



Town of Aberdeen, North Carolina

Financial Statements

Year Ended June 30, 2020

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Town of Aberdeen, North Carolina

List of Principal Officials

Elected Officials

Robert A. Farrell, Mayor
Joe Dannelley, Mayor Pro-Tem
Teresa Beavers, Commissioner
Bryan Bowles, Commissioner
Elease Goodwin, Commissioner
Wilma Laney, Commissioner

Appointed Officials

Paul Sabiston, Town Manager
Justin Westbrook, Planning Director
Butch Watson, Finance Director
Carl Colasacco, Police Chief
Phillip Richardson, Fire Chief
Joe Wood, Interim Public Works Director
Adam Crocker, Parks and Recreation Director
Regina Rosy, Human Resources Director/Town Clerk

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Financial Section

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Independent Auditors' Report

Honorable Mayor and
Town Commissioners
Town of Aberdeen, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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



Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparisons 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, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Employer Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedule of the Changes in Total Pension Liability and Schedule of Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by 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 inquires 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. The combining and 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 combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and 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.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

High Point, NC
December 28, 2020

Management's Discussion and Analysis

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

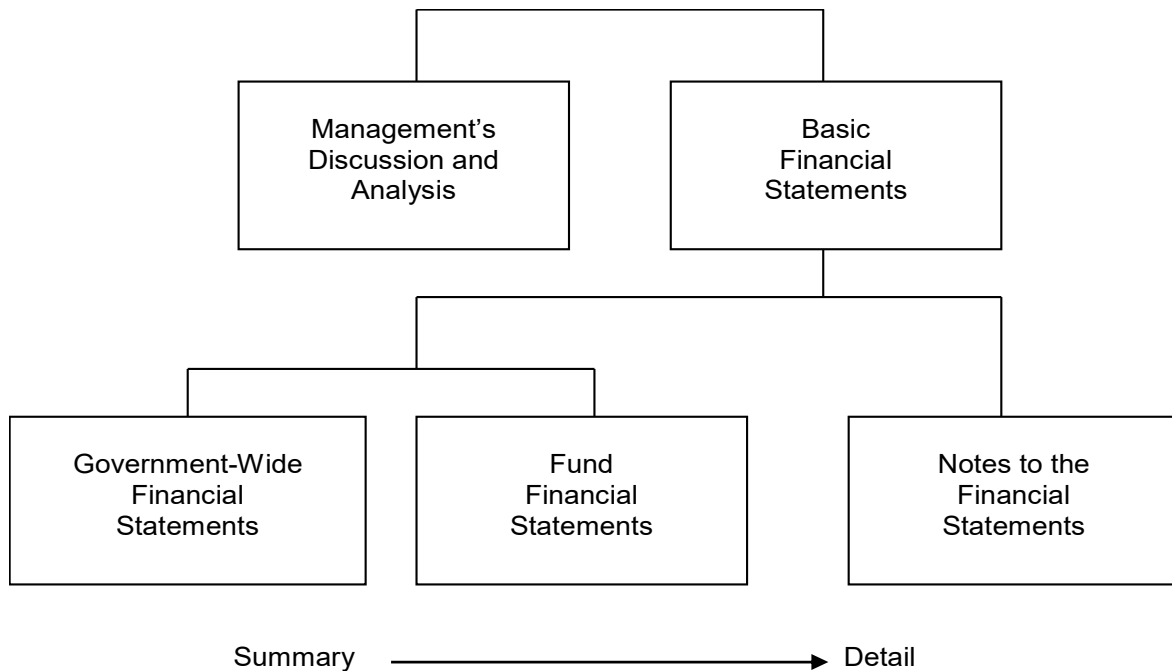
Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$16,902,254 (net position).
- The government's total net position increased by \$1,251,285 which was the overall outcome as a result of the governmental activities' net increase of \$621,843 in addition to the business-type activities' net increase of \$629,442.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,658,922 an increase of \$811,311 in comparison with the prior year. Approximately 66.5 percent of the total fund balance, or \$3,100,299 is available for spending at the government's discretion (unassigned fund balance).
- The unassigned fund balance for the General Fund, \$3,099,140 represents 33.3 percent of total General Fund expenditures for the fiscal year.
- The unrestricted net position for the Water and Sewer Fund, \$2,042,440, represents 60.0 percent of total Water and Sewer Fund expenditures for the fiscal year.
- As of the close of the current fiscal year, the Water and Sewer Fund reported ending net position of \$10,454,339, an increase of \$629,442 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is 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 Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: (1) the governmental fund statements; (2) the budgetary comparison statements; and (3) the proprietary fund statements.

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The Town adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, 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/variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds - The Town only 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 and sewer activities. 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.

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 25 to 47 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 51 of this report.

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

Government-Wide Financial Analysis

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 5,599,217	\$ 4,658,196	\$ 3,240,273	\$ 3,043,886	\$ 8,839,490	\$ 7,702,082
Capital assets	10,013,642	9,759,940	8,411,899	8,197,967	18,425,541	17,957,907
Deferred outflows of resources	<u>1,514,143</u>	<u>1,468,067</u>	<u>202,805</u>	<u>209,803</u>	<u>1,716,948</u>	<u>1,677,870</u>
Total assets and deferred outflows of resources	<u>17,127,002</u>	<u>15,878,979</u>	<u>11,854,977</u>	<u>11,451,656</u>	<u>28,981,979</u>	<u>27,330,635</u>
Long-term liabilities outstanding	8,946,085	8,317,767	841,527	771,580	9,787,612	9,089,347
Other liabilities	1,327,812	1,254,256	497,280	774,968	1,825,092	2,029,224
Deferred inflows of resources	<u>405,190</u>	<u>488,108</u>	<u>61,831</u>	<u>80,211</u>	<u>467,021</u>	<u>568,319</u>
Total liabilities and deferred inflows of resources	<u>10,679,087</u>	<u>10,060,131</u>	<u>1,400,638</u>	<u>1,626,759</u>	<u>12,079,725</u>	<u>11,686,890</u>
Net position						
Invested in capital assets	7,014,065	6,494,209	8,411,899	8,197,967	15,425,964	14,692,176
Restricted	1,475,173	1,312,536	-	-	1,475,173	1,312,536
Unrestricted	<u>(2,041,323)</u>	<u>(1,980,673)</u>	<u>2,042,440</u>	<u>1,626,930</u>	<u>1,117</u>	<u>(353,743)</u>
Total net position	<u>\$ 6,447,915</u>	<u>\$ 5,826,072</u>	<u>\$ 10,454,339</u>	<u>\$ 9,824,897</u>	<u>\$ 16,902,254</u>	<u>\$ 15,650,969</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 \$16,902,254 as of June 30, 2020. The Town's net position increased by \$1,251,285 for the fiscal year ended June 30, 2020. The Town uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$1,475,173 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,117 is unrestricted.

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

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

- Property tax revenue increased by approximately 15.7%.
- Continued due diligence in the collection of property taxes by maintaining a tax collection percentage of 99.64%.
- 38.3% increase in sales tax revenue due to increase in overall retail sales activity.

**Town of Aberdeen's Changes in Net Position
Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 1,222,145	\$ 863,154	\$ 3,907,049	\$ 2,990,824	\$ 5,129,194	\$ 3,853,978
Operating grants and contributions	257,312	908,604	-	-	257,312	908,604
Capital grants and contributions	2,847	-	-	-	2,847	-
General revenues:						
Property taxes	4,821,026	4,166,629	-	-	4,821,026	4,166,629
Other taxes	223,429	161,552	-	-	223,429	161,552
Unrestricted intergovernmental	3,128,433	2,815,638	-	-	3,128,433	2,815,638
Other	142,025	484,314	124,219	22,896	266,244	507,210
Total revenues	<u>9,797,217</u>	<u>9,399,891</u>	<u>4,031,268</u>	<u>3,013,720</u>	<u>13,828,485</u>	<u>12,413,611</u>
Expenses:						
General government	1,262,059	1,155,197	-	-	1,262,059	1,155,197
Public safety	5,712,685	5,498,355	-	-	5,712,685	5,498,355
Transportation	745,483	793,866	-	-	745,483	793,866
Environmental protection	669,942	593,203	-	-	669,942	593,203
Cultural and recreation	702,368	582,453	-	-	702,368	582,453
Economic development	44,835	121,407	-	-	44,835	121,407
Interest on long-term debt	38,002	114,120	-	-	38,002	114,120
Water and sewer	-	-	3,401,826	3,211,284	3,401,826	3,211,284
Total expenses	<u>9,175,374</u>	<u>8,858,601</u>	<u>3,401,826</u>	<u>3,211,284</u>	<u>12,577,200</u>	<u>12,069,885</u>
Change in net position	621,843	541,290	629,442	(197,564)	1,251,285	343,726
Net position, beginning	<u>5,826,072</u>	<u>5,284,782</u>	<u>9,824,897</u>	<u>10,022,461</u>	<u>15,650,696</u>	<u>15,307,243</u>
Net position, end of year	<u>\$ 6,447,915</u>	<u>\$ 5,826,072</u>	<u>\$ 10,454,339</u>	<u>\$ 9,824,897</u>	<u>\$ 16,902,254</u>	<u>\$ 15,650,969</u>

Governmental and Business-Type Activities. Governmental activities increased the Town's net position by \$621,843 due to management's decision to exercise effective cost controls. The business-type activities of the water and sewer fund showed an increase of \$629,442 primarily due to increases in water and sewer charges for services.

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.

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,099,140 while total fund balance reached \$4,657,763. 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. Unassigned fund balance represents 33.3% of total General Fund expenditures.

General Fund Budgetary Highlights: During the fiscal year, the Town made a few revisions to the budget to cover costs relating to such matters as: Town commitment amounts for various grant projects, as well as various capital item purchases that became necessary during the fiscal year.

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, loan proceeds, etc.; 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 position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,042,440. There was a total increase in net position for the Water and Sewer Fund of \$629,442.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$18,425,541 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions:

- AMR Water Meters, \$290,732
- Sports Complex Land Purchase & Improvements, \$258,546
- Six (6) Police Vehicles, \$209,965
- Police Addition/Renovation Project, progress made during fiscal year, \$191,456
- Lift Station Improvements, \$188,376
- New Public Works Vehicle, \$161,595
- Lake Dam Project, progress made during fiscal year, \$154,195
- Well Replacement Improvements, \$139,642
- Water Main Replacement, \$106,275
- Generator for Public Works, \$84,482
- South Street Sidewalk Improvements, \$76,689
- Compact Excavator (Water Ops, \$54,909
- Lake Park Paving Project, \$50,857
- Ray's Mill Park Irrigation Improvements, \$31,390
- Exchange Street Building Roof & HVAC System, \$31,676

Town of Aberdeen's Capital Assets
Figure 4
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 1,736,118	\$ 1,584,528	\$ 224,906	\$ 224,906	\$ 1,961,024	\$ 1,809,434
Construction in progress	726,165	273,558	945,273	805,631	1,671,438	1,079,189
Buildings and land improvements	5,012,650	5,126,218	262,667	77,114	5,275,317	5,203,332
Plant distribution system	-	-	3,204,431	3,458,030	3,204,431	3,458,030
Equipment and vehicles	1,792,048	2,024,854	770,068	451,195	2,562,116	2,476,049
Infrastructure	746,661	750,782	3,004,554	3,181,091	3,751,215	3,931,873
Total	\$ 10,013,642	\$ 9,759,940	\$ 8,411,899	\$ 8,197,967	\$ 18,425,541	\$17,957,907

Additional information on the Town's capital assets can be found in Note 2 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2020, the Town had total outstanding debt by means of installment purchase obligations of \$2,999,577. The debt is secured by property and equipment.

North Carolina's general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Aberdeen is \$76,444,022. The Town has no bonds authorized and issued at June 30, 2020.

Additional information regarding the Town of Aberdeen's long-term debt can be found in Note 3.

Next Year's Budgets and Rates

The following key economic indicators reflect the issues toward growth and prosperity of the Town.

- The unemployment numbers are headed back to manageable percentages since earlier in the year due to COVID-19, with the State of North Carolina's unemployment rate now at 6.1%, and Moore County's rate at 5.5% as is the Aberdeen/Southern Pines/Pinehurst Micropolitan Area.
- Building permit and zoning request revenues year to date through November, 2020 totaled \$206,703.
- Sales tax revenues year to date through November, 2020 totaled \$635,850.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Government Activities: Property taxes are currently on schedule, in fact through September we received 70.6% of the property tax revenues. Revenues from permits and fees appear to be increasing from last year. Sales tax revenues through September 2019 were 27.5% above estimated receipts.

Business-Type Activities: The water and sewer rates for our system were increased by 3% and 3%, respectively, based on our financial model along with an increase in the base rates based on type of use.

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 Paul Sabiston, Town Manager, Town of Aberdeen, Post Office Box 785, Aberdeen, North Carolina 28315, 910-944-1115, psabiston@townofaberdeem.net.

Basic Financial Statements

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	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 3,969,198	\$ 2,662,963	\$ 6,632,161
Receivables, net of allowance for uncollectible accounts:			
Taxes receivable, net	29,235	-	29,235
Accrued interest receivable on taxes	4,885	-	4,885
Accounts receivable, net	2,807	460,710	463,517
Due from other governments	899,054	-	899,054
Due from other funds	-	375	375
Prepaid expense	1,627	3,638	5,265
Restricted cash and investments	687,898	112,587	800,485
Total current assets	<u>5,594,704</u>	<u>3,240,273</u>	<u>8,834,977</u>
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	2,462,283	1,170,179	3,632,462
Other capital assets, net of depreciation	7,551,359	7,241,720	14,793,079
Total capital assets	<u>10,013,642</u>	<u>8,411,899</u>	<u>18,425,541</u>
Total noncurrent assets	<u>10,013,642</u>	<u>8,411,899</u>	<u>18,425,541</u>
Total assets	<u>15,608,346</u>	<u>11,652,172</u>	<u>27,260,518</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	1,141,979	144,860	1,286,839
OPEB deferrals	372,164	57,945	430,109
	<u>1,514,143</u>	<u>202,805</u>	<u>1,716,948</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	412,869	369,198	782,067
Accrued interest	25,489	-	25,489
Unearned revenue	373,832	-	373,832
Due to other funds	375	-	375
Deposits	-	112,587	112,587
Current maturities of long-term debt	510,734	15,495	526,229
Total current liabilities	<u>1,323,299</u>	<u>497,280</u>	<u>1,820,579</u>

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Noncurrent liabilities:			
Accrued compensated absences	\$ 306,500	\$ 24,828	\$ 331,328
Total OPEB liability	3,340,460	557,515	3,897,975
Net pension liability - LGERS	1,773,440	259,184	2,032,624
Total pension liability - LEO	947,007	-	947,007
Long-term debt, net of current maturities	2,578,678	-	2,578,678
	<u>8,946,085</u>	<u>841,527</u>	<u>9,787,612</u>
Total noncurrent liabilities			
	<u>8,946,085</u>	<u>841,527</u>	<u>9,787,612</u>
Total liabilities	<u>10,269,384</u>	<u>1,338,807</u>	<u>11,608,191</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	70,320	5,852	76,172
OPEB deferrals	334,870	55,979	390,849
	<u>405,190</u>	<u>61,831</u>	<u>467,021</u>
NET POSITION			
Net investment in capital assets	7,014,065	8,411,899	15,425,964
Restricted for:			
Stabilization by state statute	787,275	-	787,275
Debt service	70,663	-	70,663
Streets	611,060	-	611,060
Public safety	6,175	-	6,175
Unrestricted	(2,041,323)	2,042,440	1,117
	<u>(2,041,323)</u>	<u>2,042,440</u>	<u>1,117</u>
Total net position	<u>\$ 6,447,915</u>	<u>\$ 10,454,339</u>	<u>\$ 16,902,254</u>

Town of Aberdeen, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Exhibit 2

Function/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Government activities:							
General government	\$ 1,262,059	\$ 1,624	\$ 2,669	\$ -	\$ (1,257,766)	\$ -	\$ (1,257,766)
Public safety	5,712,685	399,211	254,643	2,847	(5,055,984)	-	(5,055,984)
Transportation	745,483	226,732	-	-	(518,751)	-	(518,751)
Environmental protection	669,942	495,889	-	-	(174,053)	-	(174,053)
Cultural and recreational	702,368	98,689	-	-	(603,679)	-	(603,679)
Economic development	44,835	-	-	-	(44,835)	-	(44,835)
Interest on long-term debt	38,002	-	-	-	(38,002)	-	(38,002)
Total governmental activities	<u>9,175,374</u>	<u>1,222,145</u>	<u>257,312</u>	<u>2,847</u>	<u>(7,693,070)</u>	<u>-</u>	<u>(7,693,070)</u>
Business-type activities:							
Water and sewer	3,401,826	3,907,049	-	-	-	505,223	505,223
Total business-type activities	<u>3,401,826</u>	<u>3,907,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>505,223</u>	<u>505,223</u>
Total primary government	<u>\$ 12,577,200</u>	<u>\$ 5,129,194</u>	<u>\$ 257,312</u>	<u>\$ 2,847</u>	<u>(7,693,070)</u>	<u>505,223</u>	<u>(7,187,847)</u>
General revenues:							
Ad valorem taxes					4,821,026	-	4,821,026
Other taxes					223,429	-	223,429
Unrestricted intergovernmental					3,128,433	-	3,128,433
Investment earnings					67,955	-	67,955
Miscellaneous					74,070	124,219	198,289
Total general revenues					<u>8,314,913</u>	<u>124,219</u>	<u>8,439,132</u>
Change in net position					621,843	629,442	1,251,285
Net position, beginning					<u>5,826,072</u>	<u>9,824,897</u>	<u>15,650,969</u>
Net position, end of year					<u>\$ 6,447,915</u>	<u>\$ 10,454,339</u>	<u>\$ 16,902,254</u>

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

	<u>Major Fund</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
ASSETS			
Cash and investments	\$ 3,968,039	\$ 1,159	\$ 3,969,198
Taxes receivable, net	29,235	-	29,235
Accounts receivable, net	2,807	-	2,807
Due from other governments	899,054	-	899,054
Prepays	1,627	-	1,627
Restricted cash and investments	687,898	-	687,898
	<u>5,588,660</u>	<u>1,159</u>	<u>5,589,819</u>
Total assets	<u>\$ 5,588,660</u>	<u>\$ 1,159</u>	<u>\$ 5,589,819</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 412,869	\$ -	\$ 412,869
Unearned revenue	373,832	-	373,832
Due to other funds	375	-	375
	<u>787,076</u>	<u>-</u>	<u>787,076</u>
Total liabilities	<u>787,076</u>	<u>-</u>	<u>787,076</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax receivable	29,235	-	29,235
Other receivables	114,586	-	114,586
	<u>143,821</u>	<u>-</u>	<u>143,821</u>
Total deferred inflows of resources	<u>143,821</u>	<u>-</u>	<u>143,821</u>
FUND BALANCES			
Nonspendable			
Prepays	1,627	-	1,627
Restricted			
Stabilization by state statute	787,275	-	787,275
Debt service	70,663	-	70,663
Streets	611,060	-	611,060
Public safety	6,175	-	6,175
Assigned for subsequent year's expenditures	81,823	-	81,823
Unassigned	3,099,140	1,159	3,100,299
	<u>4,657,763</u>	<u>1,159</u>	<u>4,658,922</u>
Total fund balances	<u>4,657,763</u>	<u>1,159</u>	<u>4,658,922</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,588,660</u>	<u>\$ 1,159</u>	<u>\$ 5,589,819</u>

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

Fund balance as reported in the balance sheet - governmental funds	\$ 4,658,922
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,013,642
Deferred outflows of resources related to pensions are not reported in the funds	1,141,979
Deferred outflows of resources related to OPEB are not reported in the funds	372,164
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are inflows of resources in the funds	4,885
Earned revenues considered deferred inflows of resources in fund statements	143,821
Deferred inflows of resources related to pensions are not reported in the funds	(70,320)
Deferred inflows of resources related to OPEB are not reported in the funds	(334,870)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability - LGERS	(1,773,440)
Total pension liability - LEO	(947,007)
Total OPEB liability	(3,340,460)
Long-term debt, including accrued interest	(3,025,066)
Accrued compensated absences	(396,335)
	<u> </u>
Net position of governmental activities	<u><u>\$ 6,447,915</u></u>

Town of Aberdeen, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Fiscal Year Ended June 30, 2020

Exhibit 4
(2 pages)

	<u>Major Fund</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
Revenues			
Ad valorem taxes	\$ 4,796,392	\$ -	\$ 4,796,392
Other taxes and licenses	223,429	-	223,429
Unrestricted intergovernmental revenues	3,128,433	-	3,128,433
Restricted intergovernmental revenues	486,891	-	486,891
Permits and fees	400,835	-	400,835
Sales and services	594,578	-	594,578
Investment earnings	67,955	-	67,955
Miscellaneous	87,958	-	87,958
	<u>9,786,471</u>	<u>-</u>	<u>9,786,471</u>
Expenditures			
General government	1,238,344	-	1,238,344
Public safety	5,005,995	-	5,005,995
Transportation	733,333	-	733,333
Environmental protection	781,960	-	781,960
Economic development	-	-	-
Cultural and recreational	892,297	-	892,297
Debt service:			
Principal retirement	601,286	-	601,286
Interest and fees	43,610	-	43,610
	<u>9,296,825</u>	<u>-</u>	<u>9,296,825</u>
Revenues under expenditures	<u>489,646</u>	<u>-</u>	<u>489,646</u>
Other financing sources (uses)			
Sale of capital assets	23	-	23
Contingency	(13,490)	-	(13,490)
Issuance of debt	335,132	-	335,132
Transfers to (from) other funds	(19,100)	19,100	-
	<u>302,565</u>	<u>19,100</u>	<u>321,665</u>
Net change in fund balances	792,211	19,100	811,311
Fund balance (deficit), beginning of year	<u>3,865,552</u>	<u>(17,941)</u>	<u>3,847,611</u>
Fund balance, end of year	<u>\$ 4,657,763</u>	<u>\$ 1,159</u>	<u>\$ 4,658,922</u>

Town of Aberdeen, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Fiscal Year Ended June 30, 2020

Exhibit 4
(2 pages)

	<u>Total Governmental Funds</u>
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
Net changes in fund balances - total governmental funds	\$ 811,311
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period</p>	
Capital outlay	1,196,035
Depreciation	(1,020,089)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	355,231
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	58,338
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	44,227
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>	
Change in unavailable revenues, taxes receivable	18,376
Proceeds received from disposal of capital assets	23
Gain on disposal of capital assets	(23)
<p>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.</p>	
Issuance of debt	(335,132)
Principal payments on long-term debt	601,286
Decrease in accrued interest payable	5,608
<p>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</p>	
Compensated absences	(50,486)
Pension expense	(860,206)
OPEB plan expense	(202,656)
	<u> </u>
Total change in net position of governmental activities	<u>\$ 621,843</u>

Town of Aberdeen, North Carolina
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2020

Exhibit 5

	General Fund			
	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 4,659,972	\$ 4,759,972	\$ 4,796,392	\$ 36,420
Other taxes and licenses	259,678	259,678	223,429	(36,249)
Unrestricted intergovernmental revenues	2,561,000	2,565,000	3,128,433	563,433
Restricted intergovernmental revenues	606,700	606,700	486,891	(119,809)
Permits and fees	268,300	363,300	400,835	37,535
Sales and services	567,750	587,750	594,578	6,828
Investment earnings	18,000	66,000	67,955	1,955
Miscellaneous	260,501	260,501	87,958	(172,543)
Total revenues	9,201,901	9,468,901	9,786,471	317,570
Expenditures				
General government	1,307,481	1,564,281	1,238,344	325,937
Public safety	5,204,427	5,424,127	5,005,995	418,132
Transportation	800,449	823,949	733,333	90,616
Environmental protection	807,176	837,176	781,960	55,216
Cultural and recreational	900,222	931,222	892,297	38,925
Debt service:				
Principal retirement	552,832	552,832	601,286	(48,454)
Interest and fees	121,372	121,372	43,610	77,762
Total expenditures	9,693,959	10,254,959	9,296,825	958,134
Revenues over (under) expenditures	(492,058)	(786,058)	489,646	1,275,704
Other financing sources				
Sale of capital assets	2,000	2,000	23	(1,977)
Contingency	(81,942)	(16,942)	(13,490)	3,452
Issuance of debt	408,000	408,000	335,132	(72,868)
Transfers to other funds	-	(19,100)	(19,100)	-
Total other financing sources	328,058	373,958	302,565	(71,393)
Appropriated fund balance	164,000	412,100	-	(412,100)
Net change in fund balance	\$ -	\$ -	792,211	\$ 792,211
Fund balance, beginning of year			3,865,552	
Fund balance, end of year			\$ 4,657,763	

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

Town of Aberdeen, North Carolina
Statement of Net Position - Proprietary Fund
June 30, 2020

Exhibit 6

ASSETS

Current assets:

Cash and investments	\$ 2,662,963
Accounts receivable, net	460,710
Due from other funds	375
Prepaid expense	3,638
Restricted cash and investments	<u>112,587</u>
Total current assets	<u>3,240,273</u>

Noncurrent assets:

Capital assets:

Land and other non-depreciable assets	1,170,179
Other capital assets, net of depreciation	<u>7,241,720</u>

Total capital assets, net	<u>8,411,899</u>
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Total noncurrent assets	<u>8,411,899</u>
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Total assets	<u>11,652,172</u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension deferrals	144,860
OPEB deferrals	<u>57,945</u>
Total deferred outflows	<u>202,805</u>

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	369,198
Deposits	112,587
Accrued compensated absences - current	<u>15,495</u>

Total current liabilities	<u>497,280</u>
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Noncurrent liabilities:

Accrued compensated absences	24,828
Total OPEB liability	557,515
Net pension liability - LGERS	<u>259,184</u>

Total noncurrent liabilities	<u>841,527</u>
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Total liabilities	<u>1,338,807</u>
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DEFERRED INFLOWS OF RESOURCES

Pension deferrals	5,852
OPEB deferrals	<u>55,979</u>
Total deferred inflows	<u>61,831</u>

NET POSITION

Net investment in capital assets	8,411,899
Unrestricted	<u>2,042,440</u>
Total net position	<u>\$ 10,454,339</u>

Town of Aberdeen, North Carolina
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Fund
For the Fiscal Year Ended June 30, 2020

Exhibit 7

Operating revenues	
Charges for services	\$ 3,003,521
Other operating revenues	903,528
	<u>3,907,049</u>
Total operating revenues	<u>3,907,049</u>
Operating expenses	
Water production	843,024
Water and sewer operations	1,936,880
Water billing and collections	95,235
Depreciation	687,049
Loss on disposal of capital assets	1,173
	<u>3,563,361</u>
Total operating expenses	<u>3,563,361</u>
Operating income	<u>343,688</u>
Nonoperating revenues	
Insurance reimbursement	71,602
Other revenue	52,617
	<u>124,219</u>
Total nonoperating revenues	<u>124,219</u>
Income before capital contributions	467,907
Capital contributions - State grant	<u>161,535</u>
Change in net position	<u>629,442</u>
Net position, beginning of year	<u>9,824,897</u>
Net position, end of year	<u>\$ 10,454,339</u>

Town of Aberdeen, North Carolina
Statement of Cash Flows - Proprietary Fund
For the Fiscal Year Ended June 30, 2020

Exhibit 8

Cash flows from operating activities	
Cash received from customers	\$ 2,975,915
Cash paid for goods and services	(2,326,186)
Cash paid to employees for services	(771,214)
Customer deposits refunded, net	3,138
Other operating revenues	903,528
	<u>785,181</u>
Net cash provided by operating activities	<u>785,181</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(902,154)
Reimbursements	124,219
Capital contributions - State grant	161,535
	<u>(616,400)</u>
Net cash used by capital and related financing activities	<u>(616,400)</u>
Net increase in cash and cash equivalents	168,781
Cash and cash equivalents at beginning of year	<u>2,606,769</u>
Cash and cash equivalents at end of year	<u>\$ 2,775,550</u>
Cash and investments	\$ 2,662,963
Restricted cash and investments	<u>112,587</u>
	<u>\$ 2,775,550</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating income	\$ 343,688
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	687,049
Loss on disposal of capital assets	1,173
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable	(27,231)
Due from other funds	(375)
Deferred outflows of resources - pensions	37,137
Deferred outflows of resources - OPEB	(30,139)
Accounts payable and accrued liabilities	(295,290)
Customer deposits	3,138
Compensated absences	(4,449)
Net pension liability	22,324
OPEB liability	66,536
Deferred inflows of resources - pensions	(4,956)
Deferred inflows of resources - OPEB	(13,424)
	<u>785,181</u>
Net cash provided by operating activities	<u>\$ 785,181</u>

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Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Aberdeen, 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 five-member council. As required by generally accepted accounting principles, these financial statements present the Town as well as any separate entity for which the Town is financially accountable. For the year ended June 30, 2020, no other entity is included in the Town's financial statements.

B. Basis of presentation

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

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

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

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

The Town reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those 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, sanitation services, parks and recreation, and general government services.

Town of Aberdeen, North Carolina
Notes to Financial Statements

The Town reports the following non-major governmental funds:

Reliance One NC Fund Grant Project - This fund accounts for financial assistance for Reliance Packaging.

Brownfields Fund - This fund accounts for community-wide assessments and clean-up at Brownfields sites potentially contaminated with hazardous substances and petroleum products.

Reliance Building Reuse Fund - This fund accounts for renovation of the Reliance Packaging facility.

The Town reports the following major enterprise fund:

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations.

C. Measurement focus and basis of accounting

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

Government-wide and proprietary fund financial statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, property tax revenue 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 enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Moore 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 are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General and Enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Governmental Capital Project Funds and the Enterprise Capital Project Funds. The Enterprise Capital Project Funds are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Town manager is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$1,000; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000 must be approved by the governing board. Budgetary transfers by the manager must be reported to the Town Board of Commissioners at the next board meeting. The manager must also approve intradepartmental transfers.

E. Assets, liabilities, deferred outflows/inflows of resources, and fund equity

(1) Deposits and investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT – Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term portfolio has a duration of 0.15 years. Because the NCCM Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Town of Aberdeen, North Carolina
Notes to Financial Statements

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

(2) Cash and cash equivalents

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

(3) Restricted assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Funds are also classified as restricted for debt service as they can only be expended for the purpose of installment payment on the United States Department of Agriculture (USDA) loan agreement. In addition, the Town has restricted assets for unexpended loan proceeds for the purchase of a fire truck and police vehicles as the use of the funds are completely restricted to the purpose for which the loan was originally obtained.

Governmental activities:	
General Fund:	
Streets	\$ 611,060
Public safety	6,175
Debt service	<u>70,663</u>
Total governmental activities	687,898
Business-type activities:	
Water and Sewer Fund:	
Customer deposits	<u>112,587</u>
Total restricted cash	<u>\$ 800,485</u>

(4) Ad valorem taxes receivable

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

(5) Allowances for doubtful accounts

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

(6) Prepaid expenses

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

Town of Aberdeen, North Carolina
Notes to Financial Statements

(7) Capital assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were 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 the assets' lives are not capitalized.

Capital assets are reported in the Town's basic financial statements net of accumulated depreciation. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and land improvements	15 to 40 years
Equipment and vehicles	5 to 10 years
Infrastructure	15 years

(8) Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meets this criterion: contributions made to the pension plan in the 2020 fiscal year and pension deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - property tax receivable, sales tax receivable, other receivables, and deferrals of pension expense.

(9) Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. 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 discounts. 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 or not withheld from the actual debt proceeds received, are reported as debt service expenditures

(10) Compensated absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Town of Aberdeen, North Carolina
Notes to Financial Statements

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

(11) Net position/fund balance

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

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

The governmental fund types classify fund balances as follows:

Nonspendable fund balance - This classification includes amounts that cannot be spend because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid assets - portion of fund balance that is not an available resource because it represents the year-end balance of amounts that were prepaid for the subsequent fiscal year.

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 debt service - portion of fund balance that is restricted by loan agreement with the USDA.

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

Restricted for public safety - portion of fund balance that is restricted by escrow agreement with a financial institution in which the funds can only be spent for the purpose for which the loan was originally obtained.

Assigned fund balance - This classification includes the portion of fund balance that the Town of Aberdeen intends to use for a specific purpose.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified as restricted or committed. The governing body approves the appropriation.

Town of Aberdeen, North Carolina
Notes to Financial Statements

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

The Town has not adopted a revenue spending or minimum fund balance policy.

(12) Pensions

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.

2. Detail Notes on All Funds

A. Assets

(1) Deposits

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

At June 30, 2020, the Town's deposits had a carrying amount of \$2,628,282 and a bank balance of \$2,489,743. Of the bank balance, \$751,209 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$(474).

(2) Investments

At June 30, 2020, the Town had \$4,804,838 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no formal policy regarding credit risk of its investments.

Town of Aberdeen, North Carolina
Notes to Financial Statements

(3) Accounts receivable - allowances for doubtful accounts

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

General Fund:		
Ad valorem taxes	\$	6,043
Other		<u>1,303</u>
Total General Fund		7,346
Water and Sewer Fund		<u>36,000</u>
Total	\$	<u><u>43,346</u></u>

(4) Capital assets

Capital assets activity for the year ended June 30, 2020, was as follows:

<u>Governmental Activities</u>	<u>July 1, 2019</u>	<u>Transfers/ Increases</u>	<u>Transfers/ Decreases</u>	<u>June 30, 2020</u>
Non depreciable assets:				
Land	\$ 1,584,528	\$ 151,590	\$ -	\$ 1,736,118
Construction in process	<u>273,558</u>	<u>452,607</u>	<u>-</u>	<u>726,165</u>
	<u>1,858,086</u>	<u>604,197</u>	<u>-</u>	<u>2,462,283</u>
Depreciable assets:				
Buildings and improvements to land and buildings	8,445,108	193,181	(5,800)	8,632,489
Equipment and vehicles	8,002,423	444,427	(44,888)	8,401,962
Infrastructure	<u>1,465,459</u>	<u>76,689</u>	<u>-</u>	<u>1,542,148</u>
	<u>17,912,990</u>	<u>714,297</u>	<u>(50,688)</u>	<u>18,576,599</u>
	<u>19,771,076</u>	<u>1,318,494</u>	<u>(50,688)</u>	<u>21,038,882</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements to land and buildings	3,318,890	300,949	-	3,619,839
Equipment and vehicles	5,977,569	638,330	(5,985)	6,609,914
Infrastructure	<u>714,677</u>	<u>80,810</u>	<u>-</u>	<u>795,487</u>
	<u>10,011,136</u>	<u>1,020,089</u>	<u>(5,985)</u>	<u>11,025,240</u>
Depreciable assets - net	<u>7,901,854</u>			<u>7,551,359</u>
Governmental activity capital assets - net	<u>\$ 9,759,940</u>			<u>\$ 10,013,642</u>

Town of Aberdeen, North Carolina
Notes to Financial Statements

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

General government	\$ 304,291
Public safety	495,710
Cultural and recreation	133,506
Economic and physical development	44,835
Environmental protection	20,834
Transportation	<u>20,914</u>
Total depreciation expense	<u>\$ 1,020,089</u>

<u>Business-Type Activities</u>	<u>July 1, 2019</u>	<u>Transfers/ Increases</u>	<u>Transfers/ Decreases</u>	<u>June 30, 2020</u>
Non depreciable assets:				
Land	\$ 224,906	\$ -	\$ -	\$ 224,906
Construction in process	<u>805,631</u>	<u>139,642</u>	<u>-</u>	<u>945,273</u>
	<u>1,030,537</u>	<u>139,642</u>	<u>-</u>	<u>1,170,179</u>
Depreciable assets:				
Plant/distribution system	10,793,764	-	-	10,793,764
Land improvements	121,632	188,376	-	310,008
Equipment and vehicles	1,451,148	466,688	-	1,917,836
Infrastructure	<u>4,358,829</u>	<u>106,275</u>	<u>-</u>	<u>4,465,104</u>
	<u>16,725,373</u>	<u>761,139</u>	<u>-</u>	<u>17,486,712</u>
	<u>17,755,910</u>	<u>900,981</u>	<u>-</u>	<u>18,656,891</u>
Less accumulated depreciation and amortization for:				
Plant/distribution system	7,335,734	253,599	-	7,589,333
Land improvements	44,518	2,823	-	47,341
Equipment and vehicles	999,953	147,815	-	1,147,768
Infrastructure	<u>1,177,738</u>	<u>282,812</u>	<u>-</u>	<u>1,460,550</u>
	<u>9,557,943</u>	<u>687,049</u>	<u>-</u>	<u>10,244,992</u>
Depreciable assets - net	<u>7,167,430</u>			<u>7,241,720</u>
Business-type activities capital assets - net	<u>\$ 8,197,967</u>			<u>\$ 8,411,899</u>

The Town has several active construction projects as of June 30, 2020. As of year-end, the Town has spent \$2,115,224 with respect to these projects and their remaining commitments are \$111,018.

Town of Aberdeen, North Carolina
Notes to Financial Statements

B. Liabilities

(1) Payables

Payables at the government-wide level at June 30, 2020, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General	\$ 223,861	\$ 193,521	\$ 417,382
Business-type activities:			
Water and sewer	\$ 312,118	\$ 57,080	\$ 369,198

(2) Pension plan and postemployment obligations

(a) Local Governmental Employees' Retirement System

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

Benefits provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Town of Aberdeen, North Carolina
Notes to Financial Statements

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, 2020, was 9.70% of compensation for law enforcement officers and 9.04% 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 \$407,146 for the year ended June 30, 2020.

Refunds of contributions. Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2020, the Town reported a liability of \$2,032,624 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.074% which was an increase of 0.004% from its proportion measured at June 30, 2019.

For the year ended June 30, 2020, the Town recognized pension expense of \$882,243. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 392,589	\$ -
Changes of assumptions	331,284	-
Net difference between projected and actual earnings on pension plan investments	49,578	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	45,892
Town contributions subsequent to the measurement date	<u>407,146</u>	<u>-</u>
Total	<u>\$ 1,180,597</u>	<u>\$ 45,892</u>

The Town reported \$407,146 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 outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2021	\$ 340,337
2022	99,997
2023	186,979
2024	<u>100,246</u>
	<u>\$ 727,559</u>

Town of Aberdeen, North Carolina
Notes to Financial Statements

Actuarial assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	<u>100.0%</u>	

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

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

Town of Aberdeen, North Carolina
Notes to Financial Statements

expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 4,648,986	\$ 2,032,624	\$ (142,100)

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

(b) Law Enforcement Officers Special Separation Allowance

Plan description. The Town of Aberdeen administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 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. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>28</u>
Total	<u><u>32</u></u>

A separate report was not issued for the plan.

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

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

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

Town of Aberdeen, North Carolina
Notes to Financial Statements

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month for the year ending December 31, 2018.

Mortality rates are based on the RP-2017 Mortality tables with adjustments for mortality improvements based on Scale AA.

Change in actuarial assumptions. On the prior measurement date (December 31, 2018), the Municipal Bond Index Rate, on which the discount rate is based, was 3.64%. Since the prior measurement date, the Municipal Bond Index Rate has decreased to 3.26% as of the December 31, 2019 measurement date. This resulted in a \$28,453 increase in total pension liability.

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. The Town paid \$58,335 as benefits came due for the reporting period.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2020, the Town reported a total pension liability of \$947,007. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$80,992.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 27,654	\$ -
Changes of assumptions	49,043	30,280
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>29,545</u>	<u>-</u>
Total	<u>\$ 106,242</u>	<u>\$ 30,280</u>

\$29,545 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2021	\$ 10,104
2022	10,104
2023	12,414
2024	4,683
2025	8,652
Thereafter	<u>460</u>
	<u>\$ 46,417</u>

Town of Aberdeen, North Carolina
Notes to Financial Statements

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

	<u>1% Decrease (2.26%)</u>	<u>Discount Rate (3.26%)</u>	<u>1% Increase (4.26%)</u>
Total pension liability	\$ 1,026,896	\$ 947,007	\$ 874,282

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

	<u>2020</u>
Beginning balance	\$ 879,247
Service cost	39,513
Interest on the total pension liability	30,943
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	27,183
Changes of assumptions or other inputs	28,456
Benefit payments	(58,335)
Other changes	-
Ending balance of the total pension liability	<u>\$ 947,007</u>

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

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

Total expense, liabilities, and deferred outflows and inflows of resources related to pensions:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 882,243	\$ 80,992	\$ 963,235
Pension liability	2,032,624	947,007	2,979,631
Proportionate share of net pension liability	0.074%	n/a	

Deferred outflows of resources

Differences between expected and actual experience	392,589	27,654	420,243
Changes of assumptions	331,284	49,043	380,327
Net difference between projected and actual earnings on plan investments	49,578	-	49,578
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	407,146	29,545	436,691

Town of Aberdeen, North Carolina
Notes to Financial Statements

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ -	\$ -
Changes of assumptions	-	30,280	30,280
Changes in proportion and differences between contributions and proportionate share of contributions	45,892	-	45,892

(c) Supplemental Retirement Income Plan for Law Enforcement Officers

Plan description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020, were \$88,872, which consisted of \$71,411 from the Town and \$17,461 from the law enforcement officers. No amounts were forfeited.

(d) Section 401(k) plan for general employees

Plan description - The Town contributed to a 401(k) Plan, a defined contribution plan administered by the Prudential Insurance Company of America. The Plan provides retirement benefits to the general employees, other than law enforcement, employed by the Town.

Funding policy - The Town annually determines the amount of contributions. For the year ended June 30, 2020, the Town contributed five percent (5.0%) on each general employee salary. Also, the general employees may make voluntary and Roth contributions to the plan. Contributions for the year ended June 30, 2020 were \$194,353 which consisted of \$144,928 from the Town and \$49,425 from the general employees.

(e) Other postemployment benefits

Healthcare benefits

Plan description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided. The plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the NC Local Governmental Employees' Retirement System and have at least 15 years of creditable service with the Town. The Town pays a percentage of the insurance premium paid to private insurers based on the tables below. For employees hired prior to June 1, 2006, they may continue to elect dependent coverage but the employee is responsible for the full amount of the premiums and dependent coverage terminates when the dependent becomes Medicare eligible. Employees hired after June 1, 2006 may not continue dependent

Town of Aberdeen, North Carolina
Notes to Financial Statements

coverage at the time of retirement. Employees with less than 15 years of service are not eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. For employees hired prior to June 1, 2006, the benefits convert to a Medicare Supplement plan. As of July 1, 2019, the contribution per employee was \$406 per month. For employees hired after June 1, 2006, the health plan benefits cease once the employee becomes Medicare eligible. A separate report was not issued for the plan.

For employees hired before June 1, 2006:

<u>Years of Service with Town at Retirement</u>	<u>Town Contribution</u>
30 or more	100%
25 to 29	75%
20 to 24	50%
15 to 19	25%

For employees hired after June 1, 2006:

<u>Years of Service with Town at Retirement</u>	<u>Town Contribution</u>
20 or more	50%
15 to 19	25%

The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees. Also, retirees who have their dependents covered at the time of retirement may continue to cover dependents if they elect to pay the premiums.

Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Retired members	14
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>93</u>
Total	<u><u>107</u></u>

Total OPEB liability

The Town's total OPEB liability of \$3,897,975 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.50 percent, including real wage growth
Salary increases	3.50 to 7.75 percent, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	Pre-Medicare - 7.25 percent decreasing to an ultimate rate of 4.75% by 2028 Medicare - 5.38 percent decreasing to an ultimate rate of 4.75% by 2022

Town of Aberdeen, North Carolina
Notes to Financial Statements

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published by The Bond Buyer.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2019	\$ 3,433,421
Changes for the year:	
Service cost	108,272
Interest	132,566
Changes of benefit terms	-
Differences between expected and actual experience	1,556
Changes in assumptions or other inputs	273,767
Benefit payments	<u>(51,607)</u>
Net changes	<u>464,554</u>
Balance at June 30, 2020	<u>\$ 3,897,975</u>

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

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

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

	<u>1% Decrease</u>	<u>Discount Rate (3.50%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 4,745,726	\$ 3,897,975	\$ 3,247,603

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

Town of Aberdeen, North Carolina
Notes to Financial Statements

	1% Decrease (Medical - 4.38%, Prescription - 6.25%, Admin Expenses - 2.00%)	Discount Rate (Medical - 5.38%, Prescription - 7.25%, Admin Expenses - 3.00%)	1% Increase (Medical - 6.38%, Prescription - 8.25%, Admin Expenses - 4.00%)
Total OPEB liability	\$ 3,163,635	\$ 3,897,975	\$ 4,874,385

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$236,534. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,386	\$ 166,244
Changes of assumptions	403,186	224,605
Benefit payments and administrative costs made subsequent to the measurement date	<u>25,537</u>	<u>-</u>
Total	<u>\$ 430,109</u>	<u>\$ 390,849</u>

\$25,537 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2021	\$ (10,007)
2022	(10,007)
2023	(10,007)
2024	(10,007)
2025	(10,007)
Thereafter	36,312

(f) 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 Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment 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 Town considers these contributions to be immaterial.

Town of Aberdeen, North Carolina
Notes to Financial Statements

(3) Deferred outflows and inflows of resources

Deferred outflows of resources at year end is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 407,146
Benefit payments made and administrative expenses for LEOSSA	29,545
Benefit payments made and administrative expenses for OPEB	25,537
Differences between expected and actual experience	421,629
Changes of assumptions	783,513
Net difference between projected and actual earnings on plan investments	49,578
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
	<u>\$ 1,716,948</u>

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

<u>Source</u>	<u>Amount</u>
Differences between expected and actual experience	\$ 166,244
Changes in assumptions	254,885
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>45,892</u>
	<u>\$ 467,021</u>

(4) Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries property, general liability, and auto liability coverage administered by Argonaut Great Central Insurance Company up to \$1 million per occurrence; worker's compensation coverage administered by the North Carolina League of Municipalities of up to statutory limits; and employee health coverage, administered by First Carolina Care.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the last three fiscal years.

The Town carries flood insurance in the amount of \$1,568,700 for structures and contents of those structures in areas designated as flood zones by the State.

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

Town of Aberdeen, North Carolina
Notes to Financial Statements

(5) Long-term obligations

(a) Installment purchases

The Town has entered into ten installment purchase agreements to finance certain land, buildings, and equipment. Installment purchases, serviced by governmental activities, of the Town at June 30, 2020, consist of the following:

Recreation center, \$1,000,000, executed June 2007, due in annual payments of \$66,667; interest at 3.97%; collateralized by building	\$	133,333
Fire station expansion construction loan, executed March 2012, due in annual payments of \$64,218; interest at 3.75%; collateralized by building		951,997
Police/fire land, \$300,000, executed December 2013, due in annual payments of \$34,442, interest at 3.21%; collateralized by land		97,030
Aerial fire truck, \$1,165,000, executed April 2014, due in annual payments of \$95,280, interest at 3.09%; collateralized by fire truck		672,482
Police vehicles, \$195,500, executed January 2018, due in annual payments of \$42,085, interest at 3.82%; collateralized by vehicles		79,582
Sanitation truck, \$155,200, executed January 2018, due in annual payments of \$18,532, interest at 4.12%; collateralized by truck		112,382
Fire pumper truck, \$550,000, executed April 2018, due in annual payments of \$65,104, interest at 3.19%; collateralized by fire truck		453,366
Leaf truck, \$169,035, executed June 2019, due in annual payments of \$44,562, interest at 3.60%; collateralized by vehicles		84,469
Leaf truck, \$180,006, executed June 2019, due in annual payments of \$21,129, interest at 3.70%; collateralized by leaf truck		143,743
Police vehicles, \$173,743, executed June 2020, due in annual payments of \$44,469, interest at 1.67%; collateralized by vehicles		129,068
Sanitation truck, \$161,595, executed June 2020, due in annual payments of \$19,470, interest at 2.08%; collateralized by sanitation truck		<u>142,125</u>
		2,999,577
Current maturities		<u>(420,899)</u>
Long-term debt, net	\$	<u><u>2,578,678</u></u>

Maturities of long-term debt - The annual requirements to retire installment purchase obligations at June 30, 2020, including interest, are as follows:

<u>Governmental Activities</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 420,899	\$ 100,352
2022	432,128	86,476
2023	290,416	72,228
2024	220,258	63,474
2025	227,441	56,292
2026 - 2023	795,543	173,625
2031 - 2035	222,525	98,565
2036 - 2040	267,497	53,593
2041 - 2042	<u>122,870</u>	<u>6,867</u>
Total	<u>\$ 2,999,577</u>	<u>\$ 711,472</u>

Town of Aberdeen, North Carolina
Notes to Financial Statements

(b) Changes in long-term liabilities

At June 30, 2020, the Town had a legal debt margin of \$76,444,022.

The following is a summary of changes in the Town's long-term debt for the year ended June 30, 2020:

	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>	<u>Due within One Year</u>
Governmental activities:					
Installment purchases	\$ 3,265,731	\$ 335,132	\$ (601,286)	\$ 2,999,577	\$ 420,899
Total pension liability (LEO)	879,247	67,757	-	947,004	-
Net pension liability (LGERS)	1,428,999	344,442	-	1,773,441	-
Total OPEB liability	2,942,442	435,792	(37,774)	3,340,460	-
Compensated absences	345,849	140,321	(89,835)	396,335	89,835
	<u>\$ 8,862,268</u>	<u>\$ 1,323,444</u>	<u>\$ (728,895)</u>	<u>\$ 9,458,817</u>	<u>\$ 510,734</u>
	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>	<u>Due within One Year</u>
Business-type activities:					
Compensated absences	\$ 44,772	\$ 11,046	\$ (15,495)	\$ 40,323	\$ 15,495
Net pension liability (LGERS)	236,860	22,324	-	259,184	-
Total OPEB liability	490,979	78,813	(12,277)	557,515	-
	<u>\$ 772,611</u>	<u>\$ 112,183</u>	<u>\$ (27,772)</u>	<u>\$ 857,022</u>	<u>\$ 15,495</u>

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

C. Interfund balances and activity

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

From General Fund to the Water Sewer Fund \$ 375

The interfund balances resulted from the time lag between the dates that goods and services are provided and the payment between funds.

D. Fund balance

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

Total fund balance - General Fund	\$ 4,657,763
Less:	
Prepays	1,627
Stabilization by state statute	787,275
Debt service	70,663
Streets - Powell Bill	611,060
Public safety	6,175
Subsequent year's expenditures	<u>81,823</u>
Remaining fund balance	<u>\$ 3,099,140</u>

3. Summary Disclosure of Significant Contingencies

Federal and state-assisted programs

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

4. Subsequent Events

The Town will be pursuing financing totaling approximately \$116,340 in capital expenditures subsequent to year end related to the purchase of police vehicles and a utility service vehicle.

In July, 2020, the Town received approval from the NC Department of State Treasurer, Local Government Commission, for a financing on the Police Station Renovation/Addition Project, in the amount of \$5,707,000 at a fixed rate of 2.45% for twenty (20) years with First Bank. The financing with First Bank is on a draw type schedule for the payment of interest only on the amount used for construction costs during the construction period, with the full commitment available up to \$5,707,000. The construction of the project began in early August, 2020, with an expected construction period of up to fifteen (15) months. As of November 30, 2020, the construction costs totaled approximately \$621,680, with payments received from the financial institution being \$615,109.

5. Uncertainty

In March, 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of coronavirus, a pandemic. The extent of the impact on operating and financial performance will depend on certain developments, including the duration and spread of the outbreak. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

6. Stewardship, Compliance and Accountability

Excess of expenditures over appropriations

For the fiscal year ended June 30, 2020, the expenditures made in the Town's Reliance Building Reuse Capital Project Fund exceeded the authorized appropriations by the governing board by \$57,750. The expenditures made in the Brownfields Capital Project Fund exceeded the authorized appropriations by the governing board by \$63. The expenditures made in the Water and Sewer Capital Project Fund exceeded the authorized appropriations by the governing board by \$197,411 in the well replacement function. These over-expenditures were largely due to journal entries that were made as part of the year-end reconciliation and closing process to record capital outlays. In the future, the Town is committed to more timely booking of journal entries and coordination with budget staff for known outstanding journal entries as of June 30.

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Required Supplementary Financial Data

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

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

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Town of Aberdeen, North Carolina
 Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Changes in Total Pension Liability
 Last Four Fiscal Years

Schedule A

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 879,247	\$ 892,388	\$ 830,613	\$ 840,623
Service cost	39,513	41,310	36,312	36,935
Interest on the total pension liability	30,943	27,344	30,964	29,007
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	27,183	7,048	442	-
Changes of assumptions or other inputs	28,456	(34,670)	50,928	(19,732)
Benefit payments	(58,335)	(54,173)	(56,871)	(56,220)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 947,007</u>	<u>\$ 879,247</u>	<u>\$ 892,388</u>	<u>\$ 830,613</u>

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

Town of Aberdeen, North Carolina
 Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Total Pension Liability as a Percentage of Covered Payroll
 Last Four Fiscal Years

Schedule B

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 947,007	\$ 879,247	\$ 892,388	\$ 830,613
Covered payroll	1,518,183	1,448,776	1,434,351	1,415,211
Total pension liability as a percentage of covered payroll	62.38%	60.69%	62.22%	58.69%

Notes to the schedules:

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

Town of Aberdeen, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Three Fiscal Years

Schedule C

Total OPEB Liability	2020	2019	2018
Service cost	\$ 108,272	\$ 124,282	\$ 139,773
Interest	132,566	114,590	100,924
Changes of benefit terms	-	-	-
Differences between expected and actual experience	1,556	(208,882)	(4,518)
Changes of assumptions	273,767	203,806	(341,587)
Benefit payments	<u>(51,607)</u>	<u>(38,057)</u>	<u>(19,583)</u>
Net change in total OPEB liability	464,554	195,739	(124,991)
Total OPEB liability - beginning	<u>3,433,421</u>	<u>3,237,682</u>	<u>3,362,673</u>
Total OPEB liability - ending	<u><u>\$ 3,897,975</u></u>	<u><u>\$ 3,433,421</u></u>	<u><u>\$ 3,237,682</u></u>
Covered payroll	\$ 3,763,684	\$ 3,763,684	\$ 3,894,987
Total OPEB liability as a percentage of covered payroll	103.57%	91.23%	83.12%

Notes to Schedule:

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

Fiscal Year	Rate
2020	3.50%
2019	3.89%
2018	3.18%

Town of Aberdeen, North Carolina
 Local Government Employees' Retirement System -
 Required Supplementary Information
 Schedule of Proportionate Share of Net Pension Liability (Asset)
 Last Seven Fiscal Years*

Schedule D

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.0744%	0.0702%	0.0709%	0.0717%	0.0761%	0.0714%	0.0737%
Town's proportion of the net pension liability (asset) (\$)	\$ 2,032,624	\$ 1,665,859	\$ 1,082,393	\$ 1,521,714	\$ 341,579	\$ (420,961)	\$ 888,368
Town's covered-employee payroll	\$ 4,368,463	\$ 4,256,951	\$ 4,266,596	\$ 4,156,076	\$ 3,976,352	\$ 3,850,722	\$ 3,793,449
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	46.53%	39.13%	25.37%	36.61%	8.59%	-10.93%	23.42%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Town of Aberdeen, North Carolina
 Local Government Employees' Retirement System -
 Required Supplementary Information
 Schedule of Employer Contributions
 Last Seven Fiscal Years

Schedule E

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 407,146	\$ 350,873	\$ 322,602	\$ 357,248	\$ 287,581	\$ 277,457	\$ 262,363
Contributions in relation to the contractually required contribution	<u>407,146</u>	<u>350,873</u>	<u>322,602</u>	<u>357,248</u>	<u>287,581</u>	<u>277,457</u>	<u>262,363</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 4,434,699	\$ 4,368,463	\$ 4,256,951	\$ 4,266,596	\$ 4,156,076	\$ 3,976,352	\$ 3,850,722
Contributions as a percentage of covered-employee payroll	9.18%	8.03%	7.58%	8.37%	6.92%	6.98%	6.81%

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General Fund

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

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Town of Aberdeen, North Carolina
 General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2020 with Comparative
 Actual Amounts for the Fiscal Year Ended June 30, 2019

Schedule 1
 (4 pages)

	2020		Variance	2019
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues				
Ad valorem taxes				
Taxes		\$ 4,793,566		\$ 4,143,428
Penalties and interest		2,826		16,032
	<u>\$ 4,759,972</u>	<u>4,796,392</u>	<u>\$ 36,420</u>	<u>4,159,460</u>
Other taxes and licenses				
Fire district		222,296		160,274
Privilege licenses		1,133		1,278
	<u>259,678</u>	<u>223,429</u>	<u>(36,249)</u>	<u>161,552</u>
Unrestricted intergovernmental revenues				
Beer and wine		33,811		33,184
Gas tax		481,321		486,814
Solid waste disposal		5,950		5,360
Local option sales tax		1,904,094		1,652,750
Video programming		106,876		112,769
Hold harmless		468,061		412,597
ABC revenue		128,320		112,164
	<u>2,565,000</u>	<u>3,128,433</u>	<u>563,433</u>	<u>2,815,638</u>
Restricted intergovernmental revenues				
"State Street-Aid" allocation		226,732		225,491
FEMA assistance		253,643		601,983
State and federal grants		6,516		13,130
	<u>606,700</u>	<u>486,891</u>	<u>(119,809)</u>	<u>840,604</u>
Permits and fees				
Building permits and inspection fees	<u>363,300</u>	<u>400,835</u>	<u>37,535</u>	<u>434,457</u>
Sales and services				
Recreation department fees		98,689		92,943
Sanitation fees		495,889		335,754
	<u>587,750</u>	<u>594,578</u>	<u>6,828</u>	<u>428,697</u>
Investment earnings				
Investment earnings	<u>66,000</u>	<u>67,955</u>	<u>1,955</u>	<u>97,531</u>
Miscellaneous				
Antenna rental		159,467		165,788
Insurance reimbursement		9,068		61,951
Other		(80,577)		149,994
	<u>260,501</u>	<u>87,958</u>	<u>(172,543)</u>	<u>377,733</u>

Town of Aberdeen, North Carolina
 General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2020 with Comparative
 Actual Amounts for the Fiscal Year Ended June 30, 2019

Schedule 1
 (4 pages)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Total revenues	<u>9,468,901</u>	<u>9,786,471</u>	<u>317,570</u>	<u>9,315,672</u>
Expenditures				
General government				
Administration				
Salaries and employee benefits		\$ 333,534		\$ 320,072
Operating expenditures		125,540		148,508
Capital outlay		199,005		155,640
	<u>\$ 820,025</u>	<u>658,079</u>	<u>\$ 161,946</u>	<u>624,220</u>
Administrative chargeout	<u>(238,000)</u>	<u>(238,000)</u>	<u>-</u>	<u>(191,674)</u>
Governing body				
Operating expenditures		39,817		31,734
	<u>44,020</u>	<u>39,817</u>	<u>4,203</u>	<u>31,734</u>
Finance				
Salaries and employee benefits		132,042		142,220
Operating expenditures		214,186		182,452
Capital outlay		-		2,116
	<u>372,455</u>	<u>346,228</u>	<u>26,227</u>	<u>326,788</u>
Public buildings				
Operating expenditures		214,866		207,517
Capital outlay		190,636		163,946
	<u>536,081</u>	<u>405,502</u>	<u>130,579</u>	<u>371,463</u>
Special appropriations				
Operating expenditures		26,718		21,600
	<u>29,700</u>	<u>26,718</u>	<u>2,982</u>	<u>21,600</u>
Total general government	<u>1,564,281</u>	<u>1,238,344</u>	<u>325,937</u>	<u>1,184,131</u>
Public safety				
Police				
Salaries and employee benefits		2,130,572		2,087,303
Operating expenditures		265,859		276,683
Capital outlay		179,517		244,205
	<u>2,735,617</u>	<u>2,575,948</u>	<u>159,669</u>	<u>2,608,191</u>

Town of Aberdeen, North Carolina
 General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2020 with Comparative
 Actual Amounts for the Fiscal Year Ended June 30, 2019

Schedule 1
 (4 pages)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Fire				
Salaries and employee benefits		1,401,189		1,344,577
Operating expenditures		340,701		302,276
Capital outlay		17,694		199,004
	<u>1,903,033</u>	<u>1,759,584</u>	<u>143,449</u>	<u>1,845,857</u>
Inspections				
Salaries and employee benefits		418,111		\$ 370,618
Operating expenditures		158,009		161,103
Capital outlay		94,343		47,168
	<u>785,477</u>	<u>670,463</u>	<u>\$ 115,014</u>	<u>578,889</u>
Total public safety	<u>5,424,127</u>	<u>5,005,995</u>	<u>418,132</u>	<u>5,032,937</u>
Transportation				
Streets				
Salaries and employee benefits		365,037		355,216
Street lights		88,862		86,508
Operating expenditures		256,229		299,574
Capital outlay		23,205		251,539
	<u>823,949</u>	<u>733,333</u>	<u>90,616</u>	<u>992,837</u>
Environmental protection				
Sanitation				
Salaries and employee benefits		288,675		256,899
Operating expenditures		331,690		305,372
Capital outlay		161,595		1,058
	<u>837,176</u>	<u>781,960</u>	<u>55,216</u>	<u>563,329</u>
Cultural and recreational				
Parks and recreation				
Salaries and employee benefits		303,917		291,764
Operating expenditures		170,118		162,124
Capital outlay		418,262		161,174

Town of Aberdeen, North Carolina
 General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2020 with Comparative
 Actual Amounts for the Fiscal Year Ended June 30, 2019

Schedule 1
 (4 pages)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Total cultural and recreational	<u>931,222</u>	<u>892,297</u>	<u>38,925</u>	<u>615,062</u>
Debt service				
Principal retirement		<u>601,286</u>		<u>404,906</u>
Interest and fees		<u>43,610</u>		<u>109,569</u>
Total debt service	<u>674,204</u>	<u>644,896</u>	<u>29,308</u>	<u>514,475</u>
Total expenditures	<u>10,254,959</u>	<u>9,296,825</u>	<u>958,134</u>	<u>8,902,771</u>
Revenues over (under) expenditures	<u>(786,058)</u>	<u>489,646</u>	<u>1,275,704</u>	<u>412,901</u>
Other financing sources (uses)				
Sale of capital assets	<u>2,000</u>	<u>23</u>	<u>(1,977)</u>	<u>9,050</u>
Contingency	<u>(16,942)</u>	<u>(13,490)</u>	<u>3,452</u>	<u>-</u>
Issuance of debt	<u>408,000</u>	<u>335,132</u>	<u>(72,868)</u>	<u>349,041</u>
Transfer to Reliance Building Reuse Capital Project Fund	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>
Transfer to Reliance One Project Capital Project Fund	<u>(14,000)</u>	<u>(14,000)</u>	<u>-</u>	<u>-</u>
Transfer to Brownfields Capital Project Fund	<u>(100)</u>	<u>(100)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>373,958</u>	<u>302,565</u>	<u>(71,393)</u>	<u>358,091</u>
Fund balance appropriated	<u>412,100</u>	<u>-</u>	<u>(412,100)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>792,211</u>	<u>\$ 792,211</u>	<u>770,992</u>
Fund balance, beginning		<u>3,865,552</u>		<u>3,094,560</u>
Fund balance, ending		<u>\$ 4,657,763</u>		<u>\$ 3,865,552</u>

Nonmajor Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Reliance Building Reuse Fund - This fund accounts for renovation of the Reliance Packaging facility.

Capital Project Funds are used to account for the acquisition or construction of major capital facilities other than those financed by the Enterprise Funds.

Reliance One NC Fund Grant Project - This fund accounts for financial assistance for Reliance Packaging.

Brownfields Fund - This fund accounts for community-wide assessments and clean-up at Brownfields sites potentially contaminated with hazardous substances and petroleum products.

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Town of Aberdeen, North Carolina
 Combining Balance Sheet -
 Nonmajor Governmental Funds
 June 30, 2020

Schedule 2

	<u>Reliance Building Reuse</u>	<u>Reliance One Project</u>	<u>Brownfields</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash	<u>\$ 250</u>	<u>\$ 871</u>	<u>\$ 38</u>	<u>\$ 1,159</u>
LIABILITIES AND FUND BALANCES				
Fund balance: Unassigned	<u>250</u>	<u>871</u>	<u>38</u>	<u>1,159</u>
Total liabilities and fund balances	<u>\$ 250</u>	<u>\$ 871</u>	<u>\$ 38</u>	<u>\$ 1,159</u>

Town of Aberdeen, North Carolina
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance - Nonmajor Governmental Funds
 For the Year Ended June 30, 2020

Schedule 3

	<u>Reliance Building Reuse</u>	<u>Reliance One Project</u>	<u>Brownfields</u>	<u>Total Nonmajor Governmental Funds</u>
Other financing sources				
Transfers from General Fund	<u>5,000</u>	<u>14,000</u>	<u>100</u>	<u>19,100</u>
Revenues and other financing sources over expenditures	<u>5,000</u>	<u>14,000</u>	<u>100</u>	<u>19,100</u>
Fund balance (deficit), beginning of year	<u>(4,750)</u>	<u>(13,129)</u>	<u>(62)</u>	<u>(17,941)</u>
Fund balance, end of year	<u>\$ 250</u>	<u>\$ 871</u>	<u>\$ 38</u>	<u>\$ 1,159</u>

Town of Aberdeen, North Carolina
Special Revenue Fund (Reliance Building Reuse)
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2020

Schedule 4

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted intergovernmental:					
Federal grant proceeds	\$ 40,000	\$ 95,000	\$ -	\$ 95,000	\$ 55,000
Town match proceeds	2,000	-	-	-	(2,000)
Total revenues	42,000	95,000	-	95,000	53,000
Expenditures					
Economic development:					
Building improvements	42,000	99,750	-	99,750	(57,750)
Revenues under expenditures	-	(4,750)	-	(4,750)	(4,750)
Other financing sources (uses)					
Transfers from General Fund	5,000	-	5,000	5,000	-
Transfers to General Fund	(5,000)	-	-	-	5,000
Total other financing sources (uses)	-	-	5,000	5,000	5,000
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (4,750)</u>	<u>5,000</u>	<u>\$ 250</u>	<u>\$ (4,750)</u>
Fund deficit, beginning of year			<u>(4,750)</u>		
Fund balance, end of year			<u>\$ 250</u>		

Town of Aberdeen, North Carolina
 Capital Project Fund (Reliance One Project)
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 From Inception and for the Year Ended June 30, 2020

Schedule 5

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted intergovernmental:					
Federal grant proceeds	\$ 52,000	\$ 26,000	\$ -	\$ 26,000	\$ (26,000)
Town match proceeds	<u>52,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,000)</u>
Total revenues	104,000	26,000	-	26,000	(78,000)
Expenditures					
Economic development:					
Construction	<u>104,000</u>	<u>39,129</u>	<u>-</u>	<u>39,129</u>	<u>64,871</u>
Revenues under expenditures	-	(13,129)	-	(13,129)	(13,129)
Other financing sources					
Transfers from General Fund	14,000	-	14,000	14,000	-
Transfers to General Fund	<u>(14,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,000</u>
Total other financing sources (uses)	-	-	14,000	14,000	14,000
Revenues and other financing sources over (under) expenditures	<u>\$ 14,000</u>	<u>\$ (13,129)</u>	<u>\$ 14,000</u>	<u>\$ 871</u>	<u>\$ (13,129)</u>
Fund deficit, beginning of year			<u>(13,129)</u>		
Fund balance, end of year			<u>\$ 871</u>		

Town of Aberdeen, North Carolina
 Capital Project Fund (Brownfields)
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 From Inception and for the Year Ended June 30, 2020

Schedule 6

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Restricted					
intergovernmental:					
Federal grant proceeds	\$ 400,000	\$ 400,001	\$ -	\$ 400,001	\$ 1
Expenditures					
Environmental					
protection:					
Construction	400,000	400,063	-	400,063	(63)
Revenues under					
expenditures	-	(62)	-	(62)	(62)
Other financing sources					
Transfers from General Fund	100	-	100	100	-
Transfers to General Fund	(100)	-	-	-	100
Total other financing					
sources (uses)	-	-	100	100	100
Revenues and other					
financing sources over					
(under) expenditures	<u>\$ 100</u>	<u>\$ (62)</u>	<u>\$ 100</u>	<u>\$ 38</u>	<u>\$ (62)</u>
Fund deficit,					
beginning of year			<u>(62)</u>		
Fund balance,					
end of year			<u>\$ 38</u>		

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Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations.

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Town of Aberdeen, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020 with Comparative
Amounts for the Fiscal Year Ended June 30, 2019

Schedule 7
(2 pages)

	2020			2019
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Operating revenues:				
Water sales	\$ 1,569,300	\$ 1,627,671	\$ 58,371	\$ 1,208,728
Sewer sales	1,312,575	1,375,850	63,275	1,215,370
Water and sewer taps	141,600	171,538	29,938	124,907
Bulk water revenue	334,500	312,770	(21,730)	312,263
System development fees	49,620	357,720	308,100	66,498
Penalties	60,000	61,500	1,500	63,058
Total operating revenues	<u>3,467,595</u>	<u>3,907,049</u>	<u>439,454</u>	<u>2,990,824</u>
Nonoperating revenues:				
Other revenue	1,400	52,617	51,217	18,233
Total nonoperating revenues	<u>1,400</u>	<u>52,617</u>	<u>51,217</u>	<u>18,233</u>
Total revenues	<u>3,468,995</u>	<u>3,959,666</u>	<u>490,671</u>	<u>3,009,057</u>
Expenditures				
Operating expenditures:				
Water production	970,930	829,242	141,688	774,490
Water and sewer operations	1,898,245	1,882,340	15,905	1,779,389
Water billing and collections	110,615	90,528	20,087	94,715
	<u>2,979,790</u>	<u>2,802,110</u>	<u>177,680</u>	<u>2,648,594</u>
Capital outlay	<u>873,200</u>	<u>740,224</u>	<u>132,976</u>	<u>724,907</u>
Total expenditures	<u>3,852,990</u>	<u>3,542,334</u>	<u>310,656</u>	<u>3,373,501</u>
Revenues over (under) expenditures	(383,995)	417,332	801,327	(364,444)
Other financing sources (uses)				
Loan proceeds	54,000	-	(54,000)	-
Insurance recovery	-	71,602	71,602	4,663
Transfer to Well Replacement Capital Project Fund	-	-	-	(161,535)
Total other financing sources (uses)	<u>54,000</u>	<u>71,602</u>	<u>17,602</u>	<u>(156,872)</u>
Revenues and other financing sources over (under) expenditures	(329,995)	488,934	818,929	(521,316)
Appropriated fund balance	<u>329,995</u>	-	<u>(329,995)</u>	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 488,934</u>	<u>\$ 488,934</u>	<u>\$ (521,316)</u>

Town of Aberdeen, North Carolina
 Water and Sewer Fund
 Schedule of Revenues and Expenditures -
 Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2020 with Comparative
 Amounts for the Fiscal Year Ended June 30, 2019

Schedule 7
 (2 pages)

Reconciliation of modified accrual basis
 to full accrual basis:

Revenues over expenditures	\$ 488,934
Capital outlay	740,224
Depreciation	(687,049)
Loss on disposal of capital assets	(1,173)
Increase in net pension liability - LGERS	(22,324)
Decrease in deferred outflows of resources - pensions	(37,137)
Decrease in deferred inflows of resources - pensions	4,956
Decrease in compensated absences	4,449
Increase in total OPEB liability	(66,536)
Increase in deferred outflows of resources - OPEB	30,139
Decrease in deferred inflows of resources - OPEB	13,424
Capital contributions - State grant	<u>161,535</u>
Change in net position	<u>\$ 629,442</u>

Enterprise Capital Project Funds

Enterprise Capital Project Funds are used to account for the acquisition or construction of major capital facilities that will be financed by Enterprise Funds.

Berkley Sewer Fund - This fund is used for sewer line improvements to serve the Berkley Phase 3 Sewer Project Area.

Well Replacement Fund - This fund is used for the replacement of two water supply wells.

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Town of Aberdeen, North Carolina
Water and Sewer Capital Project Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2020

Schedule 8

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues					
Restricted intergovernmental:					
CDBG grant	\$ 736,000	\$ 723,314	\$ -	\$ 723,314	\$ (12,686)
DOT grant	700,000	633,178	161,535	794,713	94,713
Total revenues	<u>1,436,000</u>	<u>1,356,492</u>	<u>161,535</u>	<u>1,518,027</u>	<u>82,027</u>
Expenditures					
Berkley sewer	776,000	750,988	-	750,988	25,012
Well replacement	<u>722,850</u>	<u>805,631</u>	<u>139,642</u>	<u>945,273</u>	<u>(222,423)</u>
Total expenditures	<u>1,498,850</u>	<u>1,556,619</u>	<u>139,642</u>	<u>1,696,261</u>	<u>(197,411)</u>
Revenues (under) over expenditures	(62,850)	(200,127)	21,893	(178,234)	(115,384)
Other financing sources					
Transfers from Water and Sewer Fund	<u>224,385</u>	<u>212,059</u>	<u>-</u>	<u>212,059</u>	<u>(12,326)</u>
Revenues and other financing sources over expenditures	<u>\$ 161,535</u>	<u>\$ 11,932</u>	<u>\$ 21,893</u>	<u>\$ 33,825</u>	<u>\$ (127,710)</u>
Fund balance, beginning of year			<u>11,932</u>		
Fund balance, end of year			<u>\$ 33,825</u>		

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Supplementary Financial Data

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Town of Aberdeen, North Carolina
 Schedule of Ad Valorem Taxes Receivable
 June 30, 2020

Schedule 9

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2019-2020	\$ -	\$ 4,827,516	\$ 4,810,189	\$ 17,327
2018-2019	6,070	-	2,373	3,697
2017-2018	3,362	-	-	3,362
2016-2017	2,116	-	-	2,116
2015-2016	1,785	-	-	1,785
2014-2015	1,493	-	-	1,493
2013-2014	1,922	-	987	935
2012-2013	2,910	-	1,719	1,191
2011-2012	2,774	-	1,586	1,188
2010-2011	2,682	-	498	2,184
2009-2010	3,101	-	3,101	-
	<u>\$ 28,215</u>	<u>\$ 4,827,516</u>	<u>\$ 4,820,453</u>	35,278

Less allowance for uncollected taxes receivable
 General Fund

(6,043)

\$ 29,235

Reconciliation with revenues:

Taxes - ad valorem - General Fund

\$ 4,796,392

Reconciling items:

Penalties and interest

2,826

Refunds

38,288

Taxes written off

3,101

Other adjustments

(20,154)

Subtotal

24,061

Total collections and credits

\$ 4,820,453

Town of Aberdeen, North Carolina
 Analysis of Current Tax Levy
 Year Ended June 30, 2020

Schedule 10

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 992,262,653	\$ 0.49	\$ 4,862,087	\$ 4,544,093	\$ 317,994
Penalties	758,571		3,717	3,717	-
	993,021,224		4,865,804	4,547,810	317,994
Abatements	(7,813,878)	\$ 0.49	(38,288)	(37,840)	(448)
Total property valuation	<u>\$ 985,207,346</u>				
Net levy			4,827,516	4,509,970	317,546
Uncollected taxes at June 30, 2019			(17,327)	(17,327)	-
Current year's taxes collected			<u>\$ 4,810,189</u>	<u>\$ 4,492,643</u>	<u>\$ 317,546</u>
Current levy collection percentage			<u>99.64%</u>	<u>99.62%</u>	<u>100.00%</u>

Compliance Section

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and
Town Commissioners
Town of Aberdeen, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Aberdeen, North Carolina ("Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated December 28 2020.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.



Compliance and Other Matters

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

Purpose of this Report

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

Dixon Hughes Goodman LLP

High Point, NC
December 28, 2020

Schedule of Findings and Responses

Section I - Summary of Auditors' Results

Financial statements

Type of auditors' report issued on whether the financial Statements audited were prepared in accordance to GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies)	No
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

There were no findings related to the financial statements for the fiscal year ended June 30, 2020.

Town of Aberdeen

COMMISSIONERS
JOE DANNELLEY
ELEASE GOODWIN
WILMA LANEY
BRYAN BOWLES
TERESSA V. BEAVERS



ROBERT A. FARRELL, Mayor
PAUL SABISTON, Town Manager
REGINA M. ROSY, Town Clerk

Summary Schedule of Prior Audit Findings

Finding 2019-001: Deficit in Fund Balance of Individual Funds

Corrective action has been taken by the Town of Aberdeen. This finding is cleared.

Finding 2019-002: Financial Accounting Closing Procedures

Corrective action has been taken by the Town of Aberdeen. This finding is cleared.