568	3,853,843
Deferred outflows of resources	<u>37,828</u>	<u>32,104</u>	<u>48,145</u>	<u>40,859</u>	<u>85,973</u>	<u>72,963</u>
Total assets	<u>1,820,707</u>	<u>2,080,924</u>	<u>4,378,013</u>	<u>4,367,856</u>	<u>6,198,720</u>	<u>6,448,780</u>
Long-term liabilities outstanding	316,603	360,998	154,598	182,038	471,201	543,036
Other liabilities	89,038	120,315	86,539	141,128	175,577	261,443
Deferred inflows of resources	<u>693</u>	<u>913</u>	<u>882</u>	<u>1,162</u>	<u>1,575</u>	<u>2,075</u>
Total liabilities	<u>406,334</u>	<u>482,226</u>	<u>242,019</u>	<u>324,328</u>	<u>648,353</u>	<u>806,554</u>
Net position:						
Net investment in capital assets:	446,732	233,720	3,113,835	3,160,147	3,560,567	3,393,867
Restricted	117,735	281,608	-	-	117,735	281,608
Unrestricted	<u>849,906</u>	<u>1,083,370</u>	<u>1,022,159</u>	<u>883,381</u>	<u>1,872,065</u>	<u>1,966,751</u>
Total net position	<u>\$ 1,414,373</u>	<u>\$ 1,598,698</u>	<u>\$ 4,135,994</u>	<u>\$ 4,043,528</u>	<u>\$ 5,550,367</u>	<u>\$ 5,642,226</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$5,550,367 at June 30, 2021. However, a large portion, \$3,560,567 (63%), reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), net of related debt. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town's net assets, \$117,735 (2%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,872,065 is unrestricted. The Town's net position decreased by \$91,859 during the fiscal year ended June 30, 2021.

**Town of Winton's Changes in Net Position**

**Figure 3**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ -	\$ 56,987	\$ 510,881	\$ 538,907	\$ 510,881	\$ 595,894
Operating grants and contributions	21,461	23,013	-	-	21,461	23,013
General revenues:						
Property taxes	198,220	288,658	-	-	198,220	288,658
Other taxes	205,077	169,883	-	-	205,077	169,883
Investment earnings		885		289		1,174
Other	<u>74,962</u>	<u>35,714</u>	<u>199,984</u>	<u>61,326</u>	<u>274,946</u>	<u>97,040</u>
Total revenues	499,720	575,140	710,865	600,522	1,210,585	1,175,662
<b>Expenses:</b>						
General government	376,322	96,101	-	-	376,322	96,101
Public safety	49,484	36,170	-	-	49,484	36,170
Transportation	218,145	176,054	-	-	218,145	176,054
Environmental protection	34,163	22,806	-	-	34,163	22,806
Interest on long-term debt	5,931	12,705	-	-	5,931	12,705
Water and sewer	<u>-</u>	<u>-</u>	<u>618,399</u>	<u>644,308</u>	<u>618,399</u>	<u>644,308</u>
Total expenses	<u>684,045</u>	<u>343,836</u>	<u>618,399</u>	<u>644,308</u>	<u>1,302,444</u>	<u>988,144</u>
Increase in net position	(184,325)	231,304	92,466	(43,786)	(91,859)	187,518
Net position, July 1	<u>1,598,698</u>	<u>1,367,394</u>	<u>4,043,528</u>	<u>4,087,314</u>	<u>5,642,226</u>	<u>5,454,708</u>
Net position, June 30	<u>\$ 1,414,373</u>	<u>\$ 1,598,698</u>	<u>\$ 4,135,994</u>	<u>\$ 4,043,528</u>	<u>\$ 5,550,367</u>	<u>\$ 5,642,226</u>

**Governmental activities.** Governmental activities decreased the Town's net position by (\$184,325). The decrease is primarily the result of the General Fund forgiving the repayment of the amount due from the Water and Sewer Fund.

**Business-type activities:** Business-type activities increased the Town's net position by \$92,466. The key element of this increase was repayment forgiveness discussed above.

## **Financial Analysis of the Town's Funds**

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's fund balance available in the General Fund was \$1,073,470, while total fund balance reached \$1,191,205. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures of \$682,768. Unassigned fund balance represents approximately 157% of total General Fund expenditures of \$682,768, while the total fund balance of \$1,191,205 represents approximately 174% of that same amount.

At June 30, 2021, the governmental fund of the Town reported a fund balance of \$1,073,470, with a net decrease in fund balance of (\$183,048).

**General Fund Budgetary Highlights:** During the fiscal year, the Town made budget amendments to record additional legal expenses and road paving costs. 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.

**Proprietary Funds.** The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,022,159. The total increase in net assets for this fund was \$92,466.

### **Capital Asset and Debt Administration**

**Capital assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$3,560,567 (net of accumulated depreciation). These assets include buildings, water distribution systems, land, machinery and equipment.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2021	2020	2021	2020	2021	2020
Land	\$ 88,200	\$ 88,200	\$ 131,322	\$ 131,322	\$ 219,522	\$ 219,522
Buildings	791,533	791,533	21,286	21,286	812,819	812,819
Equipment	423,879	423,879	200,866	200,866	624,745	624,745
Autos and trucks	720,923	720,923	82,362	82,362	803,285	803,285
Improvements	125,908	125,908	68,579	68,579	194,487	194,487
Plant facilities	-	-	7,177,748	7,177,748	7,177,748	7,177,748
Fencing	-	-	1,575	1,575	1,575	1,575
Total	\$ 2,150,443	\$ 2,150,443	\$ 7,683,738	\$ 7,683,738	\$ 9,834,181	\$ 9,834,181
Accumulated depreciation	(1,578,189)	(1,547,373)	(4,565,424)	(4,432,966)	(6,143,613)	(5,980,339)
Capital assets, net	<u>\$ 572,254</u>	<u>\$ 603,070</u>	<u>\$ 3,118,314</u>	<u>\$ 3,250,772</u>	<u>\$ 3,690,568</u>	<u>\$ 3,853,842</u>

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

**Long-term Debt.** As of June 30, 2021, the Town had long-term debt outstanding of \$558,520.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries.

**Town of Winton's General Obligations**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ -	\$ -	\$ 71,500	\$ 74,250	\$ 71,500	\$ 74,250
Installment purchases	309,810	369,360	4,479	16,376	314,289	385,736
Net pension liability (LGERS)	67,452	51,188	85,848	65,149	153,300	116,337
Compensated absences	8,959	11,974	10,472	18,524	19,431	30,498
Total	<u>\$ 386,221</u>	<u>\$ 432,522</u>	<u>\$ 172,299</u>	<u>\$ 174,299</u>	<u>\$ 558,520</u>	<u>\$ 606,821</u>

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

## **Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the growth of the Town:

- High unemployment, no significant industrial development, and very little retail business create a situation where the Town's customer base is eroded. The resulting ratio of expense to revenue creates a difficult situation in keeping rates and fees consistent while maintain an adequate level of service.
- The median household income for the Town, based on the 2017 Census, is less than 50% of the U.S. national median household income.
- Tax revenues and other general fund revenues are expected to remain consistent during 2021 – 2022.

## **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:

Finance Officer

Town of Winton

PO Box 134

Winton, NC 27986

**Town of Winton, North Carolina**  
**Statement of Net Position**  
**June 30, 2021**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,029,805	\$ 1,126,162	\$ 2,155,967
Accounts receivable (net)	4,649	89,685	94,334
Due from other government agencies	12,306	-	12,306
Prepaid expenses	10,396	8,190	18,586
Restricted cash and cash equivalents	90,384	50,602	140,986
Interfund balances	63,085	(63,085)	-
Total current assets	<u>\$ 1,210,625</u>	<u>\$ 1,211,554</u>	<u>\$ 2,422,179</u>
Non-current assets:			
Capital assets:			
Land	88,200	131,222	219,422
Other capital assets, net of depreciation	484,054	2,987,092	3,471,146
Total capital assets	<u>572,254</u>	<u>3,118,314</u>	<u>3,690,568</u>
Total assets	<u>\$ 1,782,879</u>	<u>\$ 4,329,868</u>	<u>\$ 6,112,747</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	<u>\$ 37,828</u>	<u>\$ 48,145</u>	<u>\$ 85,973</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 19,420	\$ 18,236	\$ 37,656
Customer deposits	-	50,602	50,602
Current portion of long-term liabilities	69,618	17,701	87,319
Total current liabilities	89,038	86,539	175,577
Non-current liabilities:			
Due in more than one year	316,603	154,598	471,201
Total liabilities	<u>405,641</u>	<u>241,137</u>	<u>646,778</u>
<b>DEFERRED INTFLOWS OF RESOURCES</b>			
Pension deferrals	<u>\$ 693</u>	<u>\$ 882</u>	<u>\$ 1,575</u>
<b>NET POSITION</b>			
Net investment in capital assets	446,732	3,113,835	3,560,567
Restricted for:			
Transportation	90,384	-	90,384
Stabilization by State Statute	27,351	-	27,351
Unrestricted	849,906	1,022,159	1,872,065
Total net position	<u>\$ 1,414,373</u>	<u>\$ 4,135,994</u>	<u>\$ 5,550,367</u>

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



Town of Winton, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General government	\$ 376,322	\$ 105	\$ -	\$ -	\$ (376,217)	\$ -	\$ (376,217)
Public safety	49,484	72	-	-	(49,412)	-	(49,412)
Transportation	218,145	-	-	21,461	(196,684)	-	(196,684)
Environmental protection	34,163	-	-	-	(34,163)	-	(34,163)
Interest on long-term debt	5,931	-	-	-	(5,931)	-	(5,931)
Total governmental activities	<u>684,045</u>	<u>177</u>	<u>-</u>	<u>21,461</u>	<u>(662,407)</u>	<u>-</u>	<u>(662,407)</u>
Business-type activities							
Water	<u>618,399</u>	<u>510,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(107,518)</u>	<u>(107,518)</u>
Total business-type activities	<u>618,399</u>	<u>510,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(107,518)</u>	<u>(107,518)</u>
Total primary government	<u>\$1,302,444</u>	<u>\$ 511,058</u>	<u>\$ -</u>	<u>\$ 21,461</u>	<u>\$ (662,407)</u>	<u>\$ (107,518)</u>	<u>\$ (769,925)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					198,220	-	198,220
Other taxes					205,077	-	205,077
Unrestricted investment earnings					165	104	269
Miscellaneous					<u>74,620</u>	<u>199,880</u>	<u>274,500</u>
Total general revenues					<u>478,082</u>	<u>199,984</u>	<u>678,066</u>
Change in net position					(184,325)	92,466	(91,859)
Net position - beginning					<u>1,598,698</u>	<u>4,043,528</u>	<u>5,642,226</u>
Net position - ending					<u>\$ 1,414,373</u>	<u>\$ 4,135,994</u>	<u>\$ 5,550,367</u>

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

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

	<u>Major Fund</u>	
	<u>General</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,029,805	\$ 1,029,805
Restricted cash and cash equivalents	90,384	90,384
Accounts receivable (net)	4,649	4,649
Due from other governmental agencies	12,306	12,306
Prepaid expenses	10,396	10,396
Due from other funds	<u>63,085</u>	<u>63,085</u>
Total assets	<u>\$ 1,210,625</u>	<u>\$ 1,210,625</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	<u>\$ 19,420</u>	<u>\$ 19,420</u>
Total current liabilities	19,420	19,420
<b>FUND BALANCES:</b>		
Restricted		
Transportation	90,384	90,384
Stabilization by State Statute	27,351	27,351
Unassigned	<u>1,073,470</u>	<u>1,073,470</u>
Total fund balances	<u>1,191,205</u>	1,191,205
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,210,625</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	572,254
Net pension liability	(67,452)
Deferred outflows of resources related to pensions	37,828
Deferred inflows of resources related to pensions	(693)
Long-term liabilities used in governmental activities are not financial uses and therefore not reported in the funds	<u>(318,769)</u>
Net position of governmental activities	<u>\$ 1,414,373</u>

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

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

	<u>Major Fund</u>	<u>Total Governmental</u>
	<u>General</u>	<u>Funds</u>
<b>REVENUES</b>		
Ad valorem taxes	\$ 198,220	\$ 198,220
Other taxes	205,077	205,077
Restricted intergovernmental	21,461	21,461
Investment earnings	165	165
Miscellaneous	<u>74,797</u>	<u>74,797</u>
Total revenues	499,720	499,720
<b>EXPENDITURES</b>		
Current:		
General government	315,505	315,505
Public safety	49,484	49,484
Transportation	218,145	218,145
Environmental protection	34,163	34,163
Debt service:		
Principal payments	59,540	59,540
Interest on long-term debt	<u>5,931</u>	<u>5,931</u>
Total expenditures	<u>682,768</u>	<u>682,768</u>
Net change in fund balances	(183,048)	(183,048)
Fund balances – beginning	<u>1,374,253</u>	<u>1,374,253</u>
Fund balances – ending	<u><u>\$ 1,191,205</u></u>	<u><u>\$ 1,191,205</u></u>

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

Net changes in fund balances – total governmental funds (183,048)

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

59,540

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

(30,003)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period: Depreciation expense

(30,814)

Total changes in net position of governmental activities

\$ (184,325)

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

## Exhibit 5

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

	<b>General Fund</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget – Positive (Negative)</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 193,000	\$ 193,000	\$ 198,220	\$ 5,220
Other taxes	171,200	171,200	205,077	33,877
Restricted intergovernmental	24,000	24,000	21,461	(2,539)
Investment earnings	70	70	165	95
Miscellaneous	<u>81,950</u>	<u>81,950</u>	<u>74,797</u>	<u>(7,153)</u>
Total revenues	<u>470,220</u>	<u>470,220</u>	<u>499,720</u>	<u>29,500</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	158,980	158,980	181,752	(22,772)
Public safety	71,360	71,360	49,484	21,876
Transportation	295,500	295,500	218,145	77,355
Environmental protection	35,000	35,000	34,163	837
<b>Debt service:</b>				
Principal payments	28,400	28,400	59,540	(31,140)
Interest on long-term debt	<u>-</u>	<u>-</u>	<u>5,931</u>	<u>(5,931)</u>
Total expenditures	<u>589,240</u>	<u>589,240</u>	<u>549,015</u>	<u>40,225</u>
Revenues over (under) expenditures	(119,020)	(119,020)	(49,295)	69,725
Fund Balance Appropriations	93,020	93,020	-	(93,020)
Transfers from other funds	<u>26,000</u>	<u>26,000</u>	<u>(133,753)</u>	<u>(159,753)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(183,048)</u>	<u>\$ (183,048)</u>
Fund balances, beginning of year			<u>1,374,253</u>	
Fund balances, end of year			<u>\$ 1,191,205</u>	

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

## Exhibit 6

**Town of Winton, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<u>Major Enterprise Fund</u>	
	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,126,162	\$ 1,126,162
Accounts receivable	89,685	89,685
Prepaid expenses	8,190	8,190
Restricted cash and cash equivalents	<u>50,602</u>	<u>50,602</u>
Total current assets	1,274,639	1,274,639
Capital Assets:		
Other capital assets, net of depreciation	<u>3,118,314</u>	<u>3,118,314</u>
Capital assets (net)	<u>3,118,314</u>	<u>3,118,314</u>
Total assets	<u>\$ 4,392,953</u>	<u>\$ 4,392,953</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension deferrals	<u>\$ 48,145</u>	<u>\$ 48,145</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 18,236	\$ 18,236
Customer deposits	50,602	50,602
Due to other funds	63,085	63,085
Current portion of long-term liabilities	<u>17,701</u>	<u>17,701</u>
Total current liabilities	<u>149,624</u>	<u>149,624</u>
Non-current liabilities		
Due in more than one year	<u>154,598</u>	<u>154,598</u>
Total liabilities	<u>304,222</u>	<u>304,222</u>
<b>DEFERRED INTFLOWS OF RESOURCES</b>		
Pension deferrals	<u>\$ 882</u>	<u>\$ 882</u>
<b>NET POSITION</b>		
Net investment in capital assets	3,113,835	3,113,835
Unrestricted	<u>1,022,159</u>	<u>1,022,159</u>
Total net position	<u>\$ 4,135,994</u>	<u>\$ 4,135,994</u>

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

**Exhibit 7**

**Town of Winton, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<b>Major Enterprise Fund</b>		<b>Total Proprietary Funds</b>
	<b>Water Fund</b>		
<b>OPERATING REVENUES</b>			
Charges for services	\$ 510,881	\$	510,881
Miscellaneous income	<u>66,127</u>	<u>66,127</u>	
<b>Total operating revenues</b>	577,008		577,008
<b>OPERATING EXPENSES</b>			
Water and sewer operations	482,755	482,755	
Depreciation	<u>132,459</u>	<u>132,459</u>	
<b>Total operating expenses</b>	<u>615,214</u>	<u>615,214</u>	
<b>Operating loss</b>	(38,206)	(38,206)	
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest charges	(3,185)	(3,185)	
Interfund balance forgiven	133,753	133,753	
Investment earnings	<u>104</u>	<u>104</u>	
<b>Total nonoperating revenue (expenses)</b>	<u>130,672</u>	<u>130,672</u>	
<b>Change in net position</b>	92,466	92,466	
<b>Total net position – beginning</b>	<u>4,043,528</u>	<u>4,043,528</u>	
<b>Total net position – ending</b>	<u>\$ 4,135,994</u>	<u>\$ 4,135,994</u>	

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

**Town of Winton, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2021**

	<b>Major Enterprise Fund</b> <b>Water Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers and grants	\$ 510,881
Cash paid for goods and services	(288,033)
Cash paid to or on behalf of employees for services	(277,173)
Other operating revenues	<u>66,127</u>
Net cash provided by operating activities	11,802
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Forgiveness of internal advances	133,753
Due to other funds	<u>(63,085)</u>
Net cash used by non-capital financing activities	70,668
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	<u>104</u>
Net cash provided by investing financing activities	<u>104</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal payments on long-term debt	<u>(14,647)</u>
Net cash provided by capital and related financing activities	<u>(14,647)</u>
Net increase in cash and cash equivalents	67,927
Balances – beginning of the year	<u>1,108,837</u>
Balances – end of the year	<u>\$ 1,176,764</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	47,642
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	132,459
Decrease in accounts receivable	1,978
Decrease in prepaid expenses	1,287
Increase in deferred outflow of resources	(7,286)
Decrease in deferred inflows of resources	(280)
Decrease in accounts payable	(95,657)
Pension liability	<u>(20,699)</u>
Total adjustments	<u>11,802</u>
Net cash provided by operating activities	<u>\$ 59,444</u>

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

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

**Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. 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 of function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. At present, the Town does not have any non-major funds or fiduciary funds to report.

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

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

**Water and Sewer Fund.** This fund is used to account for the City's water and sewer operations. A Water and Sewer Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Fund has been included in the supplemental information.



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

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

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

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

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

**D. Budgetary Data**

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**E. Assets, Liabilities, and Fund Equity**

**1. Deposits and Investments**

All deposits of the Town are made in Town Council-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.

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

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 generally reported at fair value. The NCCMT Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

**2. Cash and Cash Equivalents**

The Town pools money from its two funds to facilitate disbursement and investment and to maximize investment income and considers all cash and certain investments to be cash and cash equivalents. The Town considers all highly liquid investments (including restricted assets) with maturities of three months or less when purchased to be cash and cash equivalents.

**3. Restricted Assets**

Powell Bill funds are classified as restricted cash because they can be only expended for the purposes outlined in G.S. 136-41.1 through 136-41.4. Customer deposits are classified as restricted cash because they must be returned to the customer at the conclusion of service.

**Town Restricted Cash:**

Government activities

General fund

Powell Bill	\$ 90,384
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Water and sewer fund

Customer deposits	\$ 50,602
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**4. Ad Valorem Taxes Receivable**

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

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

**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. At June 30, 2021, the Town has determined all receivables are fully realizable.

**6. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost exceeding a defined capitalization cost and an estimated useful life in excess of two years. The Town has established a minimum capitalization cost of \$5,000 for all newly acquired assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network that was acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	50
Buildings	30
Improvements	15
Equipment and furniture	3-10
Computer equipment	3

**7. Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflow of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criteria, pension deferrals for the current fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has one item that meets this criteria, pension deferrals.

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

**8. 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

**9. Compensated Absences**

The vacation policy of the City provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City'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 City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**10. Net Position / Fund Balances**

**Net Position**

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt, 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.

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

The governmental fund types classify fund balances as follows:

**Non-spendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town does not have any non-spendable fund balance at June 30, 2021.

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

**Assigned Fund Balance** – the portion of fund balance that the Town intends to use for a specific purpose. At June 30, 2021 the Town did not have any assigned fund balance.

**Committed Fund Balance** – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The Town did not have any committed fund balance at June 30, 2021.

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

#### **11. Defined Benefit Cost-Sharing Plans**

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

**Town of Winton, North Carolina**  
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**II. Stewardship, Compliance, and Accountability**

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina Statutes

For the fiscal year ended June 30, 2021, the Town had no instances of noncompliance.

2. Contractual Violations

For the fiscal year ended June 30, 2021, the Town had no contractual violations.

B. Excess of Expenditures over Appropriation

For the fiscal year ended June 30, 2021, no expenditures were made by the Town's General Fund in excess of the authorized appropriations made by the general government.

**III. Detail Notes on All Funds**

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in the entities' 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. 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 \$2,296,953 and bank balances, at several commercial banks, totaling \$2,343,165. All the bank balances were covered by federal depository insurance.

2. Receivables – Allowance for Doubtful Accounts

At June 30, 2021, the Enterprise Fund had \$89,685 of accounts receivable from customers as a result of water and sewer billings. The Town has determined, at June 30, 2021, that all receivables are fully realizable. Due from other governments reported in the General Fund consisted of \$12,306 from the State of North Carolina

**Town of Winton, North Carolina**  
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**For the Fiscal Year Ended June 30, 2021**

**3. Capital Assets**

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2021 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 88,200	\$ -	\$ -	\$ -	\$ 88,200
Total capital assets not being depreciated	88,200	-	-	-	88,200
<b>Capital assets being depreciated</b>					
Buildings	791,533	-	-	-	791,533
Equipment and furniture and fixtures	423,879	-	-	-	423,879
Autos and trucks	720,923	-	-	-	720,923
Improvements	<u>125,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,908</u>
Total capital assets being depreciated	2,062,243	-	-	-	2,062,243
<b>Less accumulated depreciation for:</b>					
Buildings	423,417	15,892	-	-	439,309
Equipment and furniture and fixtures	328,414	1,040	-	-	329,454
Autos and trucks	719,631	1,293	-	-	720,924
Improvements	<u>75,911</u>	<u>12,591</u>	<u>-</u>	<u>-</u>	<u>88,502</u>
Total accumulated depreciation	<u>1,547,373</u>	<u>30,816</u>	<u>-</u>	<u>-</u>	<u>1,578,189</u>
Total capital assets being depreciated, net	<u>514,870</u>	<u>(30,816)</u>	<u>-</u>	<u>-</u>	<u>484,054</u>
<b>Governmental activity capital assets, net</b>	<u><u>\$ 603,070</u></u>	<u><u>\$ (30,816)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 572,254</u></u>

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

**Governmental activities:**

General government	\$ 18,225
Transportation	<u>12,591</u>
<b>Total</b>	<u><u>\$ 30,816</u></u>



**Town of Winton, North Carolina**  
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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Business - type activities:</b>					
<i><b>Water Fund</b></i>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 131,222	\$ -	\$ -	\$ -	\$ 131,222
Total capital assets not being depreciated	131,222	-	-	-	131,222
<b>Capital assets being depreciated:</b>					
Buildings	21,286	-	-	-	21,286
Plant facilities	7,246,428				7,246,428
Equipment	200,866				200,866
Autos and trucks	82,362				82,362
Fencing	1,575	-	-	-	1,575
Total capital assets being depreciated	7,552,517	-	-	-	7,552,517
<b>Less accumulated depreciation for:</b>					
Buildings	21,286	-	-	-	21,286
Plant facilities	4,169,063	125,012	-	-	4,294,075
Equipment	181,520	2,073	-	-	183,593
Autos and trucks	59,522	5,374	-	-	64,896
Fencing	1,575	-	-	-	1,575
Total accumulated depreciation	4,432,966	132,459	-	-	4,565,425
<b>Water fund capital assets, net</b>	<b>\$ 3,250,773</b>	<b>\$ (132,459)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,118,314</b>

**B. Liabilities**

**1. Pension Plan Obligations**

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

*Plan Description.* The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and 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 for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Town of Winton, North Carolina**  
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*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 agency 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 employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$31,359 for the year ended June 30, 2021.

*Refunds of Contributions* – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60day 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 \$153,300 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 0.00429%, which was a decrease of 0.00003% from its proportion measured as of June 30, 2019.

**Town of Winton, North Carolina**  
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For the year ended June 30, 2021, the City recognized pension expense of \$54,814. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 19,359	\$ -
Changes of assumptions	11,409	-
Net difference between projected and actual earnings on pension plan investments	21,573	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,273	1,575
Employer contributions subsequent to the measurement date	31,359	-
<b>Total</b>	<b><u>\$ 85,973</u></b>	<b><u>\$ 1,575</u></b>

\$31,359 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	\$ 15,770
2023	19,871
2024	11,014
2025	<u>6,384</u>
	<b><u>\$ 53,039</u></b>

*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.

**Town of Winton, North Carolina**  
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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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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 City's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City'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:

**Town of Winton, North Carolina**  
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	1% Decrease <u>(6.00%)</u>	Current Discount <u>Rate</u>	1% Increase <u>(8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 311,029	\$ 153,300	\$ 22,216

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

**b. 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 City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 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.

All full-time Town law enforcement officers are covered by the Separation Allowance. The Town does not have any full-time law enforcement officers.

*Summary of Significant Accounting Policies*

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

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

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

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Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City 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 engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources reported on the Statement of Net Position is comprised of the following:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 19,359	\$ -
Changes of assumptions	11,409	-
Net difference between projected and actual earnings on pension plan investments	21,573	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,273	1,575
Employer contributions subsequent to the measurement date	31,359	-
Total	<u>\$ 85,973</u>	<u>\$ 1,575</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Through commercial coverage, the Town obtained general liability coverage of \$2 million per occurrence, property coverage up to replacement value, and workers' compensation coverage up to \$1 million per occurrence. There have been no significant reductions in insurance coverage in the prior year, and there have been no claims in the past three fiscal years.

In accordance with G.S. 159-29, the Town's employees that have access at any given time to \$100 or more of the Town's funds are performance bonded through a commercial surety bond. The Town's finance officer is individually bonded for \$500,000 each.

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4. Claims, Judgments and Contingent Liabilities

There are no other claims, judgments or contingent liabilities at June 30, 2021.

5. Long-term obligations

a. Installment purchases

Serviced by the Governmental Activities:

On August 15, 2013 The Town entered into an installment obligation for \$341,886 for refinancing an existing loan, collateralized by the Town Hall building. Annual payment are \$21,886 including interest at 2.99%, with the final payment in 2028. The remaining balance at June 30, 2021 was \$184,288.

On August 15, 2013 the Town entered into an installment obligation for \$184,294 for refinancing an existing loan obtained to purchase a fire truck. Annual payments are \$13,570 including interest at 2.99%, with the final payment in 2025. The remaining balance at June 30, 2021 was \$72,324.

On August 10, 2018 the Town entered into an installment obligation for \$106,396 for the purchase of a backhoe. Annual payments are \$10,640 including interest at 4.06%, with the final payment in 2023. The remaining balance at June 30, 2021 was \$53,198

Serviced by the Water and Sewer Fund:

On July 17, 2018 the Town entered into an installment obligation for \$11,759 for a mower. Annual payments are \$2,939 plus interest. This obligation was satisfied in 2021.

On February 22, 2019, the Town entered into an installment obligation for \$26,871 for the purchase of an Ford F-150 truck. Annual payments are \$4,479 plus interest at 4.45%, with the final payment in 2022. The remaining balance at June 30, 2021 was \$4,479.

Annual debt service payments of the installment purchase as of June 30, 2021 are as follows:

Year Ending June 30:	<u>Government Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 60,659	\$ 9,122	\$ 4,479	99
2023	61,812	7,007	-	-
2023	52,359	4,955	-	-
2025	42,940	3,221	-	-
2026	30,532	2,358	-	-
2027 - 2031	61,508	1,540	-	-
2032 - 2036	-	-	-	-
2037 - 2041	-	-	-	-
Total	<u>\$ 309,810</u>	<u>\$ 28,203</u>	<u>\$ 4,479</u>	<u>\$ 99</u>

**Town of Winton, North Carolina**  
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b. Revenue bonds

On October 20, 1999 the Town entered into a revenue bonds (007179 and 0007180)) for \$79,000 and \$30,000, respectively, at an interest rate of 4.375%, for the development of the Town's sewer system.

Annual debt service payments of the revenue bonds as of June 30, 2021 are as follows:

Year Ending June 30:	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 2,750	3,008
2023	2,750	2,888
2023	3,000	3,006
2025	3,250	2,614
2026	3,250	2,722
2027 - 2031	18,750	10,724
2032 - 2036	22,750	6,075
2037 - 2041	15,000	656
Total	<u>\$ 71,500</u>	<u>\$ 31,693</u>

c. Changes in long-term liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund.

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Maturities</u>
General obligation bonds	\$ 74,250	\$ -	\$ 2,750	\$ 71,500	\$ 2,750
Installment purchases	385,736	-	75,926	309,810	61,812
Net pension liability (LGERS)	116,337	36,963	-	153,300	-
Compensated absences	30,498	-	11,067	19,431	-
Total	<u>\$ 606,821</u>	<u>\$ 36,963</u>	<u>\$ 89,743</u>	<u>\$ 554,041</u>	<u>\$ 64,562</u>



**Town of Winton, North Carolina**  
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**6. Interfund Balances and Activity**

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At June 30, 2021 interfund balances outstanding were as follows:

Due to/from other funds:

To	General Fund	\$63,085
From	Water and Sewer Fund	\$63,085

During 2021 the Town voted on and approved the forgiveness of \$133,753 owed from Water and Sewer Fund to the General Fund.

**C. Fund Balance**

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

Total fund balance - General Fund	\$ 1,191,205
Less:	
Transportation - Powell Bill	(90,384)
Stabilization for State Statute	<u>(27,351)</u>
Remaining fund balance	<u>\$ 1,073,470</u>

**D. Restatements**

Change in Accounting Principle - The City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The implementation of the statement had no effect on the financial statements of the Town.

**Town of Winton Proportionate Share of Net Pension Liability (Assets)**  
**Required Supplementary Information**  
**Last Seven Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Winton's proportion of the net pension liability (asset) (%)	0.00429%	0.00426%	0.00448%	0.00391%	0.00398%	0.00403%	0.00441%
Winton's proportion of the net pension liability (asset) (\$)	\$ 153,300	\$ 116,337	\$ 106,281	\$ 59,734	\$ 84,469	\$ 22,794	\$ 24,357
Winton's covered-employee payroll	\$ 304,165	\$ 291,283	\$ 298,795	\$ 310,119	\$ 298,477	\$ 289,000	\$ 245,145
Winton's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	50.40%	39.94%	35.57%	19.26%	28.30%	7.90%	9.94%
Plan fiduciary net position as a percentage of the total pension liability	96.51%	94.97%	96.15%	94.18%	91.47%	98.09%	102.64%

**Town of Winton, North Carolina**  
**Town of Winton's Contributions**  
**Required Supplementary Information**  
**Last Seven Fiscal Years**  
**Local Government Employees' Retirement System**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 31,359	\$ 26,883	\$ 23,303	\$ 23,216	\$ 23,352	\$ 20,384	\$ 21,146
Contributions in relation to the contractually required contributions	<u>31,359</u>	<u>26,883</u>	<u>23,303</u>	<u>23,216</u>	<u>23,352</u>	<u>20,384</u>	<u>21,146</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unit's covered payroll	\$ 304,165	\$ 291,283	\$ 298,795	\$ 310,119	\$ 298,477	\$ 289,000	\$ 245,145
Contributions as a percentage of covered-employee payroll	10.31%	9.23%	7.80%	7.49%	7.82%	7.05%	8.63%

Town of Winton, North Carolina  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual – General Fund  
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ -	\$ 196,146	
Penalties and interest	-	2,074	-
Total	193,000	198,220	5,220
Unrestricted intergovernmental:			
Local option sales tax	-	121,351	
Utility franchise tax	-	43,985	
Beer and wine tax	-	4,158	
ABC profit distribution		1,646	
Other taxes	-	35,583	-
Total	171,200	206,723	35,523
Restricted intergovernmental:			
Powell Bill allocation	24,000	21,461	(2,539)
Sales and services			
Garbage services	64,000	63,068	(932)
Investment earnings	70	165	95
Miscellaneous	17,950	10,083	(7,867)
Total revenues	470,220	499,720	29,500

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

	Budget	Actual	Variance Positive (Negative)
<u>General government:</u>			
Salaries and benefits		83,636	
Tax collection fee		8,216	
Professional services		6,640	
Dues and subscriptions		1,925	
Insurance		21,000	
Utilities		15,133	
Repairs and maintenance		2,555	
Supplies		642	
Depreciation		30,814	
Other operating expense		11,191	
Total	158,980	181,752	(22,772)
Salaries and benefits		20,143	
Supplies		422	
Insurance		16,500	
Other operating expenses		12,419	
Total	71,360	49,484	21,876
Salaries and benefits		132,684	
Vehicle maintenance		8,795	
Street maintenance		26,463	
Utilities		24,702	
Insurance		11,500	
Other operating expenses		14,001	
Total	295,500	218,145	77,355
Repairs and maintenance		7,402	
Solid waste disposal		26,761	
Total	35,000	34,163	837

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

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Debt service:			
Principal		59,540	
Interest		<u>5,931</u>	
	<u>28,400</u>	<u>65,471</u>	<u>(37,071)</u>
Revenue over (under) expenditures	<u>(119,020)</u>	<u>(49,295)</u>	<u>69,725</u>
Other financing sources (uses)			
Fund balance appropriations	93,020	-	(93,020)
Transfer from other funds	<u>26,000</u>	<u>(133,753)</u>	<u>(159,753)</u>
Total	<u>119,020</u>	<u>(133,753)</u>	<u>(252,773)</u>
Net change in fund balance	<u>\$ -</u>	(183,048)	<u>\$ (183,048)</u>
Fund balance - July 1		<u>1,374,253</u>	
Fund balance - June 30		<u>\$ 1,191,205</u>	

Town of Winton, North Carolina  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual (Non-GAAP) - Enterprise Fund  
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating Revenues:			
Charges for services		\$ 510,881	
Interest income		104	
Miscellaneous income		<u>66,127</u>	
Total operating revenues	607,910	577,112	(30,798)
Expenditures:			
Salaries and employee benefits		362,859	
Insurance		29,557	
Supplies, testing and chemicals		3,752	
Utilities		51,857	
Repairs and maintenance		85,541	
Lab fees		12,199	
Other operating expenses		<u>69,449</u>	
Total	<u>647,400</u>	<u>615,214</u>	<u>32,186</u>
Debt service:			
Interest	<u>-</u>	<u>3,185</u>	<u>(3,185)</u>
Revenue over (under) expenditures	<u>(39,490)</u>	<u>(41,287)</u>	<u>(1,797)</u>
Other financing sources (uses)			
Fund balance appropriations			-
Transfer from other funds	<u>90,000</u>	<u>133,753</u>	<u>43,753</u>
Total	<u>90,000</u>	<u>133,753</u>	<u>43,753</u>
Net change in fund balance	<u>\$ 50,510</u>	92,466	<u>\$ 41,956</u>
 Fund balance - July 1		<u>4,043,528</u>	
Fund balance - June 30		<u>\$ 4,135,994</u>	

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

<b>Fiscal Year</b>	<b>Uncollected Balance June 30, 2020</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2021</b>
2020-2021	\$ -	\$ 197,620	\$ 188,780	\$ 8,840
2019-2020	16,350	-	6,186	10,164
2018-2019	5,051	-	740	4,311
2017-2018	3,083	-	292	2,791
2016-2017	1,191	-	113	1,078
2015-2016	982	166	-	1,148
2014-2015	882	-	167	715
2013-2014	791	184	-	975
2012-2013	612	574	-	1,186
2011-2012	469	566	-	1,035
2010-2011	113	260	-	373
	<u>\$ 29,524</u>	<u>\$ 199,370</u>	<u>\$ 196,278</u>	32,616
Less allowance for uncollectible accounts - General Fund				<u>(32,616)</u>
Ad valorem taxes receivable, net - General Fund				<u>\$ -</u>
 <u>Reconciliation with revenues</u>				
Ad valorem taxes - General Fund				\$ 198,220
Releases and adjustments				(8,846)
Tax collection fees				8,216
Interest, penalties and discovery				<u>(1,312)</u>
Total collections and credits				<u>\$ 196,278</u>



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

	Town – Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	<u>\$ 35,848,372</u>	<u>0.64</u>	<u>\$ 232,672</u>	<u>\$ 197,620</u>	<u>\$ 35,052</u>
Total property valuation	<u>\$ 35,848,372</u>				
Net levy			232,672	197,620	35,052
Uncollected taxes at June 30, 2021			<u>(8,840)</u>	<u>(8,840)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 223,832</u>	<u>\$ 188,780</u>	<u>\$ 35,052</u>
Current levy collection percentage			<u>96.20%</u>	<u>96.20%</u>	