
Town of Chocowinity

Chocowinity, North Carolina

Audit Report

June 30, 2020

TOWN OF CHOCOWINITY

CHOCOWINITY, NORTH CAROLINA

TOWN OFFICIALS

Mayor

James H Mobley Jr.

Town Commissioners

William J Albritton – Mayor Pro-Tem

Louise Furman

Nathaniel Williams

Casey Langley

Town Clerk

Joy McRoy



Town of Chocowinity, North Carolina
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June 30, 2020

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LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Member:

American Institute of Certified Public Accountants, NC Association of Certified Public Accountants
AICPA – Governmental Audit Quality Center

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Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds of Town of Chocowinity, North Carolina as of June 30, 2019, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 43 and 44, respectively, the 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 45 and 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Chocowinity, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Larry E. Carpenter, CPA, PA

Greenville, NC
January 20, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

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

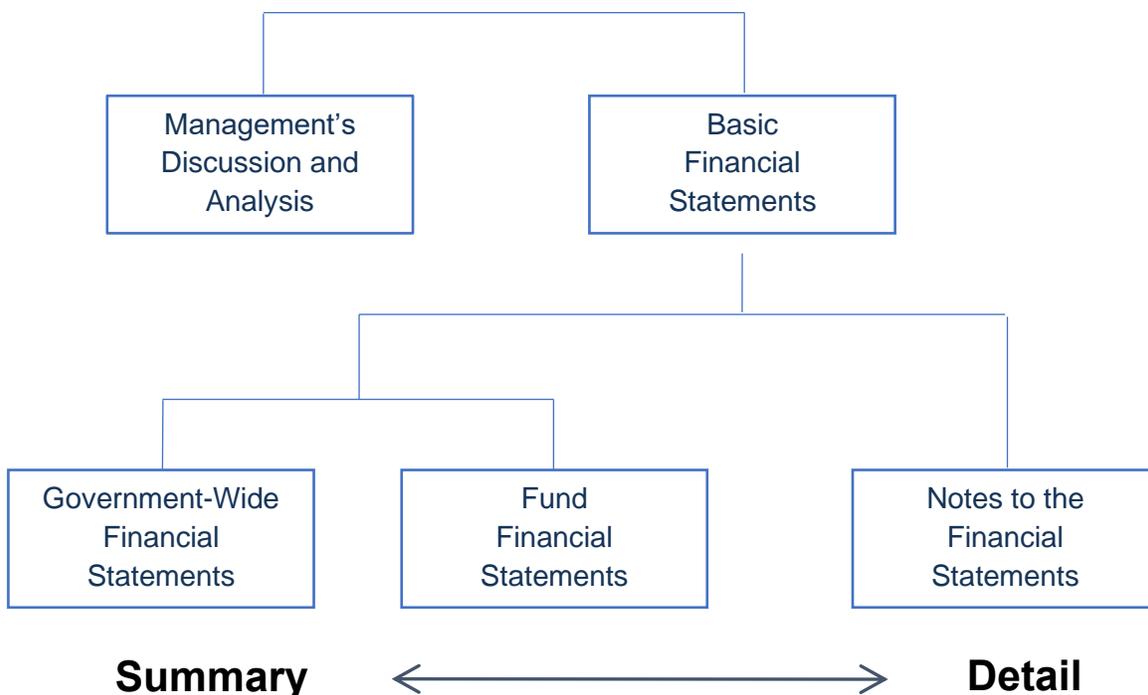
- The assets and deferred outflows of resources of the Town of Chocowinity exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,482,390 (*net position*).
- The government's total net position decreased by \$501,319 primarily due to a decrease in both the governmental and the business-type activities net position.
- As of the close of the current fiscal year, the Town of Chocowinity's governmental funds reported combined ending fund balances of \$127,617 with a net decrease of \$140,775 in fund balance. Approximately 41.47% percent of this total amount, or \$52,928, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$52,928, or 6.16% percent of total general fund expenditures for the fiscal year.
- At end of the current fiscal year, the Town had Restricted Reserves of \$7,900.
- The town's total debt decreased by \$98,000.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Chocowinity'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 Chocowinity.

Components of the Annual Financial Report

Figure 1:



Basic Financial Statements

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

The next statements (Exhibits A-3 through A-9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide financial statements

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

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

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

The government-wide financial statements are on Exhibits A-1 and A-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 Chocowinity, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Chocowinity can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds: Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between 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 Chocowinity adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Town Council; 2) the final budget as amended by the Town 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.

Proprietary Funds: Town of Chocowinity utilizes two types of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Chocowinity uses enterprise funds to account for its water and sewer operations. These

Management's Discussion and Analysis
Town of Chocowinity

funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town has one fiduciary fund which is an agency fund.

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 23 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 Chocowinity's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 43 of this report.

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

Town of Chocowinity's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 151,260	\$ 299,767	\$ 1,233,243	\$ 1,215,330	\$ 1,384,503	\$ 1,515,097
Pension assets						
Capital assets	871,406	941,014	9,539,312	9,954,232	10,410,718	10,895,246
Deferred outflows of resources	127,242	77,146	54,081	70,725	181,323	147,871
Total assets and deferred outflows of resources	1,149,908	1,317,927	10,826,636	11,240,287	11,976,544	12,558,214
Current liabilities	8,746	27,386	318,561	308,902	327,307	336,288
Noncurrent liabilities	247,664	256,622	87,330	95,732	334,994	352,354
Deferred inflows of resources	44,267	3,475	8,586	907	52,853	4,382
Total liabilities and deferred inflow of resources	300,677	287,483	414,477	405,541	715,154	693,024
Net investment in capital assets	871,406	941,014	4,658,312	4,975,232	5,529,718	5,916,246
Restricted	61,763	128,309	-	-	61,763	128,309
Unrestricted	(83,938)	(38,879)	974,847	978,033	890,909	939,154
Total net position	\$ 849,231	\$ 1,030,444	\$ 5,633,159	\$ 5,953,265	\$ 6,482,390	\$ 6,983,709

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Chocowinity exceeded liabilities by \$6,482,390 as of June 30, 2020. The Town's net position decreased by \$501,319 for the fiscal year ended June 30, 2020. However, the largest portion, \$5,529,718 or 85.30%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Chocowinity uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Chocowinity'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. An additional portion of the Town of Chocowinity's net position, \$53,863 or .06% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$890,909 or -9.42% is unrestricted.

Town of Chocowinity's Change in Net Position

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 24,852	\$ 23,329	\$ 1,530,063	\$ 1,374,450	\$ 1,553,392	\$ 1,397,779
Operating grants and contributions	26,537	26,750	-	-	26,750	26,750
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	358,362	332,158			332,158	332,158
Other taxes	313,264	4,098			4,098	4,098
Unrestricted intergovernmental	-	305,946			305,946	305,946
Investment earnings	49	50	-	2	50	52
Other	6,080	8,521	10,975	12,126	19,496	20,647
Total revenues	<u>729,144</u>	<u>700,852</u>	<u>1,541,038</u>	<u>1,386,578</u>	<u>2,241,890</u>	<u>2,087,430</u>
Expenses:						
General government	524,981	478,464			524,981	478,464
Public safety	261,367	251,275			261,367	251,275
Transportation	97,078	17,156			97,078	17,156
Economic and physical development	-	40,555			-	40,555
Environmental protection	-	-			-	-
Culture and recreation	26,931	14,031			26,931	14,031
Interest on long-term debt	-	-			-	-
Water and sewer			1,861,144	1,438,716	1,861,144	1,438,716
Total expenses	<u>910,357</u>	<u>801,481</u>	<u>1,861,144</u>	<u>1,438,716</u>	<u>2,771,501</u>	<u>2,240,197</u>
Increase in Net Position before transfers	(181,213)	(100,629)	(320,106)	(52,138)	(529,611)	(152,767)
Transfers	-	42,000	-	(42,000)	-	-
Increase (decrease) in Net Position	(181,213)	(58,629)	(320,106)	(94,138)	(501,319)	(152,767)
Net Position, July 1	1,030,444	1,089,073	5,953,265	6,047,403	6,983,709	7,136,476
Net Position, June 30	<u>\$ 849,231</u>	<u>\$ 1,030,444</u>	<u>\$ 5,633,159</u>	<u>\$ 5,953,265</u>	<u>\$ 6,482,390</u>	<u>\$ 6,983,709</u>

Governmental activities: Governmental activities decreased the Town net assets by \$181,213.

Business-type activities: Business-type activities decreased the Town of Chocowinity's net position by \$320,106, accounting for 1.77% of the total decay in the government's net assets.

Proprietary Funds. The Town of Chocowinity's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer at the end of the fiscal year amounted to \$5,633,159. The total decrease in net position was \$320,106.

Financial Analysis of the Town's Funds

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

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

*Management's Discussion and Analysis
Town of Chocowinity*

assessing the Town of Chocowinity's financing requirements.

The general fund is the chief operating fund of the Town of Chocowinity. At the end of the current fiscal year, the Town of Chocowinity's fund balance available in the General Fund was \$52,928, while total fund balance reached \$127,617. The Town currently has an available fund balance of 6.16% of general fund expenditures, while total fund balance represents 14.86% of the same amount.

At June 30, 2020, the governmental funds of the Town of Chocowinity reported a combined fund balance of \$127,617 with a net decrease in fund balance of \$140,775.

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Capital assets. The Town of Chocowinity's investment in capital assets for its governmental and business—type activities as of June 30, 2020, totaled \$10,410,420 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

**Town of Chocowinity's Capital Assets
(Net of Accumulated Depreciation)**

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 27,500	\$ 27,500	\$ 3,480	\$ 3,480	\$ 30,980	\$ 30,980
Buildings & systems	843,551	843,551	10,042,238	10,042,238	10,885,789	10,885,789
Equipment	182,859	182,859	406,855	319,671	589,714	502,530
Vehicles	245,984	245,984	181,097	181,097	427,081	427,081
Improvements	705,778	705,778	4,579,273	4,579,273	5,285,051	5,285,051
Infrastructure	91,880	91,880	-	-	91,880	91,880
Subtotal	2,097,552	2,097,552	15,212,942	15,125,758	17,310,495	17,223,311
Accumulated Depreciation	(1,226,145)	(1,156,538)	(5,673,930)	(5,171,825)	\$ (6,900,075)	(6,328,363.07)
	<u>\$ 871,407</u>	<u>\$ 941,014</u>	<u>\$ 9,539,013</u>	<u>\$ 9,953,933</u>	<u>\$ 10,410,420</u>	<u>\$ 10,894,948</u>

Long-term Debt. As of June 30, 2020, the Town had a total bonded debt outstanding of \$2,462,000 backed by full faith and credit of the Town. The Town's total debt did not increase during the current fiscal year. The Town's total debt decreased by \$98,000 due to the annual payment on principal.

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

**Town of Chocowinity
General Obligations and Loans**

Figure 5

	Business-Type Activities	
	2020	2019
General Obligation Bonds	\$ 2,162,000	\$ 2,214,000
USDA Loan	\$ 2,719,000	\$ 2,765,000
Total	\$ 4,881,000	\$ 4,979,000

Economic Factors and Next Year's Budget and Rates

The following key economic indicators reflect the general condition of the Town. The economic crisis of prior years' continues to contribute to the factors below:

- High unemployment, an aged population, no industrial development, and very little retail business help to create a situation where the Town's customer base is eroded. The resulting ratio of expense versus revenue creates a difficult situation in keeping rates and fees low while maintaining an adequate level of service. In addition, most residents are on fixed income.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Tax revenues along with other general fund revenues are expected to remain constant and no property tax rate increase is being considered at this time.

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

**Town Clerk
Town of Chocowinity
P. O. Box 145
Chocowinity, North Carolina 27817**

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Chocowinity, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 61,674	\$ 1,027,624	\$ 1,089,298
Taxes receivable, net	14,897	--	14,897
Accounts receivable, net	--	68,334	68,334
Due from other governments	53,863	--	53,863
Other receivable and assets	--	1,208	1,208
Prepaid Insurance	12,926	--	12,926
Restricted cash and cash equivalents	7,900	136,077	143,977
Total Current Assets	151,260	1,233,243	1,384,503
<i>Noncurrent Assets</i>			
Land and other nondepreciable assets	27,500	3,480	30,980
Other capital assets, net of depreciation	843,906	9,535,832	10,379,738
Total Assets	1,022,666	10,772,555	11,795,221
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	127,242	54,081	181,323
Total Deferred Outflows of Resources	127,242	54,081	181,323
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities	8,746	5,711	14,457
Customer deposits	--	136,077	136,077
Accrued interest payable	--	74,773	74,773
Current portion of long-term debt	--	102,000	102,000
Total Current Liabilities	8,746	318,561	327,307
<i>Noncurrent Liabilities</i>			
Due in more than one year	--	4,779,000	4,779,000
Net Pension Liability	247,664	87,330	334,994
Total Liabilities	256,410	5,184,891	5,441,301
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	44,267	8,586	52,853
Total Deferred Inflows of Resources	44,267	8,586	52,853
NET POSITION			
Net investment in capital assets	871,406	4,658,312	5,529,718
<i>Restricted for:</i>			
Streets	7,900	--	7,900
Stabilization by State Statue	53,863	--	53,863
<i>Unrestricted</i>	(83,938)	974,847	890,909
Total Net Position	\$ 849,231	\$ 5,633,159	\$ 6,482,390

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

Exhibit A-2

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities:							
General government	\$ 524,981	\$ 16,505	\$ --	\$ --	\$ (508,476)	\$ --	\$ (508,476)
Public safety	261,367	1,147	--	--	(260,220)	--	(260,220)
Cultural and recreational	26,931	7,200	--	--	(19,731)	--	(19,731)
Transportation	97,078	--	26,537	--	(70,541)	--	(70,541)
Total Governmental Activities	910,357	24,852	26,537	--	(858,968)	--	(858,968)
Business-type Activities:							
Water & Sewer	1,861,144	1,530,063	--	--	--	(331,081)	(331,081)
Total Business-type Activities	1,861,144	1,530,063	--	--	--	(331,081)	(331,081)
Total Primary Government	\$ 2,771,501	\$ 1,554,915	\$ 26,537	\$ --	\$ (858,968)	\$ (331,081)	\$ (1,190,049)
General Purpose Revenues and Transfers:							
Revenues							
					358,362	--	358,362
Ad valorem taxes					313,264	--	313,264
Unrestricted intergovernmental					6,080	10,975	17,055
Miscellaneous Income					49	--	49
Investment earnings					--	--	--
Transfers					677,755	10,975	688,730
Total General Revenues and Transfers					(181,213)	(320,106)	(501,319)
Change in Net Position					1,030,444	5,953,265	6,983,709
<i>Net Position at Beginning of Period</i>							
Net Position at End of Period					\$ 849,231	\$ 5,633,159	\$ 6,482,390

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

FUND FINANCIAL STATEMENTS

**Town of Chocowinity, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020**

	<u>Major Fund</u>
	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 61,674
Taxes receivable, net	14,897
Due from other governments	53,863
Prepaid Insurance	12,926
Restricted cash and cash equivalents	7,900
Total Assets	<u>151,260</u>
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Assets and Deferred Outflows of Resources	<u>\$ 151,260</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 8,746
Total Liabilities	<u>8,746</u>
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	14,897
Total Liabilities and Deferred Inflows of Resources	<u>23,643</u>
FUND BALANCE	
Nonspendable	
Prepays	12,926
Restricted	
Streets	7,900
Stabilization by State Statue	53,863
Unassigned	52,928
Total Fund Balance	<u>127,617</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 151,260</u>

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

Town of Chocowinity, North Carolina
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

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

Total Fund Balance - Governmental Funds	\$	127,617
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		871,406
Net Pension Liability		(154,795)
Long-term liabilities used in governmental activities are not financial uses and, therefore are not reported in the funds.		(92,869)
Deferred outflows of resources related to pensions are not reported in the funds		27,660
Deferred inflows of resources related to pensions are not reported in the funds		55,315
Earned revenues considered deferred inflows of resources in fund statements.		14,897
Total Net Position-Governmental Funds	\$	<u>849,231</u>

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

	Major Fund
	General Fund
Revenues	
Ad valorem taxes	\$ 347,454
Unrestricted intergovernmental	313,264
Restricted intergovernmental	26,537
Permits & fees	7,352
Charges for Sales & Services	7,200
Investment earnings	49
Miscellaneous Income	16,380
Total Revenues	718,236
Expenditures	
General government	480,798
Public safety	261,367
Transportation	90,680
Cultural and recreational	26,166
Total Expenditures	859,011
Excess of Revenues Over	
(Under) Expenditures	(140,775)
<i>Fund Balance at Beginning of Period</i>	<i>268,392</i>
Fund Balance at End of Period	\$ 127,617

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

**Town of Chocowinity, North Carolina
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2020**

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

Total Net Change in Fund Balances - Governmental Funds	\$	(140,775)
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 outlays exceeded depreciation in the current period.		(69,608)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		10,908
Pension expense		18,262
Changes in Net Position-Governmental Funds	\$	<u>(181,213)</u>

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

Exhibit A-7

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

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Ad valorem taxes	\$ 363,000	\$ 368,425	\$ 347,454	\$ (20,971)
Unrestricted intergovernmental	316,000	327,000	313,264	(13,736)
Restricted intergovernmental	50,475	50,475	26,537	(23,938)
Permits and fees	4,500	5,900	7,352	1,452
Charges for Sales & Services	7,200	7,200	7,200	--
Investment Earnings	25	25	49	24
Miscellaneous Income	25,450	26,250	16,380	(9,870)
Total Revenues	766,650	785,275	718,236	(67,039)
Expenditures				
General government	431,950	445,575	480,798	(35,223)
Public safety	266,400	262,750	261,367	1,383
Transportation	50,500	50,500	90,680	(40,180)
Cultural and recreational	17,800	26,450	26,166	284
Total Expenditures	766,650	785,275	859,011	(73,736)
Other Financing Uses				
Total Expenditures and Other Financing Uses	766,650	785,275	859,011	(73,736)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	--	(140,775)	(140,775)
Net Change in Fund Balance	\$ --	\$ --	(140,775)	\$ (140,775)
<i>Fund Balance at Beginning of Period</i>			268,392	
Fund Balance at End of Period			\$ 127,617	

The accompanying notes are an integral part of the financial statements.

Town of Chocowinity, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-type Activities -
	Water and Sewer Fund
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 1,027,624
Accounts receivable, net	68,334
Other receivable and assets	1,208
Restricted cash and cash equivalents	136,077
Total Current Assets	1,233,243
<i>Noncurrent Assets</i>	
Land and other nondepreciable assets	3,480
Other capital assets, net of depreciation	9,535,832
Total Assets	10,772,555
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	54,081
Total Deferred Outflows of Resources	54,081
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable and accrued liabilities	5,711
Customer deposits	136,077
Accrued interest payable	74,773
Current portion of long-term debt	102,000
Total Current Liabilities	318,561
<i>Noncurrent Liabilities</i>	
Due in more than one year	4,779,000
Net Pension Liability	87,330
Total Liabilities	5,184,891
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	8,586
Total Deferred Inflows of Resources	8,586
NET POSITION	
Net investment in capital assets	4,658,312
<i>Unrestricted</i>	974,847
Total Net Position	\$ 5,633,159

The accompanying notes are an integral part of the financial statements.

Town of Chocowinity, North Carolina
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Business-type Activities -
	Water and Sewer Fund
Operating Revenues	
Charges for Sales & Services	\$ 1,530,063
Miscellaneous Income	10,975
Total Operating Revenues	1,541,038
Operating Expenses	
Water and sewer operations	1,179,340
Depreciation	502,104
Total Operating Expenses	1,681,444
Operating Income (Loss)	(140,406)
Non-Operating Revenues (Expenses)	
Interest and other charges	(179,700)
Net Non-Operating Revenues (Expenses)	(179,700)
Change In Net Position	(320,106)
<i>Net Position at Beginning of Period</i>	5,953,265
Net Position at End of Period	\$ 5,633,159

The accompanying notes are an integral part of the financial statements.

Town of Chocowinity, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds
	Water & Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,529,016
Cash paid for goods and services	(880,426)
Cash paid to/on behalf of employees	(279,328)
Customer deposits (net)	2,261
Other operating revenue	10,975
Net cash provided (used) by operating activities	382,498
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(87,184)
Principal repaid on long-term debt	(98,000)
Interest paid on long-term debt	(179,700)
Net cash provided (used) by capital and related financing activities	(364,884)
Cash Flows from Investing Activities:	
Investment income received	-
Net increase (decrease) in cash and cash equivalents	17,614
Cash and Cash Equivalents - Beginning of Year	1,146,087
Cash and Cash Equivalents - End of Year	\$ 1,163,701
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (140,406)
Depreciation	502,104
Change in assets and liabilities:	
(Increase) decrease in accounts receivables	428
Increase (decrease) in accounts payable and accrued liabilities	(4,663)
Increase (decrease) in accrued interest payable	1,265
Increase (decrease) in customer deposits	(2,261)
(Increase) decrease in net pension liabilities	8,402
Increase (decrease) in deferred outflows of resources for pensions	9,950
(Increase) decrease in deferred inflows of resources for pensions	7,679
Net cash provided (used) by operating activities	\$ 382,498

The accompanying notes are an integral part of the financial statements.

**Town of Chocowinity, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020**

	<u>Agency</u>	
	<u>Fire District</u>	
ASSETS		
Cash and cash equivalents	\$ 744,284	
<i>Total Assets</i>	744,284	
DEFERRED OUTFLOWS OF RESOURCES		
Aggregated deferred outflows	--	
<i>Total Deferred Outflows of Resources</i>	--	
LIABILITIES		
<i>Total Liabilities</i>	--	
DEFERRED INFLOWS OF RESOURCES		
Aggregated deferred inflows	--	
<i>Total Deferred Inflows of Resources</i>	--	
NET POSITION		
Held in Trust	\$ 744,284	

The accompanying notes are an integral part of the financial statements.

Notes To The Financial Statements

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category — governmental and proprietary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

Governmental Funds. Governmental funds are those used to account for the Town's expendable financial resources and related liabilities (except those accounted for in proprietary or agency funds).

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

The following are the Town's governmental fund types:

General Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major fund for fund financial statement reporting purposes.

The Town reports the following major enterprise fund:

Enterprise Funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewer Fund is the only enterprise fund of the Town.

The Town reports the following fund type:

Agency Fund. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the Town holds on behalf of others. The Town maintains the following agency fund: Fire District.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2015, 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, 2015 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the special revenue funds, and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. The Town Manager has the authority to amend appropriations within departments. All other amendments must be approved by the governing board.

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)], authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening local streets per G.S. 136-41.1 through 136-41.4. Customer deposits are classified as restricted cash because they must be returned to the customer at the conclusion of service.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2016. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

6. Inventory & Prepaid Items

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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>
Buildings	40
Infrastructure	30
Furniture and equipment	5-10
Vehicles	5
Computer Equipment	3
Computer Software	5
Improvements	15-25

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category—property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. *Compensated Absences*

The vacation policies of the Town is based on years of employment, but cannot be accumulated from year to year. Therefore, no expenditure or liability has been reported. The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. *Net Position/Fund Balances*

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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 — portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

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

Committed Fund Balance — portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Chocowinity'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 otherwise revise the limitation.

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

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

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

12. Pensions

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

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

NOTE II—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

NONE

2. Contractual Violations

NONE

3. Deficit in Fund Balance or Net Position of Individual Funds

NONE

4. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2020, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for the following functions: General Government, and Transportation by \$35,223 and \$40,180 respectively. These over expenditures occurred due increase in labor, material and other costs. Management and the Board will take these items into consideration and will more closely review the budget reports to ensure compliance in future years.

NOTE III—DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

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

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

At June 30, 2020, the Town's deposits had a carrying amount of \$1,233,207 and a bank balance of \$1,153,299. Of the bank balance \$278,690 was not covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. All of the bank balance was covered by federal depository insurance. The Town's petty cash balance was \$68.

2. Receivables — Allowance for Doubtful Accounts

The amount presented in the Balance Sheet and the Statement of Net Position are net of the following allowance for doubtful accounts:

General Fund:	
Taxes receivable	\$ 5,000
Accounts receivable	-
Total	<u>5,000</u>
Enterprise Fund:	
Customer receivables	-
Other receivables	-
Total	<u>-</u>
Grand Total	<u>\$ 5,000</u>

Capital Assets
Primary Government

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 27,500	\$ -	\$ -	\$ 27,500
Total capital assets not being depreciated	<u>27,500</u>	<u>-</u>	<u>-</u>	<u>27,500</u>
Capital assets being depreciated:				
Buildings	843,551	-	-	843,551
Equipment	182,859	-	-	182,859
Vehicles	245,984	-	-	245,984
Improvements	705,778	-	-	705,778
Infrastructure	91,880	-	-	91,880
Total capital assets being depreciated	<u>2,070,052</u>	<u>-</u>	<u>-</u>	<u>2,070,052</u>
Less accumulated depreciation for:				
Buildings	666,582	21,089	-	687,671
Equipment	155,315	5,201	-	160,516
Vehicles	229,993	5,436	-	235,428
Improvements	88,222	35,289	-	123,511
Infrastructure	16,427	2,593	-	19,020
Total accumulated depreciation	<u>1,156,538</u>	<u>\$ 69,608</u>	<u>\$ -</u>	<u>1,226,145</u>
Total capital assets being depreciated, net	<u>913,514</u>			<u>843,907</u>
Governmental activity capital assets, net	<u>\$ 941,014</u>			<u>\$ 871,407</u>

General Fund Capital Assets

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

Governmental Activities:	
General Government	\$ 62,445
Culture and Recreation	765
Streets	6,398
Total	<u>\$ 69,608</u>

Enterprise Fund

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

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

Water and Sewer Fund Capital Assets

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 3,480	\$ -	\$ -	\$ 3,480
Total capital assets not being depreciated	<u>3,480</u>	<u>-</u>	<u>-</u>	<u>3,480</u>
Capital assets being depreciated:				
Buildings and systems	10,042,238	-	-	10,042,238
Equipment	319,671	87,184	-	406,855
Improvements	4,579,273	-	-	4,579,273
Vehicles	181,097	-	-	181,097
Total capital assets being depreciated	<u>15,122,278</u>	<u>87,184</u>	<u>-</u>	<u>15,209,462</u>
Less accumulated depreciation for:				
Buildings and systems	4,249,542	251,369	-	4,500,911
Equipment	192,171	19,157	-	211,328
Improvements	559,071	228,318	-	787,388
Vehicles	171,041	3,261	-	174,302
Total accumulated depreciation	<u>5,171,825</u>	<u>\$ 502,104</u>	<u>\$ -</u>	<u>5,673,930</u>
Total capital assets being depreciated, net	<u>9,950,453</u>			<u>9,535,533</u>
Business-type activity capital assets, net	<u>\$ 9,953,933</u>			<u>9,539,013</u>

B. Liabilities

1. Pension Plan Obligations

- a. Local Governmental Employees' Retirement System

Plan Description

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

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

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 Chocowinity 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 Chocowinity's contractually required contribution rate for the year ended June 30, 2020, was 7.41% of compensation for law enforcement officers and 7.07% 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 Chocowinity were \$42,946 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 \$172,048 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.00630%, which was an decrease of 0.00165% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020 the Town recognized pension expense of \$74,311. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,459	\$ -
Changes of assumptions	28,041	
Net difference between projected and actual earnings on pension plan investments	4,197	
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,902	16,916
Employer contributions subsequent to the measurement date	42,946	
Total	\$ 106,545	\$ 16,916

\$106,545 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase 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	27,048
2021	5,759
2022	13,203
2023	673
2024	-
Thereafter	-
	\$ 46,683

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	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 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 returns projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.00%	2.5
Global Equity	40.50%	6.1
Real Estate	8.00%	5.7
Alternative	6.50%	10.5
Credit	4.50%	6.8
Inflation Protection	4.50%	3.7
Total	<u>100.00%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 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-

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 393,505	\$ 172,048	\$ (12,028)

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

1. Plan Description.

The Town of Chocowinity administers a public employee retirement system (the "Separation Allowance"), which is a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of GS Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees receiving benefits	2
Active plan members	<u>2</u>
Total	<u>4</u>

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

2. *Summary of Significant Accounting Policies:*

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

3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 Percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 Percent

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-Year Municipal Bond Index as of December 31, 2019.

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

4. *Contributions.*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$8,537 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

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

At June 30, 2020, the Town reported a total pension liability of \$162,946. The total pension liability was measured as of December 31, 2019 based on a December 31, 2017 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 \$17,643.

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$ 71,069	\$ 33,812
Changes of assumptions	3,709	2,125
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 74,778	\$ 35,937

\$74,778 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 13,039
2022	13,478
2023	12,324
2024	-
2025	-
Thereafter	-

\$21,090 paid as benefits came due and \$100 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 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total Pension Liability	\$ 171,263	\$ 162,946	\$ 155,230

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Town of Chocowinity, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	2020
Beginning Balance	\$ 78,159
Service Cost	2,143
Interest on total pension liability	2,461
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	98,273
Changes in assumptions or other inputs	3,000
Benefit payments	(21,090)
Other changes	-
Ending balance of total pension liability	\$ 162,946

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:

	LEGERS	LEOSSA	Total
Pension expense	\$ 74,311	\$ 17,643	\$ 91,954
Pension liability	172,048	162,946	334,994
Proportionate share of the net pension liability	0.00000%	N/A	
Deferred of Outflows of Resources			
Differences between expected and actual experience	28,459	98,273	126,732
Changes of assumptions	28,041	3,000	31,041
Net difference between projected and actual earnings on plan investments	4,197	-	4,197
Changes in proportion and differences between contributions and proportionate share of contributions	1,902	-	1,902
Benefit payments and administrative costs paid subsequent to the measurement date	-	(21,090)	(21,090)
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	16,916		16,916

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provide retirement benefit to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

d. Other Post-Employment Benefits

The Town does not provide other post-employment benefits.

e. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Trust Plan for Members of the Local Governmental Employees' Retirement System (Death Trust Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. Employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to his/her death, but the benefit may not be less than \$25,000 and no more than \$50,000. All death benefit payments are made from the Death Trust Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Trust Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Trust Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

The town has several inflows/outflows of resources:

Source	Amount
<i>Deferred outflows of resources is comprised of the following:</i>	
Differences between expected and actual experience	\$ 100,528
Changes of assumptions	31,750
Net difference between projected and actual earnings on pension plan investments	4,197
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,902
Contributions to pension plan in current fiscal year	42,946
Total	\$ 181,323

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes Receivable less penalties (General Fund)	-	14,897
Changes in assumptions	2,125	-
Differences between expected and actual experience	33,812	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	16,916	-
Total	\$ 52,853	\$ 14,897

3. Fund Balance

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

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

Total Fund Balance-General Fund	\$ 127,617
Less:	
Stabilization by State Statute	53,863
Streets-Powell Bill	7,900
Prepaid Expenses	12,926
Working Capital / Fund Balance Policy	
Remaining Fund Balance	52,928

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical and dental claims for employees, retirees, and dependents. 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 years.

The Town carries commercial coverage for all other risks of loss. The Town does not carry flood insurance and the risk of flooding is minimal.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The town officials that have

access to funds are bonded under a blanket bond for \$16,000. The finance officer is individually bonded for \$50,000.

5. Long-Term Obligations

The Town records long-term debt of the governmental funds at face value in the government-wide statement of Net Position. All general obligation bonds serviced by the Town's general fund are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest payments are appropriated when due

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

Changes in Long-Term Debt:

a. Governmental Activities

The following is a summary of charges in the Town's Governmental activities in long-term debt:

	Beginning Balances	Additions	Retirements	Ending Balances
Net pension liability (LGERS)	92,869	-	8,151	84,718
Total pension liability (LEO)	78,159	84,787	-	162,946
Total	<u>\$ 171,028</u>	<u>\$ 84,787</u>	<u>\$ 8,151</u>	<u>\$ 247,664</u>

b. Business-Type Activities

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

The following is a summary of changes in the Town's business-type activities in long term debt:

	Beginning Balances	Additions	Retirements	Ending Balances	Current Maturities
General obligation bonds	\$ 2,214,000	\$ -	\$ 52,000	2,162,000	\$ 55,000
USDA Loan	2,765,000	-	46,000	2,719,000	47,000
Net pension liability	95,732	-	8,402	87,330	-
Total	<u>\$ 5,074,732</u>	<u>\$ -</u>	<u>\$ 106,402</u>	<u>\$ 4,968,330</u>	<u>\$ 102,000</u>

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

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

Year Ending June 30,	Principal	Interest
2021	\$ 55,000	\$ 102,695
2022	57,000	100,083
2023	60,000	97,375
2024	63,000	94,525
2025	66,000	91,533
2026-2030	379,000	407,645
2031-2035	477,000	308,703
2036-2040	557,000	186,058
2041-2044	448,000	53,200
	\$ 2,162,000	\$ 1,441,816

General Obligation Bonds

Serviced by the Water and Sewer Fund:

General Obligation Bonds

\$2,709,000 Water series (2004) USDA due in annual installments of \$28,000 to \$112,000 through June 1, 2044, with interest at 4.75%

2,162,000

Total General Obligation Bonds

\$ 2,162,000

Revenue Bond

\$2,896,000 USDA loan issued September 18, 2014 to finance new sewer improvement project. Due in one annual installment on September 17, 2015; Interest at 2.75%.

\$ 2,719,000

Town of Chocowinity, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

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

Year Ending June 30,	Business Type Activities	
	Principal	Interest
2021	\$ 47,000	\$ 74,773
2022	49,000	73,480
2023	50,000	72,133
2024	51,000	70,758
2025	53,000	69,355
2026-2030	-	-
2031-2035	-	-
2036-2040	-	-
2041-2055	-	-
	\$ 250,000	\$ 360,498

The Town has pledge future water and sewer customer revenues, net of specified operating expenses, to repay \$2,896,000 bonds issued in September 2015. Proceeds from the bonds provided financing for various improvements to the Town's sanitary sewer system, including an upgrade and expansion of the Town's wastewater treatment plant. The bonds are payable solely from water and sewer customers net revenues and payable through 2055. Annual principal and interest on the bonds are expected to require less than 110% of net revenues. The total principal and interest remaining to be paid on the bond is \$3,603,816. Principal and interest paid for the current year and total customer net revenues were \$52,000 and \$104,928, respectfully.

NOTE IV —SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE V —SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 20, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

**Town of Chocowinity, North Carolina
 Proportiate Share of Net Pension Liability (Assets)
 Required Supplementary Information
 Last Seven Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset) (%)	0.00630%	0.00795%	0.00687%	0.00656%	0.00620%	0.00567%	0.00500%
Proportion of the net pension liability (asset) (\$)	\$ 172,048	\$ 188,601	\$ 104,955	\$ 139,225	\$ 27,825	\$ 24,114	\$ 60,269
Covered-employee payroll	\$ 393,915	\$ 422,088	\$ 372,082	\$ 366,076	\$ 303,070	\$ 289,229	\$ 482,152
Proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	43.68%	44.68%	28.21%	38.03%	9.18%	8.34%	12.50%
Plan fiduciary net positon as a percentage of the total pension liability	91.63%	94.58%	94.18%	91.47%	98.09%	102.64%	94.35%

Town of Chocowinity, North Carolina
Town of Chocowinity Contributions
Require 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 contributions	\$ 42,946	\$ 30,537	\$ 32,561	\$ 27,778	\$ 27,825	\$ 28,034	\$ 24,444
Contributions in relation to the contractually required contributions	<u>42,946</u>	<u>30,537</u>	<u>32,561</u>	<u>27,778</u>	<u>27,825</u>	<u>28,034</u>	<u>24,444</u>
Contributions deficiency (excess)	<u>\$ -</u>						
Covered-employee payroll	436,435	393,915	422,088	372,082	366,076	303,070	289,229
Contributions as a percentage of covered-employee payroll	9.84%	7.75%	7.71%	7.47%	7.60%	9.25%	8.45%

The accompanying notes are an integral part of the financial statements.

Schedule 3

Town of Chocowinity, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	<u>2020</u>
Beginning Balance	\$ 78,159
Service Cost	2,143
Interest on total pension liability	2,461
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	98,273
Changes in assumptions or other inputs	3,000
Benefit payments	(21,090)
Other changes	-
Ending balance of total pension liability	<u>\$ 162,946</u>

Town of Chocowinity, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

Total pension liability	\$	162,946
Covered payroll		82,015
Total pension liability as a percentage of covered payroll		198.68%

Notes to schedules:

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

INDIVIDUAL FUND STATEMENTS AND SCHEDULE

Town of Chocowinity, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad Valorem Taxes			
Taxes	\$ -	\$ 345,174	\$ -
Interest and penalties		2,280	
Total	<u>368,425</u>	<u>347,454</u>	<u>(20,971)</u>
 Unrestricted Intergovernmental Revenues			
Local option sales tax		243,814	
Utility franchise tax		65,910	
Beer & wine tax		3,540	
Total	<u>327,000</u>	<u>313,264</u>	<u>(13,736)</u>
 Restricted Intergovernmental Revenues			
Powell Bill allocation		26,537	
Total	<u>50,475</u>	<u>26,537</u>	<u>(23,938)</u>
 Permits and Fees			
Permits and fees		7,352	
Total	<u>5,900</u>	<u>7,352</u>	<u>1,452</u>
 Sales and Services			
Other		7,200	
Total	<u>7,200</u>	<u>7,200</u>	<u>-</u>

**Town of Chocowinity, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Investment Earnings			
Interest		49	
Total	25	49	24
Other Revenues			
Miscellaneous		16,380	
Total	26,250	16,380	(9,870)
Total Revenue	\$ 785,275	\$ 718,236	(67,039)
Expenditures			
General Government			
Governing board fees and benefits		\$ 14,560	
Operating expenses		3,960	
Total		18,520	
Administration			
Salaries and benefits		161,322	
Professional services		29,643	
Dues & subscriptions		2,173	
Telephone		11,625	
Utilities		81,333	
Insurance & bonds		31,012	
Tax collection fees		6,641	
Repairs & maintenance		103,362	
Supplies		18,591	
Other operating expenses		16,576	
Total		462,278	
Total General Government	445,575	480,798	(35,223)

**Town of Chocowinity, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety			
Salaries and benefits		196,228	
Supplies		15,287	
Auto		7,344	
Lease		17,780	
Repairs & maintenance		1,985	
Utilities		8,762	
Telephone		5,680	
Other operating expenses		8,301	
Total	<u>262,750</u>	<u>261,367</u>	<u>1,383</u>
Transportation			
Street maintenance		90,680	
Total	<u>50,500</u>	<u>90,680</u>	<u>(40,180)</u>
Economic and Physical Development			
Administration		-	
Total	<u>-</u>	<u>-</u>	<u>-</u>
Cultural and Recreational			
Recreation		26,166	
Total	<u>26,450</u>	<u>26,166</u>	<u>284</u>
Total Expenditures	<u>785,275</u>	<u>859,011</u>	<u>(73,736)</u>
Revenue over (under) expenditures	<u>-</u>	<u>(140,775)</u>	<u>(140,775)</u>
Net change in fund balance	<u>\$ -</u>	<u>(140,775)</u>	<u>\$ (140,775)</u>
Fund balance - July 1		263,392	
Fund balance - June 30		<u>\$ 122,617</u>	

Town of Chocowinity, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating Revenue			
Net sales from water operations		\$ 564,319	
Net sales from sewer operations		931,894	
Other revenue		10,975	
Tap Fees		33,850	
Total revenues	<u>\$ 1,572,200</u>	<u>1,541,038</u>	<u>\$ (31,162)</u>
Expenditures			
Water and sewer operations			
Salaries and benefits		295,421	
Insurance		83,500	
Professional services		122,245	
Telephone		6,752	
Postage		5,832	
Office supplies		25,182	
Repairs and maintenance		108,470	
Supplies		107,281	
Utilities		51,958	
Sewer services		330,566	
Vehicle expense		8,886	
Chemicals		18,316	
Other operating expenditures		14,931	
Total	<u>1,202,985</u>	<u>1,179,340</u>	<u>23,645</u>

**Schedule 6
Continued**

**Town of Chocowinity, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt services			
Interest and other charges		179,700	
Principal retirement		98,000	
Total	<u>279,215</u>	<u>277,700</u>	<u>1,515</u>
Capital outlay:			
Equipment		87,184	
Total	<u>90,000</u>	<u>87,184</u>	<u>2,816</u>
Total expenditures	<u>1,572,200</u>	<u>1,544,224</u>	<u>27,976</u>
Revenues over (under) expenditures	<u>-</u>	<u>(3,186)</u>	<u>(3,186)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(3,186)</u>	<u>\$ (3,186)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		98,000	
Capital outlay		87,184	
Depreciation		(502,104)	
Increase in deferred outflows of resources - pension		11,433	
Decrease in deferred inflows of resources - pensions		6,530	
Increase in net pension liabilities		(34,056)	
Pension expense		16,093	
Total reconciling items		<u>(316,920)</u>	
Changes in Net Position, GAAP basis		<u>\$ (320,106)</u>	

Town of Chocowinity
Agency Fund
Fire District
Statement of Changes in Assets and Liabilities
For Year Ended June 30, 2020

<u>Fire District</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Assets				
Cash and cash equivalents	\$ 731,238	\$ 13,046	\$ -	\$ 744,284
Liabilities				
Intergovernmental payable	\$ -	\$ -	\$ -	\$ -

OTHER SCHEDULES

Town of Chocowinity, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 367,907	\$ 352,405	\$ 15,502
2018-2019	4,198	-	3,322	876
2017-2018	2,103	-	1,074	1,029
2016-2017	28	251	-	279
2015-2016	41	-	1	40
2014-2015	97	-	4	93
2013-2014	726	-	47	679
2012-2013	509	-	8	501
2011-2012	405	-	6	399
2010-2011	514	-	15	499
	<u>\$ 8,621</u>	<u>\$ 368,158</u>	<u>\$ 356,882</u>	<u>19,897</u>

Less:

Allowance for uncollectible accounts	5,000
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Ad valorem taxes receivable - net	\$ 14,897
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Reconciliation with Revenues:

Ad Valorem Tax - General Fund	\$ 347,454
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Reconciling items:

Interest collected	(2,928)
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Taxes written off and adjustments	12,356
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Total Collections and Credits	\$ 356,882
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Town of Chocowinity, North Carolina
General Fund
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2020

	Property Valuation	Rate per \$100	Total Levy	Total Levy Property Excluding Registered Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax at current year's tax rate					
Net Valuation	<u>\$77,291,387</u>	0.476	367,907	340,715	27,192
Net levy			\$ 367,907	\$ 340,715	\$ 27,192
Less uncollected taxes at June 30, 2020			<u>15,502</u>	<u>15,502</u>	<u>-</u>
Current year's taxes collected			<u>\$ 352,405</u>	<u>\$ 325,213</u>	<u>\$ 27,192</u>
Current levy collection percentage			<u>95.79%</u>	<u>95.45%</u>	<u>100.00%</u>

