

TOWN OF BOLTON, NORTH CAROLINA

Report of Audit

For the Fiscal Year Ended June 30, 2020

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| | <u>Page</u> |
|--|-------------|
| FINANCIAL SECTION | |
| Independent Auditor's Report | 6 |
| Management's Discussion and Analysis | 9 |

Basic Financial Statements

Government-wide Financial Statements:

| | |
|---------------------------------|----|
| Statement of Net Position | 18 |
| Statement of Activities..... | 20 |

Fund Financial Statements:

| | |
|---|----|
| Balance Sheet – Governmental Funds | 22 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 23 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds..... | 24 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | 25 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund..... | 27 |
| Statement of Fund Net Position – Proprietary Fund | 28 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund | 29 |
| Statement of Cash Flows – Proprietary Fund..... | 30 |
| Notes to the Financial Statements | 32 |

Required Supplementary Financial Data

| | |
|--|----|
| Proportionate Share of Net Pension Liability (Asset) - LGERS | 54 |
| Town of Bolton's Contributions - LGERS | 55 |

Major Governmental Funds – General Fund

| | |
|--|----|
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund..... | 58 |
|--|----|

Enterprise Funds

| | |
|---|----|
| Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Water and Sewer Fund | 62 |
|---|----|

Other Schedules

| | |
|--|----|
| Schedule of Ad Valorem Taxes Receivable – General Fund | 66 |
| Analysis of Current Tax Levy | 67 |

Compliance Section

| | |
|---|----|
| Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 70 |
| Schedule of Findings and Responses | 72 |
| Corrective Action Plan | 74 |
| Summary Schedule of Prior Audit Findings | 75 |

Financial Section

Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Aldermen
Bolton, 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 Bolton, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bolton, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Bolton, North Carolina. 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual 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 February 23, 2021 on our consideration of Town of Bolton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of 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 Town of Bolton's internal control over financial reporting and compliance.

W Greene, PLLC

Whiteville, North Carolina
February 23, 2021

As management of the Town of Bolton, we offer readers of the Town of Bolton's financial statements this narrative overview and analysis of the financial activities of the Town of Bolton 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

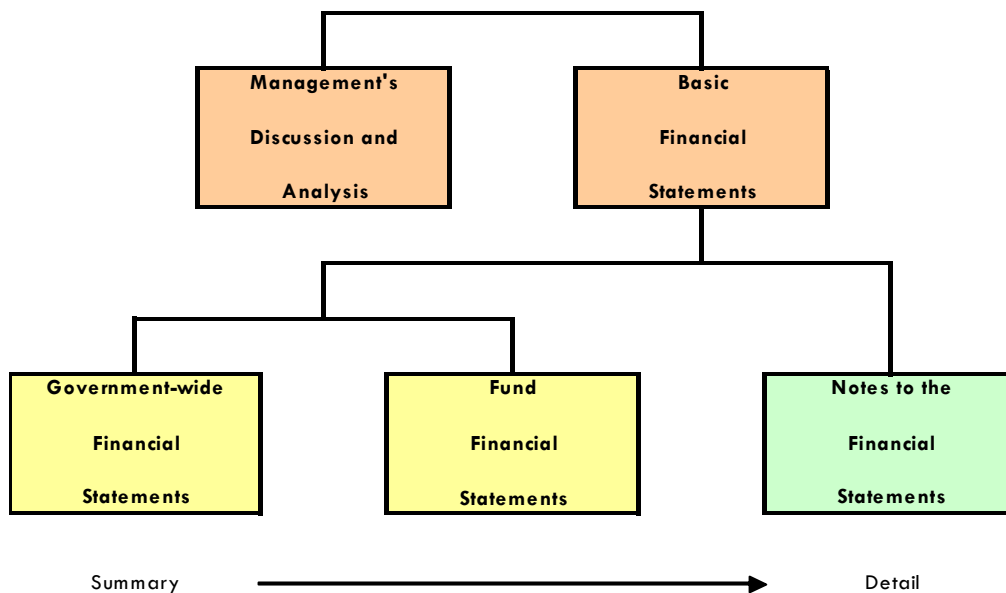
- The assets and deferred outflows of resources of the Town of Bolton exceeded its liabilities and deferred inflows at the close of the fiscal year by \$5,891,903 (net position).
- The government's total net position decreased by \$53,797.
- As of the close of the current fiscal year, the Town of Bolton's governmental funds reported combined ending fund balances of \$405,657 with a net change of \$82,659 in fund balance. Approximately 19.46% percent of this total amount, or \$78,953, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$288,704.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 18 through 21) 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 (pages 22 through 31) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as administration, streets and highways, and sanitation. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Bolton.

The government-wide financial statements are on pages 18 through 21 of this report.

Fund Financial Statements

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

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

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

Proprietary Funds – Town of Bolton 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 of Bolton uses enterprise funds to account for its water and sewer activity. This fund is the same as those functions shown in business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 32 through 52 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Bolton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 54 of this report.

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

Government-Wide Financial Analysis

Town of Bolton's Net Position

Figure 2

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|------------|-----------------------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Current and other assets | \$ 498,354 | \$ 428,397 | \$ 27,390 | \$ 21,267 | \$ 525,744 | \$ 449,664 |
| Capital assets | 293,775 | 305,527 | 5,106,002 | 5,239,401 | 5,399,777 | 5,544,928 |
| Deferred outflows of resources | - | - | - | - | - | - |
| Total assets and deferred outflows of resources | 792,129 | 733,924 | 5,133,392 | 5,260,668 | 5,925,521 | 5,994,592 |
| Long-term liabilities outstanding | 475 | 5,120 | - | - | 475 | 5,120 |
| Other liabilities | 18,090 | 16,227 | 13,869 | 24,276 | 31,959 | 40,503 |
| Deferred inflows of resources | 1,184 | 3,269 | - | - | 1,184 | 3,269 |
| Total liabilities and deferred inflows of resources | 19,749 | 24,616 | 13,869 | 24,276 | 33,618 | 48,892 |
| Net position: | | | | | | |
| Net investment in capital assets | 293,775 | 305,527 | 5,106,002 | 5,231,708 | 5,399,777 | 5,537,235 |
| Restricted | 78,953 | 46,399 | - | - | 78,953 | 46,399 |
| Unrestricted | 399,652 | 357,382 | 13,521 | 4,684 | 413,173 | 362,066 |
| Total net position | \$ 772,380 | \$ 709,308 | \$ 5,119,523 | \$ 5,236,392 | \$ 5,891,903 | \$ 5,945,700 |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Bolton exceeded liabilities and deferred inflows by \$5,891,903 as of June 30, 2020. The Town's net position decreased by \$53,797 for the fiscal year ended June 30, 2020. However, the largest portion (91.65%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Bolton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Bolton's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Bolton's net position, \$78,953, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$413,173 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.70%

Management's Discussion and Analysis (Continued)

The Town of Bolton's Changes in Net Position

Figure 3

| | Governmental | | Business-Type | | Total | |
|--|--------------|------------|---------------|--------------|--------------|--------------|
| | Activities | | Activities | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 46,639 | \$ 42,724 | \$ 112,150 | \$ 123,777 | \$ 158,789 | \$ 166,501 |
| Operating grants and contributions | 154,752 | 55,008 | - | - | 154,752 | 55,008 |
| Capital grants and contributions | - | - | - | - | - | - |
| General Revenues | | | | | | |
| Property taxes | 107,076 | 129,318 | - | - | 107,076 | 129,318 |
| Other taxes | 202,579 | 197,636 | - | - | 202,579 | 197,636 |
| Other | 18,944 | 25,483 | 54,166 | 32,566 | 73,110 | 58,049 |
| Total revenues | 529,990 | 450,169 | 166,316 | 156,343 | 696,306 | 606,512 |
| Expenses: | | | | | | |
| Governing body | 18,648 | 21,552 | - | - | 18,648 | 21,552 |
| Administration | 262,603 | 293,969 | - | - | 262,603 | 293,969 |
| Elections | 3,354 | - | - | - | 3,354 | - |
| Health and Human Services | - | - | - | - | - | - |
| Police Department | - | - | - | - | - | - |
| Fire Department | 2,000 | 2,000 | - | - | 2,000 | 2,000 |
| Street Department | 17,791 | 17,337 | - | - | 17,791 | 17,337 |
| Powell Bill Funds | 138,167 | 107,952 | - | - | 138,167 | 107,952 |
| Sanitation | 20,626 | 22,465 | - | - | 20,626 | 22,465 |
| Cultural and Recreation | 2,216 | 2,762 | - | - | 2,216 | 2,762 |
| Non-Departmental | 1,513 | 620 | - | - | 1,513 | 620 |
| Interest on long-term debt | - | - | - | - | - | - |
| Water and Sewer | - | - | 283,185 | 334,965 | 283,185 | 334,965 |
| Total expenses | 466,918 | 468,657 | 283,185 | 334,965 | 750,103 | 803,622 |
| Increase(Decrease) in net position before transfers | 63,072 | (18,488) | (116,869) | (178,622) | (53,797) | (197,110) |
| Transfers | - | - | - | - | - | - |
| Powell Bill Borrowings | - | - | - | - | - | - |
| Change in net position | 63,072 | (18,488) | (116,869) | (178,622) | (53,797) | (197,110) |
| Beginning net position | 709,308 | 727,796 | 5,236,392 | 5,415,014 | 5,945,700 | 6,142,810 |
| Net position, beginning, restated | 709,308 | 727,796 | 5,236,392 | 5,415,014 | 5,945,700 | 6,142,810 |
| Net position, June 30 | \$ 772,380 | \$ 709,308 | \$ 5,119,523 | \$ 5,236,392 | \$ 5,891,903 | \$ 5,945,700 |

Governmental activities. Governmental activities increased the Town's net position by \$63,072. One element of this increase is as follows:

- Increase in operating grants and contributions.

Business-type activities. Business-type activities decreased the Town of Bolton's net position by \$116,869. Key element of this decrease is as follows:

- Decrease in service revenue.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Bolton's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Bolton's financing requirements. Specifically, unassigned 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 of Bolton. At the end of the current fiscal year, Town of Bolton's fund balance available in the General fund was \$364,521, while total fund balance reached \$405,657. The Town currently has an available fund balance of 78.92% of general fund expenditures, while the total balance represents 87.82% of the same amount.

At June 30, 2020, the governmental funds of Town of Bolton reported a combined fund balance of \$405,657 with a net increase in fund balance of \$82,659.

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

Revenues were more than the budgeted amounts. Expenditures were more than budgeted amounts and the Town was not able to comply with its budgetary requirements.

Proprietary Funds. The Town of Bolton'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 \$13,521. The total change in net position for the water and sewer fund was a decrease of \$116,869. Total revenues increased as compared to the prior fiscal year and expenses decreased as compared to the prior fiscal year.

Capital Asset and Debt Administration

Capital assets. The Town of Bolton's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$5,399,777 (net of accumulated depreciation). These assets include buildings, land, construction in progress, vehicles, infrastructure, and equipment.

There were no major capital asset transactions during the year.

The Town of Bolton's Capital Assets

Figure 4

(Net of depreciation)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|----------------------------|------------|-----------------------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 86,107 | \$ 86,107 | \$ 5,751 | \$ 5,751 | \$ 91,858 | \$ 91,858 |
| Construction in Progress | - | - | - | - | - | - |
| Buildings | 207,484 | 217,030 | - | - | 207,484 | 217,030 |
| Vehicles | - | - | - | - | - | - |
| Plant and Distribution | - | - | 5,099,672 | 5,233,034 | 5,099,672 | 5,233,034 |
| Equipment | 184 | 2,390 | 579 | 616 | 763 | 3,006 |
| Total | \$ 293,775 | \$ 305,527 | \$ 5,106,002 | \$ 5,239,401 | \$ 5,399,777 | \$ 5,544,928 |

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

Long-term Debt. As of June 30, 2020, the Town of Bolton had total debt outstanding of \$475. Of this, \$0 is debt backed by the full faith and credit of the Town of Bolton.

The Town of Bolton's Outstanding Liabilities

Figure 5

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------|----------------------------|----------|-----------------------------|----------|--------|-----------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| General Obligation Bonds | \$ - | \$ - | \$ - | \$ 7,693 | \$ - | \$ 7,693 |
| Compensated Absences | 475 | 5,120 | - | - | 475 | 5,120 |
| Net Pension Liability (LGERS) | - | - | - | - | - | - |
| Total | \$ 475 | \$ 5,120 | \$ - | \$ 7,693 | \$ 475 | \$ 12,813 |

Town of Bolton Outstanding Debt

The Town of Bolton's total debt decreased by \$12,338 during the fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Bolton is \$1,483,538. The Town of Bolton does not have any authorized but un-issued debt at June 30, 2020.

Additional information regarding the Town of Bolton's long-term debt can be found beginning on page 49 in the Notes to the Financial Statements.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The budget maintains a steady level of spending with no increase in the property tax rate.

Business-type Activities. Utility rates in the Town will increase for the next year.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the following:

**Town Clerk
Town of Bolton
Post Office Box 327
Bolton, North Carolina 28423**

Basic Financial Statements

TOWN OF BOLTON, NORTH CAROLINA

Statement of Net Position

June 30, 2020

| | Primary Government | | |
|--|---------------------------|----------------------|------------------|
| | Governmental | Business-Type | |
| | Activities | Activities | Total |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 344,794 | \$ - | \$ 344,794 |
| Receivables (net): | | | |
| Ad Valorem Taxes | 54,936 | - | 54,936 |
| Interest | 19,671 | - | 19,671 |
| Sanitation | 3,870 | - | 3,870 |
| Utilities | - | 13,521 | 13,521 |
| Due from Other Governments | 37,266 | - | 37,266 |
| Restricted Cash and Cash Equivalents | 37,817 | 13,869 | 51,686 |
| | | | |
| Total Current Assets | 498,354 | 27,390 | 525,744 |
| Noncurrent Assets: | | | |
| Capital Assets | | | |
| Land, Nondepreciable Improvements, and Construction in Progress | 86,107 | 5,751 | 91,858 |
| Other Capital Assets, Net of Depreciation | 207,668 | 5,100,251 | 5,307,919 |
| Total Capital Assets | 293,775 | 5,106,002 | 5,399,777 |
| | | | |
| Total Noncurrent Assets | 293,775 | 5,106,002 | 5,399,777 |
| | | | |
| Total Assets | 792,129 | 5,133,392 | 5,925,521 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension Deferrals | - | - | - |
| | | | |
| Total Deferred Outflows of Resources | \$ - | \$ - | \$ - |

TOWN OF BOLTON, NORTH CAROLINA

Statement of Net Position (Continued)

June 30, 2020

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable and | | | |
| Accrued Liabilities | \$ 18,090 | \$ - | \$ 18,090 |
| Due to Other Governments | - | - | - |
| Customer Deposits | - | 13,869 | 13,869 |
| Current Portion of Long-Term Liabilities | - | - | - |
| Total Current Liabilities | 18,090 | 13,869 | 31,959 |
| Long-Term Liabilities: | | | |
| Net Pension Liability | - | - | - |
| Due in More Than One year | 475 | - | 475 |
| Total Long-Term Liabilities | 475 | - | 475 |
| Total Liabilities | 18,565 | 13,869 | 32,434 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension Deferrals | 1,184 | - | 1,184 |
| Total Deferred Inflows of Resources | 1,184 | - | 1,184 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 293,775 | 5,106,002 | 5,399,777 |
| Restricted for: | | | |
| Stabilization by State Statute | 41,136 | - | 41,136 |
| Transportation | 37,817 | - | 37,817 |
| Unrestricted | 399,652 | 13,521 | 413,173 |
| Total Net Position | \$ 772,380 | \$ 5,119,523 | \$ 5,891,903 |

TOWN OF BOLTON, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2020

| Functions/Programs | Expenses | Program Revenues | | |
|--------------------------------|------------|----------------------------|---|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| Governing Body | \$ 18,648 | \$ - | \$ - | \$ - |
| Administration | 262,603 | - | 121,379 | - |
| Elections | 3,354 | - | - | - |
| Fire Department | 2,000 | - | - | - |
| Street Department | 17,791 | - | - | - |
| Powell Bill Funds | 138,167 | - | 31,658 | - |
| Sanitation | 20,626 | 30,542 | 1,715 | - |
| Cultural and Recreational | 2,216 | 16,097 | - | - |
| Non-Departmental | 1,513 | - | - | - |
| Interest on long-term debt | - | - | - | - |
| Total Governmental Activities | 466,918 | 46,639 | 154,752 | - |
| Business-Type Activities: | | | | |
| Water and Sewer | 283,185 | 112,150 | - | - |
| Total Business-Type Activities | 283,185 | 112,150 | - | - |
| Total Primary Government | \$ 750,103 | \$ 158,789 | \$ 154,752 | \$ - |

TOWN OF BOLTON, NORTH CAROLINA

Statement of Activities (Continued)

For the Year Ended June 30, 2020

| Functions/Programs | Net (Expense) Revenue and Changes in Net Position | | |
|---|---|-----------------------------|---------------------|
| | Primary Government | | |
| | Governmental Activities | Business-Type Activities | Totals |
| Primary Government: | | | |
| Governmental Activities: | | | |
| Governing Body | \$ (18,648) | \$ - | \$ (18,648) |
| Administration | (141,224) | - | (141,224) |
| Elections | (3,354) | - | (3,354) |
| Fire Department | (2,000) | - | (2,000) |
| Street Department | (17,791) | - | (17,791) |
| Powell Bill Funds | (106,509) | - | (106,509) |
| Sanitation | 11,631 | - | 11,631 |
| Cultural and Recreational | 13,881 | - | 13,881 |
| Non-Departmental | (1,513) | - | (1,513) |
| Interest on long-term debt | - | - | - |
| Total Governmental Activities | (265,527) | - | (265,527) |
| Business-Type Activities: | | | |
| Water and Sewer | - | (171,035) | (171,035) |
| Total Business-Type Activities | - | (171,035) | (171,035) |
| Total Primary Government | (265,527) | (171,035) | (436,562) |
| General Revenues: | | | |
| Property Taxes, Levied for General Purpose | 107,076 | - | 107,076 |
| Other Taxes and Licenses | 202,579 | - | 202,579 |
| Investment Earnings | 782 | 5 | 787 |
| Miscellaneous | 18,162 | 54,161 | 72,323 |
| Transfers | - | - | - |
| Powell Bill Borrowings | - | - | - |
| Total General Revenues and Transfers | 328,599 | 54,166 | 382,765 |
| Change in Net Position | 63,072 | (116,869) | (53,797) |
| Net Position, beginning | 709,308 | 5,236,392 | 5,945,700 |
| Net Position - End of Year | \$ 772,380 | \$ 5,119,523 | \$ 5,891,903 |

TOWN OF BOLTON, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2020

| | Major Funds | |
|--|--------------------|---|
| | General | Total Governmental Funds |
| ASSETS | | |
| Cash and Cash Equivalents | \$ 344,794 | \$ 344,794 |
| Restricted Cash | 37,817 | 37,817 |
| Receivables (net): | | - |
| Ad Valorem Taxes | 54,936 | 54,936 |
| Sanitation | 3,870 | 3,870 |
| Due from Other Governments | 37,266 | 37,266 |
| Total Assets | 478,683 | 478,683 |
| LIABILITIES | | |
| Accounts Payable and Accrued Liabilities | 18,090 | 18,090 |
| Due to Other Governments | - | - |
| Total Liabilities | 18,090 | 18,090 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property Taxes Receivable | 54,936 | 54,936 |
| Total Deferred Inflows of Resources | 54,936 | 54,936 |
| FUND BALANCES | | |
| Restricted | | |
| Stabilization by State Statute | 41,136 | 41,136 |
| Streets | 37,817 | 37,817 |
| Assigned | | |
| Subsequent year's expenditures | 38,000 | 38,000 |
| Unassigned | 288,704 | 288,704 |
| Total Fund Balances | 405,657 | 405,657 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 478,683 | \$ 478,683 |

TOWN OF BOLTON, NORTH CAROLINA

Balance Sheet (Continued)

Governmental Funds

June 30, 2020

| | | Total Governmental Funds |
|---|------------------|---|
| <hr/> | | |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Total Governmental Fund Balance | \$ | 405,657 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Gross capital assets at historical costs | 706,264 | |
| Accumulated depreciation | <u>(412,489)</u> | 293,775 |
| Deferred outflows of resources related to pensions are not reported in the funds | <u>-</u> | - |
| Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and and therefore are deferred | | |
| Accrued interest - taxes | <u>19,671</u> | 19,671 |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements. | | |
| Ad valorem taxes | <u>54,936</u> | 54,936 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated absences | (475) | |
| Net Pension Liability | <u>-</u> | (475) |
| Deferred inflows of resources related to pensions are not reported in the funds | <u>(1,184)</u> | (1,184) |
| Net position of governmental activities. | <u>\$</u> | <u><u>772,380</u></u> |

TOWN OF BOLTON, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2020

| | Major Funds | |
|--|-------------------------|---|
| | General Fund | Total Governmental Funds |
| Revenues | | |
| Ad Valorem Taxes | \$ 121,641 | \$ 121,641 |
| Other Taxes and Licenses | - | - |
| Unrestricted Intergovernmental | 202,554 | 202,554 |
| Restricted Intergovernmental | 154,752 | 154,752 |
| Permits and Fees | 25 | 25 |
| Sales and Services | 46,639 | 46,639 |
| Investment Earnings | 782 | 782 |
| Miscellaneous | 14,162 | 14,162 |
| Total Revenues | 540,555 | 540,555 |
| Expenditures | | |
| Current | | |
| Governing Body | 18,648 | 18,648 |
| Administration | 257,581 | 257,581 |
| Elections | 3,354 | 3,354 |
| Fire Department | 2,000 | 2,000 |
| Powell Bill | 138,167 | 138,167 |
| Street Department | 17,791 | 17,791 |
| Sanitation | 20,626 | 20,626 |
| Cultural and Recreational | 2,216 | 2,216 |
| Non-Departmental | 1,513 | 1,513 |
| Total Expenditures | 461,896 | 461,896 |
| Excess (Deficiency) of Revenues Over Expenditures | 78,659 | 78,659 |
| Other Financing Sources (Uses) | | |
| Transfers from Other Funds | - | - |
| Transfers to Other Funds | - | - |
| Powell Bill Borrowings | - | - |
| Sale of Assets | 4,000 | 4,000 |
| Total Other Financing Sources (Uses) | 4,000 | 4,000 |
| Net Change in Fund Balance | 82,659 | 82,659 |
| Fund Balance, beginning | 322,998 | 322,998 |
| Fund Balance - End of Year | \$ 405,657 | \$ 405,657 |

TOWN OF BOLTON, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Governmental Funds

For the Year Ended June 30, 2020

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

| | | |
|--|----------|---------------|
| Net changes in fund balances - total governmental funds | \$ | 82,659 |
| 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. | | |
| Capital outlay expenditures which were capitalized | - | |
| Depreciation expense | (11,752) | (11,752) |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | - | - |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. | | |
| Change in unavailable revenue for tax revenues | (14,430) | |
| Interest earned on ad valorem taxes | (135) | (14,565) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Debt issuance | - | |
| Debt retirement | - | - |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds: | | |
| Compensated absences | 4,645 | |
| Pension expense | 2,085 | 6,730 |
| Total changes in net position of governmental activities | \$ | <u>63,072</u> |

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TOWN OF BOLTON, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2020

| | General Fund | | | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|-------------------|--|
| | Original Budget | Final Budget | Actual Amounts | |
| Revenues | | | | |
| Ad Valorem Taxes | \$ 113,000 | \$ 113,000 | \$ 121,641 | \$ 8,641 |
| Other Taxes and Licenses | - | - | - | - |
| Unrestricted Intergovernmental | 163,000 | 163,000 | 202,554 | 39,554 |
| Restricted Intergovernmental | 32,300 | 32,300 | 154,752 | 122,452 |
| Permits and Fees | 100 | 100 | 25 | (75) |
| Sales and Services | 81,500 | 81,500 | 46,639 | (34,861) |
| Investment Earnings | - | - | 782 | 782 |
| Miscellaneous | 1,700 | 1,700 | 18,162 | 16,462 |
| Total Revenues | 391,600 | 391,600 | 544,555 | 152,955 |
| Expenditures | | | | |
| Governing Body | 18,500 | 18,500 | 18,648 | (148) |
| Administration | 282,810 | 282,810 | 257,581 | 25,229 |
| Elections | 3,000 | 3,000 | 3,354 | (354) |
| Fire Department | 2,000 | 2,000 | 2,000 | - |
| Powell Bill | 29,000 | 29,000 | 138,167 | (109,167) |
| Street Department | 20,800 | 20,800 | 17,791 | 3,009 |
| Sanitation | 21,000 | 21,000 | 20,626 | 374 |
| Cultural and Recreational | 12,760 | 12,760 | 2,216 | 10,544 |
| Non-Departmental | 1,730 | 1,730 | 1,513 | 217 |
| Total Expenditures | 391,600 | 391,600 | 461,896 | (70,296) |
| Revenues Over (Under) Expenditures | - | - | 82,659 | 82,659 |
| Other Financing Sources (Uses) | | | | |
| Transfers from Other Funds | - | - | - | - |
| Transfers to Other Funds | - | - | - | - |
| Powell Bill Borrowings | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | - | - | 82,659 | 82,659 |
| Appropriated Fund Balance | - | - | - | - |
| Net Change in Fund Balance | \$ - | \$ - | 82,659 | \$ 82,659 |
| Fund Balance, beginning as restated | | | 322,998 | |
| Fund Balance - End of Year | | | \$ 405,657 | |

TOWN OF BOLTON, NORTH CAROLINA

Statement of Fund Net Position

Proprietary Fund

June 30, 2020

| | Water and Sewer Fund |
|--|---|
| <hr/> | |
| ASSETS | |
| Current Assets | |
| Cash and Investments | \$ - |
| Accounts Receivable (net) | 13,521 |
| Due from Other Governments | - |
| Restricted Cash and Investments | 13,869 |
| Total Current Assets | <u>27,390</u> |
| Noncurrent Assets | |
| Capital Assets | |
| Land, Nondepreciable Improvements, and Construction in Progress | 5,751 |
| Other Capital Assets, Net of Depreciation | 5,100,251 |
| Total Noncurrent Assets | <u>5,106,002</u> |
| Total Assets | <u><u>5,133,392</u></u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable and Accrued Liabilities | - |
| Customer Deposits | 13,869 |
| General Obligation Bonds | - |
| Total Current Liabilities | <u>13,869</u> |
| Noncurrent Liabilities | |
| General Obligation Bonds | - |
| Total Noncurrent Liabilities | <u>-</u> |
| Total Liabilities | <u><u>13,869</u></u> |
| NET POSITION | |
| Net Investment in Capital Assets | 5,106,002 |
| Unrestricted | 13,521 |
| Total Net Position | <u><u>\$ 5,119,523</u></u> |

TOWN OF BOLTON, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Fund

For the Year Ended June 30, 2020

| | Water and Sewer Fund |
|---|---|
| | <hr/> |
| Operating Revenues | |
| Water Charges | \$ 50,087 |
| Sewer Charges | 56,269 |
| Tap Fees | - |
| Penalties and Interest | 5,794 |
| Total Operating Revenues | <hr/> 112,150 <hr/> |
| Operating Expenses | |
| Administration | 36,894 |
| Water Operations | 112,085 |
| Sewer Operations | - |
| Depreciation | 133,399 |
| Total Operating Expenses | <hr/> 282,378 <hr/> |
| Operating Income (Loss) | <hr/> (170,228) <hr/> |
| Nonoperating Revenues (Expenses) | |
| Interest Earnings | 5 |
| Miscellaneous Income | 54,161 |
| Interest Expense | (807) |
| Total Nonoperating Revenues (Expenses) | <hr/> 53,359 <hr/> |
| Total Income (Loss) Before Capital Contributions | (116,869) |
| Capital Contributions | <hr/> - <hr/> |
| Change in Net Position | (116,869) |
| Total Net Position - Beginning of Year | <hr/> 5,236,392 <hr/> |
| Total Net Position - End of Year | <hr/> \$ 5,119,523 <hr/> |

TOWN OF BOLTON, NORTH CAROLINA

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2020

| | Water and Sewer Fund |
|--|---|
| | <hr/> |
| Cash Flows from Operating Activities | |
| Cash Received from Customers and Users | \$ 107,756 |
| Cash Paid for Goods and Services | (125,931) |
| Cash Paid to Employees for Services | (27,306) |
| Customer Deposits Received | 1,544 |
| Customer Deposits Returned | - |
| Miscellaneous Income | 54,161 |
| Net Cash Provided(Used) by Operating Activities | <hr/> 10,224 <hr/> |
| Cash Flows from Noncapital Financing Activities | |
| Decrease in Due from Other Funds | - |
| Decrease in Due from Other Governments | - |
| Net Cash Provided(Used) by Noncapital Financing Activities | <hr/> - <hr/> |
| Cash Flows from Capital and Related Financing Activities | |
| Acquisition and Construction of Capital Assets | - |
| Interest Paid on Bond Maturities and Equipment Contracts | (807) |
| Principal Paid on Bond Maturities and Equipment Contracts | (7,693) |
| Capital Contributions - Federal Grants | - |
| Net Cash Provided(Used) by Capital and Related Financing Activities | <hr/> (8,500) <hr/> |
| Cash Flows from Investing Activities | |
| Interest on Investments | <hr/> 5 <hr/> |
| Net Increase(Decrease) in Cash and Cash Equivalents | 1,729 |
| Cash and Cash Equivalents - Beginning of Year | <hr/> 12,140 <hr/> |
| Cash and Cash Equivalents - End of Year | <hr/> \$ 13,869 <hr/> |

TOWN OF BOLTON, NORTH CAROLINA

Statement of Cash Flows (Continued)

Proprietary Fund

For the Year Ended June 30, 2020

| | Water and Sewer Fund |
|--|---|
| | <hr/> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Operating Income (Loss) | \$ (170,228) |
| | <hr/> |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | |
| Depreciation | 133,399 |
| Miscellaneous Income | 54,161 |
| Changes in Assets and Liabilities | |
| (Increase) Decrease in Accounts Receivable | (4,394) |
| Increase (Decrease) in Accounts Payable and Accrued Liabilities | (4,258) |
| Increase (Decrease) in Customer Deposits | 1,544 |
| | <hr/> |
| Total Adjustments | 180,452 |
| | <hr/> |
| Net Cash Provided(Used) by Operating Activities | \$ 10,224 |
| | <hr/> |

TOWN OF BOLTON, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Bolton 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.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The 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 nonmajor funds.

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

The Town reports the following major governmental fund:

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Bolton because the tax is levied by Columbus 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. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for any Enterprise Capital Project Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Town Clerk is authorized by the budget ordinance to transfer appropriations between line items within a department up to \$1,000, without required formal notice to the Town Council. The Town Clerk also may transfer appropriations between departments within the same fund up to \$1,000, with an official report to the Town Council required at the next regular meeting of the Governing Board. Any revisions that alter total expenditures of any fund or that transfer any appropriations between funds must be approved by the Governing Board. Any other revisions require budget amendments, which must be approved by the Governing Board. The budget ordinance must be adopted by July 1 of the fiscal year or the Governing Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 generally reported at fair value. 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 .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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

Powell Bill funds are classified as restricted cash because they 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. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

| Town of Bolton Restricted Cash | |
|--------------------------------|-----------|
| Governmental Activities | |
| General Fund | |
| Streets | \$ 37,817 |
| Total Governmental Activities | 37,817 |
| Business-type Activities | |
| Water and Sewer Fund | |
| Customer Deposits | 13,869 |
| Total Business-type Activities | 13,869 |
| Total Restricted Cash | \$ 51,686 |

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Ad Valorem Taxes Receivable

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

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. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Due to very limited capital asset acquisition, minimum capitalization costs are \$500 for all items. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. There were no general infrastructure assets acquired prior to July 1, 2003. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

| Asset Class | Estimated Useful Lives |
|-------------------------|------------------------|
| Infrastructure | 25 |
| Buildings | 50 |
| Improvements | 25 |
| Furniture and Equipment | 10 |
| Vehicles | 5 |
| Computer Equipment | 3 |

7. Deferred Outflows/Inflows of Resources

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the period in which they occur. 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.

9. Compensated Absences

Full-time employees earn one week of vacation leave per calendar year (for those with up to three years' service to the Town). Those with three to ten years' service earn two weeks per calendar year, while those with greater than ten years' service earn three weeks' vacation per calendar year. The policies of the Town allow for the accumulation of earned vacation time. This vacation leave is considered fully vested when earned.

Full-time employees of the Town earn twelve days sick leave per calendar year. The Town's sick leave policies provide for the accumulation of earned sick leave up to thirty days; however, sick leave does not vest. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Net Position/Fund Balances (Continued)

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Net Position/Fund Balances (Continued)

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

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

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

The Town does not have a revenue spending policy or a minimum fund balance policy.

11. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERs) and additions to/deductions from LGERs' fiduciary net position have been determined on the same basis as they are reported by LGERs. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Bolton's employer contributions are recognized when due and the Town of Bolton 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.

II. 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 this unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town these deposits are considered to be held by the Town's agents in 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, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

1. Deposits (Continued)

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 \$358,074 and a bank balance of \$358,783. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town had \$727 in petty cash.

2. Investments

At June 30, 2020, the Town of Bolton had \$37,679 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 policy regarding credit risk.

3. Receivables - 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:

| Fund | 06/30/2020 |
|----------------------------|-----------------|
| General Fund: | |
| Taxes Receivable | \$ 6,000 |
| Accounts Receivable | 400 |
| Total General Fund | <u>6,400</u> |
| Water and Sewer Fund: | |
| Accounts Receivable | <u>1,300</u> |
| Total Water and Sewer Fund | <u>1,300</u> |
| Total | <u>\$ 7,700</u> |

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets

Primary Government

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|-----------|-----------|--------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 86,107 | \$ - | \$ - | \$ 86,107 |
| Construction in Progress | - | - | - | - |
| Total capital assets not being depreciated | 86,107 | - | - | 86,107 |
| Capital assets being depreciated: | | | | |
| Buildings and Improvements | 399,411 | - | - | 399,411 |
| Equipment | 151,989 | - | - | 151,989 |
| Vehicles | 68,757 | - | - | 68,757 |
| Infrastructure | - | - | - | - |
| Total capital assets being depreciated | 620,157 | - | - | 620,157 |
| Less accumulated depreciation for: | | | | |
| Buildings and Improvements | 182,381 | 9,546 | - | 191,927 |
| Equipment | 149,599 | 2,206 | - | 151,805 |
| Vehicles | 68,757 | - | - | 68,757 |
| Infrastructure | - | - | - | - |
| Total accumulated depreciation | 400,737 | 11,752 | - | 412,489 |
| Total capital assets being depreciated, net | 219,420 | | | 207,668 |
| Governmental activity capital assets, net | \$ 305,527 | | | \$ 293,775 |

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

| | |
|----------------|------------------|
| Administration | \$ 11,752 |
| Total | <u>\$ 11,752</u> |

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|-----------|-----------|---------------------|
| Business-type activities: | | | | |
| <i>Water and Sewer Fund</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 5,751 | \$ - | \$ - | 5,751 |
| Construction in Progress | - | - | - | - |
| Total capital assets not being depreciated | 5,751 | - | - | 5,751 |
| Capital assets being depreciated: | | | | |
| Plant and Distribution System | 6,670,491 | - | - | 6,670,491 |
| Equipment | 14,623 | - | - | 14,623 |
| Total capital assets being depreciated | 6,685,114 | - | - | 6,685,114 |
| Less accumulated depreciation for: | | | | |
| Plant and Distribution System | 1,437,457 | 133,362 | - | 1,570,819 |
| Equipment | 14,007 | 37 | - | 14,044 |
| Total accumulated depreciation | 1,451,464 | 133,399 | - | 1,584,863 |
| Total capital assets being depreciated, net | 5,233,650 | | | 5,100,251 |
| Water and Sewer Fund capital assets, net | \$ 5,239,401 | | | \$ 5,106,002 |

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Bolton 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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Bolton employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Bolton's contractually required contribution rate for the year ended June 30, 2020, was 0.00% of compensation for law enforcement officers and 0.00% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Bolton were \$-0- for the year ended June 30, 2020.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

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

At June 30, 2020, the Town reported a liability of \$-0- for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was 0.00000%, which was a decrease of 0.00000% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$0. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ - |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | - | 1,184 |
| Town contributions subsequent to the measurement date | - | - |
| Total | \$ - | \$ 1,184 |

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

\$-0- reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30: | | |
|----------------------------|----|----------------|
| 2021 | \$ | (1,184) |
| 2022 | | - |
| 2023 | | - |
| 2024 | | - |
| 2025 | | - |
| Thereafter | | - |
| Total | \$ | <u>(1,184)</u> |

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

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary Increases | 3.50 to 8.10 percent, including inflation and productivity factor |
| Investment Rate of Return | 7.00 percent, net of pension plan investment expense, including inflation |

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

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

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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:

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

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

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---------------------------|-----------------------------|---------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ - | \$ - | \$ - |

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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

| | | |
|--|----|---|
| Contributions to pension plan in current fiscal year | \$ | - |
| Total | \$ | - |

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

| | Statement of Net Position | General Fund Balance Sheet |
|---|------------------------------|-------------------------------|
| Taxes Receivable (General Fund) | \$ - | \$ 54,936 |
| Changes in assumptions | - | - |
| Differences between expected and actual experience | - | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,184 | - |
| Total | \$ 1,184 | \$ 54,936 |

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. These pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, police professional liability and public official liability in excess of \$1,000,000; property in excess of \$500,000 and \$1,000,000 up to statutory limits for workers' compensation.

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

The Town does not have flood insurance, as they are not considered to be in a high risk area.

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

4. Long-Term Obligations

a. General Obligation Indebtedness

The Town's general obligation bonds serviced by the proprietary fund, issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources, are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2020 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water and Sewer Fund

| | |
|---|------|
| \$152,000 1983 Water and Sewer Serial Bonds due in varying installments through June 1, 2021; interest at 5.75% | \$ - |
|---|------|

Annual debt service requirements to maturity for long-term obligations are as follows:

| Year Ending June 30 | Business-type Activities | |
|------------------------|--------------------------|----------|
| | Principal | Interest |
| 2021 | - | - |
| 2022 | - | - |
| 2023 | - | - |
| 2024 | - | - |
| Total | \$ - | \$ - |

At June 30, 2020, the Town of Bolton had a legal debt margin of \$1,483,538.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

4. Long-Term Obligations (Continued)

b. Changes in Long-Term Liabilities

| | Balance 07/01/19 | Increases | Decreases | Balance 06/30/20 | Current Portion of Balance |
|---|---------------------|-----------|-----------|---------------------|----------------------------------|
| Governmental activities: | | | | | |
| Compensated Absences | \$ 5,120 | \$ - | \$ 4,645 | \$ 475 | \$ - |
| Net Pension Liability (Asset) | - | - | - | - | - |
| Governmental activity long-term liabilities | \$ 5,120 | \$ - | \$ 4,645 | \$ 475 | \$ - |
| Business-type activities: | | | | | |
| General Obligation Bonds | \$ 7,693 | \$ - | \$ 7,693 | \$ - | \$ - |
| Business-type activity long-term liabilities | \$ 7,693 | \$ - | \$ 7,693 | \$ - | \$ - |

Compensated absences typically have been liquidated in the General Fund.

C. Interfund Balances and Activity

The Town did not have any transfers to/from other funds at June 30, 2020.

D. Net Investment in Capital Assets

| | Governmental | Business-type |
|----------------------------------|--------------|---------------|
| Capital Assets | \$ 293,775 | \$ 5,106,002 |
| Less: long-term debt | - | - |
| Add: unexpended debt proceeds | - | - |
| Net Investment in Capital Assets | \$ 293,775 | \$ 5,106,002 |

II. DETAIL NOTES ON ALL FUNDS (Continued)

E. Fund Balance

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

| | | |
|---|----|---------|
| <i>Total fund balance – General Fund</i> | \$ | 405,657 |
| Less: | | |
| Stabilization by State Statute | | 41,136 |
| Streets | | 37,817 |
| Appropriated Fund Balance in 2020-2021 budget | | 38,000 |
| Remaining Fund Balance | | 288,704 |

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

| | | | | |
|---------------------|----|--------------|----|-----------------|
| <i>Encumbrances</i> | | General Fund | | Non-Major Funds |
| - | \$ | - | \$ | - |

III. 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.

IV. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 23, 2021, which is the date the financial statements were available to be issued.

V. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2020, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for the governing body by \$148, elections by \$354, and Powell Bill by \$109,167 and in the Water and Sewer Fund for the administration department by \$210. This over-expenditure occurred because of unplanned expenditures. Management and the Board will more closely review the budget reports to ensure compliance in future years.

***Required Supplementary
Financial Data***

TOWN OF BOLTON, NORTH CAROLINA
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years*

| Local Government Employees' Retirement System | | | | | | | |
|---|----------|----------|----------|----------|----------|------------|-----------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Bolton's proportion of the net pension liability (asset) (%) | 0.00000% | 0.00000% | 0.00000% | 0.00000% | 0.00098% | 0.00100% | 0.00100% |
| Bolton's proportion of the net pension liability (asset) (\$) | \$ - | \$ - | \$ - | \$ - | \$ 4,398 | \$ (5,897) | \$ 12,054 |
| Bolton's covered-employee payroll | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 40,337 | \$ 93,907 |
| Bolton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | -14.62% | 12.84% |
| Plan fiduciary net position as a percentage of the total pension liability** | 90.86% | 91.63% | 94.18% | 91.47% | 98.09% | 102.64% | 94.35% |

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

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

TOWN OF BOLTON, NORTH CAROLINA

Town of Bolton's Contributions

Required Supplementary Information

Last Seven Fiscal Years

Local Government Employees' Retirement System

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------|-------|-------|-------|-------|-----------|-----------|
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,993 | \$ 2,937 |
| Contributions in relation to the contractually required contribution | - | - | - | - | - | 1,993 | 2,937 |
| Contributions deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Bolton's covered employee payroll | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 26,891 | \$ 40,337 |
| Contributions as a percentage of covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 7.41% | 7.28% |

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Major Governmental Funds

General Fund

TOWN OF BOLTON, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2020

| | Final Budget | Actual | Variance Positive (Negative) |
|---|-------------------------|---------------|---|
| Revenues | | | |
| Ad Valorem Taxes | | | |
| Taxes | | \$ 121,278 | |
| Penalties and Interest | | 363 | |
| Total Ad Valorem Taxes | \$ 113,000 | 121,641 | \$ 8,641 |
| Other Taxes and Licenses | | | |
| Privilege Licenses | | - | |
| Total Other Taxes and Licenses | - | - | - |
| Unrestricted Intergovernmental | | | |
| Local Option Sales Tax | | 174,355 | |
| Utility Franchise Tax | | 21,910 | |
| Telecommunications Tax | | 2,515 | |
| Video Franchise Tax | | 832 | |
| Beer and Wine Tax | | 2,942 | |
| Total Unrestricted Intergovernmental | 163,000 | 202,554 | 39,554 |
| Restricted Intergovernmental | | | |
| Powell Bill Allocation | | 31,658 | |
| Solid Waste Disposal Tax | | 1,715 | |
| Federal and State Grants | | 107,200 | |
| CARES Grant | | 14,179 | |
| Total Restricted Intergovernmental | 32,300 | 154,752 | 122,452 |
| Permits and Fees | | | |
| Zoning Permits | | 25 | |
| Total Permits and Fees | 100 | 25 | (75) |
| Sales and Services | | | |
| Solid Waste | | 30,542 | |
| Miscellaneous | | 16,097 | |
| Total Sales and Services | 81,500 | 46,639 | (34,861) |
| Investment Earnings | | | |
| General | | 782 | |
| Total Investment Earnings | - | 782 | 782 |
| Miscellaneous | | | |
| Other | | 14,162 | |
| Total Miscellaneous | 1,700 | 14,162 | 12,462 |
| Total Revenues | \$ 391,600 | \$ 540,555 | \$ 148,955 |

TOWN OF BOLTON, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2020

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-------------------------|---------------|---|
| Expenditures | | | |
| Governing Body | | | |
| Salaries and Wages | | \$ 8,128 | |
| Operating Expenditures | | 10,520 | |
| Total Governing Body | \$ 18,500 | 18,648 | \$ (148) |
| Administration | | | |
| Salaries and Wages | | 46,702 | |
| Operating Expenditures | | 210,879 | |
| Total Administration | 282,810 | 257,581 | 25,229 |
| Elections | | | |
| Operating Expenditures | | 3,354 | |
| Total Elections Department | 3,000 | 3,354 | (354) |
| Fire Department | | | |
| Operating Expenditures | | 2,000 | |
| Total Fire Department | 2,000 | 2,000 | - |
| Powell Bill | | | |
| Operating Expenditures | | 138,167 | |
| Total Powell Bill | 29,000 | 138,167 | (109,167) |
| Street Department | | | |
| Operating Expenditures | | 17,791 | |
| Total Street Department | 20,800 | 17,791 | 3,009 |
| Sanitation | | | |
| Operating Expenditures | | 20,626 | |
| Total Sanitation | 21,000 | 20,626 | 374 |
| Cultural and Recreational | | | |
| Operating Expenditures | | 2,216 | |
| Total Cultural and Recreational | \$ 12,760 | \$ 2,216 | \$ 10,544 |

TOWN OF BOLTON, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2020

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-------------------------|-------------------|---|
| Non-Departmental | | | |
| Operating Expenditures | | \$ 1,513 | |
| Total Non-Departmental | \$ 1,730 | 1,513 | \$ 217 |
| Total Expenditures | 391,600 | 461,896 | (70,296) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | 78,659 | 78,659 |
| Other Financing Sources (Uses) | | | |
| Transfers Out: | | | |
| Water and Sewer Fund | - | - | - |
| Powell Bill Borrowings | - | - | - |
| Sale of Assets | - | 4,000 | 4,000 |
| Total Other Financing Sources (Uses) | - | 4,000 | 4,000 |
| Fund Balance Appropriated | - | - | - |
| Net Change in Fund Balance | \$ - | 82,659 | \$ 82,659 |
| Fund Balance, beginning | | 322,998 | |
| Fund Balance - End of Year | | \$ 405,657 | |

Enterprise Funds

TOWN OF BOLTON, NORTH CAROLINA
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

| | Budget | Actual | Variance Positive (Negative) |
|---|---------------|---------------|---|
| Revenues | | | |
| Operating Revenue | | | |
| Water Charges | | \$ 50,087 | |
| Sewer Charges | | 56,269 | |
| Tap Fees | | - | |
| Penalties and Interest | | 5,794 | |
| Total Operating Revenue | \$ 137,700 | 112,150 | \$ (25,550) |
| Miscellaneous | | | |
| Interest | | 5 | |
| Other | | 54,161 | |
| Total Miscellaneous | 60,400 | 54,166 | (6,234) |
| Total Revenues | 198,100 | 166,316 | (31,784) |
| Expenditures | | | |
| Administration | | | |
| Salaries and Employee Benefits | | 26,754 | |
| Other Expenditures | | 10,140 | |
| Total Administration | 36,684 | 36,894 | (210) |
| Water Operations | | | |
| Salaries and Employee Benefits | | 552 | |
| Repairs and Maintenance | | 4,498 | |
| Other Expenditures | | 107,035 | |
| Total Water Treatment and Distribution | 142,611 | 112,085 | 30,526 |
| Debt Service | | | |
| Principal Retirement | | 7,693 | |
| Interest Expense | | 807 | |
| Total Debt Service | 8,900 | 8,500 | 400 |
| Total Expenditures | 188,195 | 157,479 | 30,716 |
| Revenues Over (Under) Expenditures | \$ 9,905 | \$ 8,837 | \$ (1,068) |

TOWN OF BOLTON, NORTH CAROLINA

Water and Sewer Fund

Schedule of Revenues and Expenditures (Continued)

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2020

| | Budget | Actual | Variance Positive (Negative) |
|--|---------------|---------------|---|
| Other Financing Sources (Uses) | | | |
| Transfers | | \$ - | |
| Total Other Financing Sources (Uses) | \$ - | - | \$ - |
| Appropriated Fund Balance | (9,905) | - | 9,905 |
| Revenues and Other Sources Over Expenditures and Other Uses | \$ - | \$ 8,837 | \$ 8,837 |
| Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual: | | | |
| Revenues and Other Sources Over Expenditures and Other Uses | | \$ 8,837 | |
| Reconciling Items: | | | |
| Depreciation Expense | | (133,399) | |
| Principal Retirement | | 7,693 | |
| Capital Contributions | | - | |
| Total Reconciling Items | | (125,706) | |
| Change in Net Position | | \$ (116,869) | |

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Other Schedules

TOWN OF BOLTON, NORTH CAROLINA

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2020

| Fiscal Year | Uncollected Balance 7-1-19 | Additions and Adjustments | Collections and Credits | Uncollected Balance 6-30-20 |
|--------------------|---|--|--|--|
| 2019-20 | \$ - | \$ 111,647 | \$ 110,196 | \$ 1,451 |
| 2018-19 | 12,638 | - | 3,720 | 8,918 |
| 2017-18 | 11,918 | - | 6,486 | 5,432 |
| 2016-17 | 8,814 | - | 296 | 8,518 |
| 2015-16 | 5,954 | - | 144 | 5,810 |
| 2014-15 | 3,869 | - | 237 | 3,632 |
| 2013-14 | 12,761 | - | - | 12,761 |
| 2012-13 | 5,446 | - | 58 | 5,388 |
| 2011-12 | 4,653 | - | 142 | 4,511 |
| 2010-11 | 4,515 | - | - | 4,515 |
| 2009-10 | 6,798 | - | 6,798 | - |
| | <u>\$ 77,366</u> | <u>\$ 111,647</u> | <u>\$ 128,077</u> | 60,936 |

Less: Allowance for Uncollectible Accounts:

General Fund

6,000

Ad Valorem Taxes Receivable - Net

\$ 54,936Reconcilement with Revenues

Ad Valorem Taxes - General Fund

\$ 121,641

Reconciling Items:

Interest and Penalties Collected

(363)

Taxes Released

1

Taxes Written Off

6,798

Total Collections and Credits

\$ 128,077

TOWN OF BOLTON, NORTH CAROLINA

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2020

| | Town-Wide | | Total Levy | |
|---|----------------------|----------------|--|---------------------------|
| | Property Valuation | Rate Per \$100 | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original Levy: | | | | |
| Property Taxed at | | | | |
| Current Year's Rate | \$ 18,544,224 | 0.60 | \$ 111,265 | \$ 90,871 |
| Penalties | - | | 382 | 134 |
| | <u>18,544,224</u> | | <u>111,647</u> | <u>91,005</u> |
| Discoveries: | | | | |
| Current Year Taxes | - | 0.60 | - | - |
| Penalties | - | | - | - |
| | <u>-</u> | | <u>-</u> | <u>-</u> |
| Abatelements: | | | | |
| Property Taxes - | | | | |
| Current Year's Rate | - | 0.60 | - | - |
| | <u>-</u> | | <u>-</u> | <u>-</u> |
| Total Property Valuations | <u>\$ 18,544,224</u> | | | |
| Net Levy | | | 111,647 | 91,005 |
| Uncollected Taxes at June 30, 2020 | | | 1,451 | 1,451 |
| Current Year's Taxes Collected | | | <u>\$ 110,196</u> | <u>\$ 89,554</u> |
| Current Levy Collection Percentage | | | <u>98.70%</u> | <u>98.41%</u> |

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Compliance Section

**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***

Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Bolton, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bolton, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Bolton's basic financial statements, and have issued our report thereon dated February 23, 2021.

Internal Control Over Financial Reporting

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

Our consideration of the internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. [2020-1].

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. [2020-2]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bolton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item [2020-2].

Town of Bolton's Response to Findings

The Town of Bolton's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

W Greene, PLLC

Whiteville, North Carolina
February 23, 2021

TOWN OF BOLTON, NORTH CAROLINA

Schedule of Findings and Responses

For the Fiscal Year Ended June 30, 2020

| |
|--|
| SECTION I. SUMMARY OF AUDITOR'S RESULTS |
|--|

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Significant deficiency(s)

 X Yes None
Reported

Noncompliance material to financial statements noted?

 X Yes No

| |
|---|
| SECTION II. FINANCIAL STATEMENT FINDINGS |
|---|

Finding: 2020-1 Segregation of Duties

MATERIAL WEAKNESS

| | |
|-------------------------------------|--|
| Criteria: | Duties should be segregated to provide reasonable assurance that transactions are handled appropriately. |
| Condition: | There is a lack of segregation of duties among Town personnel. |
| Effect: | Transactions could be mishandled. |
| Cause: | There are a limited number of personnel to complete certain functions. |
| Identification of a repeat finding: | This is a repeat finding from the immediate previous audit, 2019-1. |
| Recommendation: | The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of controls. The governing board should provide some of these controls. |

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the corrective action plan on page 74 in this audit report.

Finding: 2020-2

MATERIAL NONCOMPLIANCE/SIGNIFICANT DEFICIENCY

| | |
|-------------------------------------|---|
| Criteria: | G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year. |
| Condition: | The expenditures made in the Town's General Fund for Governing Body, Elections, and Powell Bill and in the Water and Sewer Fund for Administration exceeded the authorized appropriations made in the annual budget by \$148, \$354, \$109,167, and \$210, respectively. |
| Effect: | Monies were spent that had not been obligated and appropriated. |
| Cause: | The Town expended more than had been budgeted for in the budget ordinance and a budget amendment was not adopted. |
| Identification of a repeat finding: | This is a repeat finding from the immediate previous audit, 2019-2. |
| Recommendation: | Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted. |

Views of responsible officials and planned corrective actions: The Town agrees with this finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts. Please refer to corrective action plan on page 74.



Town of Bolton
Home of the Pine Tree Festival
An Equal Opportunity Employer

Corrective Action Plan
For the Fiscal Year Ended June 30, 2020

| |
|---|
| SECTION II. FINANCIAL STATEMENT FINDINGS |
|---|

Finding: 2020-1

Name of Contact: Shawn P. Maynor, Mayor

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: Immediately

Finding: 2020-2

Name of Contact: Shawn P. Maynor, Mayor

Corrective Action: The Town will attempt to make sure that budget amendments are made before year-end to account for any adjustments and/or accruals that will be recorded after year-end.

Proposed Completion Date: Immediately



TOWN OF BOLTON, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2020

Finding: 2019-1

Status: Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of separation. The governing board is becoming more involved in providing some of these controls.

Finding: 2019-2

Status: Budget amendments are being made, however, the Town is still expending more than appropriated.

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