

**TOWN OF CATAWBA
NORTH CAROLINA**

ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2020

TOWN OF CATAWBA, NORTH CAROLINA
Annual Financial Report
Fiscal Year Ended June 30, 2020

Mayor and Council Members

Mayor	Donald Robinson
Mayor Pro-Tem	Jeffrey W. Hendren
Council Members	Patrick H. Laney Donald Allen Carroll Yount

Town Administration

Town Manager	Brad Moody
Town Clerk	Kathy Johnson
Town Attorney	Susan W. Matthews

TOWN OF CATAWBA, NORTH CAROLINA
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Financial Section

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Debora B. Wentz, CPA
Post Office Box 287
Newton, North Carolina, 28658

Independent Auditor's Report

To the Town Council
Town of Catawba, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of Town of Catawba, North Carolina as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Catawba'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Town of Catawba, North Carolina as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and General

Fund Capital Reserve 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 Management's Discussion and Analysis on pages 6 through 14, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 56 through 59, respectively, Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 60 through 61, and the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 62, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Catawba's basic financial statements. The budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Debra B. Wentz, CPA

Newton, NC 28658
February 28, 2021

Management's Discussion and Analysis

Town of Catawba, NC
Management's Discussion and Analysis

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

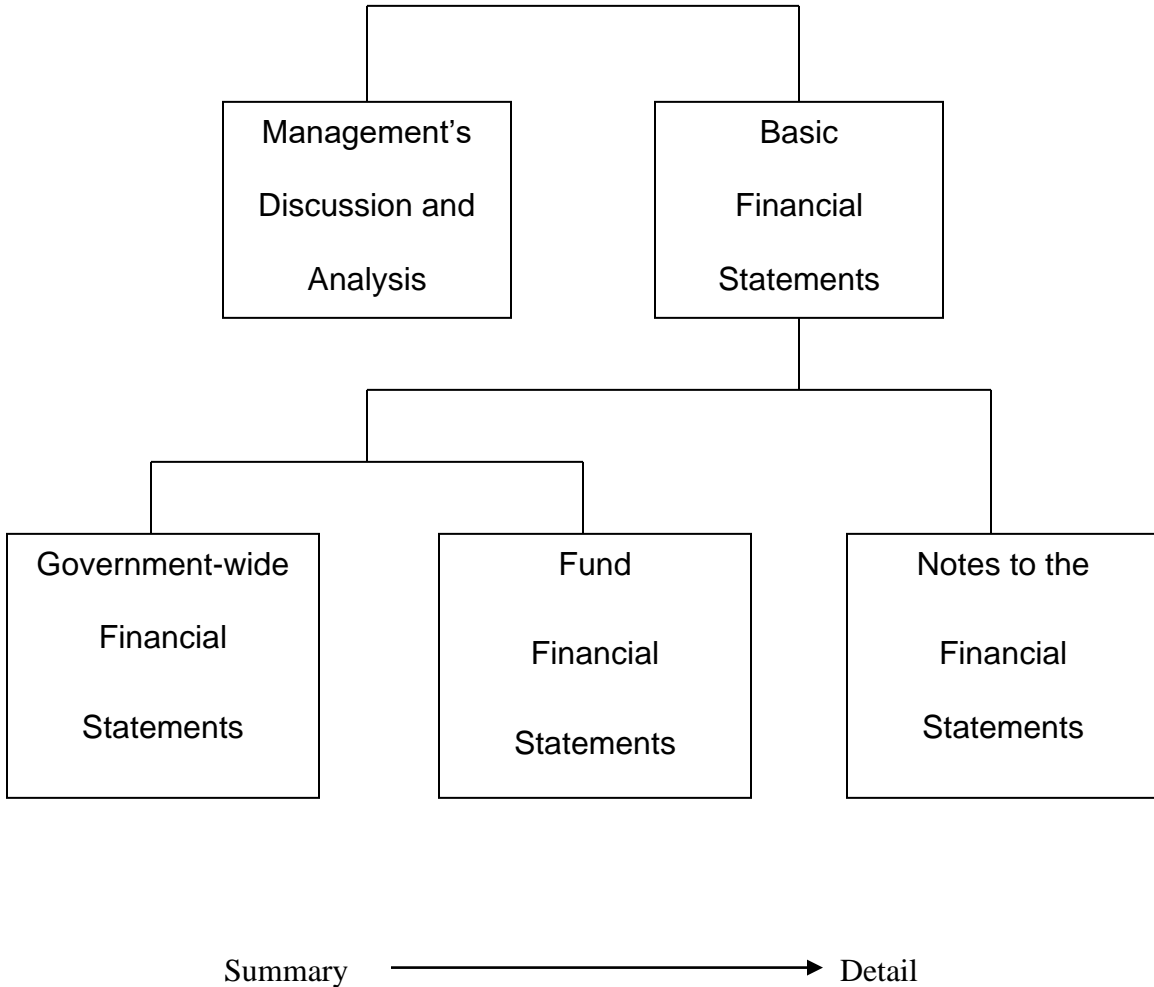
- The assets and deferred outflows of resources of the Town of Catawba exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,520,848 (net position).
- The government's total net position increased by \$109,660.
- As of the close of the current fiscal year, the Town of Catawba's governmental funds reported combined ending fund balances of \$1,256,507 with a net change of \$(20,470) in fund balance. Approximately 12.32 percent of this total amount, or \$154,744, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$703,895 or 74.43 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Catawba'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 Catawba.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town of Catawba, North Carolina's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina 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 financial statements 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 they have 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 comprised of one category, governmental activities. The governmental activities include most of the Town's basic services such as public safety, public works, and general administration. Property taxes and State and federal grant funds finance most of these activities.

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

Fund Financial Statements

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

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

Management Discussion and Analysis Town of Catawba

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 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 Catawba's progress in funding its obligation to provide other postemployment benefits to employees and individual fund statements and schedules. Required supplementary information, individual fund statements and information schedules can be found beginning on page 55 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.

The Town of Catawba's Net Position

Figure 2

	Governmental Activities	
	2020	2019
Current and other assets	\$ 1,290,853	\$ 1,322,536
Noncurrent assets	726,774	623,953
Deferred outflows of resources	57,087	57,270
Total assets and deferred outflows of resources	2,074,714	2,003,759
Current liabilities outstanding	36,451	49,895
Long term liabilities	503,831	505,470
Deferred inflows of resources	13,584	37,206
Total liabilities and deferred inflows of resources	553,866	592,571
Net position:		
Net investment in capital assets	726,774	623,953
Restricted	147,229	172,577
Unrestricted	646,845	614,658
Total net position	\$ 1,520,848	\$ 1,411,188

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 Catawba exceeded liabilities and deferred inflows by \$1,520,848 as of June 30, 2020. The Town's net position increased \$190,660 for the fiscal year ended June 30, 2020. The largest portion, \$726,774, (47.79%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) and the second largest portion, \$646,845, (42.53%) reflects the Town's unrestricted net assets. The Town of Catawba uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Catawba's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The Town had no debt related to fixed assets at June 30, 2020. An additional portion of the Town of Catawba's net position, \$147,229, represents resources that are subject to external restrictions on how they may be used.

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

- Property tax levy values increased.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.76%.
- Continued diligence in managing expenditures.

Town of Catawba's Changes in Net Position
Figure 3

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 66,086	\$ 42,047
Operating grants and contributions	34,071	43,422
Capital grants and contributions	-	23,918
General revenues:		
Property taxes	424,560	384,162
Other taxes	168,622	221,395
Other	77,584	24,059
Total revenues	<u>770,923</u>	<u>739,003</u>
Expenses:		
General government	251,612	206,019
Public safety	169,791	192,396
Transportation	144,200	114,529
Environmental protection	49,829	43,500
Cultural and recreational	45,821	20,982
Total expenses	<u>661,253</u>	<u>577,426</u>
Increase (decrease) in net position	109,670	161,577
Net position, July 1, restated	<u>1,411,188</u>	<u>1,249,611</u>
Net position, June 30	<u>\$ 1,520,858</u>	<u>\$ 1,411,188</u>

Governmental activities. Governmental activities increased the Town's net position by \$109,660.

Financial Analysis of the Town's Funds

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

Management Discussion and Analysis
Town of Catawba

Governmental Funds. The focus of the Town of Catawba’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 Catawba’s financing requirements.

The general fund is the chief operating fund of the Town of Catawba. At the end of the current fiscal year, the Town of Catawba’s fund balance available in the General Fund was \$818,654, while total fund balance reached \$912,548. The Town currently has an available fund balance of 103.59% of general fund expenditures, while total fund balance represents 115.48% of the same amount.

At June 30, 2020, the governmental funds of Town of Catawba reported a combined fund balance of \$1,256,507 with a net decrease in fund balance of \$(20,470). Included in this change in fund balance are increases in fund balance of the General Fund and decreases in the General Fund – Capital Reserve Fund.

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; and 3) increases in appropriations that become necessary to maintain services.

Highlights include the following:

Budgeted expenditures were increased due to improvements to the Town Hall building, street paving, vehicle repairs, and the Veterans Garden of Honors and were held in check to comply with its budgetary requirements. Budget amendments were utilized to transfer expenditures among line items in various departments. Actual expenditures were less than budgeted expenditures by \$101,160.

Capital Asset and Debt Administration

Capital assets. The Town of Catawba’s investment in capital assets for its governmental activities as of June 30, 2020, totals \$726,774 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

- Improvements to Town Hall
- Street paving

**Town of Catawba’s Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities	
	2020	2019
Land and improvements	\$ 31,382	\$ 37,770
Buildings and improvements	492,417	480,467
Furniture and equipment	26,064	22,560
Infrastructure	56,848	65,206
Vehicles and motorized equipment	23,403	17,950
Total	<u>\$ 630,114</u>	<u>\$ 623,953</u>

Additional information on the Town’s capital assets can be found in Note 3 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2020, the Town of Catawba had total debt outstanding of \$0.00.

Town of Catawba’s Outstanding Debt

The Town of Catawba had no debt as of June 30, 2020, except debt relating to compensated absences, OPEB liability, and pension obligation liabilities.

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 the Town of Catawba is \$5,733,724.

Additional information regarding the Town of Catawba’s long-term debt can be found in Note 3 beginning on page 37 of this report.

Economic Factors and Next Year’s Budgets and Rates

The following key economic indicators reflect the economic condition of the Town.

Management Discussion and Analysis
Town of Catawba

- The Catawba County unemployment rate increased from 4.2% in June 2019 to 8.3% in June 2020. This is following a spike up to 18.7% in April 2020 following the onset of the Coronavirus pandemic. Prior to the pandemic, unemployment was averaging 3.3% to 3.6%. This compares to 3.8% in 2018 and 4.1% in 2017. The State rate at June 2020 was 7.6%.
- No new industries or developments planned.
- Increase in State sales tax.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Property taxes are expected to remain the same at .58 per \$100. Revenues are expected to increase due to the economic conditions. Except for Powell Bill fund, an appropriation of fund balance will not be considered necessary. The Town will use revenues to finance programs currently in place.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Catawba, P. O. Box 70, Catawba, N.C. 28609. You may also call 828-241-2215, or visit our website www.townofcatawbanc.org or send an email to manager@townofcatawbanc.org.

Basic Financial Statements

The Basic Financial Statements present a condensed overview of the financial position and results of operations of the Town as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.

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TOWN OF CATAWBA, NORTH CAROLINA
Statement of Net Position
June 30, 2020

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u> \$
Assets:	
Current assets:	
Cash and cash equivalents	1,123,116
Taxes receivable (net)	11,761
Accrued interest receivable on taxes	1,232
Accounts receivable	60
Due from other governments	86,319
Prepaid items	7,515
Restricted cash and cash equivalents	<u>60,850</u>
Total current assets	<u>1,290,853</u>
Non-current assets:	
Capital assets (Note 3):	
Land and non-depreciable assets	31,382
Other capital assets, net of depreciation	<u>695,392</u>
Total capital assets	<u>726,774</u>
Total assets	<u>2,017,627</u>
Deferred Outflows of Resources:	
Pension deferrals	47,118
OPEB deferrals	<u>9,969</u>
Total deferred outflows of resources	<u>57,087</u>
Liabilities:	
Current liabilities:	
Accounts payable	18,569
Customer deposits	1,000
Current portion of long-term liabilities	<u>16,882</u>
Total current liabilities	<u>36,451</u>
Long-term liabilities:	
Net pension liability	58,442
Total pension liability	19,194
Total OPEB liability	421,352
Accrued vacation payable	<u>4,843</u>
Total long-term liabilities	<u>503,831</u>
Total liabilities	<u>540,282</u>

TOWN OF CATAWBA, NORTH CAROLINA
Statement of Net Position
June 30, 2020

	<u>Primary Government</u> Governmental Activities \$
Deferred Inflows of Resources:	
Prepaid taxes	1,784
Pension deferrals	1,059
Total OPEB liability	<u>10,741</u>
Total deferred inflows of resources	<u>13,584</u>
Net Position:	
Net investment in capital assets	726,774
Restricted for:	
Stabilization by State Statute	86,379
Streets	54,223
Public Safety	1,067
Cultural and recreational	5,560
Unrestricted	<u>646,845</u>
Total net position	<u><u>1,520,848</u></u>

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

TOWN OF CATAWBA, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2020

	<u>Program Revenues</u>				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
<u>Functions/Programs</u>	\$	\$	\$	\$	\$
Primary government:					
Governmental activities:					
General government	251,612	11,535			(240,077)
Public safety	169,791	1,634			(168,157)
Transportation	144,200		21,485		(122,715)
Environmental protection	49,829	52,842	459		3,472
Cultural and recreational	<u>45,821</u>	<u>75</u>	<u>12,127</u>	<u> </u>	(33,619)
Total governmental activities (See Note 1)	<u>661,253</u>	<u>66,086</u>	<u>34,071</u>	<u>0</u>	(561,096)
General revenues:					
Taxes:					
Property taxes, levied for general purpose					424,560
Local option sales tax					168,622
Grants and contributions not restricted to specific programs					55,281
Unrestricted investment earnings					8,811
Miscellaneous					<u>13,482</u>
Total general revenues					<u>670,756</u>
Change in net position					109,660
Net position, beginning					<u>1,411,188</u>
Net position, ending					<u>1,520,848</u>

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

TOWN OF CATAWBA, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2020

	Major Funds		
	General Fund	General Fund - Capital Reserve Fund	Total Governmental Funds
	\$	\$	\$
Assets			
Cash and cash equivalents	779,157	343,959	1,123,116
Restricted cash	60,850		60,850
Receivable (net):			
Taxes	11,761		11,761
Accounts	60		60
Due from other governments	86,319		86,319
Prepaid items	7,515		7,515
Total assets	945,662	343,959	1,289,621
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	18,569		18,569
Customer deposits	1,000		1,000
Total liabilities	19,569	0	19,569
Deferred inflows of resources:			
Property taxes receivable	11,761		11,761
Prepaid taxes	1,784		1,784
Total deferred inflows of resources	13,545	0	13,545
Fund balances:			
Non Spendable			
Prepaid expenses	7,515		7,515
Restricted			
Stabilization by State Statute	86,379		86,379
Streets	54,223		54,223
Public safety	1,067		1,067
Cultural and recreational	5,560		5,560
Committed			
Capital improvements		343,959	343,959
Downtown activities	4,283		4,283
Assigned			
Subsequent year's expenditures	49,626		49,626
Unassigned	703,895		703,895
Total fund balances	912,548	343,959	1,256,507
Total liabilities, deferred inflows of resources and fund balances	945,662	343,959	

TOWN OF CATAWBA, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2020

	\$	\$
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Total Fund Balance, Governmental Funds		1,256,507
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	1,571,149	
Accumulated depreciation	(844,375)	726,774
Deferred outflows of resources related to pensions are not reported in the funds.		47,118
Deferred outflows of resources related to OPEB are not reported in the funds.		9,969
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		1,232
Earned revenues considered deferred inflows of resources in fund statements.		11,761
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Gross long-term debt	(16,882)	
Net pension liability	(58,442)	
Total pension liability	(19,194)	
OPEB liability	(421,352)	
Accrued vacation payable	(4,843)	(520,713)
Deferred inflows of resources related to pensions are not reported in the funds.		(1,059)
Deferred inflows of resources related to OPEB are not reported in the funds.		(10,741)
Net position of governmental activities		<u>1,520,848</u>

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

TOWN OF CATAWBA, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	Major Funds		
	General Fund	General Fund- Capital Reserve Fund	Total Governmental Funds
	\$	\$	\$
Revenues:			
Ad valorem taxes	423,430		423,430
Unrestricted intergovernmental	223,903		223,903
Restricted intergovernmental	21,944		21,944
Permits and fees	2,969		2,969
Sales and services	63,117		63,117
Investment earnings	4,000	4,811	8,811
Miscellaneous	<u>18,759</u>		<u>18,759</u>
Total revenues	<u>758,122</u>	<u>4,811</u>	<u>762,933</u>
Expenditures:			
Current:			
General government	356,656		356,656
Public safety	170,025		170,025
Transportation	171,120		171,120
Environmental protection	49,829		49,829
Cultural and recreational	<u>42,623</u>		<u>42,623</u>
Total expenditures	<u>790,253</u>	<u>0</u>	<u>790,253</u>
Excess (deficiency) of revenues over (under) expenditures	(<u>32,131</u>)	<u>4,811</u>	(<u>27,320</u>)
Other Financing Sources (Uses):			
Proceeds from the sale of capital assets	6,850		6,850
Transfer to General Fund – Capital Reserve Fund	(6,500)		(6,500)
Transfer from General Fund		6,500	6,500
Transfer to General Fund		(93,814)	(93,814)
Transfer from General Fund – Capital Reserve Fund	<u>93,814</u>		<u>93,814</u>
Total other financing sources (uses)	<u>94,164</u>	(<u>87,314</u>)	<u>6,850</u>
Net change in fund balance	62,033	(82,503)	(20,470)
Fund balances, beginning	<u>850,515</u>	<u>426,462</u>	<u>1,276,977</u>
Fund balances, ending	<u>912,548</u>	<u>343,959</u>	<u>1,256,507</u>

TOWN OF CATAWBA, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
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		(20,470)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	128,527	
Depreciation expense for governmental assets	(25,393)	
Loss on abandoned asset	<u>(313)</u>	102,821
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		11,140
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		10,911
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		25,993
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues	794	
Change in accrued interest on tax receivables	<u>336</u>	1,130
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued vacation pay	1,017	
Pension expense	(26,739)	
Other postemployment benefits	5,827	
LEO Special Separation Allowance	<u>(1,970)</u>	<u>(21,865)</u>
Total changes in net position of governmental activities		<u>109,660</u>

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

TOWN OF CATAWBA, 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
	Original	Final	Actual	Final Budget
	\$	\$	Amounts	Positive
			\$	(Negative)
				\$
Revenues:				
Ad valorem taxes	391,564	391,564	423,430	31,866
Unrestricted intergovernmental	222,408	222,408	223,903	1,495
Restricted intergovernmental	22,881	22,881	21,944	(937)
Permits and fees	904	904	2,969	2,065
Sales and services	51,280	51,280	63,117	11,837
Investment earnings	3,000	3,000	4,000	1,000
Miscellaneous	<u>22,000</u>	<u>28,500</u>	<u>18,759</u>	<u>(9,741)</u>
Total revenues	<u>714,037</u>	<u>720,537</u>	<u>758,122</u>	<u>37,585</u>
Expenditures:				
General government	275,210	376,322	356,656	19,666
Public safety	175,063	178,063	170,025	8,038
Transportation	182,739	214,739	171,120	43,619
Environmental protection	50,400	50,400	49,829	571
Cultural and recreational	<u>35,625</u>	<u>71,889</u>	<u>42,623</u>	<u>29,266</u>
Total expenditures	<u>719,037</u>	<u>891,413</u>	<u>790,253</u>	<u>101,160</u>
Revenues over (under) expenditures	<u>(5,000)</u>	<u>(170,876)</u>	<u>(32,131)</u>	<u>138,745</u>
Other Financing Sources (Uses):				
Transfer to General Fund – Capital Reserve Fund		(6,500)	(6,500)	
Transfer from General Fund – Capital Reserve Fund		96,000	93,814	(2,186)
Proceeds from sale of capital assets			6,850	6,850
Total other financing sources (uses)	<u>0</u>	<u>89,500</u>	<u>94,164</u>	<u>4,664</u>
Fund balance appropriated	<u>5,000</u>	<u>81,376</u>		<u>(81,376)</u>
Net change in fund balance	<u>0</u>	<u>0</u>	62,033	<u>62,033</u>
Fund balances, beginning			<u>850,515</u>	
Fund balances, ending			<u>912,548</u>	

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

Notes to the Financial Statements

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statements themselves. The notes supplement the financial statements, are an integral part thereof, and are intended to be read in conjunction with the financial statements.

TOWN OF CATAWBA, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

Note 1.
Summary of Significant Accounting Policies

The accounting policies of the Town of Catawba 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 Catawba is a municipal corporation which is governed by an elected Mayor and a four-member council.

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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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. Statements for each *governmental fund* are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Town reports the following major governmental funds:

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

General Fund – Capital Reserve Fund – This capital project fund is used to account for the funds to finance capital projects.

The Town does not have any non-major governmental funds.

C. Measurement Focus and Basis of Accounting

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

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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 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 beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Catawba because the tax is levied by Catawba County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the General Fund – Capital Reserve Fund. All annual appropriations lapse at the fiscal year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations. The Budget Officer shall be authorized to reallocate departmental appropriations among the various expenditures within each department. In addition, the Budget Officer is authorized to effect department transfers of minor budget amendments not to exceed ten (10%) percent of the appropriated funds for the department's allocation which is being reduced. Notification of all such transfers or amendments shall be made to the Town Council at the next regular meeting of that body following each transfer. Inter-fund transfers of money shall be accomplished only by authorization from the Town Council. Approval of a contingency

appropriation shall be deemed a budget amendment, which transfers funds from the contingency appropriation to the appropriate object of expenditure. All amendments must be approved by Town Council, except in those instances where the Budget Officer is authorized to make limited transfers. The budget ordinance must be adopted by July 1 of the fiscal year or the Town Council must adopt an interim budget that covers time until the annual ordinance can be adopted.

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT–Term Portfolio is 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.

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. The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

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. Public safety funds are also classified as restricted cash because their use is restricted by revenue source for police enforcement.

Town of Catawba Restricted Cash

Governmental Activities:

General Funds

Streets	\$ 54,223
Public safety	1,067
Veterans Garden of Honor	<u>5,560</u>
Total governmental activities restricted cash	<u>\$ 60,850</u>

Ad Valorem Taxes Receivable

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

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.

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. Minimum capitalization costs are \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired after July 1, 2003, consist of the road network and water and sewer system assets and are reported at cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50 - 67
Improvements	25 - 50
Vehicles	5 - 7
Furniture and equipment	3 - 5
Computer equipment	3 - 5

Deferred Outflows/Inflows of Resources

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

Long-Term Obligations

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

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances

are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

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

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

Net Position/Fund Balances

Net Position:

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

Fund Balances:

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

The governmental fund types classify fund balances as follows:

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

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 legislature.” 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.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for narcotic enforcement.

Restricted for Cultural and Recreational – portion of fund balance that is restricted by revenue source for maintenance of the Catawba Veterans Garden of Honor, planning and hosting the Town festival, parade, and other downtown activities.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Catawba'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.

Committed for Cultural and Recreational – portion of fund balance assigned by the Council for the Town festival, parade and other downtown activities.

Assigned fund balance – portion of fund balance that Town of Catawba 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 of Catawba does not have a revenue spending policy that provides guidance for programs with multiple revenue sources. However, the Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

Defined Benefit Cost-Sharing Plans

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

Note 2.
Stewardship, Compliance
and Accountability

No instances of material noncompliance were found.

Note 3.
Detail Notes on all Funds

A. Assets

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 agent in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risks 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 \$560,986 and a bank balance of \$562,263. Of the bank balance, \$474,168 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2020, the Town's petty cash fund totaled \$300.

Investments

At June 30, 2020, the Town of Catawba had \$622,680 invested with North Carolina Capital Management Trust Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

Accounts Receivable

Receivables – Allowances for Doubtful Accounts - The amounts

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

<u>Fund</u>	<u>06/30/20</u>
General Fund	
Taxes receivable	\$ <u>16,457</u>

Capital Assets

Primary Government:

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

	Beginning Balances \$	Increases \$	Decreases \$	Transfers \$	Ending Balances \$
Governmental activities:					
Capital assets not being depreciated:					
Land	26,270	5,112			31,382
Construction in progress	<u>11,500</u>			(11,500)	<u>0</u>
Total capital assets not being depreciated	<u>37,770</u>	<u>5,112</u>	<u>0</u>	(11,500)	<u>31,382</u>
Capital assets being depreciated:					
Buildings and improvements	751,069	93,815		11,500	856,384
Equipment and furniture	300,784		45,666		255,118
Computer equipment	25,045		8,148		16,897
Vehicles	292,703		1,529		291,174
Infrastructure	<u>90,594</u>	<u>29,600</u>			<u>120,194</u>
Total capital assets being depreciated	<u>1,460,195</u>	<u>123,415</u>	<u>55,343</u>	<u>11,500</u>	<u>1,539,767</u>
Less accumulated depreciation for:					
Buildings and improvements	270,602	13,521			284,123
Equipment and furniture	278,224	2,701	45,353		235,572
Computer equipment	25,045		8,148		16,897
Vehicles	274,753	5,453	1,529		278,677
Infrastructure	<u>25,388</u>	<u>3,718</u>			<u>29,106</u>
Total accumulated depreciation	<u>874,012</u>	<u>25,393</u>	<u>55,030</u>	<u>0</u>	<u>844,375</u>
Total capital assets being depreciated, net	<u>586,183</u>				<u>695,392</u>
Governmental activity capital assets, net	<u>623,953</u>				<u>726,774</u>

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

General government	\$ 6,981
Public safety	8,708
Transportation	6,506
Cultural and recreational	<u>3,198</u>
Total depreciation expense	<u>\$ 25,393</u>

B. Liabilities

Pension Plan Obligations

a. Local Government Employees' Retirement System:

Plan description

The Town of Catawba is a participating employer in the statewide Local Government 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. The Town of Catawba has no local law enforcement officers (LEOs) participating in the plan during the current fiscal year. 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at

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

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

Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Catawba 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 Catawba contractually required contribution rate for the year ended June 30, 2020, was 8.950% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Catawba were \$11,140 for the year ended June 30, 2020.

Refunds of Contributions - Town employees who have terminated

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

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

At June 30, 2020, the Town reported a liability of \$58,442 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, the Town's proportion was .00214%, which was an increase of .00133% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$26,737. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,007	\$ -
Changes of assumptions	9,525	-
Net difference between projected and actual earnings on pension plan investments	1,425	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,726	1,059
Town contributions subsequent to the measurement date	<u>11,140</u>	<u>-</u>
Total	\$ <u>41,823</u>	\$ <u>1,059</u>

\$11,140 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended		
June 30:		
2020	\$	11,962
2021		5,807
2022		7,957
2023		3,898
2024		-
Thereafter		<u>-</u>
Total	\$	<u>29,624</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 used mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the

discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term 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 <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Town’s proportionate share of the net pension liability (asset)	\$ 133,667	\$ 58,442	\$(4,086)

Pension plan fiduciary net position

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

b. Law Enforcement Officers' Special Separation Allowance:

Plan Description

The Town of Catawba administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year

of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	<u>0</u>
Total	<u>1</u>

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate is based on the yield of the S & P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

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

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There are no contributions paid by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$10,592 as benefits came due for the reporting period.

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

At June 30, 2020, the Town reported a total pension liability of \$29,786. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$1,970.

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>5,295</u>	<u>-</u>
Total	\$ <u><u>5,295</u></u>	\$ <u><u>-</u></u>

\$5,295 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
June 30:	
2021	\$ -
2022	-
2023	-
2024	-
2025	-
Thereafter	-

\$5,295 paid as benefits came due and \$319 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate

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

	1% Decrease <u>(2.26%)</u>	Discount Rate <u>(3.26%)</u>	1% Increase <u>(4.26%)</u>
Total pension liability	\$ 30,198	\$ 29,786	\$ 29,386

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

	<u>2020</u>
Beginning balance	\$ 38,727
Interest on the total pension liability	1,217
Changes of benefit terms	-
Difference between expected and actual experience	281
Changes of assumptions or other inputs	153
Benefit payments	(10,592)
Other changes	-
Ending balance of the total pension liability	<u>\$ 29,786</u>

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

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

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS \$	LEOSSA \$	TOTAL \$
Pension expense	26,737	1,970	28,707
Pension liability	58,442	29,786	88,228
Proportionate share of the net pension liability	0.00214%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	10,007	-	10,007
Changes of assumptions	9,525	-	9,525
Net difference between projected and actual earnings on plan investments	1,425	-	1,425
Changes in proportion and differences between contributions and proportionate share of contributions	9,726	-	9,726
Benefit payments and administrative costs paid subsequent to the measurement date	11,140	5,295	16,435
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,059	-	1,059

c. Other Post-employment Benefits (OPEB)

Healthcare Benefits

Plan Description

Under the terms of a Town resolution, the Town administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees’ Retirement System (System), have at least five years of creditable service with the Town, and retire at the age of 55 years old or older.

Benefits Provided

The Town pays the full cost of coverage for these benefits through private insurers for retirees with 20 years or more of service, 75% of the cost for retirees after 15 years, but less than 20 years of service and 50% of the cost for retirees after 10 years, but less than 20 years of service. Health benefits will be available to be paid by retirees at the current rate for retirees with 5 years but less than 10 years of service. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2019, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Inactive members or beneficiaries currently receiving benefits	2	1
Inactive members entitled to but not yet receiving benefits	0	0
Active members	<u>1</u>	<u>0</u>
Total Membership	<u>3</u>	<u>1</u>

Total OPEB Liability

The Town’s total OPEB liability of \$421,352 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using

the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	
General employees	3.50 to 7.75 percent
Law Enforcement Officers	3.50 to 7.35 percent
Municipal Bond Index Rate	
Prior measurement date	3.89 percent
Measurement date	3.50 percent
Health care cost trend rates	
Pre-Medicare Medical and Prescription Drug	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026
Medicare Medical and Prescription Drug	5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021
Dental	4.00 percent
Vision	2.50 percent

The discount rate is based on the yield of the S & P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	\$ <u>454,956</u>
Changes for the year	
Service cost	5,917
Interest	16,777
Changes of benefit terms	-
Differences between expected and actual experience	(7,154)
Changes in assumptions or other inputs	(1,325)
Benefit payments	(47,819)
Net changes	(33,604)
Balance at 6/30/2020	\$ <u><u>421,352</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.17% to 3.18%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to Health Care Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.18 percent) or one percentage point higher (4.18 percent) than the current discount rate:

Health Care Cost – Trend Rate Sensitivity

	1% Decrease <u>(2.18%)</u>	Current <u>(3.18%)</u>	1% Increase <u>(4.18%)</u>
Total OPEB liability	\$ 366,350	\$ 421,352	\$ 488,748

Sensitivity of the total OPEB liability to Discount Rates

The following exhibit presents the TOL of the Plan, determined using the discount rate of 3.50%, as well as what the Plan’s TOL would be if it were determined using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease <u>(2.50%)</u>	Current Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
Total OPEB liability	\$ 486,690	\$ 421,352	\$ 368,202

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$5,827. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Revenues</u>	<u>Deferred Inflows of Revenues</u>
Differences between expected and actual experience	\$ -	\$ 5,217
Changes of assumptions	-	5,524
Benefit payments and administrative costs made subsequent to the measurement date	<u>9,969</u>	<u>-</u>
Total	\$ <u>9,969</u>	\$ <u>10,741</u>

\$9,969 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
June 30:	
2020	\$ (6,998)
2021	(1,073)
2022	-
2023	-
2024	-
Thereafter	-

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	\$ 11,140
Benefit payments made and administrative expenses for LEOSSA	5,295
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	9,969
Differences between expected and actual experience	10,007
Changes of assumptions	9,525
Net difference between projected and actual	1,425
Changes in proportion and differences between Town contributions and proportional share of contributions	<u>9,726</u>
Total	<u>\$ 57,087</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes	\$ 1,784	\$ 1,784
Taxes receivable, less penalties (General Fund)	-	11,761
Changes in assumptions	5,524	-
Difference between expected and actual experience	5,217	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>1,059</u>	-
Total	<u>\$ 13,584</u>	<u>\$ 13,545</u>

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 obtains insurance through a private insurance carrier. The Town obtains general liability, law enforcement and auto liability coverage of \$1 million per occurrence, public official's liability coverage of \$1 million per occurrence and property coverage up to the total insurance values of the property policy. Workers' compensation coverage up to statutory limits is obtained through the North Carolina League of Municipalities. The property liability has an

aggregate limit for the total property losses in a single year.

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

The Town does not carry flood insurance. The Town is in an area of the State located in Flood Zones B, C, and X, which are flood rate zones that correspond to areas outside the one percent annual chance floodplain.

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 private insurance carrier. The Tax Collector and Finance Officer are individually bonded for \$50,000 and the remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

Changes in General Long-Term Liabilities

	Balance 06/30/19 \$	Increase \$	Decrease \$	Balance 06/30/20 \$	Current Portion \$
Compensated absences	12,150	5,848	6,865	11,133	6,290
Other postemployment benefits	454,956		33,604	421,352	0
Total pension liability (LEO)	38,727		8,941	29,786	10,592
Net pension liability (LGERS)	<u>19,216</u>	<u>39,226</u>	<u>49,410</u>	<u>58,442</u>	<u>0</u>
	<u>525,049</u>	<u>45,074</u>	<u>49,410</u>	<u>520,713</u>	<u>16,882</u>

Compensated absences for governmental activities typically have been liquidated in the general fund.

On June 30, 2020, the Town had a legal debt margin of \$5,733,724.

C. Interfund Balances and Activity

Transfers to/from Other Funds

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

From the General Fund – Capital Reserve Fund to the General Fund for improvements To Town Hall	\$ 93,814
From the General Fund to the General Fund - Capital Reserve Fund for a vehicle for Public Works	\$ 6,500

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided for matching funds for various grants.

During the 2020 fiscal year, the Town made a transfer of \$6,500 to the General Fund. This amount was used for administration office improvements.

D. 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>	<i>\$ 912,548</i>
Less:	
Non spendable prepaid expenses	7,515
Stabilization by State Statute	86,379
Streets – Powell Bill	54,223
Public Safety	1,067
Appropriated Fund Balance in 2020-2021 Budget	49,626
Restricted – Cultural & Recreational	5,560
Committed – Downtown Activities	4,283
Remaining Fund Balance	703,895

Note 4. Jointly Governed Organizations

Western Piedmont Council of Governments

The Western Piedmont Council of Governments (WPCOG) is a regional planning organization. It consists of twenty-four (24) municipalities and four counties within western North Carolina. The WPCOG’s governing board is comprised of one elected

official from each of these local governments and seven at-large citizen members. Each local government has one vote. The Town paid membership dues of \$750 during the fiscal year ended June 30, 2020.

Note 5.
Summary of Disclosure
of Significant
Contingencies

Federal and State Assisted Programs

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

Note 6.
Related Party
Transaction

The Town of Catawba is insured with Catawba Insurance Agency, LLC in Catawba, North Carolina. Patrick Laney, a council member, is President of the company. The Town has complied with N.C.G.S. 14-234, posting quarterly, in Town Hall, the amounts paid to Catawba Insurance totaling \$14,326.

Note 6.
Subsequent Events

Management has evaluated subsequent events through February 28, 2021, the date on which the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

Required Supplementary Information

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

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

TOWN OF CATAWBA, NORTH CAROLINA
Town of Catawba's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years *

	Local Government Employees' Retirement System						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Catawba's proportion of the net pension liability (asset) (%)	0.00214%	0.00081%	0.00093%	0.00101%	0.00214%	0.00254%	0.00420%
Catawba's proportion of the net pension liability (asset) (\$)	\$ 58,442	\$ 19,216	\$ 14,208	\$ 21,436	\$ 9,604	\$(14,980)	\$ 50,626
Catawba's covered payroll	\$ 110,467	\$ 68,042	\$ 88,182	\$ 87,829	\$ 117,467	\$ 147,564	\$ 147,564
Catawba's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	52.90%	28.24%	16.10%	24.41%	8.18%	(10.15%)	34.31%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amount 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.

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TOWN OF CATAWBA, NORTH CAROLINA
Town of Catawba's Contributions
Required Supplementary Information
Last Seven Fiscal Years

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 11,140	\$ 8,561	\$ 5,105	\$ 6,393	\$ 5,903	\$ 8,495	\$ 10,699
Contributions in relation to the contractually required contribution	<u>11,140</u>	<u>8,561</u>	<u>5,105</u>	<u>6,393</u>	<u>5,903</u>	<u>8,495</u>	<u>10,699</u>
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Catawba's covered-employee payroll	\$ 124,017	\$ 110,467	\$ 68,042	\$ 88,182	\$ 87,829	\$ 117,467	\$ 147,564
Contributions as a percentage of covered-employee payroll	8.95%	7.75%	7.50%	7.25%	6.72%	7.23%	7.25%

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TOWN OF CATAWBA, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 38,727	\$ 47,985	\$ 55,523	\$ 64,442
Service Cost	-	-	-	-
Interest on the total pension liability	1,217	1,349	1,939	2,112
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	281	326	355	-
Changes of assumptions or other inputs	153	(341)	760	(439)
Benefit payments	(10,592)	(10,592)	(10,592)	(10,592)
Other changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance of the total pension liability	\$ <u>29,786</u>	\$ <u>38,727</u>	\$ <u>47,985</u>	\$ <u>55,523</u>

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

TOWN OF CATAWBA, NORTH CAROLINA
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 29,786	\$ 38,727	\$ 47,985	\$ 55,523
Covered payroll	-	-	-	-
Total pension liability as a percentage of covered payroll	0%	0%	0%	0%

Notes to the schedules:

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

TOWN OF CATAWBA, NORTH CAROLINA
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 5,917	\$ 6,193	\$ 6,853
Interest	16,777	17,049	16,522
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(7,154)	(5,429)	(24,210)
Changes of assumptions and other inputs	(1,325)	(21,840)	(40,546)
Benefit payments	<u>(47,819)</u>	<u>(39,512)</u>	<u>(17,895)</u>
Net change in total OPEB liability	(33,604)	(43,539)	(59,276)
Total OPEB liability – beginning	<u>454,956</u>	<u>498,495</u>	<u>557,771</u>
Total OPEB liability – ending	<u>\$ 421,352</u>	<u>\$ 454,956</u>	<u>\$ 498,495</u>
Covered payroll	n/a	n/a	n/a
Total OPEB liability as a percentage of covered payroll	n/a	n/a	n/a

Notes to schedule:

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

<u>Fiscal year</u>	<u>Rate</u>
2020	3.50%
2019	3.89%
2018	3.56%

Governmental Activities Major Funds

General Fund – The General Fund is the main operating fund of the Town. This fund is used to account for all financial resources traditionally associated with governmental activities which are not required legally or by sound financial management to be accounted for in another fund.

General Fund Capital Reserve Fund – This fund is used to collect and reserve funds to distribute, when needed, to other funds for capital equipment acquisitions and construction projects.

TOWN OF CATAWBA, NORTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance
	\$	\$	Positive (Negative)
			\$
Revenues:			
Ad valorem taxes:			
Current year	362,464	408,235	45,771
Prior years	25,100	11,792	(13,308)
Penalties and interest	<u>4,000</u>	<u>3,403</u>	<u>(597)</u>
Total	<u>391,564</u>	<u>423,430</u>	<u>31,866</u>
Unrestricted intergovernmental:			
Local option sales tax	164,490	168,622	4,132
Telecommunications sales tax	11,350	8,391	(2,959)
Utility sales tax	40,026	40,836	810
Piped natural gas sales tax	274	178	(96)
Video franchise fee	3,626	3,265	(361)
Beer and wine tax	<u>2,642</u>	<u>2,611</u>	<u>(31)</u>
Total	<u>222,408</u>	<u>223,903</u>	<u>1,495</u>
Restricted intergovernmental:			
Powell Bill allocation	22,479	21,021	(1,458)
Investment earnings			
- Powell Bill		464	464
Solid waste disposal tax	<u>402</u>	<u>459</u>	<u>57</u>
Total	<u>22,881</u>	<u>21,944</u>	<u>(937)</u>
Permits and fees:			
Officer fees	500	1,634	1,134
Permits	<u>404</u>	<u>1,335</u>	<u>931</u>
Total	<u>904</u>	<u>2,969</u>	<u>2,065</u>
Sales and services:			
Rental income	600	10,200	9,600
Solid waste	50,580	52,842	2,262
Recreation department fees	<u>100</u>	<u>75</u>	<u>(25)</u>
Total	<u>51,280</u>	<u>63,117</u>	<u>11,837</u>
Investment earnings	<u>3,000</u>	<u>4,000</u>	<u>1,000</u>

TOWN OF CATAWBA, NORTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance
	\$	\$	Positive (Negative) \$
Miscellaneous:			
Donations	20,500	3,978	(16,522)
Downtown activities		8,149	8,149
Miscellaneous	<u>8,000</u>	<u>6,632</u>	<u>(1,368)</u>
Total	<u>28,500</u>	<u>18,759</u>	<u>(9,741)</u>
Total revenues	<u>720,537</u>	<u>758,122</u>	<u>37,585</u>
Expenditures:			
General government:			
Administration:			
Salaries and employee benefits	140,448	136,312	4,136
Contracted services	50,703	50,053	650
Professional services	21,000	20,428	572
Repairs and maintenance	4,000	2,597	1,403
Capital outlay	100,512	98,927	1,585
Economic	8,950	8,896	54
Utilities	10,327	8,282	2,045
Other operating expenditures	<u>40,382</u>	<u>31,161</u>	<u>9,221</u>
Total general government	<u>376,322</u>	<u>356,656</u>	<u>19,666</u>
Public safety:			
Police department:			
Salaries and employee benefits	47,862	46,841	1,021
Vehicles and equipment			
maintenance	18,113	17,368	745
Non capital outlay	4,809	3,940	869
Contracted services	5,500	5,255	245
Supplies	8,000	6,483	1,517
Other operating expenditures	<u>13,866</u>	<u>10,471</u>	<u>3,395</u>
Total	<u>98,150</u>	<u>90,358</u>	<u>7,792</u>

TOWN OF CATAWBA, NORTH CAROLINA**General Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance****Budget and Actual**

For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Fire department:			
Contracted services	77,489	77,488	1
Other operating expenditures	<u>2,424</u>	<u>2,179</u>	<u>245</u>
Total	<u>79,913</u>	<u>79,667</u>	<u>246</u>
Total public safety	<u>178,063</u>	<u>170,025</u>	<u>8,038</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	86,723	83,088	3,635
Vehicles and equipment			
maintenance	18,000	15,336	2,664
Street maintenance	50,756	977	49,779
Utilities – street lights	40,360	28,308	12,052
Capital outlay	1,000	29,600	(28,600)
Other operating expenditures	<u>17,900</u>	<u>13,811</u>	<u>4,089</u>
Total transportation	<u>214,739</u>	<u>171,120</u>	<u>43,619</u>
Environmental protection:			
Contacted services	35,200	35,128	72
Sanitation recycling	14,200	14,115	85
Other operating expenditures	<u>1,000</u>	<u>586</u>	<u>414</u>
Total environmental protection	<u>50,400</u>	<u>49,829</u>	<u>571</u>
Cultural and recreation:			
Veteran’s garden	35,200	29,863	5,337
Festival	3,000		3,000
Utilities – lights	2,700	2,602	98
Downtown activities	13,564	9,930	3,634
Capital outlay	16,000		16,000
Other operating expenditures	<u>1,425</u>	<u>228</u>	<u>1,197</u>
Total cultural and recreation	<u>71,889</u>	<u>42,623</u>	<u>29,266</u>
Total expenditures	<u>891,413</u>	<u>790,253</u>	<u>101,160</u>
Revenues over (under) expenditures	(<u>170,876</u>)	(<u>32,131</u>)	<u>138,745</u>

TOWN OF CATAWBA, NORTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance
	\$	\$	Positive (Negative) \$
Other financing sources (uses):			
Transfer to General Fund – Capital Reserve Fund	(6,500)	(6,500)	
Transfer from General Fund- Capital Reserve Fund	96,000	93,814	(2,186)
Proceeds from sale of capital assets	<u> </u>	<u>6,850</u>	<u>6,850</u>
Total other financing sources (uses)	<u>89,500</u>	<u>94,164</u>	<u>4,664</u>
Fund balance appropriated	<u>81,376</u>	<u> </u>	(<u>81,376</u>)
Net change in fund balance	<u> 0</u>	62,033	<u>62,033</u>
Fund balance, beginning		<u>850,515</u>	
Fund balance, ending		<u>912,548</u>	

TOWN OF CATAWBA, NORTH CAROLINA
Capital Projects Fund – General Fund Capital Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance
	\$	\$	Positive
			(Negative)
			\$
Revenues:			
Interest income	<u> </u>	<u> 4,811</u>	<u> 4,811</u>
Other financing sources (uses):			
Transfer from General Fund	6,500	6,500	
Transfer to General Fund	(<u>96,000</u>)	(<u>93,814</u>)	<u> 2,186</u>
Total other financing sources (uses)	(<u>89,500</u>)	(<u>87,314</u>)	<u> 2,186</u>
Fund balance appropriated	<u> 89,500</u>	<u> </u>	(<u> 89,500</u>)
Net change in fund balance	<u> 0</u>	(<u> 82,503</u>)	(<u> 82,503</u>)
Fund balance, beginning		<u> 426,462</u>	
Fund balance, ending		<u> 343,959</u>	

Other Schedules

This section contains additional information on property taxes.

* **Schedule of Ad Valorem Taxes Receivable**

* **Analysis of Current Tax Levy**

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TOWN OF CATAWBA, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019 \$	Additions \$	Collections \$	Discoveries Abatements Adjustments \$	Uncollected Balance June 30, 2020 \$
2019 - 2020		418,952	408,235	(1,362)	9,355
2018 - 2019	10,464		7,956		2,508
2017 - 2018	4,677		2,057		2,620
2016 - 2017	2,509		710		1,799
2015 - 2016	2,003		370	1	1,634
2014 - 2015	2,201		509		1,692
2013 - 2014	2,060		18	(18)	2,024
2012 - 2013	2,494		172	(55)	2,267
2011 - 2012	2,148			(11)	2,137
2010 - 2011	2,239			(57)	2,182
2009 - 2010	<u>1,743</u>			(<u>1,743</u>)	<u>0</u>
Total	<u>32,538</u>	<u>418,952</u>	<u>420,027</u>	(<u>3,245</u>)	28,218
Less, allowance for uncollectible ad valorem taxes receivable					(<u>16,457</u>)
Ad valorem taxes receivable – net					<u>11,761</u>
Reconciliation with revenues:					
Taxes - ad valorem - General Fund - current year					408,235
Taxes - ad valorem - General Fund - prior years					<u>11,792</u>
Total					<u>420,027</u>

TOWN OF CATAWBA, NORTH CAROLINA
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2020

	<u>Town Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u> \$	<u>Rate</u>	<u>Total Levy</u> \$	Property excluding Registered Motor Vehicles \$	Registered Motor Vehicles \$
Original Levy:					
Property tax at current year's rate	72,233,103	.58	418,952	376,617	42,335
Releases, refunds, additions and adjustments	(<u>234,828</u>)	.58	(<u>1,362</u>)	(<u>1,159</u>)	(<u>203</u>)
Total property valuation	<u>71,998,275</u>		417,590	375,458	42,132
Uncollected taxes at June 30, 2020			(<u>9,355</u>)	(<u>9,355</u>)	_____
Current year's taxes collected			<u>408,235</u>	<u>366,103</u>	<u>42,132</u>
Current levy collection percentage			<u>97.76%</u>	<u>97.51%</u>	<u>100.00%</u>

